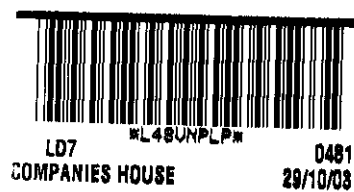


HERESY LIMITED

Report and Financial Statements

31 December 2002



Deloitte & Touche LLP
London

HERESY LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS

Page

Officers and professional advisers

1

Directors' report

2

Statement of directors' responsibilities

3

Independent auditors' report

4

Profit and loss account

5

Balance sheet

6

Notes to the accounts

7

HERESY LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R E Davison

T H Parker (resigned 28 March 2003)

F M Sharp (appointed 19 March 2003)

SECRETARY

T H Parker (resigned 28 March 2003)

R E Davison (appointed 28 March 2003)

REGISTERED OFFICE

14 Curzon Street

London

W1J 5HN

SOLICITORS

Slaughter and May

1 Bunhill Road

London

W1A 4RY

AUDITORS

Deloitte & Touche LLP

London

HERESY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

ACTIVITIES

The company was established as a dormant company on 29th December 2000. It started trading from 1 January 2002. The principal activity of the company is the provision of services as a marketing communications company.

RESULTS AND DIVIDENDS

The profit and loss account is set out on page 5 and shows profits for the year of £385,598 after charging exceptional costs of £117,614

During the year a dividend of £ 315,000 was paid.

REVIEW AND FUTURE DEVELOPMENTS

The directors consider the results for the year to be a fair reflection of the company's services into the field of marketing communications. The directors intend that the company continues its current activities.

DIRECTORS AND THEIR INTERESTS

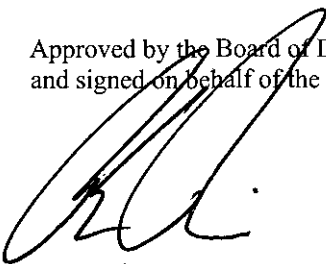
The current directors of the company are shown on page 1.

The interests of R E Davison and T H Parker in Chime Communications plc are shown in the financial statements of Girardot Partners Limited. The interests of F M Sharp in Chime Communications plc are shown in the financial statements of QBO Bell Pottinger Limited.

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. On 29 March 2001 the shareholders of the company passed an elective resolution to dispense with the holding of Annual General Meetings, with the laying of reports and accounts before general meetings and to dispense with the obligation to appoint auditors annually. Therefore, Deloitte & Touche are deemed to continue as auditors.

Approved by the Board of Directors
and signed on behalf of the Board



R E Davison

Secretary

23 October 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 the end of the financial year 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;
- state whether applicable accounting standards have been followed; and
- 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 the company's system of internal control, 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 HERESY LIMITED

We have audited the financial statements of Heresy Limited for the year ended 31 December 2002, which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

23 October

2003

HERESY LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2002

	Note	2002 £
TURNOVER	1	4,026,813
Cost of sales		(1,106,791)
Gross profit		<u>2,920,022</u>
Administrative expenses		(2,357,420)
OPERATING PROFIT	2	<u>562,602</u>
Interest payable and similar charges		-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>562,602</u>
Tax on profit on ordinary activities	4	(177,004)
PROFIT FOR THE FINANCIAL YEAR		<u>385,598</u>
Equity dividends	5	(315,000)
Retained profit for the financial year	12	<u><u>70,598</u></u>

Turnover and operating profit relate to continuing operations.

There were no recognised gains or losses or movements in shareholders' funds in the current year, except as disclosed in the profit and loss account.


HERESY LIMITED

BALANCE SHEET 31 December 2002

	Note	£	2002 £
FIXED ASSETS			
Intangible asset	7		55,651
Tangible assets	6		96,389
			<u>152,040</u>
CURRENT ASSETS			
Work in progress		93,162	
Debtors	8	812,139	
Cash at bank		185,854	
		<u>1,091,155</u>	
CREDITORS: amounts falling due within one year	9	<u>(1,172,595)</u>	
NET CURRENT LIABILITIES			<u>(81,140)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>70,600</u>
CAPITAL AND RESERVES			
Called up share capital	11		2
Profit and loss account	12		70,598
EQUITY SHAREHOLDERS' FUNDS			<u>70,600</u>

These financial statements were approved by the Board of Directors on 23 October 2003.

Signed on behalf of the Board of Directors


F M Sharp

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the total of amounts invoiced to clients, exclusive of value added tax, in respect of fees, commission, advertising production costs and rechargeable expenses.

Commission income and fees are recognised at the time that they are billable under the contract with the client.

Cost of sales

Cost of sales represents direct marketing costs.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated on a straight line basis over the following number of years.

Leasehold improvements	-	over five years
Furniture & Fixtures	-	over three years
Computer Equipment	-	over three years

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is recognised as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

Advanced receipts against production costs

Advanced receipts against production costs are estimated costs of production payable to suppliers, billed to clients in advance.

