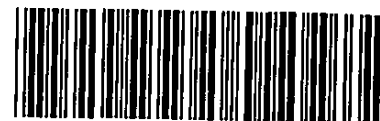


LEHMANN COMMUNICATIONS PLC
FINANCIAL STATEMENTS
31 DECEMBER 2010

SHIPLEYS LLP

Chartered Accountants & Statutory Auditor
10 Orange Street
Haymarket
London
WC2H 7DQ

THURSDAY



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COMPANIES HOUSE

LEHMANN COMMUNICATIONS PLC
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

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LEHMANN COMMUNICATIONS PLC

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2010

The directors present their report and the financial statements of the group for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

Lehmann Communications Plc, is a marketing communications agency which specialises in public relations, design, event management and training

The directors are confident that the company will continue to achieve continued growth in its profitability, following its transformational acquisition of DAA Media Limited in April 2010

DAA Media is an advertising agency and specialists in the planning and buying for online and print media

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

BUSINESS REVIEW

The company acquired the media agency, DAA Media Limited during April 2010, and we are pleased that the time dedicated to integration and restructuring the enlarged business has been a success

There is a strong pipe-line of new business prospects, referrals and client wins commensurate with our position as a full service marketing agency

We have transformed the way in which we operate by inheriting the management team, sales talent and organisational structure from our new subsidiary which has allowed us better to exploit and improve our capability

Financial Climate

In spite of this period of austerity following the banking crisis, prospective clients are still devoting huge resources to marketing promotion and we have not seen any client losses

There are the usual growth pressures on margins as clients seek to reduce the costs, but the key route to growth in revenues is our continuous investment in, and maintenance of relationships

LEHMANN COMMUNICATIONS PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

Management Distractions

We have continued to operate in credit without any bank facilities. Our overdraft facility was withdrawn in October 2009 with the tightening arising from the banking crisis. We continue to try and obtain reinstatement of facilities despite the availability of fixed charged security from directors. This has been a huge distraction to the day to day running of the business at a time when we should be celebrating and building on our success. Revenues and, ultimately profitability, are behind budget due to our focus on managing working capital without the requisite facilities in place.

Although the acquisition has provided us with much needed cash flow to the enlarged Group, it too now faces issues due to a tightening in its major supplier's payment terms.

FUTURE DEVELOPMENTS

The Group will be seeking to continue its expansion by organic growth and acquisition and will position itself as market leaders for clients who wish to achieve savings by outsourcing their marketing responsibility.

The subsidiary is also advanced in its development of mobile and online offerings, which ensures that the agency is uniquely positioned in new technologies.

We are pleased to report that in May 2011 we successfully raised new equity investment of £469,000 and convertible loans of £75,000. The directors are confident about the future pipeline business of the enlarged group and look forward to an improved financial performance in the forthcoming year.

PRINCIPLE 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 national and international competitors and retention of key employees.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £446,078. The directors have not recommended a dividend.

LEHMANN COMMUNICATIONS PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

b) 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

Other loans are managed by ensuring adequate security cover is in place

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

DIRECTORS

The directors who served the company during the year were as follows

M J Lehmann

R Lehmann

POLICY ON THE PAYMENT OF CREDITORS

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

LEHMANN COMMUNICATIONS PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- 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 auditor is aware of that information.

LEHMANN COMMUNICATIONS PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

Registered office
Lloyd's Avenue House
6 Lloyd's Avenue
London
EC3N 3EH

Signed on behalf of the directors

R Lehmann



Director

-

Approved by the directors on 30 June 2011

LEHMANN COMMUNICATIONS PLC
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
LEHMANN COMMUNICATIONS PLC
YEAR ENDED 31 DECEMBER 2010

We have audited the group and parent company financial statements ("the financial statements") of Lehmann Communications Plc for the year ended 31 December 2010. financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements.

