

## TRIPLEARC PLC

## Preliminary results for the year ended 31 December 2007

TripleArc Plc ("TripleArc", the "Company" or the "Group") provides technology enhanced Business Process Outsourcing ("BPO") services to companies seeking to reduce their printed and corporate communication costs. The Group is able to differentiate its offering by providing its customers with consultative account management, extended owned or outsourced services and industry leading technology solutions, which streamline the supply chain and facilitate sustainable cost savings within long-term contracts.

## CONTINUING BUSINESS SUMMARY

	Year ended 31 December 2007**	Year ended 31 December 2006**
Turnover	£45.1m	£43.8m
Gross profit	£13.7m	£13.9m
EBITA*	£2.6m	£2.5m
Cash generated by operations	£3.1m	£3.2m
Net Debt	£13.6m	£14.9m

\*EBITA - Earnings before interest, tax, amortisation, exceptional costs, share option expense and loss on disposal of subsidiary undertaking.

\*\* Audited figures

## HIGHLIGHTS

- Offer for the entire share capital of the Company expected to be announced imminently
- Turnover up 3% on prior year despite hardening market conditions
- EBITA and operating cash flow generation in line with prior year
- Good progress made in delivery of the Group's strategy to become a full business communication outsource provider
- Operational improvement programme fully launched throughout the business
- Operational execution of the strategy enhanced with the appointment of Group Operations Officer
- Net debt reduced from £14.9m at 31 December 2006 to £13.6m at 31 December 2007

## Richard Atkins, Chairman commented:

"The Group continued to work hard to deliver its core strategy of providing technologically enhanced print management and business communication solutions and has made good progress in 2007. This has been strengthened by the launch of the operational improvement programme throughout the business.

The Group had a solid year of new contract wins and made good progress on further debt repayments. It now has a platform for the continued successful development of its full BPO offering. This has been given further impetus by the recruitment of a new business development team.

**TRIPLEARC PLC**

The Board has become increasingly aware, however, that the ability of the Group to take full advantage of a growing market is hampered by the profile of its banking commitments which mean that it is not able to invest in strategic opportunities as they present themselves. This has already resulted in the Group having to walk away from potential areas of growth that would have provided secure long term profitable revenue in exchange for up front investment.

In light of this the Board has entered into negotiations regarding an offer for the entire share capital of the Company further details of which will be the subject of a separate announcement."

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## Chairman's review

### Year ended 31 December 2007

The Group has made good progress on delivering its core strategy of providing Business Process Outsourcing ("BPO") services to companies seeking to reduce their printed and corporate communication costs. This re-engineering process has been strengthened by the launch, throughout the business, of the operational improvement programme that is aimed at delivering the levels of customer service and consultative and account management that is required to underpin the Group's full BPO offering.

On 3<sup>rd</sup> August 2007 the Company announced the appointment of Daniel Emerson to the TripleArc plc Board in the role of Group Operations Officer with his primary area of focus being the operational delivery of this improvement programme.

Having previously announced that revenue from many of our core customers was adversely affected by corporate activity within those customers and the hardening market conditions, it is good to be reporting a modest increase in revenue of 3%.

In 2007, six new long-term contracts were signed with new customers including Citroën, the Royal Institution of Chartered Surveyors, The Countess of Chester NHS Trust and Setanta. The Group has also been awarded two framework agreements, including one with the Office of Government Commerce to provide print services. Each of these contracts/frameworks have annualised turnover of between £0.3m and £2.0m and we expect to see the full impact from these contracts in 2008.

In the period, the Group also extended two existing contracts with General Healthcare Group and BOC for a further three and two years respectively. Both these extensions will see the Group providing an increased range of products and services.

Whilst the Group experienced no significant contract losses in the period, it has continued to experience a decline in its non-contracted revenue base where customers are provided with ad hoc 'traditional' print brokering services. This decline was expected and the Group remains focused on migrating these customers onto a contracted basis for the provision of the Group's services and solutions.

This focus on delivering sustainable long-term revenues has meant that the Group's contracted revenues accounted for 63% of revenue in 2007 (2006: 53%). This growth in its annuity revenue base gives the Group a solid customer base that can be targeted with additional services and products. Our new business drive has been given further impetus by the recruitment of a new business development director and a new business development team.

On the 23<sup>rd</sup> May 2007 the Company announced that with effect from 21st May 2007, Peter Ryding had been appointed as an independent non-executive Director of the TripleArc Board. Peter is also a member of the audit and remuneration committees of the TripleArc Board. Shane Greenan resigned as a non-executive director of the TripleArc Board in July 2007 to emigrate to Australia.

