

**Lewis Communications (Holdings)  
Limited**

Report and Financial Statements

Year Ended

31 July 2005



**BDO Stoy Hayward**  
Chartered Accountants

## **Lewis Communications (Holdings) Limited**

### **Annual report and financial statements for the year ended 31 July 2005**

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Directors

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#### **Directors**

C N Lewis  
M J Hill  
P D Charles

#### **Secretary and registered office**

S L Aitchison, Millbank Tower, Millbank, London, SW1P 4RS.

#### **Company number**

2850179

#### **Auditors**

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

## **Lewis Communications (Holdings) Limited**

### **Report of the directors for the year ended 31 July 2005**

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The directors present their report together with the audited financial statements for the year ended 31 July 2005.

#### **Results and dividends**

The profit and loss account is set out on page 5 and shows the profit for the year.

During the year a dividend of £2.38 per share (2004 – £2.37) was paid.

The directors do not recommend the payment of a final ordinary dividend (2004 - £Nil per share).

#### **Principal activities, trading review and future developments**

The company is principally engaged in media relations and marketing consultancy.

The company continued to fulfil its role within the group throughout the year. It ends the financial year in a satisfactory position.

#### **Charitable and political contributions**

During the year the group made charitable contributions of £7,677 (2004 - £Nil).

#### **Directors and their interests**

The directors who served during the year and their beneficial interests in the share capital of the company were as follows:

	<b>Ordinary shares of 5p each</b>	
	<b>2005</b>	<b>2004</b>
C N Lewis	85,000	85,000
M J Hill	-	-
M D Franks (resigned 12 October 2004)	-	-

M J Hill held options over 64 ordinary shares in the company at the exercise price of £11.76 per ordinary share. The options were granted 5 August 2002 to expire on 5 August 2012. These options are exercisable only in the event of sale, listing or takeover of the company.

On 19 April 2006, P D Charles was appointed as a non-executive director.

## **Lewis Communications (Holdings) Limited**

### **Report of the directors for the year ended 31 July 2005 (Continued)**

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#### **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 group and of the profit or loss of the company and group 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;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### **On behalf of the Board**

C N Lewis

#### **Director**

11 September 2006

## **Lewis Communications (Holdings) Limited**

### **Report of the independent auditors**

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#### **To the shareholders of Lewis Communications (Holdings) Limited**

We have audited the financial statements of Lewis Communications (Holdings) Limited for the year ended 31 July 2005 on pages 5 to 22 which have been prepared under the accounting policies set out on pages 10 and 11.

#### *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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *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.

**Lewis Communications (Holdings) Limited**

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 July 2005 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
London

11 September 2006

**Lewis Communications (Holdings) Limited**

**Consolidated profit and loss account for the year ended 31 July 2005**

	Note	2005 £	2004 £
Turnover	2	10,398,958	8,333,762
Cost of sales		812,198	663,095
<b>Gross profit</b>		<b>9,586,760</b>	<b>7,670,667</b>
Administrative expenses		9,141,559	7,228,955
<b>Operating profit</b>	3	<b>445,201</b>	441,712
Interest receivable		4,056	15,540
<b>Profit on ordinary activities before taxation</b>		<b>449,257</b>	457,252
Taxation on profit from ordinary activities	6	194,887	230,079
<b>Profit on ordinary activities after taxation</b>		<b>254,370</b>	227,173
Dividends	7	202,715	201,754
<b>Retained profit for the year</b>		<b>51,655</b>	25,419

All amounts relate to continuing activities.

The notes on pages 10 to 22 form part of these financial statements.

**Lewis Communications (Holdings) Limited**

**Consolidated statement of recognised gains and losses for the year ended 31 July 2005**

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	<b>2005</b>	<b>2004</b>
	£	£
<b>Profits relating to the financial year</b>	<b>254,370</b>	227,173
Foreign currency exchange differences	<b>20,944</b>	592
	<hr/>	<hr/>
<b>Total profits recognised since last annual report</b>	<b>275,314</b>	227,765
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 22 form part of these financial statements.