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

LEHMANN COMMUNICATIONS PLC
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
LEHMANN COMMUNICATIONS PLC *(continued)*

YEAR ENDED 31 DECEMBER 2010

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



JOSEPH KINTON (Senior
Statutory Auditor)
For and on behalf of
SHIPLEYS LLP
Chartered Accountants
& Statutory Auditor

10 Orange Street
Haymarket
London
WC2H 7DQ

30 June 2011

LEHMANN COMMUNICATIONS PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2010

| | Note | Group Year to 31 Dec 10 £ | Period from 1 Sep 08 to 31 Dec 09 £ |
|---|----------|------------------------------------|--|
| TURNOVER | 2 | 2,305,633 | 1,069,633 |
| Cost of sales | | (1,926,172) | (606,900) |
| GROSS PROFIT | | 379,461 | 462,733 |
| Administrative expenses | | (716,547) | (365,518) |
| OPERATING (LOSS)/PROFIT | 3 | (337,086) | 97,215 |
| Interest receivable | | 269 | 7 |
| Interest payable and similar charges | 6 | (107,642) | (29,298) |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (444,459) | 67,924 |
| Tax on (loss)/profit on ordinary activities | 7 | (1,619) | — |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | 8 | (446,078) | 67,924 |

The comparative information relates to Lehmann Communications plc only.

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above.

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account

The notes on pages 12 to 24 form part of these financial statements.

LEHMANN COMMUNICATIONS PLC

GROUP BALANCE SHEET

31 DECEMBER 2010

| | | £ |
|--|----|-------------------------|
| FIXED ASSETS | | |
| Intangible assets | 9 | 536,202 |
| Tangible assets | 10 | 180,867 |
| Investments | 11 | 6,950 |
| | | <u>724,019</u> |
| CURRENT ASSETS | | |
| Debtors | 12 | 914,843 |
| Cash at bank and in hand | | 52,158 |
| | | <u>967,001</u> |
| CREDITORS: Amounts falling due within one year | 13 | <u>(934,272)</u> |
| NET CURRENT ASSETS | | <u>32,729</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>756,748</u> |
| CREDITORS: Amounts falling due after more than one year | 14 | <u>(1,066,506)</u> |
| | | <u><u>(309,758)</u></u> |
| CAPITAL AND RESERVES | | |
| Called-up equity share capital | 15 | 161,421 |
| Share premium account | 16 | 1,257,983 |
| Profit and loss account | 16 | (1,729,162) |
| DEFICIT | 17 | <u><u>(309,758)</u></u> |

These financial statements were approved by the directors and authorised for issue on 30 June 2011, and are signed on their behalf by:


R LEHMANN

The notes on pages 12 to 24 form part of these financial statements

LEHMANN COMMUNICATIONS PLC

BALANCE SHEET

31 DECEMBER 2010

| | Note | 2010 £ | £ | 2009 £ | £ |
|--|------|------------------|--------------------|------------------|--------------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 9 | | - | | 12,464 |
| Tangible assets | 10 | | 158,598 | | 201,884 |
| Investments | 11 | | 636,885 | | - |
| | | | <u>795,483</u> | | <u>214,348</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 12 | 754,740 | | 726,019 | |
| Cash at bank | | <u>9,089</u> | | <u>3,745</u> | |
| | | 763,829 | | 729,764 | |
| CREDITORS: Amounts falling due within one year | 13 | <u>(475,024)</u> | | <u>(181,986)</u> | |
| NET CURRENT ASSETS | | | <u>288,805</u> | | <u>547,778</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 1,084,288 | | 762,126 |
| CREDITORS: Amounts falling due after more than one year | 14 | | <u>(1,251,019)</u> | | <u>(671,057)</u> |
| | | | <u>(166,731)</u> | | <u>91,069</u> |
| CAPITAL AND RESERVES | | | | | |
| Called-up equity share capital | 15 | | 161,421 | | 142,456 |
| Share premium account | 16 | | 1,257,983 | | 1,231,697 |
| Profit and loss account | 16 | | <u>(1,586,135)</u> | | <u>(1,283,084)</u> |
| (DEFICIT)/SHAREHOLDERS' FUNDS | | | <u>(166,731)</u> | | <u>91,069</u> |

These financial statements were approved by the directors and authorised for issue on 30 June 2011, and are signed on their behalf by

R Lehmann

R LEHMANN

Company Registration Number 03204961

The notes on pages 12 to 24 form part of these financial statements.