In addition to the progress achieved in delivering on the core strategy, I am also pleased that the Group has achieved a further reduction in net debt, made possible through sustained positive levels of operating cash generation.

The Board will continue to assess the Groups financing options to ensure that the Group has adequate working capital resources to full take advantage of the growing demand for business process outsourcing.

Richard Atkins

## *TRIPLEARC PLC*

Chairman  
TripleArc Plc  
16th April 2008

### **Chief Executive's review**

#### **Year ended 31 December 2007**

TripleArc Plc provides Business Process Outsourcing ("BPO") services to companies seeking to reduce costs for printed and corporate communication.

Printed communication is a major element of many companies operating costs and the procurement of print is complex, fragmented and costly. As a result, customers with a large print spend will almost certainly be able to save money from an outsourced print management solution.

Businesses are looking to reduce headcount and external spend as well as maximising the effectiveness of their corporate messages. A corporate message can be embodied in many forms of communication including brochures, direct mail, point of sale materials, emails, report and accounts, and customer statements. More channels are becoming readily available, through which a company can maximise the efficiency of its communication. These additional channels provide a huge opportunity for those companies to re-engineer their business processes so that they can take full advantage of the efficiencies and the cost savings that can be delivered.

Technology is a key component in an outsourced solution for streamlining and removing cost from the supply chain, allowing for visible control of the process and spend. The technology expertise within the Group provides key support in selling and delivering customer solutions, and TripleArc's proprietary software gives the Group a compelling proposition in this area.

The Group is already working in partnership with a number of leading businesses, across a variety of sectors including financial services, retail, charities, telecommunications and IT. These contract terms range from one to ten years and will allow the Group to deliver an annuity business.

In 2006, the Group redefined its BPO service offering under five core banners; Print Management, Data Solutions, Document Management, Logistics and Campaign Delivery. This made communicating the service offering to customers easier, allowing us to tender for new contracts more successfully and to cross sell more effectively leading to enhanced account development.

It is the Group's intent to win the trust and respect of its customers and earn the right to guide them towards getting even greater benefits from the full portfolio of the Group's services. To do this the Group must be able to demonstrate that it is competent and capable of delivering the benefits it claims and has therefore embarked on an operational improvement programme to train and educate its people in its portfolio of services and solutions.

In July 2007, as part of the operational improvement programme the Group introduced a new Customer Service Charter which will not only deliver 'best in class' customer service but also ensure we are constantly seeking new opportunities that will deliver benefits to our customers and increased revenues to the Group. To date, 80% of all customer-facing personnel have been on a tailored training programme that is being rolled out across the Group.

Daniel Emerson was appointed to the Board in August 2007 as Group Operations Officer to provide focus and the operational delivery of the change programme, which includes the enhancement of our consultative account management offering, the launch of our Skills Academy and on-going improvement of our processes and service offering.

## **TRIPLEARC PLC**

TripleArc is well positioned to take advantage of the growing demand for BPO services due to the positioning and change programme it has adopted over the past 18 months. This has been ratified by the diverse nature of the contracts awarded to the Group in 2007 many of which are far removed from the standard print management sector. The Citroën Fulfilment contract for example was awarded in early 2007 and the service offered covers the fulfilment of customer data, and the management of customer leads throughout its dealer network.

Since the start of 2008 we have been awarded a 3 year outsourced document management contract with Home Learning College for the on-demand production and fulfilment of their core product, the course material. The Group was able to demonstrate that it could not only deliver a quality product but could also streamline the process and reporting visibility to the customer. This work is fulfilled within the Groups owned facility.

In addition, since the start of 2008 the Group has appointed a new Group Business Development Director, Trevor Weldon. Trevor has joined the operational board and has a huge amount of experience in winning and implementing large contracts within both the public and private sectors. Trevor is responsible for the growth of new business sales and the development of a new sales team capable of strategic and solution selling.

### **Staff**

The Group differentiates itself through the skills and talent of its staff and the expertise and service that they can provide its customers; they are the resource that underpins the Group's vision. We will continue to invest in the development and training of our staff through the Groups dedicated Skills Academy to ensure that the solutions and customer service that they provide are of the highest quality.

The Board would like to take this opportunity to thank our staff for their continued hard work and effort.

### **Current Trading & Outlook**

The Board is pleased with the progress the Group has made in 2007 and is seeing positive signs from the implementation of its key strategies.

