

CAPITAL MS&L LIMITED
(formerly Capital Communications MS&L Limited)
Directors' Report and Financial Statements
For the year ended 31 December 2003

Registered Number: 4131534



CAPITAL MS&L LIMITED
(formerly Capital Communications MS&L Limited)
Directors and Advisers

DIRECTORS

Steffan Williams	Managing Director
Timothy Morley	Finance Director
Richard Campbell	
Nicholas Lockwood	
Louis Capozzi	
Michael Styles	

SECRETARY AND REGISTERED OFFICE

Nicholas Lockwood
22 Great James Street
London WC1N 3ES

PRINCIPAL BANKERS

HSBC Plc
Poultry and Princes Street Branch
PO Box 648
27-32 Poultry
London EC2P 2BX

AUDITORS

Mazars LLP
24 Bevis Marks
London EC3A 7NR

SOLICITORS

Gordons
22 Great James Street
London WC1N 3ES

CAPITAL MS&L LIMITED
(formerly Capital Communications MS&L Limited)

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CAPITAL MS&L LIMITED
(formerly Capital Communications MS&L Limited)
Report of the Directors for the year ended 31 December 2003

The directors present their report on the affairs of the Company, together with the financial statements for the year ended 31 December 2003.

Principal activity

The principal activity of the Company is the provision of financial public relations and related communications activities.

On 25 April 2003 the Company changed its name to Capital MS&L Limited.

Review of Business and Future Developments

Both the level of business and the year end financial position were as expected and the directors expect that the company's performance will continue to meet expectations in the future.

Results and dividends

The retained profit for the financial year of £26,000 (2002: £46,000) will be transferred to reserves. No dividends were paid in the year (2002: £Nil). No final dividend is proposed (2002: £Nil).

Directors and their interests

The following served as directors during the period and subsequently:

S Williams
R Campbell
N Lockwood
T Morley
L Capozzi (USA)
M A Styles (appointed 27 March 2003)

The following directors have beneficial interests in the Company as noted below:

	2003	2002
	No	No
Ordinary Shares at 31 December:		
Steffan Williams	70	70
Richard Campbell	70	70
Nicholas Lockwood	70	70

No director had an interest in the shares of Group companies which requires disclosure under Paragraph 2 of Schedule 7 to the Companies Act 1985.

CAPITAL MS&L LIMITED
(formerly Capital Communications MS&L Limited)
Report of the Directors for the year ended 31 December 2003

Charitable and Political Contributions

There were no charitable or political contributions made during the year.

Suppliers' payment policy

The Company's policy is to agree the terms of payment with its suppliers in advance and settle invoices in accordance with those terms. Trade creditors of the Company at 31 December 2003 were equivalent to 97 days' (2002: 100 days') purchases.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

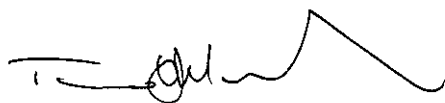
Employee Consultation

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

Auditors

Mazars LLP succeeded to Mazars as the independent auditor to the company during the year. A resolution to re-appoint Mazars LLP as auditors to the Company and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD



Timothy Morley
Director

22 Great James Street
London WC1N 3ES

31/1/2005

CAPITAL MS&L LIMITED

(formerly Capital Communications MS&L Limited)

Statement of directors' responsibilities for the year ended 31 December 2003

Financial statements, including adoption of going concern basis

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 and of the profit or loss of the Company for that year.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the directors are required to:-

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Other matters

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 CAPITAL MS&L LIMITED
(formerly Capital Communications MS&L Limited)

We have audited the financial statements of Capital MS&L Limited for the year ended 31 December 2003 on pages 8 to 22. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 11-12.

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 opinion 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 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. 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 misstatement within it.

