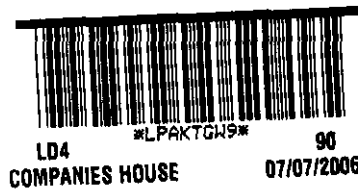


# **PR21 UK Limited**

## **Report and Financial Statements**

30 June 2005

**ERNST & YOUNG**



**Directors**

D J Edelman  
R W Edelman  
J Epstein  
J Ryan

**Secretary**

R H Payne

**Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

**Bankers**

Barclays Bank PLC  
London Corporate Banking  
27 Soho Square  
London W1A 4WA

**Solicitors**

ReedSmith  
Minerva House  
Montague Close  
London SE1 9BB

**Registered Office**

Reed Smith LLP  
Minerva House  
Montague Close  
London SE1 9BB

## Directors' report

The directors present their report and financial statements for the year ended 30 June 2005.

### Results and dividends

The profit for the year, after taxation, amounted to £91,000 (2004 – result of £nil). The directors do not recommend the payment of a dividend (2004 – £nil).

### Principal activity and review of the business

The company ceased to trade on 31 March 2004.

### Directors and their interests

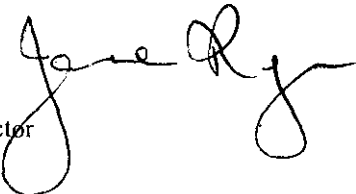
The directors who served during the year are as listed on page 1.

None of the directors at 30 June 2005 had any interests in the share capital of the company.

### Auditors

A resolution to reappoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting.

On behalf of the Board

Director 

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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 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.

## **Independent auditors' report**

to the members of PR21 UK Limited

We have audited the company's financial statements for the year ended 30 June 2005 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 13. These financial statements have been prepared under 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 auditors' 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 the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 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 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 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**

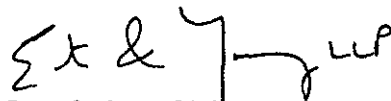
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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

### 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 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

27 June 2006

## Profit and loss account

for the year ended 30 June 2005

	Notes	2005 £000	2004 £000
<b>Turnover</b>	2	–	437
Rechargeable costs		–	(112)
<b>Gross result/profit</b>		–	325
Administrative expenses		–	(431)
<b>Operating result/(loss)</b>	3	–	(106)
Interest receivable		–	106
<b>Result on ordinary activities before taxation</b>		–	–
Tax on result on ordinary activities	6	91	–
<b>Profit/result on ordinary activities after taxation</b>	11	91	–

The results above derive from discontinued operations.

## Statement of total recognised gains and losses

for the year ended 30 June 2005

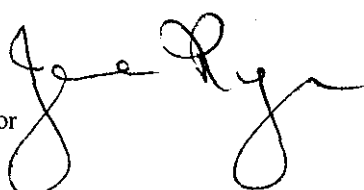
There are no other gains or losses recognised by the company apart from the profit in the year of £91,000 (2004 – result of £nil).

**Balance sheet**

at 30 June 2005

	Notes	2005 £000	2004 £000
<b>Called up share capital not paid</b>	10	–	–
<b>Current assets</b>			
Debtors	7	102	296
Cash at bank and in hand		10	74
		<u>112</u>	<u>370</u>
<b>Creditors:</b> amounts falling due within one year	8	(26)	(67)
		<u>86</u>	<u>303</u>
<b>Net current assets</b>			
		<u>86</u>	<u>303</u>
<b>Total assets less current liabilities</b>			
		<u>86</u>	<u>303</u>
<b>Creditors:</b> amounts falling due after more than one year	9	(866)	(1,174)
		<u>(780)</u>	<u>(871)</u>
<b>Total net liabilities</b>			
		<u>(780)</u>	<u>(871)</u>
<b>Capital and reserves</b>			
Called up share capital	10	–	–
Share premium account	11	2,562	2,562
Profit and loss account	11	(3,342)	(3,433)
		<u>–</u>	<u>–</u>
<b>Shareholders' funds:</b>			
Equity		(3,342)	(3,433)
Non-equity		2,562	2,562
	11	<u>(780)</u>	<u>(871)</u>

These financial statements were approved by the Board of Directors on  
and signed on its behalf by:

Director 

27 JUN 2006



## Notes to the financial statements

at 30 June 2005

### 1. Accounting policies

#### Basis of preparation

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

#### Going concern

On 31 March 2004 the company ceased trading, and the financial statements have therefore not been prepared on a going concern basis. As a result, the carrying value of intangible assets and tangible fixed assets have been fully written down, and current assets have been written down to their expected recoverable amount. The directors consider that the company's parent undertaking will continue to provide financial support to the company in order for it to meet its debts as they fall due during the wind down process.