LEHMANN COMMUNICATIONS PLC
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2010

| | Note | Year to 31 Dec 10 £ | £ | Period from 1 Sep 08 to 31 Dec 09 £ | £ |
|--|------|---------------------------|---------------|--|----------------|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | | | (138,276) | | (390,567) |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | | | |
| Interest received | | 269 | | 7 | |
| Interest paid | | (107,642) | | (29,047) | |
| Interest element of hire purchase and finance lease | | — | | (251) | |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | (107,373) | | (29,291) |
| TAXATION | | | (753) | | (3,185) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | 18 | | (1,667) | | (1,202) |
| ACQUISITIONS AND DISPOSALS | 18 | | (62,980) | | — |
| CASH OUTFLOW BEFORE FINANCING | | | (311,049) | | (424,245) |
| FINANCING | 18 | | 385,251 | | 525,000 |
| INCREASE IN CASH | 18 | | <u>74,202</u> | | <u>100,755</u> |

**RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH OUTFLOW
FROM OPERATING ACTIVITIES**

| | Year to 31 Dec 10 £ | Period from 1 Sep 08 to 31 Dec 09 £ |
|--|---------------------------|--|
| Operating (loss)/profit | (337,086) | 97,215 |
| Amortisation | 12,464 | 4,158 |
| Depreciation | 58,618 | 13,084 |
| Loss on disposal of fixed assets | 438 | — |
| Movement in debtors | 101,737 | (334,574) |
| Movement in creditors | 25,553 | (170,450) |
| Net cash outflow from operating activities | <u>(138,276)</u> | <u>(390,567)</u> |

LEHMANN COMMUNICATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Basis of accounting

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Going concern

The company relies on the continued support of the directors in order to continue to trade. The company is at an advanced stage of negotiation with both equity and debt providers in order to secure new working capital facilities. The directors have provided and continue to provide support as follows: "Personal guarantees and charged security for existing and future borrowings and "Director's loan account.

The directors consider it appropriate to prepare the accounts on a going concern basis.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax.

Income Recognition Policy

Income is spread over the term of the contract in order to reflect the level of performance achieved at any point in time. Revenue is recognised on the following basis:

- Retainer and other non retainer fees are recognised as the services are performed.
- Project fees are recognised as earned in accordance with the contractual terms
- Expenses are recharged to clients at cost plus an agreed mark up when the services are performed

Where turnover exceeds amounts invoiced, the excess is classified as accrued income and included in prepayments and accrued income within debtors. Where amounts invoiced exceed turnover, the excess is classified as deferred income and included in accruals and deferred income within creditors.

LEHMANN COMMUNICATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arose on the acquisition of D A A Media Limited and is amortised through the profit and loss account over the director's estimate of its useful economic life of 10 years

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Goodwill - Over 10 years

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---------------------|---|----------------------|
| Plant & Machinery | - | 25% Reducing Balance |
| Fixtures & Fittings | - | 25% Reducing Balance |
| Equipment | - | 25% Reducing Balance |

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

LEHMANN COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

| | Year to 31 Dec 10 £ | Period from 1 Sep 08 to 31 Dec 09 £ |
|---|---------------------------|--|
| Media buying | 1,816,387 | - |
| Public relations, design, event management and training | <u>489,246</u> | <u>1,069,633</u> |
| | <u>2,305,633</u> | <u>1,069,633</u> |

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging

| | Year to 31 Dec 10 £ | Period from 1 Sep 08 to 31 Dec 09 £ |
|------------------------------------|---------------------------|--|
| Amortisation of intangible assets | 12,464 | 4,158 |
| Depreciation of owned fixed assets | 58,618 | 13,084 |
| Loss on disposal of fixed assets | 438 | - |
| Auditor's remuneration | | |
| - as auditor to parent company | 7,500 | 7,500 |
| Operating lease costs | | |
| - Plant and equipment | 10,640 | 14,771 |
| - Other | <u>985</u> | <u>-</u> |

LEHMANN COMMUNICATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group (comparative information for company only) during the financial year amounted to:

| | Year to 31 Dec 10 No | Period from 1 Sep 08 to 31 Dec 09 No |
|-------------------------|----------------------------|---|
| Average number of staff | <u>10</u> | <u>7</u> |

The aggregate payroll costs of the above were:

| | Group Year to 31 Dec 10 £ | Period from 1 Sep 08 to 31 Dec 09 £ |
|-----------------------|------------------------------------|--|
| Wages and salaries | 513,827 | 386,619 |
| Social security costs | <u>62,687</u> | <u>18,949</u> |
| | <u>576,514</u> | <u>405,568</u> |

