

COMPANY NUMBER 247566



COGENT ELLIOTT GROUP LIMITED

2001 ANNUAL REPORT & ACCOUNTS

Dafferns

Chartered Accountants



## COGENT ELLIOTT GROUP LIMITED

### REPORT OF THE DIRECTORS

The directors present their report together with the accounts of the group for the year ended 31 December 2001.

#### DIRECTORS RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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 group and of the profit or loss of the group for that period. In preparing those financial statements we 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 a going concern basis unless it is inappropriate to presume that the group will continue in business.

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

#### PRINCIPAL ACTIVITY

The group trades as an advertising and marketing agency.

#### BUSINESS REVIEW

As indicated last year the group results showed an improved performance. However, the current extremely difficult conditions in the industry are expected to affect the results for the current year.

#### RESULTS AND DIVIDENDS

The group profit and loss account is shown on page 4.

The directors do not recommend the payment of a dividend and the retained profit for the year has been added to reserves.

#### DIRECTORS

The directors of the company at the date of this report are:

Executive directors	Non executive directors
W.E. Husselby	M.C. Fetherston - Dilke
P.C.J. Buckley	D.C. Fildes
M.S. Cross	Sir D.P. Hornby
M.A. Rayner	

S.J. Jones resigned as a director on 13 November 2001.

The beneficial interests of the directors in the share capital of the company are shown in note 2 to the accounts.

COGENT ELLIOTT GROUP LIMITED  
REPORT OF THE DIRECTORS (CONTINUED)

CHARITABLE DONATIONS

The group made charitable donations of £1,870 during the year.

AUDITORS

Messrs. Dafferns, Chartered Accountants, have indicated their willingness to continue in office as auditors to the company and a resolution for their re-appointment will be proposed at the annual general meeting.

By Order of the Board

*P.R. Pattison*

P.R. PATTISON

24 October 2002

Secretary

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF  
COGENT ELLIOTT GROUP LIMITED

We have audited the financial statements of Cogent Elliott Group Limited for the year ended 31 December 2001 on pages 4 to 21. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 1 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 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 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 our audit, or if information specified by law regarding director's 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.

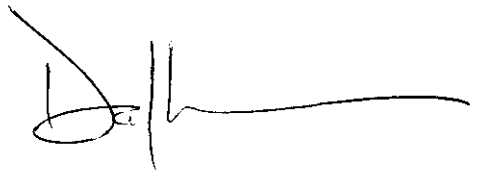
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 and the group affairs as at 31 December 2001 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Queens House,  
Queens Road,  
Coventry,  
CV1 3DR

24 October 2002



**DAFFERNS**  
Chartered Accountants  
Registered Auditors

COGENT ELLIOTT GROUP LIMITED  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
Years ended 31 December

	Notes	<u>2001</u> £	<u>2000</u> £
TURNOVER		12,828,755	12,477,235
Change in work in progress		915	(321,749)
Materials and external charges		(6,875,003)	(5,663,653)
Staff costs	2	(3,751,930)	(4,059,255)
Depreciation, adjusted for profit on sale of assets		(152,973)	(192,094)
Other operating charges		(1,779,810)	(2,313,449)
Other operating income		69,658	140,465
OPERATING PROFIT BEFORE EXCEPTIONAL ITEM	4	339,612	67,500
Exceptional item	3	(135,933)	(208,270)
Payment on surrender of lease		-	(65,000)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		203,679	(205,770)
Interest	5	(123,634)	(140,549)
Group profit/(loss) before taxation		80,045	(346,319)
Share of profit before taxation of joint venture		130	43,477
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		80,175	(302,842)
Taxation on profit/(loss) on ordinary activities	6	(59,574)	62,017
RETAINED PROFIT/(LOSS) FOR GROUP	13	20,601	(240,825)

The notes on pages 9 to 21 form an integral part of these accounts

COGENT ELLIOTT GROUP LIMITED

Years ended 31 December

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2001</u> £	<u>2000</u> £
Profit/(loss) for the financial year	20,601	(240,825)
Net addition/(reduction) to shareholders' funds	20,601	(240,825)
Opening shareholders' funds	3,376,154	3,616,979
Closing shareholders' funds (equity interests)	<u>3,396,755</u>	<u>3,376,154</u>

Continuing operations

Turnover and operating profit derive wholly from continuing operations during the above two financial years.

