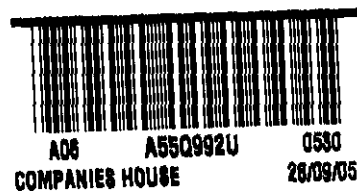


**Ekay Advertising and Marketing Limited**

Registered No. 3754672  
Financial Statements  
For the year to 30 June 2005



## CONTENTS

	Page
Company Information	1
Report of the Directors	2
Statement of Directors' Responsibilities	2 – 3
Report of the Independent Auditors to the Shareholders of Ekay Advertising and Marketing Limited	4
Profit and Loss account	5
Statement of Total Recognised Gains and Losses	6
Balance sheet	7
Cash Flow Statement	8
Notes to the Cash Flow Statement	9 – 10
Notes to the Financial Statements	11 – 17
Trading and Profit and Loss Account	18 – 19

## Company Information

**DIRECTORS:** Mr E K Powell  
Mr T M Rose  
Mr J S McCormack

**COMPANY SECRETARY:** Mr E Powell

**REGISTERED OFFICE:** Kings Lodge  
London Road  
West Kingsdown  
Sevenoaks  
Kent  
TN15 6AR

**COMPANY NUMBER:** 3754672 (England and Wales)

**ACCOUNTANTS:** AGN Shipleys

**SOLICITORS:** Howard Kennedy

**BANKERS:** NatWest Bank Plc

## Report of the Directors For the year ended 30 June 2005

The directors present their report and financial statements for the year ended 30 June 2005.

### PRINCIPAL ACTIVITY

The principal activity of the company in the year was that of a full service advertising and marketing agency.

### REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements. The Directors consider the result for the year and future business prospects to be excellent.

### DIVIDENDS

An interim dividend of 50.50 pence per share was declared and paid on 31 July 2004, and a second interim dividend of 145.00 pence per share was declared and paid on 6 April 2005.

The directors recommended and paid a final dividend of 300.00 pence per share on 30 June 2005 based on the results for the year.

The total distribution for the year ended 30 June 2005 was £495,500.

### DIRECTORS

The directors during the year under review were: Mr E K Powell

Mr M Barton (resigned on 14 January 2005)

Mr T M Rose

Mr J S McCormack

The beneficial interests of the directors holding office on 30 June 2005 in the issued share capital of the company were as follows:

	Ordinary £1 shares	
	30 June 2005	1 July 2004
Mr E K Powell	100,000	100,000
Mr T M Rose	-	-
Mr J S McCormack	-	-

### FUTURE DEVELOPMENT

On 16 June 2005, Docklands Holdings Limited was incorporated as a private company under the Companies (Jersey) Law 1991 and was owned and controlled by the Docklands Discretionary Trust, the beneficiary of which is Ekay Advertising & Marketing Limited. On 1 July 2005, permission was granted for Docklands Holdings Limited to provide media space for advertising for third party service companies. Docklands Holdings Limited commenced trading from 1 July 2005.

### STATEMENT OF 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 as at 30 June 2005 and of the profits or loss of the company for that period. In preparing those financial statements, the directors are required to

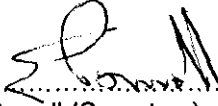
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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.

This report has been prepared in accordance with the special provisions for small companies under Part VIII of the Companies Act 1985.

**On behalf of the board:**

  
.....  
Mr E Powell (Secretary)

13-09-05  
.....  
Date

## **Report of the Independent Auditors to the Shareholders of Ekay Advertising and Marketing Limited**

We have audited the financial statements of Ekay Advertising and Marketing Limited for the year ended 30 June 2005 on pages 5 to 17. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or of the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statement 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 Report of the Directors 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 or audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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


### **Basis of audit opinion**

We conducted our audit in accordance with 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**AGN Shipley**  
**Registered Auditors**  
10 Orange Street  
Haymarket  
London  
WC2H 7DQ

