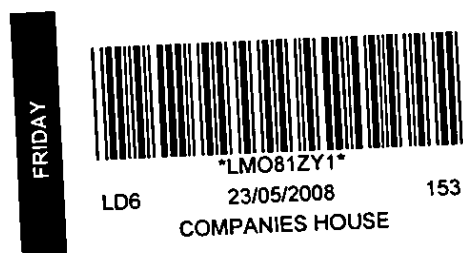


23red Limited

REPORT AND FINANCIAL STATEMENTS

Year ended 30 September 2007



Company Registration No 3974936

23red Limited

DIRECTORS AND OFFICERS AND ADVISORS

DIRECTORS

Jane Asscher
Sean Kinmont
Adam Wylie
Philippa Dunning
Greg Thorpe
Rob Bartlett
Carol Suckler
Stephanie Drakes

COMPANY SECRETARY

Jane Asscher

REGISTERED OFFICE

Elsley Court
20-22 Great Titchfield Street
London
W1W 8BE

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London
WC1B 3ST

23red Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of 23red Limited for the year ended 30 September 2007

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was marketing services

REVIEW OF THE BUSINESS

The Company enjoyed a good year's trading

FUTURE DEVELOPMENTS

The Directors are confident that the Company will continue its strong performance for the foreseeable future

DIVIDENDS

No interim dividend was recommended for the year ended 30 September 2007 (2006 £None) The Directors have recommended that no dividends be paid for the year ended 30 September 2007 (2006 £98,000)

DIRECTORS

The following directors have held office during the year

Jane Asscher	
Sean Kinmont	
Adam Wylie	
Philippa Dunning	
Greg Thorpe	(appointed 28 February 2007)
Rob Bartlett	(appointed 28 February 2007)
Carol Stuckler	(appointed 28 February 2007)
Stephanie Drakes	(appointed 21 August 2007)

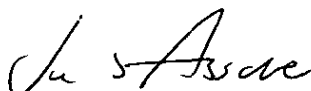
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office

By order of the board



Jane Asscher
Chairman

10 May 2008

23red Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and 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.

- a. select suitable accounting policies and then apply them consistently,
- b. make judgements and estimates that are reasonable and prudent,
- c. 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 requirements of 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 23RED LIMITED

We have audited the financial statements on pages 5 to 13

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 auditor's 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 Annual Report and 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.

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 at 30 September 2007 and of its profit for the year then ended and 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.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

2 Bloomsbury Street

London WC1B 3ST

20 May 2008

23red Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2007

	Note	2007 £	2006 £
TURNOVER	1	4,945,755	3,730,725
Cost of sales		(2,899,202)	(2,527,512)
Gross profit		<u>2,046,553</u>	<u>1,203,213</u>
Administration expenses		(1,570,220)	(1,042,862)
OPERATING PROFIT		<u>476,333</u>	<u>160,351</u>
Interest receivable	2	9,716	10,549
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>486,049</u>	<u>170,900</u>
Taxation	5	(134,290)	(29,714)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>351,759</u></u>	<u><u>141,186</u></u>

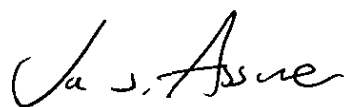
The operating profit for the year arises from the company's continuing operations

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account

23red Limited
BALANCE SHEET
30 September 2007

	<i>Notes</i>	2006 £	2006 £
FIXED ASSETS			
Tangible assets	7	54,712	77,222
Investments	8	2,529	2,529
		<u>57,241</u>	<u>79,751</u>
CURRENT ASSETS			
Debtors	9	989,337	1,190,359
Cash at bank and in hand		825,203	412,055
		<u>1,814,540</u>	<u>1,602,414</u>
CREDITORS Amounts falling due within one year	10	(945,173)	(1,009,316)
NET CURRENT ASSETS		<u>869,367</u>	<u>593,098</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>926,608</u>	<u>672,849</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Share premium account	13	299,100	299,100
Investment in own shares	14	(70)	(70)
Profit and loss account	15	626,578	372,819
SHAREHOLDERS' FUNDS	16	<u>926,608</u>	<u>672,849</u>

Approved and authorised for issue on 20 May 2008



Jane Asscher
Director

23red Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007

BASIS OF ACCOUNTING

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

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Fixtures and fittings	over 4 years
Computer equipment	over 4 years
Leasehold Improvements	over length of lease