Total recognised gains and losses

The group has no recognised gains or losses other than the profit/(loss) for the two financial years.

The notes on pages 9 to 21 form an integral part of these accounts

COGENT ELLIOTT GROUP LIMITED

CONSOLIDATED BALANCE SHEET

Years ended 31 December

	Notes	£	2001 £	£	2000 £
<b>FIXED ASSETS</b>					
Tangible assets	7		4,581,963		4,690,391
Investments	8		106,655		109,002
			<hr/>		<hr/>
			4,688,618		4,799,393
<b>CURRENT ASSETS</b>					
Work in progress	9	156,181		155,265	
Debtors	10	1,770,049		1,745,153	
Cash at bank and in hand		1,092,539		823,253	
		<hr/>		<hr/>	
		3,018,769		2,723,671	
<b>CREDITORS</b>					
Amounts falling due within one year	11	(2,689,295)		(2,387,612)	
<b>NET CURRENT ASSETS</b>			329,474		336,059
			<hr/>		<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			5,018,092		5,135,452
<b>CREDITORS</b>					
Amounts falling due after one year	11		(1,488,337)		(1,645,003)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	16		(133,000)		(114,295)
			<hr/>		<hr/>
			3,396,755		3,376,154
			<hr/>		<hr/>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12		102,480		102,480
Share premium account	13		17,100		17,100
Revaluation reserve	13		1,480,153		1,480,153
Capital redemption reserve	13		100		100
Profit and loss account	13		1,796,922		1,776,321
			<hr/>		<hr/>
			3,396,755		3,376,154
			<hr/>		<hr/>

  
W.E. HUSSELY - Director

Approved by the Board on 24 October, 2002


The notes on pages 9 to 21 form an integral part of these accounts

COGENT ELLIOTT GROUP LIMITED

BALANCE SHEET

Years ended 31 December

	Notes	£	<u>2001</u>	£	£	<u>2000</u>	£
FIXED ASSETS							
Investments	8			940			940
CURRENT ASSETS							
Debtors	10	2,505,312			1,755,647		
CREDITORS							
Amounts falling due within one year	11	(1,152,773)			(453,924)		
NET CURRENT ASSETS				1,352,539			1,301,723
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>1,353,479</u>			<u>1,302,663</u>
CAPITAL AND RESERVES							
Called up share capital	12			102,480			102,480
Share premium account	13			17,100			17,100
Capital redemption reserve	13			100			100
Profit and loss account	13			1,233,799			1,182,983
				<u>1,353,479</u>			<u>1,302,663</u>

  
W.E. HUSSELBY - Director

Approved by the Board on 24 October 2002

The notes on pages 9 to 21 form an integral part of these accounts



COGENT ELLIOTT GROUP LIMITED

CASH FLOW STATEMENT

Years ended 31 December

	Notes	<u>2001</u> £	<u>2000</u> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	18i)	744,506	593,280
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	18ii)	(114,634)	(138,949)
TAXATION	18iii)	(135,809)	(1,030)
CAPITAL EXPENDITURE	18iv)	(44,545)	(111,115)
NET CASH INFLOW BEFORE FINANCING		<u>449,518</u>	<u>342,186</u>
FINANCING	18v)	(180,232)	(186,666)
INCREASE IN CASH	18vi)	<u><u>269,286</u></u>	<u><u>155,520</u></u>

The notes on pages 9 to 21 form an integral part of these accounts

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The following statements outline the main accounting policies of the group.

a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with applicable accounting standards.

b) Basis of consolidation

The consolidated accounts incorporate the accounts of the company and all its subsidiaries. Goodwill arising on consolidation, representing the excess of the cost of acquisition over the fair value attributed to net tangible assets, is written off on acquisition against reserves in the group accounts. No profit and loss account is presented for the company as permitted by Section 230 of the Companies Act 1985.