The increased contracted revenue base gives the Group far greater visibility of revenue and a solid customer platform across which it can cross sell its full suite of products.

The conversion of ad hoc revenue to contracted revenue may in the short term partially offset the growth in gross profit achieved through account development of contracted customers and further contract wins, as higher legacy gross margin is exchanged for longer-term relationships.

The Board remains mindful of its working capital resources given its current banking commitments. It will therefore continue to assess re-financing opportunities to increase its ability to invest in and take full advantage of the growth in the BPO market in the short term.

The Board therefore believes that 2008 will be a year of further improvement in the security of its earnings and further modest growth.

J Cromack  
Chief Executive Officer  
16th April 2008

*TRIPLEARC PLC*

**Financial review**  
**Year ended 31 December 2007**

**Financial Highlights**

In the twelve months to 31 December 2007, Group revenues and operating profit before exceptional items, share option expense and the amortisation of intangible assets ("EBITA") from continuing operations increased by 2.8%, from £43.8m in 2006 to £45.1m in 2007, and 2.3%, from £2.5m in 2006 to £2.6m in 2007, respectively. Although the increase in revenue is modest, its underlying sustainability is more secure than ever with the increase in the percentage of the Group's revenue that is now under contract.

EBITA from continuing operations was £2.6m (2006: £2.5m). Adding back depreciation of £0.4m the Group's continuing operations produced EBITDA of £3.0m (2006: £2.9m).

Finance charges increased in the year by £0.7m. £0.3m of this increase is due to increased cash costs following the signing of an amended facility with the Group's senior lender HSBC in February 2007 and £0.1m is due to the effect of three interest rate rises in the year. Non-cash interest costs increased by £0.2m due to an increase in deferred financing costs as part of the above facility and the fair value costs, following the adoption of IFRS, of an interest rate swap that the Group entered into in April 2007.

**Working Capital and Debt**

Cash generated by operations was £3.1m in 2007 (2006 £3.2m), allowing for cash interest and other bank charges of £1.6m and further debt repayments of £1.9m to be made.

Working capital management remains a strong area of focus for the group. This is evidenced in the reduction in debtors days to 55 (2006: 58). The sustained operating cash generation of the business also allowed for creditor days to be reduced to 78 (2006: 83).

Significant inroads continue to be made into our level of gearing and net debt at 31 December 2007 was reduced to £13.6m from £14.9m as at 31 December 2006.

**IFRS**

The Group has adopted IFRS for the year ending 31 December 2007 and has prepared this report in accordance with the accounting policies adopted at that date. As a result, comparative data for previous periods have been restated.

The most significant impact of IFRS will be on the treatment of amortisation of intangible assets. Existing goodwill will no longer be amortised through the consolidated income statement but will rather be subject to an annual impairment review. The 2006 amortisation charge for goodwill was £2.0m.

A reconciliation between the comparative figures and those previously reported is set out in the notes to this statement.

**Capital Reduction**

On 14 March 2007, the capital reduction proposal, approved at the Extraordinary General Meeting on 31 January 2007, was confirmed by the courts. The Board expect that the Capital Reduction will enable TripleArc to regain a positive balance on its distributable reserves more quickly and, ultimately, to pay a dividend to shareholders at an appropriate time in the future. In addition, the Board feels that the restructured balance sheet more truly reflects the underlying commercial position of the Group and believes that this will have a positive impact on its future contract tendering activity.

R Hodgson  
Chief Financial Officer

TRIPLEARC PLC

16<sup>th</sup> April 2008

**Consolidated Income Statement**

**For the year ended 31 December 2007**

	Note	2007 £'000	2006 £'000
<b>Continuing operations</b>			
<b>Revenue</b>	2	45,056	43,836
Cost of sales		(31,314)	(29,925)
		<hr/>	<hr/>
<b>Gross profit</b>		13,742	13,911
<b>Administrative expenses:</b>			
Excluding exceptional items, share option expense and amortisation of intangible assets		(11,172)	(11,400)
Exceptional items		(766)	(386)
Share option expense		(54)	(19)
Amortisation of intangible assets		(23)	(7)
		<hr/>	<hr/>
Total administrative expenses		(12,015)	(11,812)
<b>Operating profit:</b>			
Continuing operations excluding exceptional items, share option expense and amortisation of intangible assets		2,570	2,511
Exceptional items		(766)	(386)
Share option expense		(54)	(19)
Amortisation of intangible assets		(23)	(7)
		<hr/>	<hr/>
		1,727	2,099
Finance costs		(1,966)	(1,313)
		<hr/>	<hr/>
<b>(Loss)/profit before taxation</b>		(239)	786
Taxation	3	540	6
		<hr/>	<hr/>
<b>Profit for the financial period from continuing operations</b>		301	792
<b>Discontinued operations</b>			
(Loss) for the period from discontinued operations		-	(1,091)
		<hr/>	<hr/>
<b>Profit/(loss) for the period attributable to equity holders of the parent</b>		301	(299)
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share</b>			
From continuing operations	4		
Basic		0.15p	0.38p
Diluted		0.15p	0.38p
From continuing and discontinued operations			
Basic		0.15p	(0.14)p
Diluted		0.15p	(0.14)p

## STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share capital £'000	Share premium £'000	Share option reserve £'000	Merger reserve £'000	Own shares held £'000	Retained earnings (as restated) £'000
At 1 January 2006	10,353	20,175	849	(621)	(150)	(9,559)
Loss for the year	-	-	-	-	-	(299)
Deferred tax	-	-	-	-	-	-
Share option adjustment	-	-	20	-	-	-
	<u>10,353</u>	<u>20,175</u>	<u>869</u>	<u>(621)</u>	<u>(150)</u>	<u>(9,858)</u>
At 1 January 2007	10,353	20,175	869	(621)	(150)	(9,858)
Capital reduction	-	(20,175)	-	-	-	20,150
Profit for the year	-	-	-	-	-	301
Share option adjustment	-	-	53	-	-	-
	<u>10,353</u>	<u>-</u>	<u>922</u>	<u>(621)</u>	<u>(150)</u>	<u>10,593</u>

During the year, in order to eliminate the deficit on the Group's profit and loss account, the Group has undergone a Capital Reduction pursuant to which the Group's share premium account was reduced to zero and this balance was credited to retained earnings. £25,000 of expenses were incurred in this transaction, resulting in an overall transfer to retained earnings of £20,150,000.

**Consolidated Balance Sheet**

at 31 December 2007

	Note	2007 £'000	2006 £'000
<b>Non current assets</b>			
Goodwill		34,522	34,522
Other intangible assets		106	56
Property, plant and equipment		1,593	1,863
Deferred tax asset		107	-
		<hr/>	<hr/>
		36,328	36,441
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		753	922
Trade and other receivables		9,873	10,094
		<hr/>	<hr/>
		10,626	11,016
		<hr/>	<hr/>
<b>Total assets</b>		46,954	47,457
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables		(11,647)	(11,078)
Current tax liabilities	3	(117)	(378)
Bank overdrafts and loans		(3,798)	(2,996)
Obligations under finance leases		(233)	(50)
Derivative financial instruments		(132)	-
		<hr/>	<hr/>
		(15,927)	(14,502)
		<hr/>	<hr/>
<b>Non current liabilities</b>			
Deferred tax liabilities		-	(154)
Bank loans		(9,561)	(11,645)
Obligations under finance leases		-	(233)
Other long term payables		(369)	(155)
		<hr/>	<hr/>
		(9,930)	(12,187)
		<hr/>	<hr/>
<b>Total liabilities</b>		(25,857)	(26,689)
		<hr/>	<hr/>
<b>Net assets</b>		21,097	20,768
		<hr/> <hr/>	<hr/> <hr/>

**Consolidated Balance Sheet (continued)**

**at 31 December 2007**

	<b>Note</b>	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
<b>Equity</b>			
Share capital		10,353	10,353
Share premium account		-	20,175
Share option reserve		922	869
Merger reserve		(621)	(621)
Own shares held		(150)	(150)
Retained earnings/ (deficit)		10,593	(9,858)
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		<b>21,097</b>	<b>20,768</b>
		<hr/> <hr/>	<hr/> <hr/>