Independent auditors' report
To the shareholders of CAPITAL MS&L LIMITED
(formerly Capital Communications MS&L Limited)

Basis of 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 affairs of the Company at 31 December 2003 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars LLP

MAZARS LLP

Chartered Accountants and Registered Auditors
24 Bevis Marks
London EC3A 7NR

31/1/2005

CAPITAL MS&L LIMITED
(formerly Capital Communications MS&L Limited)
Profit & Loss Account for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	2	1,934	1,054
Cost of sales		(741)	(160)
Gross profit		1,193	894
Other operating expenses, net	4	(1,169)	(855)
Operating profit		24	39
Investment income	8	4	7
Profit on ordinary activities before taxation	5	28	46
Tax on profit on ordinary activities	9	(2)	-
Retained profit for year		26	46
Retained loss brought forward		(80)	(126)
Retained loss carried forward		(54)	(80)

The company's turnover and expenses all relate to continuing operations.

Statement of total recognised gains and losses for the year ended 31 December 2003

The Company has no recognised gains or losses other than those included in the profit for the year above. Therefore no separate statement of total recognised gains and losses has been presented.

Note of historical cost profits and losses

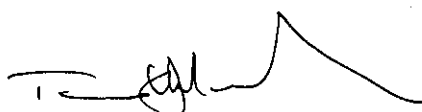
There is no difference between profit on ordinary activities before taxation and the retained profit for the year and their historical cost equivalents.

The notes on pages 11 to 22 form an integral part of these financial statements.

CAPITAL MS&L LIMITED
(formerly Capital Communications MS&L Limited)
Balance Sheet as at 31 December 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	10	-	-
CURRENT ASSETS			
Stocks	11	21	10
Debtors: amounts falling due within one year	12	544	221
Cash at bank and in hand		306	178
		871	409
CREDITORS: DUE WITHIN ONE YEAR	13	(595)	(159)
NET CURRENT ASSETS		276	250
TOTAL ASSETS LESS CURRENT LIABILITIES		276	250
NET ASSETS		276	250
CAPITAL AND RESERVES			
Called up share capital	14	2	2
Share premium	15	328	328
Profit & loss account	16	(54)	(80)
SHAREHOLDERS' FUNDS		276	250
Equity interests		274	248
Non-equity interests		2	2

The financial statements on pages 8 to 22 were approved by the board of directors on 31 January 2005 and were signed on its behalf by:



Timothy Morley
Director

The notes on pages 11 to 22 form an integral part of this financial statement.

CAPITAL MS&L LIMITED
(formerly Capital Communications MS&L Limited)
Cash flow statement for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Net Cash inflow/(outflow) from operating activities	18	127	(52)
Returns on investments and servicing of finance			
Interest received		4	7
Net cash inflow for returns on investments and servicing of finance		4	7
Taxation - UK Corporation Tax		(2)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1)	-
Net cash outflow for capital expenditure and financial investment		(1)	-
Cash inflow/(outflow) before use of liquid resources and financing		128	(45)
Increase/(Decrease) in cash in the period	19	128	(45)

Reconciliation of net cash flow to movement in net cash

Change in net cash resulting from cash flows	19	128	(45)
Movement in net cash in the period		128	(45)
Net cash at start of period		178	223
Net cash at end of period		306	178

The notes on pages 11 to 22 form an integral part of this financial statement.

CAPITAL MS&L LIMITED

(formerly Capital Communications MS&L Limited)

Notes to the financial statements for the year ended 31 December 2003

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below.

a) Basis of accounting

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

b) Foreign Currency

Trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction is reported as an exchange gain or loss in the profit and loss account.

c) Leases

Rentals under operating leases are charged in the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

d) Tangible Fixed Assets

Tangible fixed assets are shown at cost net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, of fixed assets on a straight line basis over their estimated useful lives as follows:

Equipment, fixtures & fittings - 25% - 50% per annum

Residual value is calculated on prices prevailing at the date of acquisition.

CAPITAL MS&L LIMITED

(formerly Capital Communications MS&L Limited)

Notes to the financial statements for the year ended 31 December 2003

1. Accounting Policies (continued)

e) Taxation

UK corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is provided in accordance with FRS19 Deferred Tax in respect of the tax effect of all timing differences at the rates expected to apply when the timing differences reverse. 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.

f) Turnover

Turnover represents the gross amount of billings of financial public relations and related communications activities. Turnover is stated net of VAT and cash discounts.

g) Unbilled Work in Progress

Unbilled work in progress represents the direct cost incurred on work performed for clients not billed at the year end. It is stated at the lower of cost and net realisable value.