Date: 13th September 2005

**Profit and Loss account**  
**For the year to 30 June 2005**

	Notes	2005 £	Restated 2004 £
Turnover	1 (b)	20,106,815	11,061,278
Cost of sales		18,279,959	9,420,463
<b>Gross profit</b>		<u>1,826,856</u>	<u>1,640,815</u>
Administrative expenses	2	915,022	784,130
		<u>911,834</u>	<u>856,685</u>
Other operating income		8,425	5,400
<b>Operating profit</b>	5	<u>920,259</u>	<u>862,085</u>
Interest receivable and similar income		82,186	11,193
<b>Profit on ordinary activities before taxation</b>		<u>1,002,445</u>	<u>873,278</u>
Tax on profit on ordinary activities	6	250,895	290,987
<b>Profit for the financial year after taxation</b>		<u>751,550</u>	<u>582,291</u>
Dividends – interim and final	7	495,500	40,722
		<u>256,050</u>	<u>541,569</u>
Retained profit brought forward	15	642,832	101,263
<b>Retained profit carried forward</b>	15	<u>£898,882</u> =====	<u>£642,832</u> =====

The accompanying notes form an integral part of the profit and loss account.

**Continuing Operations**

None of the company's activities were acquired or discontinued during the current and previous years.

**Statement of Total Recognised Gains and Losses**  
**For the year to 30 June 2005**

	Notes	2005 £	Restated 2004 £
Profit for the financial year after taxation		<u>751,550</u>	<u>582,291</u>
Total recognised gains and losses relating to the year		751,550	£582,291
Prior period adjustment	1h	<u>139,455</u>	=====
Total gains and losses recognised since last annual report		<u>£612,095</u>	=====

The accompanying notes form an integral part of this statement of total recognised gains and losses.

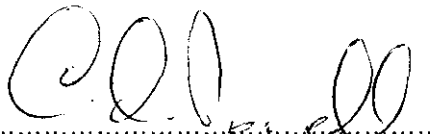


**Balance sheet**  
**As at 30 June 2005**

	Notes	2005 £	£	Restated 2004 £	£
<b>Fixed assets</b>					
Tangible assets	8		315,478		71,713
<b>Current assets</b>					
Debtors within one year	9	2,394,253		1,632,987	
Debtors more than one year	9	-		350,023	
Cash at bank and in hand		1,747,511		953,514	
		<u>4,141,764</u>		<u>2,936,524</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>3,458,360</u>		<u>2,265,405</u>	
<b>Net current assets</b>			<u>683,404</u>		<u>671,119</u>
<b>Total assets less current Liabilities</b>			<u>£998, 882</u>		<u>£742,832</u>
<b>Capital and reserves</b>					
Called up share capital	12		100,000		100,000
Profit and loss account	15		898,882		642,832
<b>Shareholders funds - equity</b>	18		<u>£998,882</u>		<u>£742,832</u>

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

**On behalf of the board:**

  
.....

Mr E K Powell – Director

Approved by the Board on 13/9/2005  
.....

**Cash Flow Statement  
As at 30 June 2005**

	Notes	2005 £	Restated 2004 £
Net cash inflow from operating activities	A	2,289,831	364,346
Returns on investments and servicing of finance	B	82,186	11,193
Taxation		(290,987)	(47,018)
Capital expenditure	B	(294,227)	(26,717)
Equity dividends paid		(495,500)	(40,722)
		<u>1,291,303</u>	<u>261,082</u>
Financing	B	-	(184)
		<u>-</u>	<u>(184)</u>
Increase in cash in the period		<u>£1,291,303</u> =====	<u>£260,898</u> =====
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash in the period	C	<u>1,291,303</u>	<u>260,898</u>
Change in net funds resulting from cash flows		<u>1,291,303</u>	<u>260,898</u>
		<u>1,291,303</u>	<u>260,898</u>
Movement in net funds in the period		<u>1,291,303</u>	<u>260,898</u>
Net funds at 1 July	C	456,208	195,310
Net funds at 30 June	C	<u>£1,747,511</u> =====	<u>£456,208</u> =====