**Consolidated Cash Flow Statement  
for the year ended 31 December 2007**

	Note	2007 £'000	2006 (as restated) £'000
Profit after tax from continuing operations		301	792
Loss after tax from discontinued operations		-	(1,091)
Loss/(profit) on disposal of property, plant and equipment		44	(6)
Loss on disposal of subsidiary undertaking		-	700
Depreciation and amortisation		477	462
Finance cost		1,966	1,313
Share option expense		54	19
Share premium expense		(25)	-
Income tax credit		(540)	(6)
		<hr/>	<hr/>
Operating cash flow before working capital movements		2,277	2,183
		<hr/>	<hr/>
Decrease in trade and other receivables		219	173
Decrease in inventories		169	262
Increase in trade and other payables		396	547
		<hr/>	<hr/>
Cash generated by operations		3,061	3,165
Income taxes received		17	253
Interest paid		(1,631)	(1,194)
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		1,447	2,224
<b>Investing activities</b>			
Net disposal of bank borrowings upon disposal of subsidiary	5	-	808
Costs associated with disposal of subsidiary	5	-	(453)
Proceeds on disposal of property, plant & equipment		-	12
Purchases of property, plant & equipment		(227)	(180)
Purchases of intangible assets		(73)	(62)
Repayment of deferred consideration	5	-	(535)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		(300)	(410)
		<hr/>	<hr/>
<b>Financing activities</b>			
Repayment of borrowings		(1,887)	(2,046)
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		(1,887)	(2,046)
		<hr/>	<hr/>
<b>Decrease in cash and cash equivalents</b>		(740)	(232)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year		(665)	(433)
Cash and cash equivalents at the end of the year		(1,405)	(665)
		<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements

31 December 2007

### 1. PRELIMINARY STATEMENT

This preliminary statement was approved by the Board on 16<sup>th</sup> April 2008.

The financial information in this preliminary statement does not constitute the company's statutory accounts for the year ended 31 December 2007 within the meaning of Section 240 of the Companies Act 1985.

The figures for the year to 31 December 2007 were derived from the statutory accounts for that year. The statutory accounts for the year ended 31 December 2006 have been delivered to the Registrar of Companies and received an audit report which was unqualified and did not contain statements under s237(2) or (3) of the Companies Act 1985.

The statutory accounts for the year ended 31 December 2007 have not yet been approved, audited or filed and will be sent to shareholders in due course.

For the first time the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union. The group has applied all accounting standards and interpretations by the International Accounting Standards Board and International Accounting Standards Interpretation Committee effective at the time of preparing the financial statements. As a result, the comparative amounts included in this preliminary statement have been restated under IFRS from the UK Financial Reporting Standard ("UK GAAP") values originally published by the Group.

## Notes to the Financial Statements

31 December 2007

### 2. SEGMENTAL ANALYSIS

During 2006 the business was rebranded under one banner, 'accessplus'. Accessplus provides technology led print management and business communications solutions. Although the group considers itself one brand this can be split into three primary business segments.

Most of the major customer contracts are serviced through the print management segment which is the largest of the three segments. The main service provided by this business is the management of companies' print and related product spend. This is performed using supply chain management & consolidation, account management expertise and technology that removes cost and inefficiencies from the process. Many of these customers are also serviced through the fulfillment division that offers bespoke campaign management and logistics. This is enabled through customer database management and manipulation. It is distinct from print management as it offers a stand alone production environment. The technology that is used by both of the other divisions is housed within the Technology segment. This provides proprietary and licensed technology to the other two divisions but also sells these offerings to its own distinct customers and hence is analysed separately.

Business segments

	<b>2007</b>	<b>2006</b>
<b>Revenue</b>	<b>£'000</b>	<b>£'000</b>
Technology	1,189	642
Fulfilment	2,770	3,774
Print management	41,097	39,420
<b>Continuing operations</b>	<b>45,056</b>	<b>43,836</b>
	<b>2007</b>	<b>2006</b>
<b>Result</b>	<b>£'000</b>	<b>£'000</b>
Technology	338	(293)
Fulfilment	807	702
Print management	3,198	4,056
Central and unallocated costs	(2,616)	(2,366)
<b>Operating profit - continuing operations</b>	<b>1,727</b>	<b>2,099</b>
Finance costs	(1,966)	(1,313)
Taxation	540	6
Discontinued operation	-	(1,091)
<b>Profit/(loss) for the period</b>	<b>301</b>	<b>(299)</b>

## Notes to the Financial Statements

31 December 2007

### 2. SEGMENTAL ANALYSIS (CONTINUED)

The full 12 months performance of the Marketing Solutions Business has been disclosed as part of continuing operations within the Print Management segment in 2006.

Predominantly all of the Group's turnover and operating result originates from within the UK and the vast majority of the Group's net assets are located within the UK.

#### Analysis of segment assets and liabilities by business segment

	Segment assets		Segment liabilities	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Technology	1,236	1,237	3,319	3,878
Fulfilment	3,250	5,766	2,200	5,188
Print management	32,995	28,831	21,447	19,306
	<hr/>	<hr/>	<hr/>	<hr/>
Operational assets	37,481	35,834	26,966	28,372
Unallocated assets/(liabilities)	9,473	11,623	(1,109)	(1,683)
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets/(liabilities)	46,954	47,457	25,857	26,689
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The unallocated assets and liabilities mainly include goodwill and bank loans.