CAPITAL MS&L LIMITED**(formerly Capital Communications MS&L Limited)****Notes to the financial statements for the year ended 31 December 2003****2. Segment Information**

The activities of the Company during 2003 and 2002 were principally related to the provision of financial public relations and related communications activities. The directors believe that such activities comprise a unified class of business which cannot be further refined into segments.

The geographical analysis of turnover by destination is as follows:

	2003	2002
	£'000	£'000
United Kingdom	842	998
Europe	461	20
USA	602	-
Rest of World	29	36
	<hr/>	<hr/>
	1,934	1,054

The Company's income is generated in the United Kingdom and the Company's assets are held in the United Kingdom.

CAPITAL MS&L LIMITED

(formerly Capital Communications MS&L Limited)

Notes to the financial statements for the year ended 31 December 2003

3. Related Party Transactions

D'Arcy Masius Benton & Bowles Limited ("DMB&B Ltd") is considered a related party on the basis of the equity shareholding in the Company, which at 31 December 2003 amounted to 30% through its subsidiary Manning Selvage and Lee Limited.

During the year, other than the payment of remuneration in respect of their services to the Company and loans disclosed in the Directors' Report, there were no transactions with the directors.

During the year 31 December 2003 the Company had the following transactions with DMB&B Ltd.

	DMB&B Ltd	
	2003	2002
	£'000	£'000
Turnover	94	114
Purchases	(7)	(39)
Bureau services	(259)	(204)

During the period, DMB&B Ltd provided a bureau service to the Company comprising Accommodation, Finance Operations and IT services.

The amounts owing to and from the DMB&B Ltd are as follows:

	DMB&B Ltd	
	2003	2002
	£'000	£'000
Creditors	6	13
Debtors	-	-

The directors believe that all transactions with related parties are on normal commercial terms.

CAPITAL MS&L LIMITED**(formerly Capital Communications MS&L Limited)****Notes to the financial statements for the year ended 31 December 2003****4. Other Operating Expenses**

	2003	2002
	£'000	£'000
Selling and marketing costs	81	34
Administrative expenses	1,088	821
	<u>1,169</u>	<u>855</u>

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2003	2002
	£'000	£'000
Depreciation of tangible fixed assets	1	1
Auditors remuneration - audit fees	4	4
- non-audit services	1	1
Staff costs (see note 6)	<u>699</u>	<u>529</u>

6. Staff Costs

	2003	2002
	£'000	£'000
Wages and salaries	619	476
Social security costs	74	53
Pension costs	<u>6</u>	<u>-</u>
	<u>699</u>	<u>529</u>

CAPITAL MS&L LIMITED**(formerly Capital Communications MS&L Limited)****Notes to the financial statements for the year ended 31 December 2003**

The average monthly number of persons employed by the Company during the year was 10 (2002: 7), comprising:

	2003	2002
Public relations staff	8	5
Administration staff	2	2
	<u>10</u>	<u>7</u>

7. Directors' Remuneration

The employee costs shown in Note 6 include the following remuneration in respect of directors of the Company:

	2003	2002
	£'000	£'000
Emoluments	<u>333</u>	<u>329</u>

Pensions

There were no directors who were members of pension schemes during the year.

Highest Paid Director

The above amounts for remuneration include the following in respect of the highest paid director:

	2003	2002
	£'000	£'000
Emoluments	<u>112</u>	<u>111</u>

Directors Loans

There were no loans made to directors during the period.

