

Company Number 01030919

MUNRO & FORSTER

COMMUNICATIONS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2005

Gorman Seaton & Co.,
Chartered Certified Accountants,

74, Chancery Lane,
London, WC2A 1AD.



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MUNRO & FORSTER COMMUNICATIONS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2005

DIRECTORS

Mr. B. R. Gunson

Miss. J. Flexen

Mrs. S. Hart

SECRETARY

Ms. L. Kinghorn

BANK

National Westminster Bank Plc.,
250 Regent Street,
London,
W1A 4RY.

AUDITORS

Gorman Seaton & Co.,
74, Chancery Lane,
London,
WC2A 1AD.

REGISTERED OFFICE

89 Albert Embankment,
London,
SE1 7TP

MUNRO & FORSTER COMMUNICATIONS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31st MARCH 2005

The Directors present herewith their annual report, together with the audited financial statements of the Company for the year ended 31st March 2005.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £56,035 as shown on page 5.

The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The Company's principal activity during the year continued to be that of public relations consultants.

FIXED ASSETS

Movements in Fixed Assets are shown in note 6.

FUTURE DEVELOPMENTS

The Company seeks to continue to expand its public relations activities.

DIRECTORS AND THEIR INTERESTS

The Directors who have served throughout the year and their interests in the share capital of the Company were as follows:-

	Number of Ordinary Shares of £1 each	
	<u>At 31.3.2005</u>	<u>At 31.3.2004</u>
Mr. B.R.Gunson	122	98
Miss. J. Flexen	-	-
Mrs. S. Hart	-	-

On 21st April 2004 the company adopted an Enterprise Management Incentive Scheme and options were granted to the following directors:

	Number of Ordinary Shares of £1 each	Exercise Price	Option exercise period
Miss. J. Flexen	40	£2,375	21st April 2004 to 20th April 2014
Mrs. S. Hart	20	£2,375	21st April 2004 to 20th April 2014

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

MUNRO & FORSTER COMMUNICATIONS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31st MARCH 2005

DIRECTORS' RESPONSIBILITIES (continued)

The directors are responsible for keeping proper accounting records which 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.

AUDITORS

The auditors Messrs. Gorman Seaton & Co., have indicated their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

**Authorised by the Board of Directors
and signed on behalf of the Board**

A handwritten signature in black ink, appearing to read 'L. Kinghorn', written over a circular stamp or seal.

Ms. L. Kinghorn

Secretary

7th November 2005

REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF MUNRO & FORSTER COMMUNICATIONS LIMITED

We have audited the financial statements of Munro & Forster Communications Limited on pages 5 to 13 which have been prepared under the historical cost convention, and the accounting policies set out on page 9.

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 Auditing Standards 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 United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 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.

REPORT OF THE INDEPENDENT AUDITORS (continued)
TO THE SHAREHOLDERS OF MUNRO & FORSTER COMMUNICATIONS LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Gorman Seaton & Co

GORMAN SEATON & CO.

Chartered Certified Accountants

Registered Auditors

74 Chancery Lane,
London.

WC2A 1AD.

7th November 2005

MUNRO & FORSTER COMMUNICATIONS LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31st MARCH 2005**

		<u>2005</u>		<u>2004</u>	
		£	£	£	£
	<u>Notes</u>				
TURNOVER	1		6,026,948		5,666,723
COST OF SALES			2,536,350		2,143,365
GROSS PROFIT			3,490,598		3,523,358
Administrative expenses			3,416,592		3,263,485
OPERATING PROFIT	2		74,006		259,873
Bank interest receivable		20,090		13,298	
Hire purchase interest		(4,012)		(4,365)	
			16,078		8,933
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			90,084		268,806
TAX ON PROFIT ON ORDINARY ACTIVITIES	5		34,049		74,764
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			56,035		194,042
RETAINED PROFIT BROUGHT FORWARD			729,982		535,940
Bonus issue of shares			(24)		-
Transfer from capital redemption reserve			24		-
RETAINED PROFIT CARRIED FORWARD		£	786,017	£	729,982

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit or loss for the above two financial years.

