

Ekay plc

Interim Results for the six months to 31 December 2006

Ekay plc ("Ekay" or the "Company") announces its interim results for the six months ended 31 December 2006. Ekay is an advertising and marketing agency based in the UK and the Channel Islands which specialises in advising clients on the use of television, national and local press, magazines, the internet, direct mail and posters for business development purposes. Ekay has particular expertise in direct marketing.

KEY POINTS

- **Revenue up 8.5% to £17.8 million (H1 2005: £16.4m)**
- **Gross profit up 1.5% to £1.052m (H1 2004: £1.037m)**
- **Profit before tax of £332k (H1 2005: £474k) before exceptional items of £233,000**
- **Increasing investment in infrastructure and staff to support new client wins in H2**

- **Acquisition**
 - **Wallace Barnaby & Associates Ltd acquisition completed in November 2006 for consideration of £1.75m**
 - **Impact of Wallace Barnaby acquisition has little impact on trading results for the period following acquisition on 24 November 2006**

- **Significant growth in client base with competitive position strengthened**
 - **Diversity and quality of mandates**

Eddie Powell, Chief Executive, commented:

"Ekay prides itself on being a provider of high value, no-nonsense services which, coupled with an aggressive approach to new business, has proven to be a winning formula and competitive differentiator."

"We anticipate the complete integration of Wallace Barnaby during the remainder of this year, leveraging the skills and knowledge base across the combined group."

"We have a keen eye on growth organically and through additional acquisitions and have identified a number of suitable targets which would yield synergies and build earnings. We hope to announce further news in the coming months as matters conclude."

30 March 2007

Enquiries:

| | |
|--|--------------------|
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CHAIRMAN'S STATEMENT

The results for the last year were extremely pleasing and the progress of the Group has continued into the first half of the current year, albeit in difficult circumstances relating to the UK sub-prime mortgage broking market place.

Over the past two years the Group's strategy has been to diversify successfully the client base, moving into new industry sectors such as debt management, travel, holiday destinations, telecommunications and motor dealerships to name a few. This is now starting to show through in the current trading performance of the Group. Additionally, following the successful completion of the purchase of Wallace Barnaby & Associates Ltd ("Wallace Barnaby"), the leading Channel Islands advertising agency, the Group continues to diversify its client base into new industries, geographic locations and market sectors.

The recent acquisition of Wallace Barnaby highlights the Group's strategy of diversification and its ability to leverage core skills and services across an enlarged client base. It is anticipated that the strategy we have adopted of making more acquisitions will further strengthen the commercial and financial prospects of the Group.

Following this acquisition, the Company is delighted to welcome Bruce Wallace to the Board, who brings a wealth of experience in advertising and marketing. Additionally, the Group is now elevated into the top 20 advertising agencies within the UK, a major achievement and milestone for the Company.

The recent solvency issue with one of our long standing client mortgage brokers has resulted in a potential bad debt of up to £1.65m. No provision has been made in these interim results as it is extremely difficult to determine at this early stage in proceedings the likely level of recovery. However, it is expected that a provision will be made in the full year's financial statements. The board has indicated that it will pursue vigorously the outstanding amounts owed to the Company using all available means and has already begun to do so. The board will keep shareholders apprised of all developments as they occur.

I should like to thank all our staff for their committed drive over the past six months in reinforcing Ekay's position of strength in the advertising and marketing industry.

Tony Sullivan

Chairman

30 March 2007

CHIEF EXECUTIVE'S REPORT

The first half of the year has been one of further activity and development for the Group, culminating in the acquisition for a consideration of £1.75m of Wallace Barnaby & Associates Limited, the leading Channel Islands advertising and marketing agency.

Following the acquisition, the Group has further strengthened the Board through the appointment of Bruce Wallace, who is responsible for developing the Channel Islands business.

The core client base has increased considerably during the period as the Company continues to increase the quality and diversity of mandates being won, notably in the area of direct response. Moreover the trend towards online marketing and advertising projects, which reflect greater use of the internet in business and commerce, continues at an increasing rate and remains the fastest growing part of the Group.

Financial Summary

The revenue for the first half of the year for the Group has grown by 8.5% to £17.8m (H1 2005: £16.4m) which produced an adjusted pre-tax profit of £406,000 (H1 2005: £474,000). Gross profit increased only slightly to £1,053,000 and with a maintained gross margin of 6%. The second half of the year should see an improvement of gross margin percentage due to the higher margin work undertaken by Wallace Barnaby.

The business continues to operate from a low cost base, although costs for the period increased slightly before taking into account the charge for bad debts of £233,000, relating to First Class Mortgages and First Class Debt Solutions which went into liquidation in January 2007, and the charge for share based payments of £74,000.

The full impact of the acquisition of Wallace Barnaby will not be seen until the second half of the year, which will significantly increase the trading levels of the Group for the full year.

As announced on 5th March, the Company was made aware of a solvency issue in respect of a client which owes approximately £1.65m inclusive of interest charges for late payment. The potential bad debt arose when the client was unable to pay third party advertising expenses incurred by Ekay on the client's behalf.

The directors of Ekay intend that they should pursue vigorously the outstanding amounts due to the Company using all available means.

