

4020756

PR21 UK Limited

Report and Financial Statements

30 June 2004

 ERNST & YOUNG



A41 «A97C67R6» 0586
COMPANIES HOUSE 12/08/05

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 2004.

Results and dividends

The result for the year, after taxation, amounted to £nil (2003 – loss of £3,154,000). The directors do not recommend the payment of a dividend (2003 – £nil).

Principal activities 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 and thereafter were as follows:

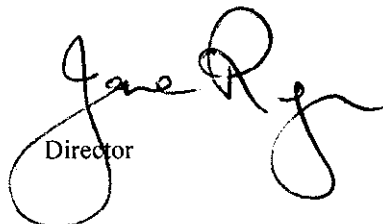
D J Edelman	
R W Edelman	
J Ryan	(appointed 19 December 2003)
J Epstein	(appointed 19 December 2003)
B L Kaye	(resigned 15 August 2003)
B Lane	(resigned 18 September 2003)

None of the directors at 30 June 2004 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

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 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of 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

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 United Kingdom law and 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 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.

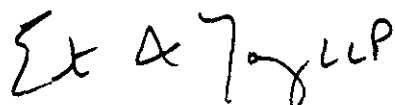
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report

to the members of PR21 UK Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

- 1 JUN 2005

Profit and loss account

for the year ended 30 June 2004

	Notes	2004 £000	2003 £000
Turnover	2	437	3,233
Rechargeable costs		(112)	(844)
Gross profit		325	2,389
Administrative expenses		(431)	(2,952)
Operating loss	3	(106)	(563)
Interest receivable		106	4
Interest payable and similar charges		–	(85)
Cost of termination of operations	6	–	(2,645)
Loss on ordinary activities before taxation		–	(3,289)
Tax on loss on ordinary activities	7	–	135
Retained result on ordinary activities after taxation	14	–	(3,154)

The results above derive from discontinued operations.

Statement of total recognised gains and losses

for the year ended 30 June 2004

There are no other gains or losses recognised by the company apart from the result in the year of £nil (2003 – loss of £3,154,000).

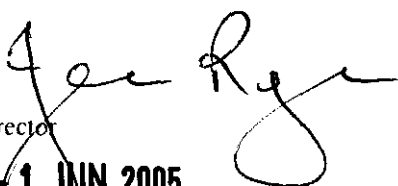
Balance sheet

at 30 June 2004

	Notes	2004 £000	2003 £000
Called up share capital not paid	13	—	—
Intangible assets	8	—	—
		—	—
Current assets			
Debtors	9	296	1,372
Cash at bank and in hand		74	477
		370	1,849
Creditors: amounts falling due within one year	10	(67)	(363)
Net current assets		303	1,486
Total assets less current liabilities		303	1,486
Creditors: amounts falling due after more than one year	11	(1,174)	(1,302)
Provisions for liabilities and charges	12	—	(1,055)
Total net liabilities		(871)	(871)
Capital and reserves			
Called up share capital	13	—	—
Share premium account	14	2,562	2,562
Profit and loss account	14	(3,433)	(3,433)
Shareholders' funds:			
Equity		(3,433)	(3,433)
Non-equity		2,562	2,562
		(871)	(871)

ERNST & YOUNG

These financial statements were approved by the Board of directors on


 Director
 1 JUN 2005

Notes to the financial statements

at 30 June 2004

1. Accounting policies

Accounting convention

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.

Goodwill

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the company value may not be recoverable.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

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.

Fixed assets and depreciation

All fixed assets are initially recorded at cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Leasehold improvements	–	over the period of the lease
Furniture, fittings and equipment	–	between 20% and 33.3%

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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.