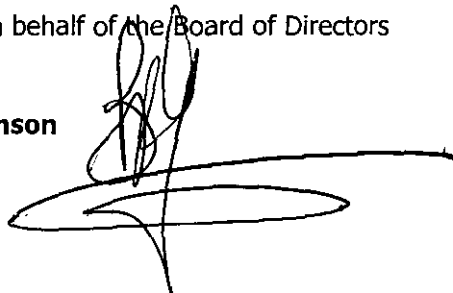
MUNRO & FORSTER COMMUNICATIONS LIMITED**BALANCE SHEET****AT 31st MARCH 2005**

		<u>2005</u>		<u>2004</u>
		£	£	£
	<u>Notes</u>			
FIXED ASSETS				
Tangible assets	6	152,169		203,748
Investments	7	100		100
		<hr/>		<hr/>
		152,269		203,848
CURRENT ASSETS				
Debtors	8	1,999,943	915,441	
Cash at bank and in hand		569,980	1,459,228	
		<hr/>	<hr/>	
		2,569,923	2,374,669	
CREDITORS - amounts falling due within one year	9	1,935,975	1,841,137	
		<hr/>	<hr/>	
NET CURRENT ASSETS		633,948	533,532	
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>	
		786,217	737,380	
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred Taxation	10	-	(7,198)	
TOTAL NET ASSETS		<hr/>	<hr/>	
		£ 786,217	£ 730,182	
Financed by:				
CAPITAL AND RESERVES				
Called up share capital	11	122	98	
Capital redemption reserve	12	78	102	
Profit and Loss account		786,017	729,982	
Shareholders' Funds	13	<hr/>	<hr/>	
		£ 786,217	£ 730,182	

These financial statements were approved by the Board of Directors
on 7th November 2005

Signed on behalf of the Board of Directors

B. R. Gunson
Director



MUNRO & FORSTER COMMUNICATIONS LIMITED**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31st MARCH 2005**

	2005		2004	
	£	£	£	£
Net cash (outflow)/inflow from operating activities (note 1)		(749,618)		1,331,380
Return on investments and servicing of finance				
Bank interest received	20,090		13,298	
Interest element of hire purchase charges	(4,012)		(4,365)	
Net cash inflow from return on investments and servicing of finance		16,078		8,933
Taxation				
Corporation Tax (paid)		(76,008)		(197,816)
Investing activities				
Payments to acquire tangible fixed assets	(67,777)		(57,226)	
Receipts from sale of tangible fixed assets	5,000		27,000	
Net cash (outflow) from investing activities		(62,777)		(30,226)
Net cash (outflow)/inflow before financing		(872,325)		1,112,271
Financing				
Hire purchase repayments		(16,923)		(16,571)
(Decrease)/increase in Cash		<u>£ (889,248)</u>		<u>£ 1,095,700</u>
Reconciliation of net cash flow to movement in net funds (note 2)				
(Decrease)/increase in Cash		(889,248)		1,095,700
Cash outflow from decrease in financing		16,923		16,571
Movement in net funds in the period		(872,325)		1,112,271
Net funds at 1st April 2004		1,442,305		330,034
Net funds at 31st March 2005		<u>£ 569,980</u>		<u>£ 1,442,305</u>

The notes to the cash flow statements are set out on page 8.

