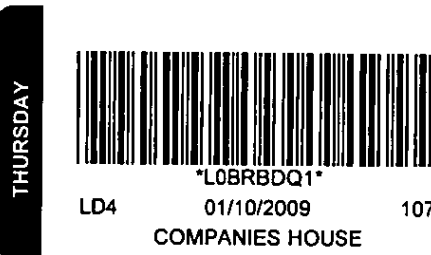


Company Registration No. 3923388 (England and Wales)

**PALLADIUM UK LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2008**



## **PALLADIUM UK LIMITED**

### **COMPANY INFORMATION**

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<b>Directors</b>	David Norton Christopher Mordas (Appointed 30 November 2008)
<b>Secretary</b>	K L Beare
<b>Company number</b>	3923388
<b>Registered office</b>	Forest House 3-5 Horndean Road Forest Park Bracknell Berkshire RG12 0XK
<b>Auditors</b>	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
<b>Business address</b>	6th Floor 13 Regent Street London SW1Y 4LR
<b>Bankers</b>	Royal Bank of Scotland plc 62-63 Threadneedle Street London EC2R 8LA

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# **PALLADIUM UK LIMITED**

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# **PALLADIUM UK LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2008**

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The directors present their report and financial statements for the year ended 31 December 2008.

#### **Principal activities**

The principal activity of the company continued to be that of business management and consultancy, and conference organisation.

#### **Directors**

The following directors have held office since 1 January 2008:

David Norton

Christopher Mordas

(Appointed 30 November 2008)

Kevin Marinelli

(Resigned 30 November 2008)

#### **Charitable donations**

**2008**

**2007**

**£**

**£**

During the year the company made the following payments:

Charitable donations

-

7,638

#### **Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that UHY Hacker Young be reappointed as auditors of the company will be put to the Annual General Meeting.

# **PALLADIUM UK LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

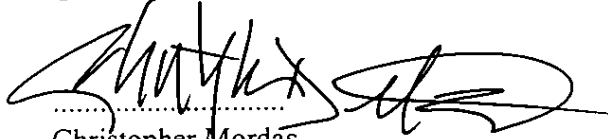
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Statement of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



Christopher Mordas

Director

28<sup>th</sup> September 2009

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PALLADIUM UK LIMITED**

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We have audited the financial statements of Palladium UK Limited for the year ended 31 December 2008 set out on pages 5 to 11. These financial statements have been prepared under 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 for the opinions we have formed.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**  
**TO THE SHAREHOLDERS OF PALLADIUM UK LIMITED**

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**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*UHY Hacker Young*

UHY Hacker Young

Chartered Accountants  
Registered Auditor

*28<sup>th</sup> September 2009*

**PALLADIUM UK LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

		<b>2008</b>	<b>2007</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>		2,933,913	2,787,121
Cost of sales		<u>(1,700,277)</u>	<u>(1,862,515)</u>
<b>Gross profit</b>		1,233,636	924,606
Administrative expenses		<u>(1,897,593)</u>	<u>(1,257,893)</u>
<b>Operating loss</b>	<b>2</b>	(663,957)	(333,287)
Other interest receivable and similar income	<b>3</b>	<u>2,114</u>	<u>2,119</u>
<b>Loss on ordinary activities before taxation</b>		(661,843)	(331,168)
Tax on loss on ordinary activities	<b>4</b>	<u>-</u>	<u>-</u>
<b>Loss for the year</b>	<b>9</b>	<u><u>(661,843)</u></u>	<u><u>(331,168)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.



**PALLADIUM UK LIMITED**

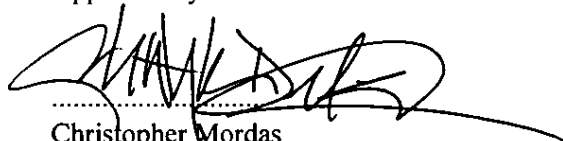
Company Registration No. 3923388

**BALANCE SHEET****AS AT 31 DECEMBER 2008**

	Notes	2008 £	£	2007 £	£
<b>Fixed assets</b>					
Tangible assets	5		16,747		85,876
<b>Current assets</b>					
Debtors	6	360,090		549,157	
Cash at bank and in hand		528,027		102,396	
		888,117		651,553	
<b>Creditors: amounts falling due within one year</b>	7	(2,824,713)		(1,995,435)	
<b>Net current liabilities</b>			(1,936,596)		(1,343,882)
<b>Total assets less current liabilities</b>			(1,919,849)		(1,258,006)
<b>Capital and reserves</b>					
Called up share capital	8		2		2
Profit and loss account	9		(1,919,851)		(1,258,008)
<b>Shareholders' funds</b>	10		(1,919,849)		(1,258,006)

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board and authorised for issue on 28<sup>th</sup> September 2009

  
Christopher Mordas  
Director

# **PALLADIUM UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

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### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

The company meets its day to day working capital requirements through its trading operations together with the support of loans and borrowings from its ultimate parent company in the USA as and when required.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

#### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### **1.3 Turnover**

Turnover represents amounts receivable for services net of VAT and trade discounts.