#### Other segmental information

	Capital additions		Depreciation and amortisation	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Technology	216	158	139	114
Fulfilment	44	374	211	124
Print management	40	12	127	224
	<hr/>	<hr/>	<hr/>	<hr/>
	300	544	477	462
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements

31 December 2007

### 2. SEGMENTAL ANALYSIS (CONTINUED)

#### Analysis of revenue by geographical market (by location of customer)

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	44,610	44,473
Rest of Europe	238	287
Far East & Asia	100	18
Rest of World	108	173
	<hr/>	<hr/>
	45,056	44,951
	<hr/> <hr/>	<hr/> <hr/>

#### Analysis of segment assets and capital additions by geographical location (by geographical location of assets)

	<b>Segment assets</b>		<b>Capital additions</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
United Kingdom	45,718	46,220	84	386
Rest of Europe	1,236	1,237	216	158
Far East & Asia	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	46,954	47,457	300	544
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements

31 December 2007

### 3. TAXATION

#### Taxation credit for the year

a) The taxation credit for the year is analysed below:

	Continuing operations		Discontinued operations		Total	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Current taxation</b>						
UK corporation tax	-	117	-	-	-	117
Over provision in prior years	(279)	(190)	-	-	(279)	(190)
	<u>(279)</u>	<u>(73)</u>	<u>-</u>	<u>-</u>	<u>(279)</u>	<u>(73)</u>
<b>Deferred tax</b>						
Prior year	(175)	3	-	-	(175)	3
Deferred tax for the current year	(86)	64	-	-	(86)	64
	<u>(540)</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>(540)</u>	<u>(6)</u>

b) Factors affecting the current tax charge

The effective rate of tax for the period differs from the standard rate of tax in the United Kingdom. The differences are set out in the tax reconciliation below:

	2007 £'000	2006 £'000
(Loss)/Profit on ordinary activities before taxation		
- continuing operations	(239)	786
- discontinued operations	-	(1,091)
	<u>(239)</u>	<u>(305)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	(72)	(92)
Effects of:		
Expenses not deductible for tax purposes	167	319
Amortisation of intangible assets	7	2
Deferred tax rate change	38	-
Change in temporary differences	(205)	(48)
Prior year adjustment		
- corporation tax	(280)	(190)
- deferred tax	(195)	3
	<u>(282)</u>	<u>(185)</u>

## Notes to the Financial Statements

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(540)

(6)

**3. TAXATION (continued)**

The Group has recognised a deferred tax asset of £150,000 at 31 December 2007 (2006:nil) in respect of losses carried forward and expected to be utilised in the foreseeable future. The Group has further losses carried forward of approximately £2.6m (2006: £2.3m), which have not been recognised as the ultimate utilisation of these losses is uncertain.

**4. EARNINGS/(LOSS) PER SHARE**

	<b>Total 2007</b>	<b>Total 2006</b>
<b>a) Basic earnings/(loss) per share</b>		
Profit/(loss) attributable to ordinary shareholders (£'000)		
- continuing	301	792
- total	301	(299)
	=====	=====
Weighted average number of shares during year ('000)		
- for basic earnings per share	207,062	207,062
- for diluted earnings per share	207,062	207,062
	=====	=====
Earnings/(loss) per share (pence)		
Continuing - basic	0.15p	0.38p
Continuing - diluted	0.15p	0.38p
Total - basic	0.15p	(0.14p)
Total - diluted	0.15p	(0.14p)
	=====	=====
<b>b) Discontinued operations</b>		
Loss attributable to ordinary shareholders (£'000)	-	(1,091)
	=====	=====
Weighted average number of shares during year ('000)		
- for basic earnings per share	207,062	207,062
- for diluted earnings per share	207,062	207,062
	=====	=====
Loss per share (pence)		
Basic	-	(0.53)p
	=====	=====

## Notes to the Financial Statements

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Diluted	-	(0.53)p
	=====	=====

In 2007 and 2006 the diluted EPS is considered to be the same as the basic EPS as any shares to be issued under the option arrangements will be anti dilutive.

### 5. PRIOR YEAR ADJUSTMENT RELATING TO PREVIOUS GAAP

#### Disposal of Subsidiary

On 31 March 2006, TripleArc plc disposed of its 100% shareholding in the share capital of the Stream Group of companies (comprising Stream GWC Limited, Mash Solutions Limited and Stream Direct Communications Limited) to FormPro Mail Marketing Limited for a total consideration of £1. The Group retained the Marketing Solutions part of the business.