A provision with regard to the outstanding amounts may be required in the financial results for Ekay for the 12 months ended 30 June 2007 and the Company will keep shareholders notified of developments as they arise.

Since July 2005 procedures have been implemented to ensure that credit is only extended to clients where the sums due are adequately covered by credit insurance except with a small number of historic customer accounts. Ekay does not currently trade with any other account on credit terms not adequately covered by insurance.

Dividend

The Company maintains a policy of dividend payments and paid an interim dividend of 0.3p on 16 February 2007. The events outlined above however, and announced on the 5 March concerning a potential bad debt, prevent the Company from making

further dividend payments for the time being. The Directors will keep the matter under review.

Outlook

Ekay prides itself on being a provider of high value, no-nonsense services which, coupled with an aggressive approach to new business, has proven to be a winning formula and competitive differentiator.

We anticipate the complete integration of Wallace Barnaby during the remainder of this year, leveraging the skills and knowledge base across the combined group

We have a keen eye on growth organically and through additional acquisitions and have identified a number of suitable targets which would yield synergies and build earnings. We hope to announce further news in the coming months as matters conclude.

Eddie Powell

Chief Executive Officer

30 March 2007

Ekay plc

Unaudited consolidated income statement for the 6 months ended 31 December 2006

| | 6 months to 31 Dec 2006 Unaudited Before Exceptional Items £ | Exceptional Items £ | 6 months to 31 Dec 2006 Unaudited After Exceptional Items £ | 6 months to 31 Dec 2005 Unaudited £ | 12 months to 30 June 2006 Audited £ |
|---|--|---------------------------|---|--|---|
| Revenue | 17,751,312 | | 17,751,312 | 16,431,383 | 36,388,709 |
| Direct costs | (16,698,431) | | (16,698,431) | (15,394,024) | (34,109,644) |
| Gross profit | 1,052,881 | | 1,052,881 | 1,037,359 | 2,279,065 |
| Operating costs | (898,300) | (233,000) | (1,131,300) | (615,814) | (1,452,258) |
| | 154,581 | (233,000) | (78,419) | 421,545 | 826,807 |
| Other operating income | 4,350 | | 4,350 | 4,350 | 61,239 |
| Total operating profit – continuing operations | 158,931 | (233,000) | (74,069) | 425,895 | 888,046 |
| Interest income | 173,292 | | 173,292 | 48,325 | 78,171 |
| Profit on ordinary activities before taxation | 332,223 | (233,000) | 99,223 | 474,220 | 966,217 |
| Income tax expense | (29,457) | | (29,457) | (131,000) | (327,303) |
| Profit for the year attributable to equity holders of the parent | 302,766 | (233,000) | 69,766 | 343,220 | 638,914 |
| Earnings per share – basic | 3 | | 0.19p | 0.97p | 1.77p |
| diluted | 3 | | 0.18p | 0.92p | 1.69p |

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Unaudited consolidated balance sheet as at 31 December 2006

| | Notes | As at 31 December 2006 Unaudited £ | As at 31 December 2005 Unaudited £ | As at 30 June 2006 Audited £ |
|--|-------|--|--|--|
| Fixed assets | | | | |
| Goodwill | | 2,249,692 | - | - |
| Property, plant and equipment | | 465,321 | 308,469 | 313,180 |
| | | <u>2,715,013</u> | <u>308,469</u> | <u>313,180</u> |
| Current assets | | | | |
| Trade and other receivables | | 4,311,429 | 3,747,820 | 5,396,531 |
| Cash at bank and short term deposits | | 1,393,781 | 862,559 | 921,104 |
| | | <u>5,705,210</u> | <u>4,610,379</u> | <u>6,317,635</u> |
| Total assets | | 8,420,223 | 4,918,848 | 6,630,815 |
| Equity and liabilities | | | | |
| Equity attributable to equity holders of the parent | | | | |
| Share capital | | 391,309 | 100,627 | 371,888 |
| Share premium | | 718,579 | 41,511 | - |
| Retained earnings | | 874,491 | 719,628 | 804,725 |
| | 6 | <u>1,984,379</u> | <u>861,766</u> | <u>1,176,613</u> |
| Current liabilities: | | | | |
| Trade creditors and other payables | | 6,024,067 | 3,675,187 | 5,123,995 |
| Corporate income tax payable | | <u>388,407</u> | <u>381,895</u> | <u>330,207</u> |
| Total current liabilities | | <u>6,412,474</u> | <u>4,057,082</u> | <u>5,454,202</u> |
| Other payables over one year | | <u>23,370</u> | - | - |
| Total equity and liabilities | | <u>8,420,223</u> | <u>4,918,848</u> | <u>6,630,815</u> |

There were no changes in equity other than the profit for the period attributable to equity holders of the parent as shown in the above Income Statement.