**Notes to the Cash Flow Statement  
For the Year Ended 30 June 2005**

**A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2005	Restated 2004
	£	£
Operating profit	920,259	862,085
Depreciation charges	48,098	28,601
Loss/(profit) on sale of fixed assets	2,364	(3)
(Increase) in debtors	(411,243)	(814,158)
Increase in creditors	1,730,353	287,821
<b>Net cash inflow from operating activities</b>	<b>2,289,831</b>	<b>364,346</b>
	=====	=====

**B. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2005	Restated 2004
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	82,186	11,193
	=====	=====
Net cash inflow For returns on investments and servicing of finance	82,186	11,193
	=====	=====
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(442,227)	(26,869)
Sale of tangible fixed assets	148,000	152
	=====	=====
Net cash outflow for capital expenditure	(294,227)	(26,717)
	=====	=====
<b>Financing</b>		
Amount withdrawn by directors	-	(184)
	=====	=====
Net cash outflow from financing	-	(184)
	=====	=====

**C. ANALYSIS OF CHANGE IN NET FUNDS**

	At 1 July 2004	Cashflow	At 30 June 2005
	£	£	£
Net cash:			
Cash at bank and in hand	953,514	793,997	1,747,511
Bank overdrafts	(497,306)	497,306	-
	<hr/>	<hr/>	<hr/>
Total	456,208	1,291,303	1,747,511
	=====	=====	=====

**Analysed in Balance Sheet**

Cash at bank and in hand	953,514	1,747,511
Bank overdrafts	(497,306)	-
	<hr/>	<hr/>
	£456,208	£1,747,511
	=====	=====

## Notes to the Financial Statements For the Year Ended 30 June 2005

### 1. ACCOUNTING POLICIES

#### a. Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

#### b. Turnover, cost of sales and revenue recognition

Turnover comprises the gross amounts billed to date in respect of commission-based income together with the total of other fees earned. Cost of sales comprises media payments and production costs. Revenue comprises commission and fees earned in respect of turnover. Revenue consists of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client. Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement. Direct costs include fees paid to external suppliers where they are retained to perform part or all of a specific project for a client and the resulting expenditure is directly attributable to the revenue earned. Turnover and revenue are stated exclusive of VAT, sales tax and trade discounts.

#### c. Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation and any provision for impairment. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	-50 years
Leasehold property	-life of lease
Fixtures and fittings	-25% on reducing balance per annum
Motor vehicles	-25% on reducing balance per annum
Computer equipment	-33% on cost per annum

#### d. Current taxation

Corporate taxes are payable on taxable profits at current rates.

#### e. Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet dated where transactions or events that result in an obligation to pay more taxation in the future or a right to pay less taxation in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxation assessments in periods different from those in which they are recognised in the financial statements. A net deferred taxation asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is measured on a non-discounted basis.

#### f. Operating leases

Operating lease rentals are charged to the profit and loss account on a systematic basis. Any premium or discount on the acquisition of a lease is spread over the life of the lease or until the date of the first rent review.

#### g. Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

#### h. Prior Period Adjustment – fundamental error

The prior period adjustment relates to certain invoices raised in advance and deferred costs incorrectly allocated at the previous year end.

The effect of this adjustment is to increase cost of sales and accruals in 2004 by £139,455.

## 2. STAFF COSTS

	2005	Restated 2004
	£	£
Wages and salaries	508,080	463,397
Social security costs	58,416	51,049
Other pension costs	7,313	6,815
Redundancy cost	18,000	-
	<u>591,809</u>	<u>521,261</u>
	=====	=====

The average monthly number of employees during the year was as follows:

	2005	Restated 2004
Accounts	4	2
Admin	2	2
Press	4	3
Other Media	1	1
Broadcast	3	3
Graphics & Print	4	3
	<u>18</u>	<u>14</u>
	==	==

## 3. DIRECTORS' REMUNERATION

	2005	Restated 2004
	£	£
Directors' emoluments	186,501	222,551
Company contributions to money purchase pension scheme	6,435	5,326
	<u>192,936</u>	<u>227,877</u>
	=====	=====

The number of directors accruing benefits under a money purchase pension scheme was 2 (2004 : 2)

Highest paid director		
- emoluments	71,147	100,497
- company contributions to money purchase pension scheme	4,946	-
	<u>76,093</u>	<u>100,497</u>
	=====	=====

The highest paid director did not have any share options at any time during the year.