MUNRO & FORSTER COMMUNICATIONS LIMITED**NOTES TO CASH FLOW STATEMENT****FOR THE YEAR ENDED 31st MARCH 2005**

1. Reconciliation of operating profit to net cash
(outflow)/inflow from operating activities:

	<u>2005</u>	<u>2004</u>
	£	£
Operating profit	74,006	259,873
Depreciation charges	104,776	104,229
Loss on disposal of tangible fixed assets	9,580	12,647
(Increase)/decrease in debtors	(1,081,089)	407,119
Increase in creditors	143,109	547,512
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	£ (749,618)	£ 1,331,380
	<hr/>	<hr/>

2. Analysis of changes in net funds during the year:

	<u>At 1.4.04</u>	<u>Cash Flow</u>	<u>At 31.3.05</u>
	£	£	£
Cash at bank and in hand	1,459,228	(889,248)	569,980
Hire Purchase	(16,923)	16,923	-
	<hr/>	<hr/>	<hr/>
	£ 1,442,305	£ (872,325)	£ 569,980
	<hr/>	<hr/>	<hr/>

MUNRO & FORSTER COMMUNICATIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31st MARCH 2005****1. ACCOUNTING POLICIES****(a) Accounting Conventions**

The financial statements are prepared under the historical cost convention.

(b) Turnover

Turnover represents the full amount invoiced to clients in the United Kingdom, net of value added tax.

(c) Depreciation

Depreciation is provided on all tangible assets at rates calculated to write off the cost of each asset over its expected useful life as follows:-

Leasehold Improvements	- 10% per annum on cost
Fixtures and fittings	- 20% per annum on cost
Motor vehicles	- 20% per annum on reducing balance
Office furniture and equipment	- 20% to 33.3% per annum on cost

(d) Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes on a full provision basis in accordance with Financial Reporting Standard 19, Deferred Taxation. Deferred tax balances are not discounted.

(e) Operating Leases

Rentals under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

(f) Pension Costs

Pension contributions are paid into the personal defined contribution schemes of certain employees at rates deemed appropriate by the directors.

(e) Hire Purchase Contracts

Assets acquired under hire purchase contracts are capitalised in the balance and are depreciated over their expected useful lives.

The interest element of the instalments is charged to the profit and loss account over the period of the contract.

2. OPERATING PROFIT

	<u>2005</u>	<u>2004</u>
	£	£
This is stated after charging:		
Director's remuneration (note 3)	314,902	399,166
Auditors' remuneration	5,500	5,000
Depreciation	104,776	104,229
Operating lease rentals:		
Buildings	116,501	116,500
Equipment	33,490	28,117

MUNRO & FORSTER COMMUNICATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st MARCH 2005

3. INFORMATION CONCERNING DIRECTORS AND EMPLOYEES

	<u>2005</u>	<u>2004</u>
	£	£
(a) Wages and salaries	1,999,237	1,826,851
Social security costs	225,707	203,405
Pension contributions	15,000	20,000
	<u>£ 2,239,944</u>	<u>£ 2,050,256</u>

The average weekly number of employees during the year was made up as follows:

	<u>No.</u>	<u>No.</u>
Office and management	<u>59</u>	<u>52</u>
(b) Director's remuneration:		
	£	£
Salaries	299,902	379,166
Pension contributions	15,000	20,000
	<u>£ 314,902</u>	<u>£ 399,166</u>

Further details, excluding pension contributions:

Chairman	<u>£ 103,167</u>	<u>£ 124,500</u>
Highest paid director	<u>£ 126,666</u>	<u>£ 150,166</u>

Other director's emoluments fell within the following ranges:

£70,001 - £75,000	<u>1</u>	<u>-</u>
£100,001 - £105,000	<u>-</u>	<u>1</u>

4. OPERATING LEASE COMMITMENTS

At the 31 March, 2005 the company was committed to the following annual payments under operating leases:

	<u>Buildings</u>	<u>Equipment</u>
	£	£
Leases which expire:		
Between two and five years	-	33,490
Over five years	<u>116,500</u>	<u>-</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2005</u>	<u>2004</u>
	£	£
United Kingdom corporation tax	44,660	76,008
Deferred taxation credit	(10,611)	(1,244)
	<u>£ 34,049</u>	<u>£ 74,764</u>

MUNRO & FORSTER COMMUNICATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31st MARCH 2005