Joint ventures are included in the consolidated financial statements using the equity method of accounting.

c) Turnover

Group turnover represents sales of goods and services, excluding value added tax, by group companies to outside customers.

During the year the group made export sales amounting to 10% of turnover (2000 : 13%).

d) Tangible fixed assets and depreciation

Depreciation is provided on the cost of tangible fixed assets in equal annual instalments over the estimated useful lives, which are as follows:-

Equipment and vehicles - Between 3 and 5 years

It is the group's policy to maintain its long leasehold property to such a high standard that in the opinion of the directors any element of depreciation would be immaterial and no provision has been made.

The group has adopted FRS 15, 'Tangible Fixed Assets' and has followed the transitional provisions to retain the book value of long-term leasehold property, which was revalued in 1992.

e) Work in progress

Work in progress is valued at the lower of cost and net realisable value and is stated after deduction of payments on account. Cost comprises the actual cost of goods, services and productive labour plus an appropriate proportion of productive overheads.

f) Leases

The cost of assets held under finance leases is included within tangible fixed assets and depreciation is provided at the appropriate rate. The capital element of future lease payments is included in creditors. Rentals payable under operating leases are charged to the profit and loss account in the year to which they relate.

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

g) Hire purchase contracts

The cost of assets held under hire purchase contracts are included within tangible fixed assets and depreciation is provided at the appropriate rate. The capital element of future payments is included in creditors.

h) Deferred taxation

Provision for deferred taxation is made where a liability is likely to arise in the foreseeable future. Deferred taxation arising on the excess of the pension charge over payments to the schemes is deducted from the provision carried forward.

i) Pensions

The group makes contributions to a money purchase pension scheme and a defined benefit scheme. Money purchase pension contributions are charged to the profit and loss account when payable. Defined benefit pension contributions are charged to the profit and loss account so as to spread the costs over the service lives of the participating employees.

j) Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transactions. Exchange differences are taken into account in arriving at the operating result.

2. DIRECTORS AND EMPLOYEES

	<u>2001</u> £	<u>2000</u> £
a) Staff costs		
Wages and salaries	3,116,593	3,383,898
Social security costs	318,013	345,405
Pension costs (note 15)	317,324	329,952
	<hr/>	<hr/>
Staff costs excluding exceptional costs	3,751,930	4,059,255
Exceptional costs (note 3)		
Severance pay	131,240	190,659
	<hr/>	<hr/>
	<u>3,883,170</u>	<u>4,249,914</u>
b) Average number of employees	Number	Number
Agency	41	51
Studio and design	45	43
Finance and administration	16	16
	<hr/>	<hr/>
	<u>102</u>	<u>110</u>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

2. DIRECTORS AND EMPLOYEES (continued)	<u>2001</u>	<u>2000</u>
	£	£
c) Directors' remuneration		
Fees	68,933	43,600
Other emoluments including benefits in kind	532,814	613,869
Compensation for loss of office	66,994	110,000
	<u>668,741</u>	<u>767,469</u>
Directors' remuneration excluding pension contributions was as follows:		
Chairman and highest paid director	<u>226,682</u>	<u>223,609</u>

During the year pension contributions were paid in respect of three (2000 : five) directors for defined benefit schemes.

d) Loans to (from)/directors	1 January <u>2001</u> £	Highest balance in period £	31 December <u>2001</u> £
W.E. Hesselby	(835)	7,607	2,370
S.J. Jones	10,882	10,910	-

e) Directors' interests

The interests of the directors of the company at 31 December 2001 in the share capital of the company were as follows:-