Goodwill

Goodwill arising on the acquisition of businesses has been capitalised as an intangible fixed asset. The asset does not have a defined economic life and is therefore not amortised. The carrying values will be reviewed annually for impairment and adjusted to the recoverable amount as necessary.

The financial statements depart from the specific requirements of the Companies Act 1985 to amortise goodwill over a finite period in order to give a true and fair view. In the opinion of the directors, it is not possible to determine the useful economic life of goodwill arising because of the nature of the businesses acquired and the specific circumstances of the industry within which the Group operates. Due to the infinite life of these assets, it is not possible to quantify the impact.

HERESY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

2. OPERATING PROFIT

	2002 £
Operating profit is after charging:	
Exceptional operating costs	117,614
Depreciation on owned assets	23,371
Auditors' remuneration – audit services	7,444
	<u>148,429</u>

Exceptional costs of £117,614 relate to redundancies.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £
Staff costs consist of:	
Wages and salaries	1,299,218
Social security costs	141,859
Pension costs	25,908
	<u>1,466,985</u>

The interests of R E Davison and T H Parker in Chime Communications plc are shown in the financial statements of Girardot Partners Limited. The directors' emoluments are paid for by another group company.

The average weekly number of employees, including directors, during the year was 22.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

<i>Analysis of tax charge on ordinary activities</i>	2002 £
UK corporation tax at 30%	178,640
Deferred taxation	(1,636)
	<u>177,004</u>
<i>Factors affecting tax charge</i>	2002 %
Standard tax rate for the year as a percentage of profits	30
Effects of:	
Capital allowances in excess of depreciation	2
	<u>32</u>

5. EQUITY DIVIDENDS

	2002 £
Final dividend of £157,500 per share	<u>315,000</u>

HERESY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

6. TANGIBLE FIXED ASSETS

	Leasehold improvement £	Furniture and fixtures £	Computer equipment £	Total £
Cost				
At 1 January 2002	-	-	-	-
Transfer	-	34,114	57,632	91,746
Additions	74,278	-	19,088	93,366
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	74,278	34,114	76,720	185,112
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2002	-	-	-	-
Transfer	-	24,294	41,059	65,353
Charge for the year	12,380	3,403	7,588	23,371
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	12,380	27,697	48,647	88,723
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2002	61,898	6,417	28,074	96,389
	<hr/>	<hr/>	<hr/>	<hr/>

7. INTANGIBLE ASSETS

	Goodwill £
Goodwill acquired during the year	55,651
	<hr/>

On 1 January 2002, the company acquired the trade of Bridgeworks Limited. No fair value adjustments were required as a result of the acquisition. Consideration of £56,651 was paid, resulting in goodwill being recognised of £55,651.

The following table summarises the assets and liabilities of the trade of Bridgeworks Limited at acquisition.

	Goodwill £
Net assets	-
	<hr/>
Consideration	55,651
	<hr/>
Goodwill	55,651
	<hr/>

HERESY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

8. DEBTORS

	2002 £
Trade debtors	722,723
Amounts owed by fellow group undertakings	22,766
Other debtors	31,854
Prepayments and accrued income	33,160
Deferred tax asset	1,636
	<u>812,139</u>

An analysis of the deferred tax asset is given below:

	2002 £
<i>Deferred tax asset movement</i>	
At 1 January 2002	-
Credit to profit and loss account	1,636
	<u>1,636</u>
At 31 December 2002	<u>1,636</u>

	2002 £
<i>Analysis of deferred tax asset</i>	
Capital allowances in excess of depreciation	1,636
	<u>1,636</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £
Advance receipts against production costs	301,352
Trade creditors	233,231
Amounts owed to group undertakings	133,258
Corporation tax	178,639
Creditors for taxation and social security	122,228
Accruals and deferred income	203,887
	<u>1,172,595</u>

10. CALLED UP SHARE CAPITAL

	2002 £
Authorised	
100 ordinary shares of £1 each	100
	<u>100</u>
Allotted, called up and fully paid	
Ordinary shares of 100p each	2
	<u>2</u>

HERESY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

11. RESERVES

	£
At 1 January 2002	-
Profit for the year	70,598
At 31 December 2002	<u>70,598</u>

12. FINANCIAL COMMITMENTS

As at 31 December 2002, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2002 £
Operating lease which expire:	
Within one year	-
Within one to two years	
Within two to five years	-
After five years	91,350
	<u>91,350</u>

13. CONTINGENT LIABILITIES

The company, together with the ultimate parent company and certain other companies in the Chime Communications plc group, has given an unlimited cross-guarantee in favour of its bankers.

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted under paragraph 3(c) of FRS 8 and has not disclosed details of transactions with other group companies qualifying as related parties.

15. ULTIMATE PARENT COMPANY

At 31 December 2002 the company's ultimate parent undertaking and controlling party was Chime Communications plc, which is incorporated in Great Britain. Chime Communications plc is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of the consolidated financial statements of Chime Communications plc are available from Companies House.