**Lewis Communications (Holdings) Limited****Consolidated balance sheet at 31 July 2005**

	Note	2005 £	2005 £	2004 £	2004 £
<b>Fixed assets</b>					
Intangible assets	8		<b>24,226</b>		27,174
Tangible fixed assets	9		<b>383,413</b>		349,076
			<hr/>		<hr/>
			<b>407,639</b>		376,250
<b>Current assets</b>					
Debtors	11	<b>2,680,552</b>		1,266,762	
Investments	12	<b>70,000</b>		70,000	
Cash at bank and in hand		<b>382,593</b>		701,224	
		<hr/>		<hr/>	
			<b>3,133,145</b>	2,037,986	
<b>Creditors: amounts falling due within one year</b>	13	<b>2,416,153</b>		1,362,204	
		<hr/>		<hr/>	
<b>Net current assets</b>			<b>716,992</b>		675,782
			<hr/>		<hr/>
			<b>1,124,631</b>		1,052,032
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	15		<b>4,250</b>		4,250
Profit and loss account	16		<b>1,119,631</b>		1,047,032
Capital redemption reserve	16		<b>750</b>		750
			<hr/>		<hr/>
<b>Shareholders' funds</b>	17		<b>1,124,631</b>		1,052,032
			<hr/>		<hr/>

All shareholders funds are equity.

The financial statements were approved by the Board on 11 September 2006

C N Lewis  
**Director**

The notes on pages 10 to 22 form part of these financial statements.

**Lewis Communications (Holdings) Limited**

**Company balance sheet at 31 July 2005**

	Note	2005 £	2005 £	2004 £	2004 £
<b>Fixed assets</b>					
Tangible fixed assets	9		-		-
Investments	10		<b>80,561</b>		79,829
			<hr/>		<hr/>
			<b>80,561</b>		79,829
<b>Current assets</b>					
Debtors	11	<b>7,694</b>		7,694	
Cash		<b>75</b>		75	
		<hr/>		<hr/>	
			<b>7,769</b>	7,769	
<b>Creditors: amounts falling due within one year</b>	13	<b>67,816</b>		67,084	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			<b>(60,047)</b>		(59,315)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>20,514</b>		20,514
			<hr/> <hr/>		<hr/> <hr/>
<b>Capital and reserves</b>					
Called up share capital	15		<b>4,250</b>		4,250
Profit and loss account	16		<b>15,514</b>		15,514
Capital redemption reserve	16		<b>750</b>		750
			<hr/>		<hr/>
<b>Shareholders' funds</b>	17		<b>20,514</b>		20,514
			<hr/> <hr/>		<hr/> <hr/>

All shareholders funds are equity.

The financial statements were approved by the Board on 11 September 2006

C N Lewis  
**Director**

The notes on pages 10 to 22 form part of these financial statements.

**Lewis Communications (Holdings) Limited**

**Consolidated cash flow statement for the year ended 31 July 2005**

	Note	2005 £	2005 £	2004 £	2004 £
<b>Net cash inflow from operating activities</b>	18		<b>197,835</b>		<b>553,151</b>
<b>Returns on investments and servicing of finance</b>					
Interest received			<b>4,056</b>		<b>15,540</b>
<b>Taxation</b>					
UK corporation tax		<b>(85,000)</b>		<b>(60,905)</b>	
Overseas tax		<b>(18,486)</b>		<b>(95,093)</b>	
			<b>(103,486)</b>		<b>(155,998)</b>
<b>Capital expenditure and financial investments</b>					
Purchase of tangible fixed assets			<b>(214,321)</b>		<b>(215,897)</b>
<b>Acquisitions</b>					
Purchase of subsidiary undertakings			-		<b>(3)</b>
<b>Equity dividends paid</b>			<b>(202,715)</b>		<b>(201,754)</b>
<b>Net cash outflow before use of liquid resources and financing</b>			<b>(318,631)</b>		<b>(4,961)</b>
<b>Management of liquid resources</b>					
Purchase of current asset investments			-		<b>(70,000)</b>
<b>Financing</b>					
Repayment of loans in respect of acquisition			-		<b>(53,053)</b>
<b>Decrease in cash and cash equivalents</b>	20		<b>(318,631)</b>		<b>(128,014)</b>

The notes on pages 10 to 22 form part of these financial statements.