	<u>31 December 2001</u>		<u>31 December 2000</u>	
	Ordinary <u>shares</u>	'A' <u>shares</u>	Ordinary <u>shares</u>	'A' <u>shares</u>
W.E. Hesselby	41,082	41,082	41,082	41,082
Sir D.P. Hornby	570	570	570	570

3. EXCEPTIONAL ITEMS	<u>2001</u>	<u>2000</u>
	£	£
Severance pay	131,240	190,659
Other re-organisation costs	4,693	17,611
	<u>135,933</u>	<u>208,270</u>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

4.	OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	<u>2001</u> £	<u>2000</u> £
	Operating profit is stated after charging/(crediting):		
	Depreciation		
	Owned assets	153,958	163,529
	Leased assets	-	29,700
	Profit on disposal of tangible fixed assets	(985)	(1,135)
	Auditors' remuneration		
	Audit work	18,300	20,750
	Non audit services	21,641	13,754
	Operating lease charges		
	Equipment and vehicles	256,120	447,753
	Land and buildings (gross)	37,872	122,597
	Less rents receivable	<u>(69,658)</u>	<u>(124,005)</u>
5.	INTEREST		
	Repayable within 5 years		
	Short term loans and bank overdraft	104	51
	Finance leases and hire purchase contracts	7,870	15,173
		<u>7,974</u>	<u>15,224</u>
	Repayable after 5 years		
	Bank loan interest	143,728	171,970
		<u>151,702</u>	<u>187,194</u>
	Interest receivable	(28,068)	(46,645)
		<u>123,634</u>	<u>140,549</u>
6.	TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES		
	Based on the profit/(loss) for the year		
	Group		
	Corporation tax at 25% (2000 26%)	67,170	(74,754)
	Corporation tax prior year adjustment	(2,073)	(3,521)
	Deferred taxation	(8,000)	5,000
		<u>57,097</u>	<u>(73,275)</u>
	Share of tax charge of joint venture	2,477	11,258
		<u>59,574</u>	<u>(62,017)</u>

**COGENT ELLIOTT GROUP LIMITED**

**NOTES TO THE ACCOUNTS**

**7. TANGIBLE FIXED ASSETS**

	Long term leasehold property £	Equipment and vehicles £	Total £
GROUP			
Cost or valuation			
At 1 January 2001	4,419,075	1,624,306	6,043,381
Additions	-	46,745	46,745
Disposals	-	(12,450)	(12,450)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	4,419,075	1,658,601	6,077,676
	<hr/>	<hr/>	<hr/>
At cost	244,075	1,658,601	1,902,676
At valuation – 1992	4,175,000	-	4,175,000
	<hr/>	<hr/>	<hr/>
	4,419,075	1,658,601	6,077,676
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2001	-	1,352,990	1,352,990
Charge for year	-	153,958	153,958
Disposals	-	(11,235)	(11,235)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	1,495,713	1,495,713
	<hr/>	<hr/>	<hr/>
Net book value			
31 December 2001	4,419,075	162,888	4,581,963
	<hr/>	<hr/>	<hr/>
31 December 2000	4,419,075	271,316	4,690,391
	<hr/>	<hr/>	<hr/>
Historical cost at			
31 December 2001	2,938,922	1,658,601	4,597,523
Accumulated historical depreciation	-	1,495,713	1,495,713
	<hr/>	<hr/>	<hr/>
Net historical cost at			
31 December 2001	2,938,922	162,888	3,101,810
	<hr/>	<hr/>	<hr/>

The net book value of equipment and vehicles includes £Nil (2000 £20,600) in respect of hire purchase and leased assets after charging depreciation of £Nil (2000 £29,700).

No deferred tax has been provided in respect of the surplus arising on revaluation of land and buildings. The potential liability amounted to approximately £161,000 at the balance sheet date.