#### Deferred taxation

FRS 19, *deferred taxation*, is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Foreign currencies

Assets and liabilities held in foreign currencies are translated into sterling at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### Pension costs

The company contributes to the personal pension schemes of its staff. All costs are expensed to the profit and loss account as incurred.

#### Statement of cash flows

The company has taken advantage of the exemption under FRS 1 (revised) not to prepare a statement of cash flows as it is a subsidiary which is at least 90% owned by the ultimate parent undertaking.

### 2. Turnover

Turnover represents gross amounts due from clients for services supplied in the year exclusive of VAT less any allowances, and includes commission and production income, as well as rechargeable costs, all of which arise in the United Kingdom.

### 3. Operating result/(loss)

This is stated after charging:

	2005	2004
	£000	£000
Depreciation	—	—
Operating lease rentals — land and buildings	—	—
Auditors' remuneration — audit services	—	—
— non-audit services	—	2
	<u>—</u>	<u>2</u>

## Notes to the financial statements

at 30 June 2005

### 4. Directors' remuneration

The remuneration paid to directors of the company was:

	2005 £000	2004 £000
Emoluments	—	48
Company contributions paid to money personal pension schemes	—	2
Number of directors in respect of whom pension contributions were made in the year	No. —	No. 2

The amounts in respect of the highest paid director are as follows:

	£000	£000
Emoluments	—	26
Company contributions paid to personal purchase pension schemes	—	1

### 5. Staff costs

	2005 £000	2004 £000
Wages and salaries	—	570
Social security costs	—	—
Other pension costs	—	17
	—	587

The average weekly number of persons (including directors) employed by the company during the year was zero (2004 – 7).

## Notes to the financial statements

at 30 June 2005

### 6. Tax on result on ordinary activities

#### (a) Analysis of tax credit in the year

	2005	2004
	£000	£000
Current tax – adjustments in respect of prior years	(91)	–

#### (b) Factors affecting current tax credit

The tax assessed on the result on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2004 – 30%). The differences are reconciled below:

	2005	2004
	£000	£000
Result on ordinary activities before tax	–	–
Result on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 – 30%)	–	–
Disallowed expenses and non-taxable income	–	15
Depreciation in excess of capital allowances	–	(59)
Other timing differences	–	(32)
Group relief	(91)	76
Total current tax	(91)	–

### 7. Debtors

	2005	2004
	£000	£000
Trade debtors	–	175
Amounts owed by group undertakings	11	83
Corporation tax	91	38
	102	296

### 8. Creditors: amounts falling due within one year

	2005	2004
	£000	£000
Accruals and deferred income	26	54
Trade creditors	–	9
Other taxation and social security	–	–
Amounts owed to parent undertaking	–	4
	26	67

## Notes to the financial statements

at 30 June 2005

### 9. Creditors: amounts falling due after more than one year

	2005	2004
	£000	£000
Amounts owed to parent undertaking	866	1,174

Included in amounts owed to parent undertaking is a promissory note of US\$725,000 issued by the company. Interest is payable on the note at 7.5% per annum, and the note is repayable on demand.

### 10. Share capital

	2005	2004
	£	£
<i>Authorised</i>		
900 ordinary 'A' shares of £1 each	900	900
100 ordinary 'B' shares of £1 each	100	100
4,100 preference shares of US\$0.01 each	26	26
<i>Allotted, called up and fully paid</i>	£	£
Ordinary 'A' shares of £1 each	1	1
Preference shares	26	26
	2005	2004
	£	£
<i>Allotted, called up and not fully paid</i>		
Ordinary 'A' shares of £1 each	183	183
Ordinary 'B' shares of £1 each	17	17
	200	200

The 'B' shares do not carry any rights to vote at general meetings or to appoint and remove directors of the company. In all other respects, the 'A' shares and 'B' shares are identical and rank pari passu.

### 11. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
At 30 June 2004	-	2,562	(3,433)	(871)
Profit for the year	-	-	91	91
At 30 June 2005	-	2,562	(3,342)	(780)

## Notes to the financial statements

at 30 June 2005

### 12. Related party transactions

The company has taken advantage of the non-disclosure exemption of FRS 8 as an undertaking which is more than 90% controlled by the ultimate parent undertaking.

### 13. Ultimate parent undertaking and controlling party

The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is Daniel J Edelman Inc., incorporated in the United States of America. Daniel J Edelman Inc. is also the ultimate parent undertaking and controlling party.

Copies of the financial statements of Daniel J Edelman Inc. may be obtained from Edelman Public Relations Worldwide, 200E Randolph Street, 6300 Chicago, Illinois 60601-6436, USA.