

CAPITAL COMMUNICATIONS MS&L LIMITED
Directors' Report and Financial Statements
For the period from incorporation to 31 December 2001



Registered Number: 4131534

CAPITAL COMMUNICATIONS MS&L LIMITED
Directors and Advisers

DIRECTORS

Steffan Williams
Timothy Morley
Richard Campbell
Nicholas Lockwood
Louis Capozzi

Managing Director
Finance Director

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

Arthur Andersen
180 Strand
London WC2R 1BL

SOLICITORS

Gordons
22 Great James Street
London WC1N 3ES

CAPITAL COMMUNICATIONS MS&L LIMITED

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CAPITAL COMMUNICATIONS MS&L LIMITED

Report of the Directors for the period from incorporation to 31 December 2001

The directors present their report on the affairs of the Company, together with the financial statements and auditors' report for the period from date of incorporation to 31 December 2001.

Principal activity

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

Review of Business and Future Developments

The Company was incorporated on 28 December 2000 and commenced trading on 14 May 2001.

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 loss for the financial period of £126,000 will be transferred to reserves. No dividends were paid in the period. No final dividend is proposed.

Directors and their interests

The following served as directors during the period and subsequently:

J Gordon	(appointed 28 December 2000) (resigned 4 May 2001)
S Williams	(appointed 2 May 2001)
R Campbell	(appointed 2 May 2001)
N Lockwood	(appointed 2 May 2001)
T Morley	(appointed 4 June 2001)
L Capozzi (USA)	(appointed 4 June 2001)

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

	2001 No
Ordinary Shares at 31 December:	
Steffan Williams	70
Richard Campbell	70
Nicholas Lockwood	70

On 2 May 2001 Steffan Williams purchased 1 ordinary share from James Gordon and 1 ordinary share from Brian Hopkins.

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 COMMUNICATIONS MS&L LIMITED

Report of the Directors for the period from incorporation to 31 December 2001

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 2001 were equivalent to 40 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

A resolution to re-appoint the auditors, Arthur Andersen, will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



Nicholas Lockwood
Secretary

22 Great James Street
London WC1N 3ES

CAPITAL COMMUNICATIONS MS&L LIMITED

Statement of directors' responsibilities for the period from incorporation to 31 December 2001

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 period.

After making enquiries, the directors have a reasonable expectation that the Company have 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 Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Independent auditors' report to the shareholders of Capital Communications MS&L Limited

We have audited the financial statements of Capital Communications MS&L Limited for the period ended 31 December 2001 which comprise the Profit and loss account, Balance sheet, Cash flow statement, Statement of total recognised gains and losses and the related notes numbered 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are 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 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 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 2001 and of the company's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

**Arthur Andersen
Chartered Accountants and Registered Auditors**

180 Strand
London
WC2R 1BL

21 June 2002

CAPITAL COMMUNICATIONS MS&L LIMITED**Profit & Loss Account for the period from incorporation to 31 December 2001**

	Note	From incorporation to 31 December 2001 £'000
Turnover	2	219
Cost of sales		(37)
Gross profit		<u>182</u>
Other operating expenses, net	4	(310)
Operating loss	5	<u>(128)</u>
Investment income	8	2
Loss on ordinary activities before taxation		<u>(126)</u>
Tax on loss on ordinary activities	9	-
Retained loss for year		<u><u>(126)</u></u>

Statement of total recognised gains and losses for the period from incorporation to 31 December 2001

The Company has no recognised gains or losses other than those included in the result 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 loss on ordinary activities before taxation and the retained loss for the year and their historical cost equivalents.

The notes on pages 11 to 24 form an integral part of these financial statements.

CAPITAL COMMUNICATIONS MS&L LIMITED
Balance Sheet as at 31 December 2001

	Note	2001 £'000
FIXED ASSETS		
Tangible assets	10	1
CURRENT ASSETS		
Stocks	11	1
Debtors: amounts falling due within one year	12	73
Cash at bank and in hand		223
		<u>297</u>
CREDITORS: amounts falling due within one year	13	(94)
NET CURRENT ASSETS		<u>203</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>204</u>
NET ASSETS		<u>204</u>
CAPITAL AND RESERVES		
Called up share capital	14	2
Share premium	15	328
Profit & loss account	16	(126)
SHAREHOLDERS' FUNDS		<u>204</u>
Equity interests		202
Non-equity interests		2

The financial statements on pages 8 to 24 were approved by the board of directors on 21 June 2002 and were signed on its behalf by:



Nicholas Lockwood
Director

The notes on pages 11 to 24 form an integral part of this financial statement.

CAPITAL COMMUNICATIONS MS&L LIMITED

Cash flow statement for the period from incorporation to 31 December 2001

	Note	2001 £'000
Net Cash outflow from operating activities	18	(107)
Returns on investments and servicing of finance		<hr/>
Interest received		2
Net cash inflow for returns on investments and servicing of finance		<hr/> 2
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(2)
Net cash outflow for capital expenditure and financial investment		<hr/> (2)
Cash outflow before use of liquid resources and financing		<hr/> (107)
Financing		
Issue of ordinary share capital		43
Issue of preference share capital		287
		<hr/> 330
Increase in cash in the period	19	<hr/> 223
		<hr/>
Reconciliation of net cash flow to movement in net cash		
Change in net cash resulting from cash flows	19	223
		<hr/>
Movement in net cash in the period		223
Net cash at start of period		-
Net cash at end of period		<hr/> 223
		<hr/>

The notes on pages 11 to 24 form an integral part of this financial statement.

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

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.

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

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.