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	<u>2005</u> £	<u>2004</u> £
Factors affecting UK tax charge for the year:		
Profit on ordinary activities before taxation	90,084	268,806
Profit on ordinary activities multiplied by the small companies rate of corporation tax in the UK of 19%	17,116	51,073
Expenses not deductible for tax purposes	19,203	16,138
Difference in tax rates	-	7,553
Deferred tax rate adjustment	(2,270)	-
Tax charge for the year	£ 34,049	£ 74,764

6. TANGIBLE FIXED ASSETS

	<u>Leasehold</u> <u>Improvements</u>	<u>Fixtures</u> <u>and</u> <u>Fittings</u>	<u>Motor</u> <u>Vehicles</u>	<u>Office</u> <u>Furniture</u> <u>and</u> <u>Equipment</u>	<u>Total</u>
	£	£	£	£	£
Cost					
At 1st April 2004	85,143	112,655	28,866	398,595	625,259
Additions	-	-	-	67,777	67,777
Disposals	-	(2,681)	(28,866)	(32,455)	(64,002)
At 31st March 2005	85,143	109,974	-	433,917	629,034
Depreciation					
At 1st April 2004	34,056	82,309	19,420	285,726	421,511
Charge for year	8,514	27,886	315	68,061	104,776
Disposals	-	(2,641)	(19,735)	(27,046)	(49,422)
At 31st March 2005	42,570	107,554	-	326,741	476,865
Net book value at:					
31st March 2005	£ 42,573	£ 2,420	£ -	£ 107,176	£ 152,169
31st March 2004	£ 51,087	£ 30,346	£ 9,446	£ 112,869	£ 203,748

Leasehold premises are held on a short lease.

MUNRO & FORSTER COMMUNICATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31st MARCH 2005

7. INVESTMENTS

	<u>2005</u>	<u>2004</u>
Shares in group company at cost	£ 100	£ 100

The company owns 100% of Munro & Forster Healthcare Public Relations Limited, a company registered in England and Wales which does not trade. The company has taken advantage of the exemption conferred by section 248 of the Companies Act 1985 from the requirement to prepare group accounts.

8. DEBTORS

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Trade Debtors	1,695,738	619,073
Recoverable Costs	84,179	128,789
Other Debtors	4,773	5,342
Prepayments	115,449	107,653
Accrued Income	96,391	53,990
Deferred taxation (see below)	3,413	-
	<u>£ 1,999,943</u>	<u>£ 915,441</u>

The deferred tax asset is in respect of capital allowances in excess of depreciation.

9. CREDITORS - amounts falling due within one year

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Trade Creditors	616,548	300,153
Payments in Advance	875,592	947,378
Corporation Tax	44,660	76,008
Amount due to Subsidiary Undertaking	100	100
Other Taxes & Social Security costs	290,991	245,586
Hire Purchase	-	16,923
Other Creditors	341	709
Directors Current Accounts	8,189	24,056
Accruals	99,554	230,224
	<u>£ 1,935,975</u>	<u>£ 1,841,137</u>

10. DEFERRED TAXATION

	<u>2005</u>	<u>2004</u>
Accelerated capital allowances	£ -	£ 7,198

MUNRO & FORSTER COMMUNICATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31st MARCH 2005

11. CALLED UP SHARE CAPITAL

	<u>2005</u>	<u>2004</u>
Authorised:		
200 Ordinary Shares of £1 each	£ 200	£ 200
Allotted and fully paid:		
122 Ordinary Shares of £1 each.	£ 122	£ 98

At 31st March 2005, the following share options over ordinary shares of the company had been granted and not exercised:

Date of grant	Number of shares	Exercise Price	Option Exercise Period
21st April 2004	60	£2,375	21st April 2004 to 20th April 2014
11th November 2004	4	£2,375	11th November 2004 to 10th November 2014

12. CAPITAL REDEMPTION RESERVE

	<u>2005</u>	<u>2004</u>
	£	£
At 1st April 2004 and 31st March 2005	102	102
Transfer to profit and loss account	(24)	-
	£ 78	£ 102

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2005</u>	<u>2004</u>
	£	£
Shareholders' funds, 1st April 2004	730,182	536,140
Profit for the financial year on ordinary activities after taxation	56,035	194,042
Shareholders' funds, 31st March 2005	£ 786,217	£ 730,182

14. RELATED PARTY INFORMATION

The company is controlled by B. R. Gunson who is also a director.

