

**Lehmann Communications Plc**

**Report and Financial Statements**

**Year ended**

**31 August 2007**

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# **Lehmann Communications Plc**

## **Annual report and financial statements for the year ended 31 August 2007**

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#### **Directors**

R Lehmann  
M J Lehmann  
T C F Maltin (Chairman)

#### **Secretary and registered office**

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

#### **Company number**

3204961

#### **Auditors**

Shipleys LLP, 10 Orange Street, London, WC2H 7DQ

#### **Solicitors**

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

#### **Bankers**

Barclays Bank PLC, Howardcentre, Welwyn Garden City, AL8 6HA

## **Lehmann Communications Plc**

### **Report of the directors for the year ended 31 August 2007**

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The directors present their report together with the audited financial statements for the year ended 31 August 2007

#### **Results and dividends**

The profit and loss account is set out on page 6 and shows a profit before tax for the year of £123,516 (2006 £136,959) and sales of £973,537 (2006 £843,707)

The directors do not recommend the payment of a dividend in respect of the year (2006 - £Nil)

#### **Principal activities, trading review and future developments**

Lehmann Communications Plc, is a marketing and communications agency specialising in corporate, financial, professional services and consumer sectors

Following the success of the strategic alliance with Jaffe Associates Inc, in the United States, the company continues to conclude similar arrangements with companies operating throughout Europe, Africa, Asia and the Far East

The directors are confident that the company will continue to consolidate its position in 2008 and achieve continued growth in its profitability

#### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from both national and international competitors and retention of key employees

#### **Financial risk management objectives and policies**

The company's principle instruments comprise bank balances and overdrafts, trade creditors and trade debtors. The main purpose of these instruments is to raise funds for the company's operations

Due to the nature of the financial instruments used by the company, there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below

In respect of the bank balance the liquidity risk is managed by maintaining facilities sufficient to meet the funds required for the company's operations

Trade debtors are managed in respect of credit and cash flow risk by ensuring that the amounts due are collected within the company's credit terms

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

## Lehmann Communications Plc

### Report of the directors for the year ended 31 August 2007 (*Continued*)

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#### Key performance indicators ("KPIs")

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

#### Directors

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

		Ordinary shares of £1 each	
		2007	2006
R Lehmann		56,666	49,999
M J Lehmann		1	1
S L Fielding (Non-Executive)	(resigned 31 May 2007)	-	-
J Scott-Barrett (Non-Executive)	(resigned 31 May 2007)	-	-
T C F Maltin (Chairman)	(appointed 4 June 2007)	-	-

#### 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
- 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.

So far as each of the directors at the time of report approval are aware

- a) there is no relevant audit information of which the company's auditors are unaware, and
- b) the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

**Lehmann Communications Plc**

**Report of the directors for the year ended 31 August 2007 (Continued)**

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**Creditor payment policy**

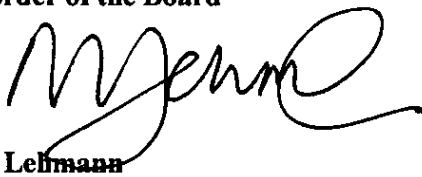
The company's policy concerning the payment of its trade creditors is to establish terms of payment with suppliers when agreeing transactions and to pay in accordance with those terms. This policy applies to all creditors for both revenue and capital supplies.

The number of days purchases of the company represented by trade creditors at the year end was 81 days (2006 - 69 days)

**Auditors**

Shipleys LLP has indicated its willingness to remain in office and a resolution to reappoint Shipleys LLP as auditors will be proposed at the Annual General Meeting.

**By order of the Board**

A handwritten signature in black ink, appearing to read 'M J Lehmann', written over the printed name.