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Unaudited consolidated cash flow statement for the 6 months ended 31 December 2006

| Notes | 6 months ended 31 December 2006 Unaudited £ | 6 months ended 31 December 2005 Unaudited £ | 12 months ended 30 June 2006 Audited £ |
|--|---|---|---|
| (Loss)/ profit from operations | (74,069) | 425,895 | 888,046 |
| Share option charge for the year | 74,000 | - | 110,000 |
| Depreciation of property, plant and equipment | 42,056 | 37,371 | 67,417 |
| Operating cash flows before movement in working capital | 41,987 | 463,266 | 1,065,463 |
| | | - | - |
| Decrease/ (increase) in receivables | 2,046,256 | (1,936,365) | (2,956,604) |
| (Decrease)/ Increase in payables | (905,050) | 567,468 | 1,985,531 |
| Cash generated from (used in) operations | 1,183,193 | (905,631) | 94,390 |
| Income taxes paid | - | - | (247,991) |
| Net cash from/ (used in) operating activities | 1,183,193 | (905,631) | (153,601) |
| Cash flows from investing activities | | | |
| Interest received | 73,857 | 48,325 | 78,171 |
| Investment in quasi-subsiary | - | (22,473) | (64,675) |
| Acquisition of subsidiary undertaking (net of cash acquired) | (1,522,181) | - | - |
| Acquisition of property, plant and equipment | (192) | (30,361) | (65,119) |
| Net cash used in investing activities | (1,448,516) | (4,509) | (51,623) |
| Cash flows from financing activities | | | |
| Proceeds on issue of shares | 738,000 | 42,138 | 297,000 |
| Cost of share issue | - | - | (368,183) |
| Dividend paid | - | (250,000) | (550,000) |
| Net cash from/ (used in) financing activities | 738,000 | (207,862) | (621,183) |
| Net increase/ (decrease) in cash and cash equivalents | 472,677 | (1,118,002) | (826,407) |
| Cash and cash equivalents at the beginning of the period | 921,104 | 1,747,511 | 1,747,511 |
| Cash and cash equivalents at the end of the period | 1,393,781 | 629,509 | 921,104 |

Ekay plc

Notes to the Interim Statement

For the six months ended 31 December 2006

1. Basis of Preparation

This interim report is unaudited and does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. The financial statements for the year to 30 June 2006, which were prepared in accordance with International Financial Reporting Standards ('IFRS') and upon which the auditors have issued an unqualified report, have been delivered to the Registrar of Companies.

The financial statements for the half year to 31 December 2006 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The accounting policies applied in these interim financial statements are consistent with those set out and applied in the Group's Annual Report for the year to 30 June 2006.

2. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the profit on ordinary activities after tax and on the weighted average number of ordinary shares in issue during the period.

The profit and weighted average number of shares used in the calculations are set out below:

| Basic earnings per share | Profit £ | Weighted average number of shares | Profit per share pence |
|---------------------------------|---------------------|--|-----------------------------------|
| 6 months ended 31 December 2006 | 69,765 | 37,385,674 | 0.19p |
| 6 months ended 31 December 2005 | 343,220 | 35,219,450 | 0.97p |
| Year ended 30 June 2006 | 638,914 | 36,028,888 | 1.77p |

| Diluted earnings per share | Profit £ | Weighted average number of shares | Profit per share pence |
|-----------------------------------|---------------------|--|-----------------------------------|
| 6 months ended 31 December 2006 | 69,765 | 39,629,088 | 0.18p |
| 6 months ended 31 December 2005 | 343,220 | 37,377,900 | 0.92p |
| Year ended 30 June 2006 | 638,914 | 37,700,030 | 1.69p |

3. Acquisition of Wallace Barnaby & Associates Limited

On 24 November 2006, Ekay completed the acquisition of the Guernsey based Wallace Barnaby & Associates Limited and its subsidiaries ("Wallace Barnaby"), one of Britain's largest offshore marketing and advertising agencies, from Wallace Barnaby Holdings Limited (the "Vendor").

The consideration of £1.75 million has been satisfied by the issue at completion of 1,942,105 new ordinary shares in Ekay (the "Consideration Shares") and a payment at completion of £1,012,000 in cash ("Cash Portion"). At completion £350,505 was paid to Wallace Barnaby out of the Cash Portion by way of settlement of a debt owed by the Vendor to Wallace Barnaby. In addition, at completion £95,000 was repaid to Wallace Barnaby by a senior employee.

4. Related Party Transactions

54 Bath Street, which is also occupied by the Company, is owned by Mr Edward Powell's Self Invested Pension Plan. The total rent paid during the period ended 31 December 2006 was £7,000.

During the period the Company engaged Olivine Capital Partners Limited, of which Stuart Cumberland is a Director, to undertake corporate finance and tax advisory work. Fees payable totalled £12,900 from 1 July 2006 to 31 December 2006. The amounting owing to Olivine Capital Partners Limited at the end of the period was £40,411.

During the period the company provided services to AIM quoted Debts.co.uk plc, of which Stuart Cumberland is a Director. The total amount of services provided in the period was £186,189. The amount due from Debts.co.uk plc at the end of the period was £64,514. Stuart Cumberland does not have an interest in Debts.co.uk plc.

Copies of this interim statement are available on request from Ekay plc, The Maltings, 53/54 Bath Street, Gravesend, Kent. DA11 0DF and can be viewed on the Company's website at www.ekay.co.uk.