The UK GAAP financial statements for the year ended 31 December 2006 treated this transaction as a complete disposal of the Stream Group and an acquisition of the Marketing Solutions business. On further review, the Directors believe that the substance of the transaction was that the Group part disposed of the Stream Group and retained the Marketing Solutions business. This change has had no impact on the reported loss or net assets as reported in the 2006 UK GAAP financial statements, although it has required the analysis within the consolidated cash flow statement to be amended. The total UK GAAP cash flows for the year ended 31 December 2006 have not changed.

On conversion to IFRS as at 31 December 2006, this adjustment has also had no impact other than the additional disclosure given on the face of the consolidated cash flow statement.

#### Cash flow reclassification

In the 2006 UK GAAP financial statements £535,000 of deferred consideration paid to the vendors of HFS was classified as a financing activity. This cash flow has been reallocated to investing activities within the consolidated cash flow statement.

## Notes to the Financial Statements

31 December 2007

### 6. TRANSITION TO IFRS

The reconciliation of equity at 1 January 2006 (date of transition to IFRS) and at 31 December 2006 (date of last UK GAAP financial statements), together with a reconciliation of the UK GAAP profit for the year ended 31 December 2006, are included below.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These financial statements have been prepared taking the business combination exemptions. Business combinations prior to 1 January 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations". Goodwill arising from these business combinations has not been restated other than as set out in note B below. The changes as a result of the transition to IFRS are described below.

#### (A) Intangible Assets

Certain software costs have been transferred from property, plant and equipment to intangible assets.

#### (B) Goodwill

IFRS3 prohibits the amortisation of goodwill, which is instead subject to annual impairment reviews. Goodwill is stated in the opening balance sheet at 1 January 2006 at its UK GAAP carrying value of £34.9m with subsequent amortisation reversed. The impact on operating profit is a credit of £2.0m for the year ended 31 December 2006. An impairment review was performed at the date of transition and no impairment was identified.

#### (C) Deferred tax

The adjustment relates to the treatment of buildings partly qualifying for industrial buildings allowances (IBAs). Under UK GAAP, the future allowances available are compared to the book value of the qualifying element of the building only. Under IFRS, the book value of the entire building is taken into account, resulting in a one off deferred tax charge on the introduction of IFRS of £167k.

#### (D) Holiday pay accrual

Per IAS 19 the company must accrue for holiday not taken by employees at the end of each period. The effect on the net assets of this accrual is £48k at 1 January 2006 and £62k at 31 December 2006 with the corresponding movements being taken to the income statement.

#### (E) Discontinued operations

Under IAS the balances relating to discontinued operations have been aggregated and included in one line at the end of the income statement.

The impact of IAS 7 'Cashflow statements' merely has a presentational effect on the financial statement of cashflows, and there have been no material presentational adjustments to the cashflow.

## Notes to the Financial Statements

31 December 2007

### 6. TRANSITION TO IFRS (continued)

#### Reconciliation of UK GAAP loss to IFRS loss Year to 31 December 2006

	UK GAAP	Goodwill	Holiday pay	Deferred tax	IFRS
	£'000	£'000	£'000	£'000	£'000
<b>Continuing operations</b>					
Sales	43,836	-	-	-	43,836
Cost of sales	(29,925)	-	-	-	(29,925)
<b>Gross profit</b>	<b>13,911</b>	-	-	-	<b>13,911</b>
Other operating expenses	(13,440)	2,028	(14)	-	(11,426)
Exceptional items	(386)	-	-	-	(386)
<b>Operating profit</b>	<b>85</b>	<b>2,028</b>	<b>(14)</b>	-	<b>2,099</b>
Finance costs	(1,313)	-	-	-	(1,313)
<b>(Loss)/ profit before tax</b>	<b>(1,228)</b>	<b>2,028</b>	<b>(14)</b>	-	<b>786</b>
Tax	3	-	-	3	6
<b>(Loss)/ profit for the period from continuing operations</b>	<b>(1,225)</b>	<b>2,028</b>	<b>(14)</b>	<b>3</b>	<b>792</b>
<b>Discontinued operations</b>					
(Loss)/ profit for the period from discontinued operations	(1,108)	17	-	-	(1,091)
<b>(Loss)/ profit for the period</b>	<b>(2,333)</b>	<b>2,045</b>	<b>(14)</b>	<b>3</b>	<b>(299)</b>