LEASED ASSETS AND OBLIGATIONS

All leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term

TURNOVER

The turnover shown in the profit and loss account represents the total amount receivable by the company for goods supplied and services provided, excluding VAT

Turnover is recognised as contract activity progresses, in accordance with the terms of the contractual agreement and the stage of completion of the work. It is in respect of the provision of marketing services including fees, commissions, rechargeable expenses and sales of marketing materials performed subject to specific contract. Where recorded turnover exceeds amounts invoiced to clients, the excess is classified as accrued income

TAXATION AND DEFERRED TAXATION

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in the obligation to pay more tax or a right to pay less tax 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

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

INVESTMENTS

Fixed asset investments are shown at cost less provision for diminution in value

EMPLOYEE SHARE OWNERSHIP PLANS

The estimated cost of share awards made by the company is charged to profit over the period from grant date to the date of expected vesting or the performance period as appropriate. The cost of acquiring the shares is carried in shareholders' funds as 'interest in own shares', and any difference between the cost of awards and the consideration paid to purchase shares on market is transferred to retained earnings when the shares vest to the employees unconditionally. In addition, the assets and liabilities of ESOP trusts utilised by the company to hold shares for employee remuneration schemes are consolidated

23red Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity All sales are derived from the UK

2	INTEREST RECEIVABLE	2007 £	2006 £
	On bank balances	7,887	8,432
	On rent deposit	1,829	2,117
		<u>9,716</u>	<u>10,549</u>

3	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2007 £	2006 £
---	---	-----------	-----------

Profit on ordinary activities before taxation is stated after charging

Depreciation and amounts written off tangible fixed assets

Charge for the period		
owned assets	55,508	48,558
Operating lease rentals		
Plant and machinery	4,377	6,778
Land and buildings	134,443	79,976
Auditors' remuneration	8,250	7,500
	<u></u>	<u></u>

4	EMPLOYEES	2007 No	2006 No
---	-----------	------------	------------

a) The average monthly number of persons (including directors) employed by the company during the period was

Marketing and Creative	33	27
Admin	6	4
	<u>39</u>	<u>31</u>

		2007 £	2006 £
b)	Staff costs for above persons		
	Wages and salaries	1,757,535	1,446,611
	Social security costs	178,191	166,389
		<u>1,935,726</u>	<u>1,613,000</u>

23red Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2007

4 EMPLOYEES (*continued*)

	2007 £	2006 £
c) Directors remuneration		
Emoluments	720,390	383,810
	<u> </u>	<u> </u>
Total emoluments of the highest paid director in the year	117,684	105,259
	<u> </u>	<u> </u>

No Directors were members of a company pension scheme.

5 TAXATION

	2007 £	2006 £
UK corporation tax on profits for the period	136,340	35,142
Adjustments in respect of previous periods	3,686	(3,912)
	<u> </u>	<u> </u>
Total current tax	140,026	31,230
Deferred tax		
Origination and reversal of timing differences	(5,736)	(1,516)
	<u> </u>	<u> </u>
Total deferred tax	(5,736)	(1,516)
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	134,290	29,714
	<u> </u>	<u> </u>

Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below

Profit on ordinary activities before tax	486,049	170,990
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by the small company rate of corporation tax of 30% (2006 – 30%)	145,814	51,270
Effects of		
Expenses not deductible for tax purposes	9,362	4,455
Capital allowances in excess of depreciation	6,398	6,242
Income not taxable	-	(6,480)
Benefit of small companies starting rate	(25,234)	(20,345)
Adjustments to tax charge in respect of previous periods	3,686	(3,912)
	<u> </u>	<u> </u>
Current tax charge for the period	140,026	31,230
	<u> </u>	<u> </u>

23red Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007

6	DIVIDENDS	2007 £	2006 £
	Interim paid dividend – nil per share (2006 – 77 91p)	-	72,458
	Final paid dividend –105 38p per share (2006 – 134 41p per share)	98,000	125,000
		<u>98,000</u>	<u>197,458</u>

23red Trustee Limited, which held 7,000 1p shares in the Company, waived the right to dividends for the financial period ended 30 September 2007