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

| | Year to 31 Dec 10 £ | Period from 1 Sep 08 to 31 Dec 09 £ |
|-------------------------|---------------------------|--|
| Remuneration receivable | <u>—</u> | <u>29,200</u> |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | Year to 31 Dec 10 £ | Period from 1 Sep 08 to 31 Dec 09 £ |
|------------------------------------|---------------------------|--|
| Interest payable on bank borrowing | 2,642 | 25,750 |
| Finance charges | <u>—</u> | <u>251</u> |
| Other similar charges payable | 105,000 | 3,297 |
| | <u>107,642</u> | <u>29,298</u> |

LEHMANN COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

7. TAXATION ON ORDINARY ACTIVITIES

Analysis of charge in the year

| | Year to 31 Dec 10 £ | Period from 1 Sep 08 to 31 Dec 09 £ |
|--|---------------------------|--|
| UK Corporation tax based on results for the year at 21% | 1,619 | - |
| Total current tax | <u>1,619</u> | <u>-</u> |

8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the financial statements of the parent company was £303,151

9. INTANGIBLE FIXED ASSETS

| Group | Goodwill £ |
|--|-----------------------|
| COST | |
| At 1 January 2010 | 166,308 |
| Additions | 536,202 |
| At 31 December 2010 | <u>702,510</u> |
| AMORTISATION | |
| At 1 January 2010 | 153,844 |
| Charge for the year | 12,464 |
| At 31 December 2010 | <u>166,308</u> |
| NET BOOK VALUE | |
| At 31 December 2010 | <u>536,202</u> |
| Company | Goodwill £ |
| COST | |
| At 1 January 2010 and 31 December 2010 | <u>166,308</u> |
| AMORTISATION | |
| At 1 January 2010 | 153,844 |
| Charge for the year | 12,464 |
| At 31 December 2010 | <u>166,308</u> |
| NET BOOK VALUE | |
| At 31 December 2010 | <u>-</u> |
| At 31 December 2009 | <u>12,464</u> |

LEHMANN COMMUNICATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

10. TANGIBLE FIXED ASSETS

| Group | IT equipment cost £ | Fixtures & Fittings £ | Equipment £ | Total £ |
|--|------------------------------|-----------------------------|----------------|----------------|
| COST | | | | |
| At 1 January 2010 | 255,132 | 128,034 | 15,050 | 398,216 |
| Additions and on acquisition of subsidiary | – | 47,375 | 904 | 48,279 |
| Disposals | – | (37,042) | – | (37,042) |
| At 31 December 2010 | <u>255,132</u> | <u>138,367</u> | <u>15,954</u> | <u>409,453</u> |
| DEPRECIATION | | | | |
| At 1 January 2010 | 59,730 | 122,333 | 14,269 | 196,332 |
| Charge for the year | 43,624 | 14,681 | 313 | 58,618 |
| On disposals | – | (26,364) | – | (26,364) |
| At 31 December 2010 | <u>103,354</u> | <u>110,650</u> | <u>14,582</u> | <u>228,586</u> |
| NET BOOK VALUE | | | | |
| At 31 December 2010 | <u>151,778</u> | <u>27,717</u> | <u>1,372</u> | <u>180,867</u> |
| Company | | | | |
| | IT equipment cost £ | Fixtures & Fittings £ | Equipment £ | Total £ |
| COST | | | | |
| At 1 January 2010 | 255,132 | 128,034 | 15,050 | 398,216 |
| Additions | – | 1,182 | 904 | 2,086 |
| At 31 December 2010 | <u>255,132</u> | <u>129,216</u> | <u>15,954</u> | <u>400,302</u> |
| DEPRECIATION | | | | |
| At 1 January 2010 | 59,730 | 122,333 | 14,269 | 196,332 |
| Charge for the year | 43,624 | 1,435 | 313 | 45,372 |
| At 31 December 2010 | <u>103,354</u> | <u>123,768</u> | <u>14,582</u> | <u>241,704</u> |
| NET BOOK VALUE | | | | |
| At 31 December 2010 | <u>151,778</u> | <u>5,448</u> | <u>1,372</u> | <u>158,598</u> |
| At 31 December 2009 | <u>195,402</u> | <u>5,455</u> | <u>781</u> | <u>201,884</u> |