#### **1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	Over the life of the lease
Plant and machinery	33% per annum straight line
Fixtures, fittings & equipment	33% per annum straight line

#### **1.5 Leasing**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### **1.6 Deferred taxation**

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### **1.7 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

**PALLADIUM UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>2</b>	<b>Operating (profit)/loss</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Operating loss is stated after charging:		
	Depreciation of tangible assets	69,128	19,530
	Loss on foreign exchange transactions	-	56,173
	Operating lease rentals	90,000	77,250
	Auditors' remuneration	12,000	12,000
	Profit on foreign exchange transactions	(118,792)	-
		<u>          </u>	<u>          </u>
<b>3</b>	<b>Investment income</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Bank interest	2,114	2,119
		<u>          </u>	<u>          </u>
<b>4</b>	<b>Taxation</b>	<b>2008</b>	<b>2007</b>
	<b>Current tax charge</b>	<b>-</b>	<b>-</b>
		<u>          </u>	<u>          </u>
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	(661,843)	(331,168)
		<u>          </u>	<u>          </u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.50% (2007 - 30.00%)	(188,625)	(99,350)
		<u>          </u>	<u>          </u>
	Effects of:		
	Non deductible expenses	-	2,291
	Depreciation add back	19,761	5,859
	Capital allowances	(2,820)	(13,989)
	Tax losses	171,684	105,189
		<u>          </u>	<u>          </u>
		188,625	99,350
		<u>          </u>	<u>          </u>
	<b>Current tax charge</b>	<b>-</b>	<b>-</b>
		<u>          </u>	<u>          </u>

**PALLADIUM UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

**5 Tangible fixed assets**

	<b>Land and buildings</b>	<b>Plant and machinery etc</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2008	63,609	45,632	109,241
At 31 December 2008	63,609	45,632	109,241
<b>Depreciation</b>			
At 1 January 2008	9,541	13,825	23,366
Charge for the year	54,068	15,060	69,128
At 31 December 2008	63,609	28,885	92,494
<b>Net book value</b>			
At 31 December 2008	-	16,747	16,747
At 31 December 2007	54,068	31,808	85,876

**6 Debtors**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Trade debtors	220,362	457,177
Other debtors	139,728	91,980
	360,090	549,157

**PALLADIUM UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>7 Creditors: amounts falling due within one year</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	21,259	-
Trade creditors	142,060	117,229
Amounts owed to group undertakings and undertakings in which the company has a participating interest	2,029,073	1,374,093
Taxation and social security	109,201	194,722
Other creditors	523,120	309,391
	<u>2,824,713</u>	<u>1,995,435</u>
<b>8 Share capital</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>
<b>9 Statement of movements on profit and loss account</b>		<b>Profit and loss account</b>
		<b>£</b>
Balance at 1 January 2008		(1,258,008)
Loss for the year		(661,843)
Balance at 31 December 2008		<u>(1,919,851)</u>
<b>10 Reconciliation of movements in shareholders' funds</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Loss for the financial year	(661,843)	(331,168)
Opening shareholders' funds	<u>(1,258,006)</u>	<u>(926,838)</u>
Closing shareholders' funds	<u>(1,919,849)</u>	<u>(1,258,006)</u>

# **PALLADIUM UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **11 Financial commitments**

At 31 December 2008 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2009:

	<b>Land and buildings</b>	
	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Operating leases which expire:		
Between two and five years	<u>99,275</u>	<u>99,275</u>

The business premises leased by Palladium (UK) Limited are no longer in use. The remaining lease commitment of £322,643 has been charged to the profit and loss account in this period.

#### **12 Control**

The ultimate parent company and controlling entity is Palladium Group Inc, a company incorporated in the State of Delaware USA.

The immediate parent company is Palladium Group Limited, registered in England and Wales.

#### **13 Related party transactions**

There was a liability due to the ultimate parent company, Palladium Group Inc, as at the balance sheet date of £1,664,956 (2007: £1,374,093). During the year, Palladium Group Inc charged the company amounts of £355,207 relating to management fees and £1,931 relating to other operating costs.

There was a liability due to a fellow subsidiary company, Palladium Spain S.L. as at the balance sheet date of £361,267 (2007: £Nil). During the year, Palladium Spain S.L. charged the company amounts of £248,520 relating to management fees and £211,569 relating to other operating costs.

There was a liability due to a fellow subsidiary company, Palladium Southmed SL, as at the balance sheet date of £2,850 (2007: £Nil). During the year, Palladium Southmed SL charged the company amounts of £354,111 relating to management fees and £50,984 relating to other operating costs.