## Lewis Communications (Holdings) Limited

### Notes forming part of the financial statements for the year ended 31 July 2005

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#### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

##### *Basis of consolidation*

The group financial statements consolidate the financial statements of Lewis Communications (Holdings) Limited and its subsidiaries made up to 31 July 2005. The group uses the acquisition method of accounting to consolidate the results of the subsidiary undertakings and the results of the subsidiary undertakings are included from the date of acquisition.

##### *Goodwill*

Goodwill arising on an acquisition of a subsidiary is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill on businesses acquired is also capitalised. All goodwill is amortised through the profit and loss account over the directors' estimate of its useful economic life of 10 years.

##### *Turnover*

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

##### *Foreign currency*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

##### *Depreciation*

Depreciation is calculated to write down the cost, less estimated residual value, of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Short leasehold property	-	over the life of the lease
Furniture and equipment	-	over 5 years straight line

##### *Contribution to pension funds*

The company makes contributions to a defined contribution scheme, the assets of the scheme being held separately from the assets of the company. Pension costs are charged against profits in respect of the accounting period in which they are paid.

## Lewis Communications (Holdings) Limited

### Notes forming part of the financial statements for the year ended 31 July 2005 (Continued)

#### 1 Accounting policies (Continued)

##### *Investments*

Investments held as fixed assets are included at cost less any provision for impairment. Investments held as current assets are stated at lower of cost and net realisable value.

##### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

##### *Leased assets*

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

#### 2 Turnover

The turnover and operating profit for the year are derived from the group's principal activity.

	<b>2005</b>	<b>2004</b>
	£	£
The geographical analysis of turnover is as follows:		
United Kingdom	<b>4,327,587</b>	3,921,428
Europe	<b>3,314,530</b>	2,650,624
America	<b>1,952,980</b>	1,405,795
Rest of the World	<b>803,861</b>	355,915
	<hr/>	<hr/>
	<b>10,398,958</b>	8,333,762
	<hr/>	<hr/>

#### 3 Operating profit

	<b>2005</b>	<b>2004</b>
	£	£
The operating profit is stated after charging:		
Depreciation	<b>209,984</b>	176,748
Amortisation of goodwill	<b>2,948</b>	2,306
Operating lease - Land and buildings	<b>689,741</b>	479,981
Other operating lease - Other	<b>83,504</b>	141,940
Amounts payable to the auditors - audit services	<b>31,737</b>	23,033
- non-audit services	<b>8,000</b>	7,950
Exchange differences	<b>41,249</b>	87,354
	<hr/>	<hr/>

## Lewis Communications (Holdings) Limited

### Notes forming part of the financial statements for the year ended 31 July 2005 (Continued)

#### 4 Profit for the financial year

No profit or loss account is presented for Lewis Communications (Holdings) Limited, as provided by S230 of the Companies Act 1985. The profit after tax but before dividends for the financial year of Lewis Communications (Holdings) Limited was £202,715 (2004 - £201,754) which is dealt with in its financial statements.

#### 5 Directors and employees

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Staff costs consist of:		
Wages and salaries	<b>4,663,637</b>	3,771,355
Social security costs	<b>998,599</b>	913,564
Other pension costs	<b>168,362</b>	87,779
	<b>5,830,598</b>	4,772,698

The average number of employees, including directors, during the year was 142 (2004 - 114).

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Directors' emoluments (including fees)	<b>91,146</b>	135,884
Company contributions to defined contribution pension scheme	<b>21,454</b>	23,160
	<b>112,600</b>	159,044
Emoluments of the highest paid director:		
Emoluments	<b>65,887</b>	81,468
Amounts paid to defined contribution pension scheme	<b>21,000</b>	2,160

There were 2 directors participating in the company's defined contribution pension scheme during the year (2004 - 2).