7 TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Fixtures, fittings and equipment £	Computers £	Total £
Cost or valuation				
1 October 2006	72,524	70,617	148,109	291,250
Additions in year	-	844	32,154	32,998
30 September 2007	<u>72,524</u>	<u>71,461</u>	<u>180,263</u>	<u>324,248</u>
Depreciation				
1 October 2006	53,575	58,056	102,397	214,028
Charged in the period	18,949	7,018	29,541	55,508
30 September 2007	<u>72,524</u>	<u>65,074</u>	<u>131,938</u>	<u>269,536</u>
Net book value				
30 September 2007	-	6,387	48,325	54,712
30 September 2006	<u>18,949</u>	<u>12,561</u>	<u>45,712</u>	<u>77,222</u>

23red Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007

8 FIXED ASSET INVESTMENTS

	Investments in subsidiary Undertakings £	Unlisted Investments £	Total £
30 September 2006 and 2007	1	2,528	2,529

The company's 100% subsidiary undertaking V5 Brand Communication Limited, with £1 share control has remained dormant since incorporation and returns net asset of £1 at 30 September 2007. These accounts present information about the company as an individual undertaking and not as a group, as the company has taken advantage of the extensions provided by section 229 of Companies Act 1985. The subsidiary has been excluded from consolidation on the grounds that they are not material.

9 DEBTORS	2007 £	2006 £
Due within one year		
Trade debtors	799,239	916,371
Other debtors	10,707	17,811
Prepayments and accrued income	179,391	256,177
	<u>989,337</u>	<u>1,190,359</u>

During the year the company's interest free loan to a Adam Wylie, a director of the company, was repaid in full and no amount remained outstanding at the year end (2006: £12,257 include within other debtors). Included in other debtors - £5,736 in relation to deferred tax (2006: nil).

10 CREDITORS Amounts falling due within one year	2007 £	2006 £
Trade creditors	270,820	223,315
Other creditors	70	70
Corporation tax	140,026	31,230
Other taxation and social security	171,619	117,975
Accruals and deferred income	362,638	636,726
	<u>945,173</u>	<u>1,009,316</u>

23red Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007

11	PROVISIONS FOR LIABILITIES AND CHARGES	2007 £	2006 £
	Accelerated capital allowances	5,736	-
	Provision for deferred tax	<u>5,736</u>	<u>-</u>
	Provision at start of period	-	1,156
	Deferred tax charge in profit and loss account for period	5,736	(1,156)
	Provision at end of period	<u>5,736</u>	<u>-</u>
12	SHARE CAPITAL	2007 £	2006 £
	Authorised 100,000 ordinary shares of £ 0 01 each	<u>1,000</u>	<u>1,000</u>
	Allotted, issued and fully paid 100,000 ordinary shares of £ 0 01 each	<u>1,000</u>	<u>1,000</u>
13	SHARE PREMIUM ACCOUNT	2007 £	2006 £
	30 September 2006 and 30 September 2007	<u>299,100</u>	<u>299,100</u>
14	INTEREST IN OWN SHARES	2007 £	2006 £
	1 October 2006 and 30 September 2007	<u>70</u>	<u>70</u>

At 30 September 2007, 23red Trustees Limited beneficial held 7,000 ordinary 1 pence shares. The directors consider the value of the investment is not less than its cost.

23red Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007

15	PROFIT AND LOSS ACCOUNT	£
	Balance at 1 October 2006	372,819
	Profit for the year	351,759
	Dividends paid	(98,000)
	Balance at 30 September 2007	<u>626,578</u>

16	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2007 £	2006 £
	Profit for the financial year	351,759	141,186
	Dividends paid	(98,000)	(197,458)
	Net addition/(reduction) to shareholders' funds	<u>253,759</u>	<u>(56,272)</u>
	Opening shareholders' funds	672,849	729,121
	Closing shareholders' funds	<u>926,608</u>	<u>672,849</u>

17 COMMITMENTS UNDER OPERATING LEASES

At 30 September 2007 the company had annual commitments under non-cancellable operating leases as follows

	2007 £	2006 £
Plant and machinery expiring in the second to fifth year	4,403	8,780
Land and buildings expiring in the first year	72,467	95,040
expiring in the second to fifth year	-	-
	<u>76,870</u>	<u>103,820</u>