**M J Lehmann**  
**Secretary**

26 March 2008

## **Lehmann Communications Plc**

### **Report of the independent auditors**

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#### **To the shareholders of Lehmann Communications Plc**

We have audited the financial statements of Lehmann Communications Plc for the year ended 31 August 2007, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and 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 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*

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 as at 31 August 2007 and of its profit for the year then ended,
- 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

*Emphasis of matter – recoverability of significant trade debtor balance*

In forming our opinion on the financial statements, which is not qualified, we have considered the disclosures made in note 17 to the financial statements concerning the recoverability of a significant trade debtor balance. The recoverability of this debt is affected by a global freezing order placed on the client's assets as a result of a contested legal action between the client and its former bankers. This matter does not relate to the client's dealings with the company and the outcome of the matter cannot be presently determined. No provision has been made in the financial statements.



**Shipleys LLP**  
*Registered Auditors*  
10 Orange Street  
London  
WC2H 7DQ

27 March 2008

**Lehmann Communications Plc****Profit and loss account for the year ended 31 August 2007**

	<b>Note</b>	<b>2007 £</b>	<b>2006 £</b>
<b>Turnover</b>	<b>2</b>	<b>973,537</b>	<b>843,707</b>
Cost of sales		<b>466,681</b>	<b>339,187</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>506,856</b>	<b>504,520</b>
<b>Administrative expenses</b>		<b>364,827</b>	<b>353,730</b>
		<hr/>	<hr/>
<b>Operating profit</b>	<b>5</b>	<b>142,029</b>	<b>150,790</b>
Interest payable and similar charges	<b>6</b>	<b>18,513</b>	<b>13,831</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>123,516</b>	<b>136,959</b>
Taxation on profit on ordinary activities	<b>7</b>	<b>28,600</b>	<b>28,500</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>152,116</b>	<b>165,459</b>
Retained loss brought forward		<b>(1,174,152)</b>	<b>(1,339,611)</b>
		<hr/>	<hr/>
<b>Retained loss carried forward</b>		<b>(1,022,036)</b>	<b>(1,174,152)</b>
		<hr/>	<hr/>

All amounts relate to continuing activities

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

The notes on pages 9 to 16 form part of these financial statements



**Lehmann Communications Plc**

**Balance sheet at 31 August 2007**

	Note	2007 £	2007 £	2006 £	2006 £
<b>Fixed assets</b>					
Intangible assets	8		33,254		49,886
Tangible assets	9		24,915		19,964
			<u>58,169</u>		<u>69,850</u>
<b>Current assets</b>					
Debtors	10	565,467		237,001	
Cash at bank and in hand		31		171	
		<u>565,498</u>		<u>237,172</u>	
<b>Creditors: amounts falling due within one year</b>	11	477,389		312,860	
		<u></u>		<u></u>	
<b>Net current liabilities</b>			88,109		(75,688)
			<u>146,278</u>		<u>(5,838)</u>
<b>Capital and reserves</b>					
Called up share capital	12		97,346		85,576
Share premium	13		1,070,968		735,293
Share capital to be issued	13		-		347,445
Profit and loss account	13		(1,022,036)		(1,174,152)
			<u>146,278</u>		<u>(5,838)</u>
<b>Shareholders' deficit - equity</b>	14		<u>146,278</u>		<u>(5,838)</u>

The financial statements were approved by the Board on 26 March 2008

T C F Maltin                    ) Chairman *T C F Maltin*  
   )  
 R Lehmann                     ) Director *R. Lehmann*

The notes on pages 9 to 16 form part of these financial statements.

**Lehmann Communications Plc****Cash flow statement for the year ended 31 August 2007**

	Note	2007 £	2007 £	2006 £	2006 £
<b>Net cash outflow from operating activities</b>	20		672		(75,866)
<b>Returns on investments and servicing of finance</b>					
Interest paid			(18,513)		(13,831)
<b>Taxation</b>					
Corporation tax paid			-		-
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets			(11,376)		(595)
<b>Financing</b>					
New share subscriptions			-		-
<b>Decrease in cash in the year</b>	21		<u>(29,217)</u>		<u>(90,292)</u>

The notes on pages 9 to 16 form part of these financial statements

## 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 in full when invoiced.

### *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 at the following rate:

Office equipment	- 25% reducing balance
Furniture and fixtures	- 25% reducing balance
IT equipment	- 25% reducing balance

### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

### *Leased assets*

Annual rentals on operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the term of the lease.