**Lewis Communications (Holdings) Limited**

**Notes forming part of the financial statements for the year ended 31 July 2005 (Continued)**

**6 Taxation on profit from ordinary activities**

	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
	£	£	£	£
<i>Current tax</i>				
UK corporation tax	<b>34,000</b>		120,000	
Overseas tax	<b>175,203</b>		96,860	
Adjustment in respect of previous periods	<b>(4,172)</b>		12,947	
Total current tax	<u>                    </u>	<b>205,031</b>	<u>                    </u>	229,807
<i>Deferred tax</i>				
Current year (charge)/credit		<b>(10,144)</b>		272
Tax on profit on ordinary activities		<u><b>194,887</b></u>		<u>230,079</u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2005</b>	<b>2004</b>
	£	£
Profit on ordinary activities before tax	<b>449,257</b>	457,252
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 – 30%)	<b>134,777</b>	137,175
Effects of:		
Expenses not deductible for tax purposes	<b>(17,765)</b>	67,948
Adjustments to tax charge in respect of previous years	<b>(4,172)</b>	12,947
Depreciation for the period in excess of capital allowances	<b>12,252</b>	773
Different tax rates	<b>15,383</b>	(3,254)
Unrelieved losses	<b>64,556</b>	18,059
Utilisation of brought forward losses	-	(3,841)
Current tax charge for year	<u><b>205,031</b></u>	<u>229,807</u>

**Lewis Communications (Holdings) Limited**

**Notes forming part of the financial statements for the year ended 31 July 2005 (Continued)**

**7 Dividends**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Ordinary shares paid £2.38 per share (2004 - £2.37)	<b>202,715</b>	201,754

**8 Intangible assets**

	<b>Goodwill</b>
	<b>£</b>
<b>Group</b>	
<i>Cost or valuation</i>	
At 1 August 2004 and at 31 July 2005	<b>29,480</b>
<i>Amortisation</i>	
At 1 August 2004	2,306
Provided for the year	2,948
At 31 July 2005	<b>5,254</b>
<i>Net book value</i>	
At 31 July 2005	<b>24,226</b>
At 31 July 2004	27,174

**Lewis Communications (Holdings) Limited**

Notes forming part of the financial statements for the year ended 31 July 2005 (*Continued*)

**9 Tangible assets**

<b>Group</b>	<b>Short leasehold property £</b>	<b>Furniture and equipment £</b>	<b>Total £</b>
<i>Cost</i>			
At 1 August 2004	28,643	1,048,284	1,076,927
Additions	4,101	240,220	244,321
	<hr/>	<hr/>	<hr/>
At 31 July 2005	<b>32,744</b>	<b>1,288,504</b>	<b>1,321,248</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 August 2004	23,457	704,394	727,851
Charged for the year	2,562	207,422	209,984
	<hr/>	<hr/>	<hr/>
At 31 July 2005	<b>26,019</b>	<b>911,816</b>	<b>937,835</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 July 2005	<b>6,725</b>	<b>376,688</b>	<b>383,413</b>
	<hr/>	<hr/>	<hr/>
At 31 July 2004	5,186	343,890	349,076
	<hr/>	<hr/>	<hr/>
			<b>Furniture and equipment £</b>
<b>Company</b>			
<i>Cost and accumulated depreciation</i>			
At 1 August 2004 and at 31 July 2005			<b>114,747</b>
			<hr/>
<i>Net book value</i>			
At 1 August 2004 and at 31 July 2005			-
			<hr/>

## Lewis Communications (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 July 2005 (*Continued*)

### 10 Fixed asset investments

Company	Shares in group undertakings £
<i>Cost</i>	
At 1 August 2004	79,829
Additions	732
	<hr/>
At 31 July 2005	<b>80,561</b>
	<hr/> <hr/>
<i>Net book value</i>	
At 31 July 2005	<b>80,561</b>
	<hr/> <hr/>
At 31 July 2004	79,829
	<hr/> <hr/>

The company had the following principal subsidiary undertakings at the end of the year, all of which have been included in the consolidated accounts:

Company	Country of registration, incorporation and operation	Class of share	Proportion of shares and voting rights held	Nature of business
Lewis Communications Limited	England and Wales	Ordinary shares	100%	Media relations and marketing consultancy
Lewis Communications GmbH	Germany	Ordinary shares	100%	Media relations and marketing consultancy
Lewis PR Inc	USA	Common stock	100%	Media relations and marketing consultancy
Lewis Communications SARL	France	Ordinary shares	100%	Media relations and marketing consultancy
Lewis Communications BV	Netherlands	Ordinary shares	100%	Media relations and marketing consultancy