# COGENT ELLIOTT GROUP LIMITED

## NOTES TO THE ACCOUNTS

8. FIXED ASSET INVESTMENTS	1 January <u>2001</u> £	Decrease in share of <u>net assets</u> £	31 December <u>2001</u> £
Group			
Investment in joint venture			
Share of gross assets	3,151,861	-	3,111,809
Share of gross liabilities	(3,042,859)	-	(3,005,154)
	<hr/>		<hr/>
	109,002	(2,347)	106,655
	<hr/>		<hr/>
Parent company			
Shares in subsidiary companies	440	-	440
Shares in joint venture	500	-	500
	<hr/>		<hr/>
	940	-	940
	<hr/>		<hr/>

### a) Subsidiary companies

The company owns the whole of the share capital of the following companies, all of which are registered in England and Wales:

#### Advertising services

Cogent Elliott Limited  
The Drury Lane Company Limited  
Cogent Elliott Investments Limited

#### Dormant

Cogent Consultants Limited  
ARM Communications Limited  
Cogent Elliott Public Relations Limited  
Lobelia Investment Company Limited  
Cogent Group Limited  
The Creative Company Limited  
Drury Lane Services Limited  
Elliott Advertising Limited

### b) Joint venture

The company has owned, from incorporation, 50% of the share capital of PHD Compass Limited, an independent media company, incorporated in England and Wales. At 31 December 2001, the company had capital and reserves of £213,310 and reported a retained loss for the year of £4,693.

The group's share of the joint venture's turnover amounted to £11,855,160 (2000 : £13,944,467).

9. WORK IN PROGRESS	<u>2001</u> £	<u>2000</u> £
Materials and labour	490,717	167,903
<u>Less:</u> Payments on account	(334,536)	(12,638)
	<hr/>	<hr/>
	156,181	155,265
	<hr/>	<hr/>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

10. DEBTORS

	<u>Group</u>		<u>Parent company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	£	£	£	£
Trade debtors	1,422,617	1,484,434	-	-
Amounts owed by group companies	-	-	2,505,312	1,755,647
Amounts owed by related company	211,503	-	-	-
Other debtors	18,178	35,954	-	-
Prepayments	117,751	224,765	-	-
	<u>1,770,049</u>	<u>1,745,153</u>	<u>2,505,312</u>	<u>1,755,647</u>

11. CREDITORS

	<u>Group</u>		<u>Parent company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	£	£	£	£
Amounts falling due within one year				
Bank loan (secured)	156,666	156,666	-	-
Trade creditors	1,642,297	1,074,887	-	-
Payments on account	117,009	257,696	-	-
Amounts owed to group companies	-	-	1,152,773	453,924
Amounts owed to related company	-	50,088	-	-
Finance lease and hire purchase creditors	-	23,566	-	-
Corporation tax	85,983	156,695	-	-
Other taxes and social security	334,597	251,738	-	-
Other creditors	45,429	75,616	-	-
Accruals	307,314	340,660	-	-
	<u>2,689,295</u>	<u>2,387,612</u>	<u>1,152,773</u>	<u>453,924</u>
Amounts falling due after one year				
Bank loan (secured)	<u>1,488,337</u>	<u>1,645,003</u>	<u>-</u>	<u>-</u>



COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

11. CREDITORS (CONTINUED)

The following secured debts are included within creditors:

	<u>2001</u> £	<u>2000</u> £
Bank loans	1,645,003	1,801,669

Bank borrowings are secured by a fixed charge over the group's properties and a floating charge over all the group's assets.

The variable rate bank loan of £1,645,003 is repayable by equal half-yearly instalments over fifteen years commencing in December 1996. The loans repayable after five years from the balance sheet date amount to £861,673 (2000 - £1,018,339).