#### 4. PENSIONS

The group operates a defined contribution pension scheme. The total contributions paid during the period were as follows:-

	2005	Restated 2004
	£	£
Pension contributions	7,313	6,815
	=====	=====

At the year end none remained payable.

#### 5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2005	Restated 2004
	£	£
Hire of plant and machinery	847	627
Other operating leases	23,450	7,724
Rental income	(8,425)	(5,400)
Depreciation – owned assets	48,098	28,601
Loss/(Profit) on disposal of fixed assets	2,364	(3)
Auditors' remuneration	10,000	2,980
	=====	=====

#### 6. TAXATION

##### Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2005	Restated 2004
	£	£
Current tax:		
UK Corporation tax at 24.65% (2004 (restated): 33.32%) on the adjusted results for the year	247,135	290,987
Underprovision from prior year	3,760	-
	=====	=====
Tax on profit on ordinary activities	250,895	290,987
	=====	=====
Profit on ordinary activities before tax	1,002,445	873,278
	=====	=====

Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 32.75% (2004 (restated): 32.75%)

	328,301	285,999
Effects of:		
Marginal rate	(41,250)	(41,250)
Prior period adjustment	(45,672)	45,672
Depreciation for the year in excess of capital allowances	2,632	-
Capital allowances for the year in excess of depreciation	-	(1,989)
Expenses not deductible for tax purposes	3,124	2,555
Short term timing differences		
Current tax charge for year	<u>247,135</u>	<u>290,987</u>
	=====	=====

## 7. DIVIDENDS

	2005	Restated 2004
	£	£
Equity shares:		
Interim		40,722
- 31 May 2004 (40.722p per share)		
- 31 July 2004 (50.50p per share)	50,500	
- 6 April 2005 (145.00p per share)	145,000	
Final	300,000	
- 30 June 2005 (300.00p per share)		
	<u>495,500</u>	<u>40,722</u>
	=====	=====

## 8. TANGIBLE FIXED ASSETS

	Freehold Property	Leasehold Property	Fixtures and Fittings	Motor Vehicles	Computer Equipment	Totals
	£	£	£	£	£	£
<b>COST:</b>						
At 1 July 2004	-	-	18,190	78,196	61,909	158,295
Additions	215,000	145,000	16,719	32,936	32,572	442,227
Disposals	-	(145,000)		(18,495)	-	(163,495)
At 30 June 2005	<u>215,000</u>	<u>-</u>	<u>34,909</u>	<u>92,637</u>	<u>94,481</u>	<u>437,027</u>
	=====	=====	=====	=====	=====	=====
<b>DEPRECIATION:</b>						
At 1 July 2004	-	-	7,117	41,877	37,588	86,582
Charge for year	1,075	-	6,126	12,962	27,935	48,098
Eliminated on disposals	-	-	-	(13,131)	-	(13,131)
At 30 June 2005	<u>1,075</u>	<u>-</u>	<u>13,243</u>	<u>41,708</u>	<u>65,523</u>	<u>121,549</u>
	=====	=====	=====	=====	=====	=====
<b>NET BOOK VALUE:</b>						
At 30 June 2005	<u>213,925</u>	<u>-</u>	<u>21,666</u>	<u>50,929</u>	<u>28,958</u>	<u>315,478</u>
	=====	=====	=====	=====	=====	=====
At 30 June 2004	<u>-</u>	<u>-</u>	<u>11,073</u>	<u>36,319</u>	<u>24,321</u>	<u>71,713</u>
	=====	=====	=====	=====	=====	=====