## Lewis Communications (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 July 2005 (Continued)

### 10 Fixed asset investments (Continued)

Company	Country of registration, incorporation and operation	Class of share	Proportion of shares and voting rights held	Nature of business
PR Lewis Communications AB	Sweden	Ordinary shares	100%	Media relations and marketing consultancy
Lewis Communications (Australia) Pty Limited	Australia	Ordinary shares	100%	Media relations and marketing consultancy
Lewis Communications SLU	Spain	Ordinary shares	100%	Media relations and marketing consultancy
Lewis Communications SRL	Italy	Ordinary shares	100%	Media relations and marketing consultancy
Lewis Communications PTE	Singapore	Ordinary shares	100%	Media relations and marketing consultancy
Lewis Communications ApS	Denmark	Ordinary shares	100%	Media relations and marketing consultancy
Lewis Communications Limited	Hong Kong	Ordinary shares	100%	Media relations and marketing consultancy

In the opinion of the directors the aggregate value of the assets of the company consisting of shares in, or amounts owing (whether on account of a loan or otherwise) from, the company's subsidiary undertakings is not less than the aggregate of the amounts at which those assets are stated or included in the company's balance sheet.

### 11 Debtors

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Trade debtors	2,149,414	917,909	-	-
Other debtors	141,502	122,983	7,694	7,694
Prepayments and accrued income	389,636	225,870	-	-
	<b>2,680,552</b>	1,266,762	<b>7,694</b>	7,694

**Lewis Communications (Holdings) Limited**

Notes forming part of the financial statements for the year ended 31 July 2005 (*Continued*)

**12 Current asset investments**

	<b>Group 2005 £</b>	<b>Group 2004 £</b>	<b>Company 2005 £</b>	<b>Company 2004 £</b>
Listed investments	<b>70,000</b>	70,000	-	-

**13 Creditors: amounts falling due within one year**

	<b>Group 2005 £</b>	<b>Group 2004 £</b>	<b>Company 2005 £</b>	<b>Company 2004 £</b>
Trade creditors	<b>380,141</b>	345,906	-	-
Amounts owed to subsidiary undertakings	-	-	<b>66,566</b>	65,834
Corporation tax	<b>211,942</b>	120,541	-	-
Other taxes and social security	<b>447,105</b>	248,620	-	-
Other creditors	<b>50,627</b>	67,495	-	-
Accruals and deferred income	<b>1,326,338</b>	579,642	<b>1,250</b>	1,250
	<b>2,416,153</b>	1,362,204	<b>67,816</b>	67,084

**14 Deferred taxation**

<b>Deferred tax asset</b>	<b>Group 2005 £</b>	<b>Group 2004 £</b>	<b>Company 2005 £</b>	<b>Company 2004 £</b>
Balance at the beginning of the year	-	-	-	-
Credited to the profit and loss account (note 6)	<b>(10,144)</b>	-	-	-
Balance at the end of the year	<b>(10,144)</b>	-	-	-

The deferred tax asset is included in other debtors.

**Lewis Communications (Holdings) Limited**

Notes forming part of the financial statements for the year ended 31 July 2005 (*Continued*)

**15 Share capital**

	2005		Authorised	
	Number	2004 Number	2005 £	2004 £
Ordinary shares of 5p each	<b>2,000,000</b>	2,000,000	<b>100,000</b>	100,000
	<hr/>	<hr/>	<hr/>	<hr/>
	Allotted, called up and fully paid			
	2005 Number	2004 Number	2005 £	2004 £
Ordinary shares of 5p each	<b>85,000</b>	85,000	<b>4,250</b>	4,250
	<hr/>	<hr/>	<hr/>	<hr/>

*Enterprise Management Incentive*

At 31 July 2005, 17,002 share options were outstanding over ordinary shares:

Date of grant	Number of shares	Period of option	Price per share
2 July 2001	6,353	2 July 2001 – 1 July 2011	£8.53
14 May 2002	191	14 May 2002 – 13 May 2012	£11.76
5 August 2002	64	5 August 2002 – 5 August 2012	£11.76
10 April 2003	4,409	10 April 2004 – 9 April 2013	£10.59
7 May 2003	574	7 May 2004 – 6 May 2013	£10.59
10 June 2004	4,936	10 June 2005 – 9 June 2014	£10.56
16 June 2005	175	16 June 2005 – 16 June 2015	£10.56
16 June 2005	150	16 June 2005 – 16 June 2015	£18.52
17 June 2005	150	17 June 2005 – 17 June 2015	£18.52

The options are exercisable only in the event of sale, listing or takeover of the company.