Notes to the financial statements

at 30 June 2004

1. Accounting policies (continued)

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 loss

This is stated after charging:

	2004 £000	2003 £000
Depreciation	-	243
Operating lease rentals – land and buildings	-	315
Auditors' remuneration – audit services	-	10
– non-audit services	2	2
	<u> </u>	<u> </u>

4. Directors' remuneration

The remuneration paid to directors of the company was:

	2004 £000	2003 £000
Emoluments	48	303
	<u> </u>	<u> </u>
Company contributions paid to money personal pension schemes	2	35
	<u> </u>	<u> </u>
	No.	No.
Number of directors in respect of whom pension contributions were made in the year	2	2
	<u> </u>	<u> </u>

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

	£000	£000
Emoluments	26	214
	<u> </u>	<u> </u>
Company contributions paid to personal purchase pension schemes	1	30
	<u> </u>	<u> </u>

Notes to the financial statements

at 30 June 2004

5. Staff costs

	2004	2003
	£000	£000
Wages and salaries	570	1,222
Social security costs	–	115
Other pension costs	17	64
	<u>587</u>	<u>1,401</u>

The average weekly number of persons (including directors) employed by the company during the year was 7 (2003 – 23).

6. Cost of termination of operations

	2004	2003
	£000	£000
Amounts written off intangible assets	–	1,535
Amounts written off tangible fixed assets	–	55
Provision for closure costs (see note 12)	–	1,055
	<u>–</u>	<u>2,645</u>

Notes to the financial statements

at 30 June 2004

7. Tax on loss on ordinary activities

UK corporation tax:

	2004 £000	2003 £000
Current tax on income for the year	-	(167)
Deferred taxation (note 12)	-	32
	<u>-</u>	<u>(135)</u>

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are reconciled below:

	2004 £000	2003 £000
Loss on ordinary activities before tax	-	(3,289)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 – 30%)	-	(987)
Disallowed expenses and non-taxable income	15	633
Depreciation in excess of capital allowances	(59)	46
Other timing differences	(32)	17
Group relief	76	113
Unrelieved tax losses	-	9
Adjustments in respect of prior years	-	2
Total current tax	<u>-</u>	<u>(167)</u>

8. Intangible assets

	<i>Goodwill</i>
	£000
Cost:	
At 30 June 2003 and at 30 June 2004	1,797
Amortisation:	
At 30 June 2003 and at 30 June 2004	(1,797)
Net book value:	
At 30 June 2004 and at 30 June 2003	-

Notes to the financial statements

at 30 June 2004

9. Debtors

	2004 £000	2003 £000
Trade debtors	175	1,005
Work in progress	–	24
Prepayments and accrued income	–	109
Amounts owed by group undertakings	83	196
Corporation tax	38	38
	<u>296</u>	<u>1,372</u>

10. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Payments received on account	–	191
Accruals and deferred income	54	81
Trade creditors	9	56
Other taxation and social security	–	35
Amounts owed to parent undertaking	4	–
	<u>67</u>	<u>363</u>

11. Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Amounts owed to parent undertaking	1,174	1,302
	<u>1,174</u>	<u>1,302</u>

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

12. Provisions for liabilities and charges

	£000
At 30 June 2003	(1,055)
Utilised during the year	1,055
At 30 June 2004	<u>–</u>

The provision represented the expected costs to be incurred as a result of the company ceasing to trade on 31 March 2004.

Notes to the financial statements

at 30 June 2004

13. Share capital

	2004	2003
<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	–
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>	£	£
Ordinary – A shares of £1 each	183	183
Preference shares	26	–
	<u> </u>	<u> </u>
	2004	2003
<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
	<u> </u>	<u> </u>
	200	200
	<u> </u>	<u> </u>

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.

14. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Share premium account £000	Profit and loss account £000	Total share- holders' funds £000
At 30 June 2003	–	2,562	(3,433)	(871)
Result for the year	–	–	–	–
At 30 June 2004	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	–	2,562	(3,433)	(871)

15. Operating lease commitments

At 30 June 2004, the group had annual commitments under non-cancellable operating leases as follows:

	<i>Premises</i>	
	2004	2003
	£000	£000
Operating leases which expire:		
Between two and five years	–	146
	<u> </u>	<u> </u>

Notes to the financial statements

at 30 June 2004

16. 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.

17. 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.