## 9. DEBTORS

	2005	Restated 2004
	£	£
<i>Amounts falling due within one year:</i>		
Trade debtors	2,157,920	1,626,298
VAT	-	233
Other debtors	125,048	100
Prepayments and accrued income	111,285	6,356
	<u>2,394,253</u>	<u>1,632,987</u>
	=====	=====
<i>Amounts falling due after more than one year:</i>		
Other debtors	-	350,023
	=====	=====
Aggregate amounts	<u>2,394,253</u>	<u>1,983,010</u>
	=====	=====

## 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	Restated 2004
	£	£
Bank overdraft	-	497,306
Trade creditors	2,650,944	1,191,948
Directors current accounts	393	2
Social security & other taxes	28,253	72,347
Taxation	250,895	290,987
Accruals and deferred income	527,875	212,815
	<u>3,458,360</u>	<u>2,265,405</u>
	=====	=====

## 11. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2005	Restated 2004
	£	£
<i>Amounts falling due within one year or on demand:</i>		
Bank overdrafts	-	497,306
	=====	=====

## 12. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2005	Restated 2004
			£	£
100,000	Ordinary	£1	100,000	100,000
			=====	=====

## 13. OTHER FINANCIAL COMMITMENTS

At 30 June 2005, the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire between one and five years: £14,000 (2004 (restated): £26,900)

## 14. RELATED PARTY DISCLOSURES

53 Bath Street, which was occupied by the company during the year, was owned by Mr E K Powell's Funded Unapproved Retirement Benefit Scheme ('the FURBS'). The total rent paid during the year was £9,450 (2004 (restated) - £nil).

On 3 March 2005, 53 Bath Street, which was owned by the FURBS, was acquired by the Company for the consideration of £212,500, the market value of the property prevailing at the time.

The loan to the FURBS at the beginning of the year was £350,023. Interest was charged at 3% above NatWest Bank plc's base rate payable annually in arrears.

On 30 June 2005, the FURBS settled an outstanding loan and accrued interest lent to it by the Company which totalled £126,390. The total amount of interest charged on the loan during the year was £24,865. The balance outstanding from the FURBS at 30 June 2005 was £nil (2004 (restated) - £350,023).

54 Bath Street, which was also occupied by the Company during the year, is owned by Mr E K Powell's Self Invested Pension Plan. The total rent paid during the year was £14,000 (2004 (restated) - £14,000).

On 6 April 2005, a Trust formed by Mr E K Powell, the beneficiary of which was Mr E K Powell's son, acquired a residential property from the Company at 12 Seaford Court, Rochester for £145,000.

## 15. PROFIT AND LOSS ACCOUNT

	2005	Restated 2004
	£	£
Profit for the financial year	751,550	582,291
Dividends paid – interim and final	(495,500)	(40,722)
Retained profit for the year	256,050	541,569
Retained profit brought forward	642,832	101,263
Retained profit carried forward	898,882	642,832
	=====	=====

## 16. ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the ultimate controlling party is Mr E K Powell.

## 17. POST BALANCE SHEET EVENTS

On 16 June 2005, Docklands Holdings Limited was incorporated as a private company under the Companies (Jersey) Law 1991 and was owned and controlled by the Docklands Discretionary Trust, the beneficiary of which is Ekay Advertising & Marketing Limited. On 1 July 2005, permission was granted for Docklands Holdings Limited to provide media space for advertising for third party service companies. Docklands Holdings Limited commenced trading from 1 July 2005.

The Directors consider that Docklands Holdings Limited is a Quasi Subsidiary of Ekay Advertising & Marketing Limited as defined by Financial Reporting Standard 5 by virtue of the fact that the benefits to Ekay Advertising & Marketing Limited are in substance no different from those that would arise were the vehicle a subsidiary.

The results of Docklands Holdings Limited will be consolidated in to the results of the Company in the future.

## 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	Restated 2004
	£	£
Profit for the financial year	751,550	582,291
Dividends	(495,500)	(40,722)
Net addition to shareholders' funds	256,050	541,569
Opening shareholders' funds	742,832	201,263
Closing shareholders' funds	£998,882	£742,832
	=====	=====
Equity interests	£998,882	£742,832
	=====	=====