

Bray Leino Group Limited

**Directors' report and financial
statements**

Registered number 3636970

31 December 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The company's principal activity is that of a holding company.

Dividend

The directors recommend the payment of a dividend of £630,173 (2002: £Nil).

Directors and their interests

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

D W Morgan
T R Coates
T M Graunke
J C Hanson-Smith

None of the directors who held office at the end of the financial year have any disclosable interests in the shares of the company or other group companies which are required to be disclosed under the provisions of the Companies Act 1985.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

By order of the board



T R Coates
Director

The Old Rectory
FILLEIGH
EX32 0RX

11 June 2004

Statement of 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 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Report of the independent auditors to the members of Bray Leino Group Limited

We have audited the financial statements on pages 4 to 10.

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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

KPMG LLP

16 June 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Notes</i>	2003 £	2002 £
Income from shares in group undertakings		630,173	-
Profit on ordinary activities before taxation	2	630,173	-
Tax on profit on ordinary activities	3	-	-
Profit on ordinary activities after taxation		630,173	-
Dividends on equity and non-equity shares	4	(630,173)	-
Retained profit for the financial year		-	-

The company has not traded during the year.

There are no recognised gains or losses in either year other than the result for that year.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet
as at 31 December 2003

	<i>Notes</i>	2003 £	2003 £	2002 £	2002 £
Fixed assets	5		1,616,863		1,616,863
Current assets					
Debtors	6	740		740	
Net current assets			740		740
Net assets			1,617,603		1,617,603
Capital and reserves					
Called up share capital	7		1,487,470		1,487,470
Share redemption account	8		129,393		129,393
Profit and loss account	8		740		740
Shareholders' funds					
Equity		1,037,383		1,037,383	
Non-equity		580,220		580,220	
	9		1,617,603		1,617,603

These financial statements were approved by the board of directors on 11 June 2004 and were signed on its behalf by:



T R Coates
Director

The accompanying notes are an integral part of this balance sheet.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

Basis of preparation

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

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of DVC Holdings (UK) Ltd, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of DVC Holdings (UK) Ltd within which this company is included, can be obtained from the address given in note 12.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Profit on ordinary activities before taxation

The auditors' remuneration in both the current and preceding year has been borne by another group company.

There was no directors' remuneration in either year.

Notes (continued)

3 Tax on profit on ordinary activities

Analysis of charge in period:

	2003 £	2003 £	2002 £	2002 £
Current Tax				
UK Corporate tax on profit of the period	-		-	
	<hr/>		<hr/>	
Deferred Tax				
Origination and reversal of timing differences	-		-	
	<hr/>		<hr/>	
		-		-
		<hr/>		<hr/>
Tax on profit on ordinary activities		-		-
		<hr/>		<hr/>

Factors affecting tax charge for the period:

The current tax charge for the period is lower than (2002: *equal to*) the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	630,173	-
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	189,052	-
Effects of:		
Non-taxable income	(189,052)	-
	<hr/>	<hr/>
Current tax charge for period	-	-
	<hr/>	<hr/>

Notes (continued)

4 Dividends and other appropriations

	2003 £	2002 £
Equity shares:		
Final dividend paid	624,355	-
Other dividends on non-equity shares:		
Final dividend paid	5,818	-
	<u>630,173</u>	<u>-</u>

5 Fixed asset investments

	£
Shares in unlisted subsidiary undertakings at cost	
<i>Cost and net book value</i>	
At 1 January 2003 and 31 December 2003	<u>1,616,863</u>

Details of the subsidiary undertakings are as follows:

In each case, the holding relates to ordinary shares in the company.

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Bray Leino Limited	England	Advertising agents	80%
Blue Sky (UK) Limited	England	Exhibitions, graphic design and printing	100%*
Bray Leino Training for Change Limited	England	Training consultants	100%*
DVC Turquoise Limited	England	Market Research	100%*
Student Magazine Limited	England	Non-trading	50%*

* The shares in these subsidiaries are held by Bray Leino Limited.

Blue Sky (UK) Limited owns the following subsidiary undertakings:

Designamo Limited (Dormant)	- 100%
Artline Productions Limited (Dormant)	- 50%
Blue Sky Exhibitions Limited (Dormant)	- 100%

6 Debtors

	2003 £	2002 £
Amounts owed by group undertakings	<u>740</u>	<u>740</u>

Notes (continued)

7 Share capital

	2003 £	2002 £
<i>Authorised</i>		
Equity shares:		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Non-equity shares		
250,000 'A' preference shares of £1 each	250,000	250,000
500,000 'B' preference shares of £1 each	500,000	500,000
	<hr/>	<hr/>
	1,750,000	1,750,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity shares:		
907,250 ordinary shares	907,250	907,250
Non-equity shares		
116,364 'A' preference shares	116,364	116,364
463,856 'B' preference shares	463,856	463,856
	<hr/>	<hr/>
	1,487,470	1,487,470
	<hr/>	<hr/>

Provided always that the company shall have sufficient profits available for distribution from which such dividend may be paid, the holders of the 'A' preference shares are entitled to receive a fixed, non-cumulative, annual dividend in an amount equal to 5% of the amount paid up, or credited as paid up, on such preference shares. Upon any redemption of the 'A' preference shares, the company shall pay to the holders of the 'A' preference shares being redeemed a pro rated dividend in respect of the period between the accrual of the last annual dividend and the date of redemption, together with the principal amount payable on redemption. The 'B' preference shares have no rights to dividends.

No 'B' preference shares may be redeemed until all 'A' preference shares have been redeemed, unless all 'A' preference shareholders agree otherwise in writing. All preference shares are to be redeemed at par. Neither class of preference shares hold any voting rights.

8 Share redemption and reserves

	Share redemption account £	Profit and loss account £
Balance brought forward	129,393	740
Retained profit for the financial year	-	-
	<hr/>	<hr/>
Balance carried forward	129,393	740
	<hr/>	<hr/>

Notes (continued)

9 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the year	630,173	-
Equity dividends paid	(624,355)	-
Non-equity dividends paid	(5,818)	-
	<hr/>	<hr/>
Opening shareholders' funds	1,617,603	1,617,603
	<hr/>	<hr/>
Closing shareholders' funds	1,617,603	1,617,603
	<hr/>	<hr/>

Shareholders' funds for the company include non-equity interests of £116,364 (2002: £116,364) relating to the 'A' preference shares and £463,856 (2002: £463,856) relating to the 'B' preference shares.

10 Contingencies

The company has entered into an omnibus guarantee and set off agreement with Lloyds TSB Bank plc in respect of the following group companies.

Bray Leino Limited
Blue Sky (UK) Limited
Bray Leino Training for Change Limited
DVC Turquoise Limited

11 Related party disclosures

The company is controlled by DVC Worldwide LLC. The ultimate controlling party is DVC Worldwide LLC.

12 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary of DVC Worldwide LLC, incorporated in the United States of America.

DVC Holdings (UK) Limited, incorporated in England, is the parent company of the smallest group in which the company's results are consolidated. Copies of the consolidated financial statements are available from The Secretary, Tectonic Place, Holyport Road, Holyport, Maidenhead, SL6 2YE.

The largest group in which the results are consolidated is that headed by DVC Worldwide LLC. The consolidated accounts of this company are not available to the public. No other group accounts include the results of the company.