12. CALLED UP SHARE CAPITAL

	<u>2001</u> £	<u>2000</u> £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
100,000 'A' Shares of £1 each	100,000	100,000
	<u>200,000</u>	<u>200,000</u>
Allotted, issued and fully paid		
51,240 Ordinary shares of £1 each	51,240	51,240
51,240 'A' Shares of £1 each	51,240	51,240
	<u>102,480</u>	<u>102,480</u>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

13. RESERVES

	<u>Share premium</u> £	<u>Revaluation</u> £	<u>Capital redemption</u> £	<u>Profit and loss account</u> £
GROUP				
At 1 January 2001	17,100	1,480,153	100	1,776,321
Profit for the year - Group	-	-	-	22,948
Loss for the year - Share of joint venture	-	-	-	(2,347)
	<u>17,100</u>	<u>1,480,153</u>	<u>100</u>	<u>1,796,922</u>
At 31 December 2001	17,100	1,480,153	100	1,796,922
PARENT COMPANY				
At 1 January 2001	17,100	-	100	1,182,983
Profit for the year	-	-	-	50,816
	<u>17,100</u>	<u>-</u>	<u>100</u>	<u>1,233,799</u>
At 31 December 2001	17,100	-	100	1,233,799

At 31 December 2001 cumulative goodwill written-off was £91,488 (2000 £91,488).

14. COMMITMENTS

GROUP	<u>2001</u> £	<u>2000</u> £
(a) Future capital expenditure Authorised and contracted for	<u>Nil</u>	<u>Nil</u>
(b) Operating leases		

At 31 December 2001 there were the following annual commitments under non-cancellable operating leases.

	<u>2001</u>		<u>2000</u>	
	<u>Land and buildings</u> £	<u>Other</u> £	<u>Land and buildings</u> £	<u>Other</u> £
Operating leases which expire:-				
Within one year	-	6,860	-	154,310
Between two and five years	15,000	91,896	-	39,947
After five years	32,350	-	32,350	-
	<u>47,350</u>	<u>98,756</u>	<u>32,350</u>	<u>194,257</u>

## COGENT ELLIOTT GROUP LIMITED

### NOTES TO THE ACCOUNTS

#### 15. PENSIONS

##### a) Cogent Elliott Group Limited Retirement Benefits Plan

The group operates a defined benefit scheme for certain employees, the assets of which are held in separate trustee - administered funds. Statement of Standard Accounting Practice (SSAP) 24 'Accounting for pension costs' requires that the cost of providing pensions is recognised over the period benefiting from the employees' services, with any differences between the charge to the profit and loss account and the contributions paid to the schemes being shown as an asset or liability on the balance sheet. The pension cost relating to the scheme is assessed in accordance with the advice of an independent qualified actuary using the attained age method. The latest actuarial assessment of the scheme was as at 31 March 1999. The valuation assumed an investment return of 6% per annum and salary increases averaging 4% per annum. The next triennial valuation will be carried out on 31 March 2002.

At the date of the latest actuarial valuation the market value of the assets of the scheme was £8.692m and the actuarial value of assets was sufficient to cover 97% of the accrued benefits of members.

The last actuarial valuation disclosed a deficit of £307,000. Additional contributions as agreed with the scheme actuary are being made by the company to rectify the situation.

The charge for the year in respect of the defined contribution scheme was £86,586 (2000 - £113,440). The charge for the defined benefit scheme was £233,284 (2000 - £218,088).

##### b) Financial Reporting Standard (FRS) 17

Whilst the financial statements for the year ended 31 December 2001 continue to include a pension charge calculated under the principles of SSAP24 the new standard requires certain additional closing balance sheet disclosures as at 31 December 2001.

A full actuarial valuation of the group scheme which was carried out at 31 March 1999 was updated to 31 December 2001 by a qualified independent actuary. The major assumptions used by the actuary were:

#### At 31 December 2001

Rate of increase in pensionable salaries	4%
Rate of increase in pensions in payment	0%
Discount rate	5.8%
Inflation assumption	2.5%

The assets of the scheme and the expected rate of return were:

	Rate of return expected at <u>31 December 2001</u>	Fair value at <u>31 December 2001</u> £
Equities	7%	2,400,000
Bonds	5%	5,600,000
		<u>8,000,000</u>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

15. PENSIONS (CONTINUED)

The following amounts at 31 December 2001 were measured in accordance with the requirements of FRS17.

