

QD Limited

REPORT AND FINANCIAL STATEMENTS

31 March 2002



QD Limited

DIRECTORS AND OFFICERS

DIRECTORS

PJ Michau
WM Cellier
D Wharin
JN Hawkins
CL Jones
RC Hollingberry
SJ Lorraine
KJ Green

SECRETARY

PJ Michau

REGISTERED OFFICE

93 Great Titchfield Street
London W1W 6RP

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

QD Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of QD Limited for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were graphic design and the production of advertising commercials for radio, television and cinema and the production of music videos and promotional films.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors are satisfied with the performance of the company during the year and expect continued profitable growth over the coming year.

DIVIDEND

The directors do not recommend the payment of a final dividend.

DIRECTORS' SHARE OPTIONS

No director, who is not also a holding company director, had any options over the share capital of the company or its ultimate parent company, Quest Holdings Limited, other than as stated below:

Over shares of QD Limited

	Option price	At 1 April 2001	Granted during year	Outstanding at 31 March 2002
SJ Lorraine	£0.85	1,500	-	1,500
	£2.16	7,000	-	7,000
JN Hawkins	£1.25	1,800	-	1,800
	£1.30	600	-	600
	£0.80	600	-	600
	£1.70	500	-	500
	£1.85	300	-	300
	£1.61	500	-	500
	£0.85	1,200	-	1,200
CL Jones	£1.25	4,000	-	4,000
	£1.30	1,000	-	1,000
	£0.80	800	-	800
	£0.90	1,500	-	1,500
	£1.70	1,500	-	1,500
	£1.85	1,000	-	1,000
	£1.61	1,200	-	1,200
RC Hollingberry	£1.70	300	-	300
	£1.85	300	-	300
	£1.61	500	-	500
	£0.85	900	-	900
	£2.16	7,500	-	7,500

QD Limited

DIRECTORS' REPORT

DIRECTORS' SHARE OPTIONS (*continued*)

The above options are exercisable in the event of either control of the company passing to a third party, or on a Stock Exchange Listing of the whole or part of the company's shares.

Mr KJ Green has an option to purchase shares from Quest Holdings Limited, the parent company, for the price of £1. The number of shares purchased for that price is dependent upon the rise in the value of the business since Mr KJ Green's appointment. The option can only be exercised in the event of a sale or flotation of the company.

DIRECTORS AND THEIR INTERESTS IN SHARES

The directors and their interests as defined by Companies Act 1985, in the shares of the company at 31 March 2002 were as follows:

	Ordinary shares of 5p each	
	2002	2001
PJ Michau	-	-
WM Cellier	-	-
D Wharin	-	-
JN Hawkins	-	-
CL Jones	-	-
RC Hollingberry	-	-
SJ Lorraine	-	-
KJ Green	10,000	10,000

The directors interests in the shares of the ultimate parent company are disclosed in that company's financial statements.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made charitable contributions during the year amounting to £14,470 (2001: £6,578).

AUDITORS

The company has passed an elective resolution to dispense with the annual reappointment of auditors in accordance with Section 386(1) of the Companies Act 1985. Therefore, the auditors, Baker Tilly, will be deemed to be reappointed for each succeeding financial year.

By order of the board



PJ Michau
Secretary

19 June 2002

QD Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF 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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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 QD LIMITED

We have audited the financial statements on pages 6 to 17.

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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

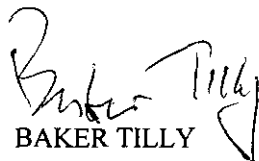
Basis of opinion

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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

19 June 2002

QD Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2002

	<i>Notes</i>	2002 £	2001 £
TURNOVER	1	4,698,758	5,675,736
Cost of sales		(2,366,485)	(3,679,788)
GROSS PROFIT		<u>2,332,273</u>	<u>1,995,948</u>
Administrative expenses		(1,868,685)	(1,607,110)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		<u>463,588</u>	<u>388,838</u>
Investment income	2	39,323	32,491
Other income		32,165	-
Interest payable	3	(936)	(807)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>534,140</u>	<u>420,522</u>
Taxation	6	(145,609)	(186,834)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	<u><u>388,531</u></u>	<u><u>233,688</u></u>

The operating profit for the year arises from the company's continuing operations.