MUNRO & FORSTER COMMUNICATIONS LIMITED

**The pages which follow do not
form part of the statutory
financial statements of the company**

MUNRO & FORSTER COMMUNICATIONS LIMITED**COST OF SALES****FOR THE YEAR ENDED 31st MARCH 2005**

	<u>2005</u>		<u>2004</u>	
	£	£	£	£
COST OF SALES				
Recoverable costs				
Purchased	2,491,285		2,090,313	
Entertaining	45,065		53,052	
		<u>£ 2,536,350</u>		<u>£ 2,143,365</u>
ADMINISTRATIVE EXPENSES				
Establishment expenses				
Rent	116,501		116,500	
Rates	36,775		30,641	
Service charges	45,981		41,719	
Repairs and maintenance	743		1,293	
Light & heat	5,528		6,640	
Cleaning	9,253		7,280	
Amortisation of leasehold improvements	8,514		8,514	
		<u>223,295</u>		<u>212,587</u>
General Expenses				
Directors' remuneration	299,902		379,166	
Directors' pension schemes	15,000		20,000	
Salaries - Administration	150,118		116,387	
- Accountancy	180,689		108,220	
- Account Executives	1,368,528		1,223,078	
NI	225,707		203,405	
PAYE Settlement	51,977		25,464	
Staff Training and mentoring	28,677		56,099	
Staff rewards	13,579		5,453	
Recruitment costs	34,758		94,232	
Staff welfare and refreshments	34,019		35,842	
Consultants and agency workers	188,966		211,962	
Legal & professional	40,247		59,418	
Promotional costs	261,812		126,135	
Postage, Printing & stationery	68,044		31,126	
Telephone	29,252		30,449	
Subscriptions, books and periodicals	51,224		9,585	
Entertaining	28,539		22,675	
Insurance	22,626		21,423	
Sundry expenses	2,063		7,627	
	<u>3,095,727</u>	<u>223,295</u>	<u>2,787,746</u>	<u>212,587</u>

MUNRO & FORSTER COMMUNICATIONS LIMITED**ANALYSIS OF EXPENSES****FOR THE YEAR ENDED 31st MARCH, 2005**

	<u>2005</u>		<u>2004</u>	
	£	£	£	£
ADMINISTRATIVE EXPENSES (continued)				
brought forward	3,095,727	223,295	2,787,746	212,587
General Expenses (continued)				
Donations	5,450		-	
Professional Indemnity Insurance	4,945		4,289	
Repairs to office equipment	15,753		22,542	
Rental of equipment	33,490		28,117	
Computer software	13,118		7,395	
Computer training, support & consultancy	46,175		49,676	
Travelling expenses	-		8,669	
Motor car expenses	885		12,626	
Depreciation -				
Office furniture & equipment	68,061		61,370	
Fixtures & fittings	27,886		28,150	
Motor vehicles	315		6,195	
Loss on disposal of fixed assets	9,580		12,647	
Transfer to recoverable costs	(151,127)		-	
		3,170,258		3,029,422
Financial Expenses				
Audit & Accountancy	16,689		12,691	
Bank charges	3,284		3,028	
Amounts written off	(2)		7,215	
Bad debts	-		196	
Loss/(Profit) on exchange	3,068		(1,262)	
		23,039		21,476
TOTAL		<u>£ 3,416,592</u>		<u>£ 3,263,485</u>