

Lehmann Communications Plc

Report and Financial Statements

15 months ended

31 August 2000



BDO Stoy Hayward
Chartered Accountants

LEHMANN COMMUNICATIONS PLC

Annual report and financial statements for the 15 months ended 31 August 2000

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Directors

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Directors

R Lehmann
M J Lehmann
S L Fielding (Non-Executive)
T M James (Non-Executive)
M D Cole (Non-Executive)
J Scott-Barrett (Non-Executive)

Secretary and registered office

M J Lehmann, Lloyds Avenue House, 6 Lloyds Avenue, London, EC3N 3EH.

Company number

3204961

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

Solicitors

Baker & McKenzie, 100 New Bridge Street, London, EC4V 6JA.

Bankers

Coutts & Co., 188 Fleet Street, London, EC4A 2HT.

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LEHMANN COMMUNICATIONS PLC

Report of the directors for the 15 months ended 31 August 2000

The directors present their report together with the audited financial statements for the 15 months ended 31 August 2000.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the period.

The directors do not recommend the payment of a dividend in respect of the period.

Principal activities, trading review and future developments

Lehmann Communications Plc is an international public relations consultancy specialising in corporate, financial, professional services and consumer sectors in London and New York.

It is the directors' intention to continue to grow the company organically and by acquisition.

Directors

The directors of the company during the period and their interests in the ordinary share capital of the company were:

Ordinary shares of £1 each
At 31 August 2000 and 31 May 1999

R Lehmann		49,999
M J Lehmann		1
S L Fielding (Non-Executive)	(appointed 1 June 1999)	-
T M James (Non-Executive)	(appointed 1 June 1999)	-
M D Cole (Non-Executive)	(appointed 1 June 1999)	-
J Scott-Barrett (Non-Executive)	(appointed 19 June 2000)	-
P J Middleton (Non-Executive)	(appointed 1 June 1999, resigned 19 June 2000)	-

Payment of creditors

The number of days purchases of the company represented by trade creditors at the period end was 93 (1999 - Nil).

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 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, subject to any material departures disclosed and explained in the financial statements; and

LEHMANN COMMUNICATIONS PLC

Report of the directors for the 15 months ended 31 August 2000 (*Continued*)

Directors' responsibilities (*Continued*)

- 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.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

M J Lehmann

Secretary



Date

25/6/01

LEHMANN COMMUNICATIONS PLC

Report of the independent auditors

To the shareholders of Lehmann Communications Plc

We have audited the financial statements of Lehmann Communications Plc on pages 5 to 14 which have been prepared under the accounting policies set out on page 8.

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

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.

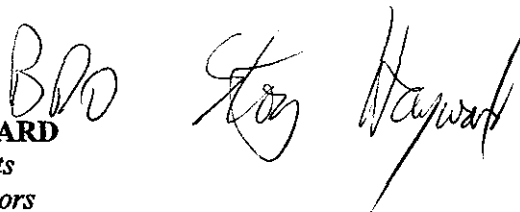
LEHMANN COMMUNICATIONS PLC

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

Three handwritten signatures in black ink, appearing to read 'BDO', 'Stoy', and 'Hayward' respectively, positioned above the printed name of the firm.

25 June 2001

LEHMANN COMMUNICATIONS PLC

Profit and loss account for the 15 months ended 31 August 2000

	Note	15 months ended 31 August 2000 £	Year ended 31 May 1999 £
Turnover	2	973,968	-
Cost of sales		402,575	-
		<hr/>	<hr/>
Gross profit		571,393	-
Administrative expenses		471,162	-
		<hr/>	<hr/>
Operating profit	5	100,231	-
Interest payable and similar charges	6	17,513	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		82,718	-
Taxation on profit from ordinary activities	7	24,823	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation		57,895	-
Retained profit brought forward		-	-
		<hr/>	<hr/>
Retained profit carried forward		57,895	-
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account for the period.

There are no movements in shareholders' funds in the period apart from the profit for the period.

The notes on pages 8 to 14 form part of these financial statements.