	<u>At 31 December 2001</u> £
Total Market value of assets	8,000,000
Present value of scheme liabilities	9,800,000
	<hr/>
Deficit in the scheme	(1,800,000)
	<hr/>

If the amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserves at 31 December 2001 would be as follows:

	<u>At 31 December 2001</u> £
Net assets excluding pension liability	3,409,931
Pension liability	1,800,000
	<hr/>
Net assets including pension liability	1,609,931
	<hr/>
Profit and loss reserve excluding pension liability	1,810,098
Pension reserve	1,800,000
	<hr/>
Profit and loss reserve	10,098
	<hr/>

16. PROVISION FOR LIABILITIES AND CHARGES

	<u>1 January</u> <u>2001</u> £	<u>Profit and</u> <u>loss account</u> £	<u>31 December</u> <u>2001</u> £
Pensions	163,295	26,705	190,000
<u>Less: Deferred taxation @ 30%</u>	(49,000)	(8,000)	(57,000)
	<hr/>	<hr/>	<hr/>
	114,295	18,705	133,000
	<hr/>	<hr/>	<hr/>

17. CONTINGENT LIABILITY

The parent company has guaranteed borrowings by subsidiary companies amounting to £1,645,002 (2000 £1,801,668).

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

18. CASH FLOW STATEMENT ANALYSIS

	<u>2001</u> £	<u>2000</u> £
i) RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	339,612	67,500
Exceptional item (note 3)	(135,933)	(208,270)
Payment on surrender of lease	-	(65,000)
Depreciation	153,958	193,229
Profit on sale of fixed assets	(985)	(1,135)
(Increase)/decrease in work in progress	(915)	278,067
(Increase)/decrease in debtors	(24,898)	1,441,830
Increase/(decrease) in creditors	413,667	(1,112,941)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>744,506</u>	<u>593,280</u>
ii) RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	28,068	46,645
Bank interest paid	(134,832)	(170,421)
Interest element of finance lease rental payments	(7,870)	(15,173)
	<hr/>	<hr/>
	<u>(114,634)</u>	<u>(138,949)</u>
iii) TAXATION		
Corporation tax paid	(135,809)	(1,030)
	<hr/>	<hr/>
iv) CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(46,745)	(121,298)
Receipts from sale of tangible fixed assets	2,200	10,183
	<hr/>	<hr/>
	<u>(44,545)</u>	<u>(111,115)</u>
v) FINANCING		
Bank loan repaid	(156,666)	(156,666)
Capital element of finance lease rental and hire purchase contract	(23,566)	(30,000)
	<hr/>	<hr/>
	<u>(180,232)</u>	<u>(186,666)</u>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

18. CASH FLOW STATEMENT ANALYSIS (CONTINUED)

vi) RECONCILIATION OF NET CASH INFLOW  
TO MOVEMENTS IN NET DEBT

Analysis of changes in net debt	1 January <u>2001</u>	<u>Cashflow</u>	31 December <u>2001</u>
Net cash:			
Cash at bank and in hand	<u>823,253</u>	<u>269,286</u>	<u>1,092,539</u>
Debt:			
Bank loan	(1,801,669)	156,666	(1,645,003)
Hire purchase or finance lease	(23,566)	23,566	-
	<u>(1,825,235)</u>	<u>180,232</u>	<u>(1,645,003)</u>
Total	<u>(1,001,982)</u>	<u>449,518</u>	<u>(552,464)</u>

19. RELATED PARTY TRANSACTIONS

During the year the group had the following transactions with related parties:

Under the arrangements of its joint venture, sales of £61,089 in respect of services and £489,385 in respect of media income were charged to PHD Compass Limited and the group was charged £252,556 by PHD Compass Limited for the provision of media services during the year. Debtors at the balance sheet date include £211,503 owed by PHD Compass Limited.

20. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Mr. W.E. Husselby.