**16 Reserves**

Group	Capital redemption reserve £	Profit and loss account £
At 1 August 2004	750	1,047,032
Profit for the year	-	51,655
Foreign currency exchange differences	-	20,944
	<hr/>	<hr/>
At 31 July 2005	<b>750</b>	<b>1,119,631</b>
	<hr/>	<hr/>

**Lewis Communications (Holdings) Limited**Notes forming part of the financial statements for the year ended 31 July 2005 (*Continued*)**16 Reserves (Continued)**

<b>Company</b>	<b>Capital redemption reserve £</b>	<b>Profit and loss account £</b>
At 1 August 2004 and at 31 July 2005	<b>750</b>	<b>15,514</b>

**17 Reconciliation of movement in shareholders' funds**

<b>Group</b>	<b>2005 £</b>	<b>2004 £</b>
Profit for the financial year	<b>254,370</b>	227,173
Foreign exchange gains	<b>20,944</b>	592
Dividends	<b>(202,715)</b>	(201,754)
	<hr/>	<hr/>
Increase in shareholders' funds	<b>72,599</b>	26,011
Opening shareholders' funds	<b>1,052,032</b>	1,026,021
	<hr/>	<hr/>
Closing shareholders' funds	<b>1,124,631</b>	1,052,032
	<hr/>	<hr/>
<b>Company</b>		
Profit for the financial year	<b>202,715</b>	201,754
Dividends	<b>(202,715)</b>	(201,754)
	<hr/>	<hr/>
Increase in shareholders' funds	<b>-</b>	-
Opening shareholders' funds	<b>20,514</b>	20,514
	<hr/>	<hr/>
Closing shareholders' funds	<b>20,514</b>	20,514
	<hr/>	<hr/>

**Lewis Communications (Holdings) Limited**

Notes forming part of the financial statements for the year ended 31 July 2005 (*Continued*)

**18 Reconciliation of operating profit to net cash inflow from operating activities**

	<b>2005</b>	<b>2004</b>
	£	£
Operating profit	445,201	441,712
Depreciation	209,984	176,748
Amortisation of intangible assets	2,948	2,306
Exchange differences	20,944	592
(Increase) in debtors	(1,456,732)	(133,219)
Increase in creditors	975,490	65,012
	<u>197,835</u>	<u>553,151</u>

**19 Reconciliation of net cash inflow to movement in net funds**

	<b>2005</b>	<b>2004</b>
	£	£
Decrease in cash in the year	(318,631)	(128,014)
Cash outflow from changes in liquid resources	-	70,000
	<u>(318,631)</u>	<u>(58,014)</u>
Movement in net funds in the year	(318,631)	(58,014)
Opening net funds	771,224	829,238
	<u>452,593</u>	<u>771,224</u>

**20 Analysis of net funds**

	<b>At</b>	<b>Cash flow</b>	<b>At</b>
	<b>1 August</b>		<b>31 July</b>
	<b>2004</b>	<b>£</b>	<b>2005</b>
	£		£
Cash at bank and in hand	701,224	(318,631)	382,593
Other liquid resources	70,000	-	70,000
	<u>771,224</u>	<u>(318,631)</u>	<u>452,593</u>

## Lewis Communications (Holdings) Limited

### Notes forming part of the financial statements for the year ended 31 July 2005 (Continued)

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#### 21 Operating lease commitments

As at 31 July 2005, the group had annual commitments under non-cancellable operating leases as set out below:

	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>Land and</b>	<b>Other</b>	<b>Land and</b>	<b>Other</b>
	<b>buildings</b>		<b>buildings</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	<b>104,591</b>	<b>24,056</b>	-	8,569
In one to two years	<b>72,663</b>	<b>28,919</b>	-	13,885
In two to five years	<b>137,487</b>	<b>30,529</b>	-	27,562
In over 5 years	<b>375,000</b>	-	315,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>689,741</b>	<b>83,504</b>	315,000	50,016
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 22 Related parties

During the year the group rented premises from Chris Lewis, a director, for a total of £4,000 (2004 - £Nil).

Included in other debtors is £60,000 (2004 - £Nil) that was due from Chris Lewis. This was fully repaid by 31 December 2005.

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with members of the group headed by Lewis Communications (Holdings) Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