LEHMANN COMMUNICATIONS PLC

Balance sheet at 31 August 2000

	Note	31 August 2000 £	31 May 1999 £
Fixed assets			
Intangible assets	8	149,677	-
Tangible assets	9	36,065	-
		<u>185,742</u>	<u>-</u>
Current assets			
Stocks	10	30,000	-
Debtors	11	232,611	-
Cash at bank and in hand		-	50,000
		<u>262,611</u>	<u>50,000</u>
Creditors: amounts falling due within one year	12	340,458	-
		<u></u>	<u></u>
Net current (liabilities)/assets		(77,847)	50,000
		<u></u>	<u></u>
Total assets less current liabilities		107,895	50,000
		<u></u>	<u></u>
Capital and reserves			
Called up share capital	13	50,000	50,000
Profit and loss account		57,895	-
		<u></u>	<u></u>
Shareholders' funds - equity		107,895	50,000
		<u></u>	<u></u>

The financial statements were approved by the Board on **25 JUN 2001**

S Fielding) Chairman
R Lehmann) Director

S. Fielding
R. Lehmann

The notes on pages 8 to 14 form part of these financial statements.

LEHMANN COMMUNICATIONS PLC

Cash flow statement for the 15 months ended 31 August 2000

	Note	15 months ended 31 August 2000		Year ended 31 May 1999	
		£	£	£	£
Net cash inflow from operating activities	18		1,824		-
Returns on investments and servicing of finance					
Interest paid			(17,513)		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets			(11,421)		-
Acquisitions and disposals					
Cash acquired on acquisition of business		150,000		-	
Bank overdrafts acquired on acquisition of business		(249,335)		-	
			(99,335)		-
Decrease in cash in the year	19		(126,445)		-

The notes on pages 8 to 14 form part of these financial statements.

LEHMANN COMMUNICATIONS PLC

Notes forming part of the financial statements for the 15 months ended 31 August 2000

1 Accounting policies

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

Goodwill

Goodwill arose on acquisition of the net liabilities of Lehmann Communications an unincorporated business and is amortised through the profit and loss account over the directors estimate of its useful economic life of 10 years.

Turnover

Turnover represents sales at invoiced amounts less value added tax and are recognised for services rendered.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rate:

Office equipment	- 25% reducing balance
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Stocks

These are valued at the lower of cost and net realisable value.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Leased assets

Annual rentals on operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

LEHMANN COMMUNICATIONS PLCNotes forming part of the financial statements for the 15 months ended 31 August 2000 (*Continued*)**3 Employees**

	15 months ended 31 August 2000 £	Year ended 31 May 1999 £
Staff costs consist of:		
Wages and salaries	255,344	-
Social security costs	24,769	-
	<u>280,113</u>	<u>-</u>

The monthly average number of employees, excluding directors, during the year was 8 (1999 - Nil).

4 Directors

None of the directors received emoluments during this or the previous year.

5 Operating profit

	15 months ended 31 August 2000 £	Year ended 31 May 1999 £
This has been arrived at after charging:		
Incorporation costs	66,582	-
Depreciation	16,393	-
Amortisation	16,631	-
Auditors' remuneration		
- audit fees	9,000	-
- non audit fees	10,000	-
Operating lease rentals	23,900	-
	<u></u>	<u></u>

6 Interest payable and similar charges

	15 months ended 31 August 2000 £	Year ended 31 May 1999 £
Bank overdraft	17,513	-
	<u></u>	<u></u>

LEHMANN COMMUNICATIONS PLC

Notes forming part of the financial statements for the 15 months ended 31 August 2000 (*Continued*)

7 Taxation on profit from ordinary activities

	15 months ended 31 August 2000 £	Year ended 31 May 1999 £
UK corporation tax	24,823	-

There is no unprovided deferred taxation.

