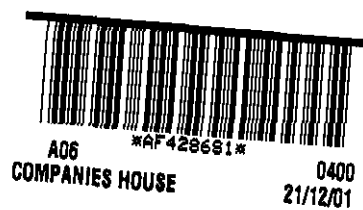


THE DESIGN PORTFOLIO MARKETING SERVICES LTD



THE
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Financial Statements
for the year ended 31 July 2001

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Report of the directors'



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The directors have pleasure in presenting their report and financial statements for the year ended 31st July 2001.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company throughout the year was that of marketing.

The results for the year and the financial position at the year end were considered to be disappointing by the directors who expect the financial position of the company to improve in the future.

RESULTS AND DIVIDEND

The results of the company for the year are set out on page 7.

The directors do not recommend the payment of a dividend as the funds of the company are fully employed.

DIRECTORS AND THEIR INTERESTS

The directors who served the company throughout the year together with their interests (including family interests) in the shares of the parent company, at the beginning and end of the year, were as follows:

	Class of share	Ordinary shares of £1 each	
		31 July 2001	1 August 2000
I.B. Restall	Class 'A' Shares	4,171	3,650
	Class 'B' Shares	1,460	—
C.C. Vann	Class 'A' Shares	3,829	3,350
	Class 'B' Shares	1,340	—
A.J.M. Baumont	Ordinary	—	—
C. Rodziewicz	Ordinary	—	—

Report of the directors' (continued)



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AUDITORS

Kingston Smith have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act 1985 it is proposed that they be re-appointed auditors to the company for the ensuing year.

By order of the board.

A.A.E. GOLD
Secretary
Harbour Island
37 Harbour Exchange Square
London
E14 9GL
Date: 5 December 2001

Directors' responsibilities



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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 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; and prepare the financial statements on a going concern basis unless it is inappropriate to assume 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 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.

Independent auditors' report

to the shareholders of The Design Portfolio Marketing Services Ltd



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We have audited the financial statements of The Design Portfolio Marketing Services Ltd for the year ended 31 July 2001 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the historical cost convention, and the accounting policies set out therein.

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.

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 the 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 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.

Independent auditors' report (continued)

to the shareholders of The Design Portfolio Marketing Services Ltd



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OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Orbital House
20 Eastern Road
Romford
Essex RM1 3DP
Date: 5 December 2001*

KINGSTON SMITH
*Chartered Accountants
and Registered Auditors*

Profit and loss account

for the year ended 31 July 2001



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	Note	2001 £	2000 £
Turnover – continuing activities	2	365,037	321,965
Cost of sales		(264,674)	(148,977)
Gross profit		100,363	172,988
Administrative expenses		(141,491)	(172,872)
Operating (loss)/profit – continuing activities	3	(41,128)	116
Taxation	5	—	1,098
Retained (loss)/profit transferred from/to reserves	10	(41,128)	1,214

There are no recognised gains or losses in the year other than the loss for the year.

Balance sheet

at 31 July 2001



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	Note	2001 £	2000 £
Fixed assets			
Tangible assets	6	26,084	33,694
Current assets			
Stock	7	5,463	4,597
Debtors	8	75,067	98,300
Cash at bank and in hand		64	5,066
		80,594	107,963
Creditors: Amounts falling due within one year	9	(146,261)	(140,112)
Net current (liabilities)		(65,667)	(32,149)
Net (liabilities)		(39,583)	1,545
Capital and reserves			
Called up share capital – equity interests	10	100	100
Profit and loss account	10	(39,683)	1,445
Shareholders' funds		(39,583)	1,545

Approved by the board on 5 December 2001

I.B. RESTALL C.C. VANN
Directors

Notes to the financial statements

for the year ended 31 July 2001



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1. PRINCIPAL ACCOUNTING POLICIES

Accounting basis and standards

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

Turnover

Turnover represents the invoiced value of goods sold and services provided net of value added tax.

Depreciation

Depreciation on fixed assets is provided at rates estimated to write off the cost or revalued amounts, less estimated residual value, of each asset, over its expected useful life as follows:

Plant and machinery	25% Straight line
Motor vehicles	33% Straight line
Fixtures and fittings	25% Straight line

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition, including where appropriate, a proportion of manufacturing overheads.