CAPITAL MS&L LIMITED**(formerly Capital Communications MS&L Limited)****Notes to the financial statements for the year ended 31 December 2003****8. Investment Income**

	2003	2002
	£'000	£'000
Bank Interest receivable	4	7
	<u>4</u>	<u>7</u>

9. Tax on profit on ordinary activities

	2003	2002
	£'000	£'000
(a) Analysis of charge in year		
Current tax:		
UK Corporation tax	-	-
Adjustments in respect of previous periods	2	-
Total Current tax (note 9(b))	<u>2</u>	<u>-</u>

CAPITAL MS&L LIMITED**(formerly Capital Communications MS&L Limited)****Notes to the financial statements for the year ended 31 December 2003****9. Tax on profit on ordinary activities (continued)****(b) Factors affecting tax charge for year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30 percent). The differences are explained below:

	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	30	46
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30%	9	14
Effects of:		
Expenses not deductible for tax purposes	-	-
Losses carried forward	(9)	(14)
Current tax charge for year (note 9(a))	-	-

(c) Factors that may affect future tax charges

The company is unaware of any factors that will affect its future tax charge that are not currently provided as deferred tax. The company has tax losses carried forward of £58,000 as at 31 December 2003.

CAPITAL MS&L LIMITED**(formerly Capital Communications MS&L Limited)****Notes to the financial statements for the year ended 31 December 2003****10. Tangible Fixed Assets**

	Equipment Fixtures & Fittings £'000
Cost:	
At 1 January 2003	2
Additions	1
At 31 December 2003	<u>3</u>
Depreciation:	
At 1 January 2003	2
Charge for the year	1
At 31 December 2003	<u>3</u>
Net book value:	
At 31 December 2003	<u><u>-</u></u>
At 31 December 2002	<u><u>-</u></u>

CAPITAL MS&L LIMITED**(formerly Capital Communications MS&L Limited)****Notes to the financial statements for the year ended 31 December 2003****11. Stocks**

	2003	2002
	£'000	£'000
Unbilled work in progress	21	10

12. Debtors: amounts falling due within one year

	2003	2002
	£'000	£'000
Trade debtors	536	202
Prepayments and accrued income	8	14
Other debtors	-	5
	544	221

13. Creditors: amounts falling due within one year

	2003	2002
	£'000	£'000
Trade creditors	198	8
Amounts owed to Associated undertakings	6	13
VAT	12	40
Accruals and deferred income	351	68
Other creditors	28	30
	595	159

CAPITAL MS&L LIMITED**(formerly Capital Communications MS&L Limited)****Notes to the financial statements for the year ended 31 December 2003****14. Called Up Equity Share Capital**

	2003	2002
	£	£
Authorised:		
100,000 Ordinary shares of £1 each	100,000	100,000
100,000 Non-voting redeemable preference shares of £1 each	100,000	100,000
	<u>200,000</u>	<u>200,000</u>
Allotted, called up and fully paid:		
300 Ordinary shares of £1 each	300	300
1,436 Non-voting redeemable preference shares of £1 each	1,436	1,436
	<u>1,736</u>	<u>1,736</u>

Non-equity shareholders' funds relate entirely to the non-voting preference shares. These shares are redeemable after 1 January 2015, which are redeemable at par plus any premium paid and any unpaid declared preferential dividend.

15. Reserves

	Share Capital	Share Premium Account	Profit & Loss Account	Total
	£'000	£'000	£'000	£'000
At 1 January 2003	2	328	(80)	250
Retained profit for year	-	-	26	26
At 31 December 2003	<u>2</u>	<u>328</u>	<u>(54)</u>	<u>276</u>

CAPITAL MS&L LIMITED**(formerly Capital Communications MS&L Limited)****Notes to the financial statements for the year ended 31 December 2003****16. Reconciliation of Movement in Shareholders' Funds**

	2003	2002
	£'000	£'000
Retained profit for the year	26	46
New shares issued	-	-
Net addition to shareholders' funds	26	46
Opening shareholders' funds	250	204
Closing shareholders' funds	276	250

17. Guarantees and Other Financial Commitment

At the end of the year the Company has no capital or other financial commitments.

18. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2003	2002
	£'000	£'000
Operating profit	24	39
Depreciation of tangible fixed assets	1	1
Increase in unbilled work in progress	(11)	(9)
Increase in debtors	(323)	(148)
Increase in creditors	436	65
Net cash inflow/(outflow) from operating activities	127	(52)

19. Analysis of net debt

	At 01/01/03	Cash Flow	Other Non- Cash Changes	Exchange Movement	At 31/12/04
	£'000	£'000	£'000	£'000	£'000
Cash in hand	178	128	-	-	306