8 Intangible assets

	Goodwill £
<i>Cost</i>	
At 1 June 1999	-
Additions	166,308
	<hr/>
At 31 August 2000	166,308
	<hr/>
<i>Amortisation</i>	
At 1 June 1999	-
Provision for period	16,631
	<hr/>
At 31 August 2000	16,631
	<hr/>
<i>Net book value</i>	
At 31 August 2000	149,677
	<hr/>
At 31 May 1999	-
	<hr/>

LEHMANN COMMUNICATIONS PLC

Notes forming part of the financial statements for the 15 months ended 31 August 2000 (*Continued*)

9 Tangible assets

	Office equipment £
<i>Cost or valuation</i>	
At 1 June 1999	-
On acquisition from unincorporated business	131,863
Additions	11,421
	<hr/>
At 31 August 2000	143,284
	<hr/>
<i>Depreciation</i>	
At 1 June 1999	-
On acquisition from unincorporated business	90,826
Provided for the period	16,393
	<hr/>
At 31 August 2000	107,219
	<hr/>
<i>Net book value</i>	
At 31 August 2000	36,065
	<hr/>
At 31 May 1999	-
	<hr/>

10 Stocks

	2000 £	1999 £
Stocks	30,000	-
	<hr/>	<hr/>

11 Debtors

	2000 £	1999 £
Trade debtors	229,888	-
Prepayments and accrued income	2,723	-
	<hr/>	<hr/>
	232,611	-
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

LEHMANN COMMUNICATIONS PLC

Notes forming part of the financial statements for the 15 months ended 31 August 2000 *(Continued)*

12 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank overdraft	76,445	-
Trade creditors	140,641	-
Taxation and social security	76,441	-
Corporation tax	24,823	-
Other creditors	3,108	-
Accruals and deferred income	19,000	-
	<u>340,458</u>	<u>-</u>

13 Share capital

	2000 £	1999 £
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Allotted, issued and fully paid</i>		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

14 Commitments under operating leases

As at 31 August 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	2000 Land and buildings £	1999 Land and buildings £
Operating leases which expire:		
In two to five years	<u>23,900</u>	<u>-</u>

15 Capital commitments

There were no capital commitments at either period end.

LEHMANN COMMUNICATIONS PLC

Notes forming part of the financial statements for the 15 months ended 31 August 2000 *(Continued)*

16 Related party transactions

On 1 June 1999, the company acquired the net liabilities and goodwill of Lehmann Communications, an unincorporated business, from Ronel Lehmann, a director of the company, for no consideration.

During the period, an amount of £6,000 was paid to Ronel Lehmann, in respect of an annual royalty fee for the use of the 'Lehmann Communications' trademark in the United Kingdom.

At the 31 August 2000 the company owed £2,542 (1999 - £Nil) to Ronel Lehmann.

17 Acquisitions

In calculating the goodwill arising on acquisition, no fair value adjustments were required. The net liabilities acquired can be summarised as follows:

	£
Fixed assets	
Tangible	41,037
Current assets	
Stocks	36,128
Debtors	57,613
Cash	150,000
	<hr/>
Total assets	284,778
Creditors	
Bank overdraft	(249,335)
Trade creditors	(133,957)
Other creditors	(67,794)
	<hr/>
Net liabilities	(166,308)
	<hr/>

LEHMANN COMMUNICATIONS PLC

Notes forming part of the financial statements for the 15 months ended 31 August 2000 (*Continued*)

18 Reconciliation of operating profit to net cash inflow from operating activities

	15 months ended 31 August 2000 £	Year ended 31 May 1999 £
Operating profit	100,231	-
Depreciation	16,393	-
Amortisation	16,631	-
Decrease in stocks and work in progress	6,128	-
Increase in debtors	(174,998)	-
Increase in creditors	37,439	-
	<hr/>	<hr/>
Net cash inflow from operating activities	1,824	-
	<hr/>	<hr/>

19 Analysis of net debt

	At 1 June 1999 £	Cash flow £	At 31 August 2000 £
Cash in hand and at bank	50,000	(50,000)	-
Bank overdraft	-	(76,445)	(76,445)
	<hr/>	<hr/>	<hr/>
	50,000	(126,445)	(76,445)
	<hr/>	<hr/>	<hr/>

20 Post balance sheet events

On 4 April 2001, the company issued an additional 11,538 ordinary shares to five investors for a total consideration of £250,000.