LEHMANN COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

11. INVESTMENTS

| Group | Unlisted £ | Listed £ | Total £ |
|-----------------------|-----------------------|---------------------|-------------------------|
| COST | | | |
| At 1 January 2010 | 2 | 6,950 | 6,952 |
| Disposals | (2) | - | (2) |
| At 31 December 2010 | <u>-</u> | <u>6,950</u> | <u>6,950</u> |
| NET BOOK VALUE | | | |
| At 31 December 2010 | <u>-</u> | <u>6,950</u> | <u>6,950</u> |
| Company | | | Subsidiary £ |
| COST | | | |
| Additions | | | 636,885 |
| At 31 December 2010 | | | <u>636,885</u> |
| NET BOOK VALUE | | | |
| At 31 December 2010 | | | <u>636,885</u> |

The company owns 100% of the issued share capital of D A A Media Ltd, a company incorporated in England and Wales

The following table sets out the book values of the identifiable assets and liabilities acquired. In the opinion of the directors there is no material difference between the book value and the fair value of the assets acquired

| | £ |
|----------------------------|------------------|
| Fixed assets: | |
| Tangible | 24,588 |
| Investments | 6,952 |
| Current assets: | |
| Debtors | 451,921 |
| Taxation | 3,995 |
| Cash | 213,905 |
| Creditors: | |
| Trade and other creditors | <u>(600,678)</u> |
| Net assets | <u>100,683</u> |
| Goodwill | <u>536,202</u> |
| Total Consideration | <u>636,885</u> |

LEHMANN COMMUNICATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

12. DEBTORS

| Group | 2010 | |
|--------------------------------|----------------|----------------|
| | £ | |
| Trade debtors | 474,072 | |
| Corporation tax repayable | 3,129 | |
| Other debtors | 86,164 | |
| Prepayments and accrued income | 351,478 | |
| | <u>911,843</u> | |
| Company | 2010 | 2009 |
| | £ | £ |
| Trade debtors | 474,072 | 250,914 |
| Corporation tax repayable | 3,129 | 3,194 |
| Other debtors | 86,164 | 196,098 |
| Prepayments and accrued income | 351,478 | 275,813 |
| | <u>911,843</u> | <u>726,019</u> |

13. CREDITORS: Amounts falling due within one year

| Group | 2010 | |
|---|----------------|----------------|
| | £ | |
| Trade creditors | 789,394 | |
| Other creditors including taxation and social security. | | |
| Other taxation and social security | 70,138 | |
| Accruals and deferred income | 71,740 | |
| | <u>934,272</u> | |
| Company | 2010 | 2009 |
| | £ | £ |
| Trade creditors | 377,168 | 116,557 |
| Other creditors including taxation and social security. | | |
| Other taxation and social security | 54,831 | 24,478 |
| Other Creditors | - | 5,162 |
| Overdrafts | - | 25,789 |
| Accruals and deferred income | 43,025 | 10,000 |
| | <u>475,024</u> | <u>181,986</u> |

LEHMANN COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

14. CREDITORS: Amounts falling due after more than one year

| Group | 2010 | |
|------------------------------------|------------------|--|
| | £ | |
| Convertible loans | 865,000 | |
| Amounts owed to group undertakings | - | |
| Directors' loan accounts | 201,506 | |
| | <u>1,066,506</u> | |

| Company | 2010 | 2009 |
|------------------------------------|------------------|----------------|
| | £ | £ |
| Convertible loans | 865,000 | 525,000 |
| Amounts owed to group undertakings | 184,513 | - |
| Directors' loan accounts | 201,506 | 146,057 |
| | <u>1,251,019</u> | <u>671,057</u> |

The convertible loans are secured by personal guarantees given by R Lehmann. The loans carry an interest coupon of between 8 and 20%. The loans can be converted into ordinary equity shares within 36 months of the initial investment.

The director's loan account is unsecured, interest free with no fixed date for repayment.

14. CONTROLLING INTERESTS

Ronel Lehmann is the ultimate controlling party.