Deferred taxation

Deferred tax is accounted for under the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

2. TURNOVER

Turnover is attributable to the one principal activity of the company which arose wholly in the United Kingdom.

3. OPERATING (LOSS)/PROFIT

	2001 £	2000 £
The operating (loss)/profit is stated after charging:		
Auditors' remuneration	2,750	4,196
Directors remuneration	36,832	28,546
Depreciation – owned tangible fixed assets	13,380	7,076

Notes to the financial statements

for the year ended 31 July 2001



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4. DIRECTORS AND EMPLOYEES

	2001 £	2000 £
Staff costs during the year were as follows:		
Wages and salaries	71,804	97,652
Social security costs	6,064	6,543
	<u>77,868</u>	<u>104,195</u>

The average weekly number of persons employed by the company, including directors, during the year was 5 (2000 – 10). Due to the size of the company there is no formal classification of duties.

	2001 £	2000 £
Directors' Emoluments:		
Emoluments	66,700	28,546

5. TAXATION

	2001 £	2000 £
Current tax:		
UK Corporation tax		
Current tax on income for the year	—	(1,098)

6. TANGIBLE ASSETS

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost				
At 1st August 2000	18,564	19,800	3,418	41,782
Additions	4,744	—	1,026	5,770
At 31st July 2001	<u>23,308</u>	<u>19,800</u>	<u>4,444</u>	<u>47,552</u>
Depreciation				
At 1st August 2000	4,514	2,756	818	8,088
Charge for the year	5,721	6,600	1,059	13,380
At 31st July 2001	<u>10,235</u>	<u>9,356</u>	<u>1,877</u>	<u>21,468</u>
Net Book Value				
At 31st July 2001	<u>13,073</u>	<u>10,444</u>	<u>2,567</u>	<u>26,084</u>
At 31st July 2000	<u>14,050</u>	<u>17,044</u>	<u>2,600</u>	<u>33,694</u>

Notes to the financial statements

for the year ended 31 July 2001



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7. STOCKS

	2001 £	2000 £
Work in progress	5,463	4,597

8. DEBTORS

	2001 £	2000 £
Trade debtors	73,036	86,661
Amounts owed by group undertakings	—	7,808
Prepayments and accrued income	2,031	3,831
	75,067	98,300

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loans and overdrafts	3,434	—
Trade creditors	25,382	46,781
Amounts owed to group undertakings – parent and fellow subsidiaries	104,140	62,678
Social security and other taxes	1,773	13,295
Other creditors	8,090	7,095
Accruals and deferred income	3,442	10,263
	146,261	140,112

Other creditors includes directors loan account of £6,300 (2000: £6,300).

The bank overdraft is guaranteed by Flathill Communications Group Plc.

Notes to the financial statements

for the year ended 31 July 2001



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10. SHAREHOLDERS' FUNDS

2001

	Profit and loss account £	Share capital £	Total £
At 1 August 2000	1,445	100	1,545
Loss for the year	(41,128)	—	(41,128)
At 31 July 2001	(39,683)	100	(39,583)

2001
£ 2000
£

The share capital comprises:

Authorised:

1,000 Ordinary shares of £1 each	1,000	1,000
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Called up, allotted and fully paid:

100 Ordinary shares of £1 each	100	100
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The movements in shareholders' funds in the previous year are set out below:

2000

	Profit and loss account £	Share capital £	Total £
At 1 August 1999	231	100	331
Profit for the year	1,214	—	1,214
At 31 July 2000	1,445	100	1,545

11. PENSIONS – MONEY PURCHASE SCHEME

The company operates a money purchase pension scheme for the benefit of its employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. All contributions were paid during the year. Contributions paid during the year were £Nil (2000 – £1,569).

12. CONTROLLING PARTY

The ultimate holding company is Flathill Communications Group Plc, incorporated in England. The group accounts are available from: Flathill Communications Group Plc, Harbour Island, 37 Harbour Exchange Square, London, E14 9GL.