## Notes to the Financial Statements

31 December 2007

## 6 TRANSITION TO IFRS (continued)

Reconciliation of equity  
At 1 January 2006

	UK GAAP	Goodwill	Holiday pay	Deferred tax	IFRS
	£'000				£'000
<b>Non-current assets</b>					
Goodwill	34,974	-	-	-	34,974
Intangible assets	-	-	-	-	-
Property, plant & equipment	2,206	-	-	-	2,206
<b>Current assets</b>					
Inventories	1,281	-	-	-	1,281
Trade and other receivables	11,370	-	-	-	11,370
Cash and cash equivalents	994	-	-	-	994
<b>Total assets</b>	<b>50,825</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,825</b>
<b>Current liabilities</b>					
Trade and other payables	(12,220)	-	(48)	-	(12,268)
Current tax liabilities	(105)	-	-	-	(105)
Bank overdraft and loans	(3,308)	-	-	-	(3,308)
<b>Non current liabilities</b>					
Deferred tax liabilities	80	-	-	(167)	(87)
Bank loans	(13,976)	-	-	-	(13,976)
Hire purchase obligations	-	-	-	-	-
Other long term liabilities	(34)	-	-	-	(34)
<b>Total liabilities</b>	<b>(29,563)</b>	<b>-</b>	<b>(48)</b>	<b>(167)</b>	<b>(29,778)</b>
<b>Net assets</b>	<b>21,262</b>	<b>-</b>	<b>(48)</b>	<b>(167)</b>	<b>21,047</b>
<b>Equity</b>					
Called-up share capital	10,353	-	-	-	10,353
Share premium	20,175	-	-	-	20,175
Share option reserve	849	-	-	-	849
Merger reserve	(621)	-	-	-	(621)
Group interest in shares of TripleArc plc	(150)	-	-	-	(150)
Retained earnings	(9,344)	-	(48)	(167)	(9,559)
<b>Total equity</b>	<b>21,262</b>	<b>-</b>	<b>(48)</b>	<b>(167)</b>	<b>21,047</b>

## Notes to the Financial Statements

31 December 2007

### 6. TRANSITION TO IFRS (continued)

#### Reconciliation of equity At 31 December 2006

	UK GAAP	Goodwill	Holiday pay	Deferred tax	Software	IFRS
	£'000					£'000
<b>Non-current assets</b>						
Goodwill	32,477	2,045	-	-	-	34,522
Intangible assets	-	-	-	-	56	56
Property, plant & equipment	1,919	-	-	-	(56)	1,863
<b>Current assets</b>						
Inventories	922	-	-	-	-	922
Trade and other receivables	10,094	-	-	-	-	10,094
<b>Total assets</b>	<b>45,412</b>	<b>2,045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,457</b>
<b>Current liabilities</b>						
Trade and other payables	(11,016)	-	(62)	-	-	(11,078)
Current tax liabilities	(378)	-	-	-	-	(378)
Bank overdraft and loans	(2,996)	-	-	-	-	(2,996)
Hire purchase obligations	(50)	-	-	-	-	(50)
<b>Non Current liabilities</b>						
Deferred tax liabilities	10	-	-	(164)	-	(154)
Bank loans	(11,645)	-	-	-	-	(11,645)
Hire purchase obligations	(233)	-	-	-	-	(233)
Other long term liabilities	(155)	-	-	-	-	(155)
<b>Total liabilities</b>	<b>(26,463)</b>	<b>-</b>	<b>(62)</b>	<b>(164)</b>	<b>-</b>	<b>(26,689)</b>
<b>Net assets</b>	<b>18,949</b>	<b>2,045</b>	<b>(62)</b>	<b>(164)</b>	<b>-</b>	<b>20,768</b>
<b>Equity</b>						
Called-up share capital	10,353	-	-	-	-	10,353
Share premium	20,175	-	-	-	-	20,175
Share option reserve	869	-	-	-	-	869
Merger reserve	(621)	-	-	-	-	(621)
Group interest in shares of TripleArc plc	(150)	-	-	-	-	(150)
Retained earnings	(11,677)	2,045	(62)	(164)	-	(9,858)
<b>Total equity</b>	<b>18,949</b>	<b>2,045</b>	<b>(62)</b>	<b>(164)</b>	<b>-</b>	<b>20,768</b>

*TRIPLEARC PLC*

## **Notes to the Financial Statements**

**31 December 2007**

7. Copies of this statement will be available on line at [www.triplearc.com](http://www.triplearc.com) or from the company's registered office: Dorcan 300, Murdock Road, Dorcan, Swindon, Wiltshire SN3 5HY