### *Foreign currency*

Assets and monetary liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**Lehmann Communications Plc****Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)****2 Turnover**

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

**3 Employees**

	2007 £	2006 £
Staff costs consist of		
Wages and salaries	234,071	155,989
Social security costs	24,207	14,412
	<u>258,278</u>	<u>170,401</u>

The monthly average number of employees, excluding directors, during the year was 8 (2006 – 6)

**4 Directors**

	2007 £	2006 £
Directors' emoluments consist of		
Fees and remuneration for management services	107,500	27,561
Payments to defined contribution scheme	-	-
	<u>107,500</u>	<u>27,561</u>

**5 Operating profit**

	2007 £	2006 £
This has been arrived at after charging		
Depreciation	6,425	5,708
Amortisation	16,632	16,632
Auditors' remuneration - audit fees	5,500	5,500
Operating lease rentals	37,272	33,367

**Lehmann Communications Plc**

**Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)**

**6 Interest payable and similar charges**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Bank interest	7,884	850
Other interest	4,685	8,518
Bank charges	5,944	4,463
	<u>18,513</u>	<u>13,831</u>

**7 Taxation on profit from ordinary activities**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	28,600	28,500
	<u>28,600</u>	<u>28,500</u>
<b>Total tax on profit on ordinary activities</b>	<u>28,600</u>	<u>28,500</u>

The differences between the total current tax shown above and the amount calculated by applying the company's standard rate of UK Corporation Tax of 19% is as follows -

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation	123,516	136,959
Tax on profit at the company's standard Corporation Tax rate of 19%	23,468	26,022
Other timing differences	21,937	-
Effects of		
Expenses not deductible for tax purposes	4,000	4,413
Depreciation in excess of capital allowances	(453)	354
Relief for losses brought forward	(48,952)	(30,789)
	<u>-</u>	<u>-</u>

The company has taxation losses relating to trading and interest of approximately £700,000 (2006 - £915,000) available to carry forward against future taxable profits. A deferred tax asset amounting to £nil (2006 £28,500) has been recognised based on historical results and projected profits for the forthcoming accounting period. In addition, a deferred tax asset of £28,600 (2006 £nil) has been recognised in respect of short term timing differences.

**Lehmann Communications Plc**

**Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)**

**8 Intangible assets**

	<b>Goodwill £</b>
<i>Cost</i>	
At 1 September 2006 and 31 August 2007	<b>166,308</b>
<i>Amortisation</i>	
At 1 September 2006	116,422
Provision for period	16,632
At 31 August 2007	<b>133,054</b>
<i>Net book value</i>	
At 31 August 2007	<b>33,254</b>
At 31 August 2006	49,886

**9 Tangible assets**

	<b>Office equipment £</b>	<b>Furniture and fixtures £</b>	<b>IT equipment £</b>	<b>Total £</b>
<i>Cost</i>				
At 1 September 2006	15,050	126,701	36,301	178,052
Additions	-	753	10,623	11,376
At 31 August 2007	<b>15,050</b>	<b>127,454</b>	<b>46,924</b>	<b>189,428</b>
<i>Depreciation</i>				
At 1 September 2006	13,673	118,445	25,970	158,088
Provided for the period	307	1,986	4,132	6,425
At 31 August 2007	<b>13,980</b>	<b>120,431</b>	<b>30,102</b>	<b>164,513</b>
<i>Net book value</i>				
At 31 August 2007	<b>1,070</b>	<b>7,023</b>	<b>16,822</b>	<b>24,915</b>
At 31 August 2006	1,377	8,256	10,331	19,964

# Lehmann Communications Plc

## Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)

### 10 Debtors

	2007 £	2006 £
Trade debtors (see note 17)	416,576	149,616
Other debtors	3,564	3,564
Deferred taxation	57,100	28,500
Directors loan account (see note 18)	30,352	-
Prepayments and accrued income	57,875	55,321
	<u>565,467</u>	<u>237,001</u>