1. Accounting Policies (continued)

e) Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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 COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

2. Segment Information

The activities of the Company during the period 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:

	2001 £'000
United Kingdom	203
Europe	16
	<hr/> 219 <hr/>

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

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

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 2001 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 period ended 31 December 2001 the Company had the following transactions with DMB&B Ltd.

	DMB&B Ltd 2001
Turnover	31
Purchases	(247)
Bureau services	49

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 2001
Creditors	75
Debtors	-

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

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

4. Other Operating Expenses

	Period from incorporation to 31 December 2001 £'000
Selling and marketing costs	16
Administrative expenses	294
	<hr/>
	310
	<hr/>

5. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Period from incorporation to 31 December 2001 £'000
Depreciation of tangible fixed assets	1
Auditors remuneration - audit fees	4
- non-audit services	1
Staff costs (see note 6)	186
	<hr/>

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

6. Staff Costs

	Period from incorporation to 31 December 2001 £'000
Wages and salaries	168
Social security costs	18
	<hr/> 186
	<hr/>

The average monthly number of persons employed by the Company during the year was 4, comprising:

	Period from incorporation to 31 December 2001
Public relations staff	3
Administration staff	1
	<hr/> 4
	<hr/>

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

7. Directors' Remuneration

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

	Period from incorporation to 31 December 2001 £'000
Emoluments	132

Pensions

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

Highest Paid Director

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

	Period from incorporation to 31 December 2001 £'000
Emoluments	44

Directors Loans

There were no loans made to directors during the period.

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

8. Investment Income

Period from
incorporation
to 31
December
2001
£'000

Bank Interest receivable

2

2

9. Tax on profit on ordinary activities

Period from
incorporation
to 31
December
2001
£'000

(a) Analysis of charge in year

Current tax:

UK Corporation tax

-

Adjustments in respect of previous periods

-

Total Current tax (note 9(b))

-

Deferred tax:

Origination and reversal of timing difference (note 13)

-

Tax on profit on ordinary activities

-

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

9. Tax on profit on ordinary activities (continued)

	Period from incorporation to 31 December 2001 £'000
Loss on ordinary activities before tax	(126)
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30%	(38)
Effects of:	
Expenses not deductible for tax purposes	2
Depreciation for year in excess of capital allowances	-
Losses carried forward	36
Current tax charge for year (note 9(a))	-

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

10. Tangible Fixed Assets

	Equipment Fixtures & Fittings £'000
Cost:	
At 28 December 2000	-
Additions	2
At 31 December 2001	<u>2</u>
Depreciation:	
At 28 December 2000	-
Charge for the period	1
At 31 December 2001	<u>1</u>
Net book value:	
At 31 December 2001	<u>1</u>

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

11. Stocks

2001
£'000

Unbilled work in progress	1
	<hr/>

12. Debtors: amounts falling due within one year

2001
£'000

Trade debtors	72
Prepayments and accrued income	1
	<hr/>
	73
	<hr/>

13. Creditors: amounts falling due within one year

2001
£'000

Trade creditors	4
Amounts owed to Associated undertakings	75
VAT	7
Accruals and deferred income	8
	<hr/>
	94
	<hr/>

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

14. Called Up Equity Share Capital

	2001 £
Authorised:	
100,000 Ordinary shares of £1 each	100,000
100,000 Non-voting redeemable preference shares of £1 each	100,000
	<hr/> 200,000 <hr/>
Allotted, called up and fully paid:	
300 Ordinary shares of £1 each	300
1,436 Non-voting redeemable preference shares of £1 each	1,436
	<hr/> 1,736 <hr/>

On incorporation 2 ordinary shares, with a par value of £1 each, were issued at par to James Gordon, a director of the Company, and Brian Hopkins.

On 4 June 2001 the authorised ordinary share capital was reduced from 1,000,000 ordinary shares to 100,000 ordinary shares. Also, the Company authorised 100,000 non-voting redeemable shares of £1 each.

On 4 June 2001 208 ordinary shares with a par value of £1 each were issued for a consideration of £143 per share to Steffan Williams, Richard Campbell and Nicholas Lockwood, who are directors of the Company.

On 4 June 2001 90 Ordinary shares and 1436 non-voting redeemable preference shares with a par value of £1 each were issued for a consideration of £143 and £200 per share to Manning Selvage and Lee Limited.

Non-equity shareholders' funds relate entirely to the non-voting preference shares. These shares are redeemable after 1 January 2015.

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

15. Reserves

	Share Capital £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 28 December 2000	-	-	-	-
Share issues	2	328	-	330
Retained loss for year	-	-	(126)	(126)
At 31 December 2001	<u>2</u>	<u>328</u>	<u>(126)</u>	<u>204</u>

16. Reconciliation of Movement in Shareholders' Funds

	2001 £'000
Retained loss for the period	(126)
New shares issued	330
Closing shareholders' funds	<u>204</u>

17. Guarantees and Other Financial Commitment

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

CAPITAL COMMUNICATIONS MS&L LIMITED

Notes to the financial statements for the period from incorporation to 31 December 2001

18. Reconciliation of operating profit to net cash outflow from operating activities

	2001 £'000
Operating loss	(128)
Depreciation of tangible fixed assets	1
Increase in unbilled work in progress	(1)
Increase in debtors	(73)
Increase in creditors	94
Net cash outflow from operating activities	<u>(107)</u>

19. Analysis of net debt

	At 28/12/00 £'000	Cash Flow £'000	Other Non-Cash Changes £'000	Exchange Movement £'000	At 31/12/01 £'000
Cash in hand	-	223	-	-	223

20. Ultimate controlling party

The shareholding directors control the Company as a result of controlling 70% of the issued voting share capital of the Company.