LEHMANN COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

15. SHARE CAPITAL

Authorised share capital:

| | 2010 £ | 2009 £ |
|---|------------------|------------------|
| 10,000,000 Ordinary shares of £0 10 each (2009 - 1,000,000 Ordinary shares of £1 each) | <u>1,000,000</u> | <u>1,000,000</u> |

Allotted, called up and fully paid:

| | 2010 No | £ | 2009 No | £ |
|--|------------------|----------------|----------------|----------------|
| 1,614,210 Ordinary shares of £0 10 each (2009 - 142,456 Ordinary shares of £1 each) | <u>1,614,210</u> | <u>161,421</u> | <u>142,456</u> | <u>142,456</u> |

On 24 April 2010 a special resolution was passed to convert the existing share capital of the company from £1 shares into £0 10 each

16. RESERVES

Group

| | Share premium account £ | Profit and loss account £ |
|--|----------------------------------|---------------------------------|
| Balance brought forward | 1,231,697 | (1,283,084) |
| Loss for the year | – | (446,078) |
| Other movements | | |
| Net premium on new equity share capital subscribed | <u>26,286</u> | <u>–</u> |
| Balance carried forward | <u>1,257,983</u> | <u>(1,729,162)</u> |

Company

| | Share premium account £ | Profit and loss account £ |
|--|----------------------------------|---------------------------------|
| Balance brought forward | 1,231,697 | (1,283,084) |
| Loss for the year | – | (313,051) |
| Other movements | | |
| Net premium on new equity share capital subscribed | <u>26,286</u> | <u>–</u> |
| Balance carried forward | <u>1,257,983</u> | <u>(1,596,135)</u> |

LEHMANN COMMUNICATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2010 | | 2009 | |
|--|--------|------------------|------|---------------|
| | £ | £ | £ | £ |
| {Loss}/Profit for the financial year | | (446,078) | | 67,924 |
| New equity share capital subscribed | 45,251 | | — | |
| | | <u>45,251</u> | | <u>—</u> |
| Net (reduction)/addition to shareholders' funds | | (400,827) | | 67,924 |
| Opening shareholders' funds | | 91,069 | | 23,145 |
| Closing shareholders' {deficit}/funds | | <u>(309,758)</u> | | <u>91,069</u> |

LEHMANN COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

18. NOTES TO THE CASH FLOW STATEMENT

CAPITAL EXPENDITURE

| | Year to 31 Dec 10 £ | Period from 1 Sep 08 to 31 Dec 09 £ |
|---|---------------------------|--|
| Payments to acquire tangible fixed assets | (11,907) | (1,202) |
| Receipts from sale of fixed assets | 10,240 | - |
| Net cash outflow from capital expenditure | <u>(1,667)</u> | <u>(1,202)</u> |

ACQUISITIONS AND DISPOSALS

| | Year to 31 Dec 10 £ | Period from 1 Sep 08 to 31 Dec 09 £ |
|--|---------------------------|--|
| Cash acquired with subsidiary undertaking (note 10) | 213,905 | - |
| Acquisition of subsidiary undertaking (note 10) | (276,885) | - |
| Net cash outflow from acquisitions and disposals | <u>(62,980)</u> | <u>-</u> |

FINANCING

| | Year to 31 Dec 10 £ | Period from 1 Sep 08 to 31 Dec 09 £ |
|---|---------------------------|--|
| Net share premium on issue of equity share capital | 45,251 | - |
| Increase in debenture loans | 340,000 | 525,000 |
| Net cash inflow from financing | <u>385,251</u> | <u>525,000</u> |

LEHMANN COMMUNICATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

18. NOTES TO THE CASH FLOW STATEMENT *(continued)*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 2010 | | 2009 | |
|--|------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Increase in cash in the period | 74,202 | | 100,755 | |
| Net cash (inflow) from debenture loans | <u>(340,000)</u> | | <u>(525,000)</u> | |
| | | (265,798) | | (424,245) |
| Change in net debt | | (265,798) | | (424,245) |
| Net debt at 1 January 2010 | | <u>(547,044)</u> | | <u>(122,799)</u> |
| Net debt at 31 December 2010 | | <u>(812,842)</u> | | <u>(547,044)</u> |

ANALYSIS OF CHANGES IN NET DEBT

| | At 1 Jan 2010 £ | Cash flows £ | At 31 Dec 2010 £ |
|--|-----------------------|------------------|------------------------|
| Net cash (Net overdraft)/Cash in hand and at bank | <u>(22,044)</u> | <u>74,202</u> | <u>52,158</u> |
| Debt | | | |
| Debt due after 1 year | <u>(525,000)</u> | <u>(340,000)</u> | <u>(865,000)</u> |
| Net debt | <u>(547,044)</u> | <u>(265,798)</u> | <u>(812,842)</u> |

19. POST BALANCE SHEET EVENTS

During May 2011 the company raised new equity funds of £469,000 and a further £75,000 of convertible loan stock