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

### 11 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank overdraft	123,295	94,219
Trade creditors	110,330	91,129
Taxation and social security	11,763	20,305
Other creditors	7,112	-
Accruals and deferred income	224,889	70,079
Directors' loan accounts (see note 17)	-	37,128
	<u>477,389</u>	<u>312,860</u>

### 12 Share capital

	Authorised		Allotted, called up and fully paid	
	2007 £	2006 £	2007 £	2006 £
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>97,346</u>	<u>85,576</u>

# Lehmann Communications Plc

Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)

## 13 Reserves

	Share capital £	Share premium £	Share capital to be issued £	Profit and loss account £
At 1 September 2006	85,576	735,293	347,445	(1,174,152)
Result for the year	-	-	-	152,116
Share capital issued	11,770	335,675	(347,445)	-
	<u>97,346</u>	<u>1,070,968</u>	<u>-</u>	<u>(1,022,036)</u>
At 31 August 2007	97,346	1,070,968	-	(1,022,036)

## 14 Reconciliation of movement in shareholders' deficit

	2007 £	2006 £
Result for the year	152,116	165,459
Opening shareholders' deficit	(5,838)	(171,297)
Closing shareholders' funds/(deficit)	<u>146,278</u>	<u>(5,838)</u>

Share capital issued relates to additional funding from investors received prior to 1 September 2005

## 15 Commitments under operating leases

As at 31 August 2007, the company had annual commitments under non-cancellable operating leases as set out below

	2007 Land and buildings £	2007 Other £	2006 Land and buildings £	2006 Other £
Operating leases which expire				
In two to five years	-	4,989	-	-
In five to ten years	36,400	-	36,400	-
	<u>36,400</u>	<u>4,989</u>	<u>36,400</u>	<u>-</u>



## Lehmann Communications Plc

### Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)

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#### 16 Capital commitments

There were no capital commitments at 31 August 2007 or 31 August 2006

#### 17 Recoverability of significant trade debtor balance

Included in trade debtors is an amount of £274,575 due from a single client. The recoverability of this debt is affected by a global freezing order placed on the client's assets as a result of a contested legal action between the client and its former bankers. This matter does not relate to the client's dealings with the company and no provision has been made in the financial statements regarding the ultimate recoverability of the balance.

#### 18 Related party transactions

During the year, an amount of £19,500 (2006 - £19,500) was paid to Ronel Lehmann, a director of the company, in respect of an annual royalty fee for the use of the 'Lehmann Communications Plc' trademark in the United Kingdom, the USA and the Republic of South Africa.

At 31 August 2007 Ronel Lehmann, a director of the company, owed the company £30,352 (2006 - £37,128 was owed by the company). This amount was repaid in full in December 2007.

Mr Ronel Lehmann has also provided a Limited Guarantee for £100,000 (2006 - £75,000) to the company's bankers.

#### 19 Controlling interests

Ronel Lehmann, a director of the company, together with family shareholdings, retains a controlling interest in the issued share capital of the company. At 31 August 2007 Mr Lehmann held 58.2% (2006 - 58.4%) of the issued share capital.

#### 20 Reconciliation of operating profit to net cash outflow from operating activities

	2007 £	2006 £
Operating profit	142,029	150,790
Depreciation	6,425	5,708
Amortisation	16,632	16,632
(Increase)/decrease in debtors	(299,867)	(45,784)
Increase/(decrease) in creditors	135,453	(203,212)
	<hr/>	<hr/>
Net cash outflow from operating activities	672	(75,866)
	<hr/>	<hr/>

**Lehmann Communications Plc****Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)****21 Analysis of net debt**

	At 1 September 2006 £	Cash flow £	At 31 August 2007 £
Cash in hand and at bank	172	(141)	31
Bank overdraft	(94,219)	(29,076)	(123,295)
	<u>(94,047)</u>	<u>(29,217)</u>	<u>(123,264)</u>

**22 Reconciliation of net cash flow to movement in net debt**

	£
Decrease in cash for the year	(29,217)
Net debt at 1 September 2006	(94,047)
	<u>(123,264)</u>
Net debt at 31 August 2007	<u>(123,264)</u>