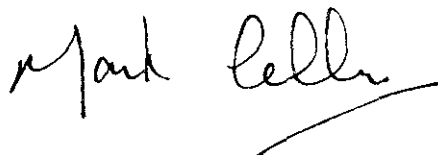
No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

QD Limited
BALANCE SHEET
31 March 2002

	<i>Notes</i>	2002 £	2001 £
FIXED ASSETS			
Tangible assets	7	175,016	121,099
Investments	8	-	1,100
		<u>175,016</u>	<u>122,199</u>
CURRENT ASSETS			
Stocks	9	51,214	14,625
Debtors	10	893,569	722,697
Cash at bank and in hand		1,037,473	772,786
		<u>1,982,256</u>	<u>1,510,108</u>
CREDITORS: Amounts falling due within one year	11	(837,190)	(700,756)
NET CURRENT ASSETS		<u>1,145,066</u>	<u>809,352</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,320,082</u>	<u>931,551</u>
CAPITAL AND RESERVES			
Called up share capital	12	50,000	50,000
Merger reserve	13	191,004	191,004
Profit and loss account	14	1,079,078	690,547
SHAREHOLDERS' FUNDS	15	<u>1,320,082</u>	<u>931,551</u>

Approved by the board on 19 June 2002

WM Cellier Director



QD Limited
CASH FLOW STATEMENT
for the year ended 31 March 2002

	<i>Notes</i>	2002 £	2001 £
Cash flow from operating activities	16a	448,980	358,636
Returns on investments and servicing of finance	16b	70,552	31,684
Taxation		(132,860)	(8,458)
Capital expenditure and financial investment	16b	(121,985)	(89,462)
CASH INFLOW BEFORE FINANCING		<u>264,687</u>	<u>292,400</u>
Financing	16b	-	(2,917)
INCREASE IN CASH IN THE PERIOD		<u><u>264,687</u></u>	<u><u>289,483</u></u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2002 £	2001 £
Increase in cash in the period	264,687	289,483
Repayment of finance leases	-	2,917
MOVEMENT IN NET FUNDS IN PERIOD	<u>264,687</u>	<u>292,400</u>
NET FUNDS AT 1 APRIL 2001	772,786	480,386
NET FUNDS AT 31 MARCH 2002	16c <u><u>1,037,473</u></u>	<u><u>772,786</u></u>

QD Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 248 of the Companies Act 1985 as it is part of a medium sized group.

TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Plant and machinery	20% per annum on cost
Fixtures and fittings	20% per annum on cost
Motor vehicles	25% per annum on cost
Computer equipment	33% per annum on cost
Leasehold improvements	Over the life of the lease

INVESTMENTS

Fixed asset investments are stated at cost, less any provision for diminution in value.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving items. Work in progress represents rechargeable costs incurred in the normal course of business which at the balance sheet date had not been re-invoiced to clients.

DEFERRED TAXATION

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

PENSIONS CONTRIBUTIONS

The company makes contributions to the money purchase pension policies of certain of its employees and directors which are charged to the profit and loss account in the period in which they fall due.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

QD Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

1 TURNOVER

The company's turnover was all derived from its principal activity. All sales were made from the United Kingdom.

2 INVESTMENT INCOME

2002	2001
£	£

Bank interest receivable	39,323	32,491
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3 INTEREST PAYABLE

2002	2001
£	£

Bank overdraft	-	278
Hire purchase interest	-	529
Corporation tax	936	-
	<u>936</u>	<u>807</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

2002	2001
£	£

Profit on ordinary activities before taxation is stated after charging/(crediting):

Depreciation and amounts written off tangible fixed assets:

Charge for the year:

owned assets	65,184	57,794
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Operating lease payments:

Land and buildings	119,723	110,192
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Loss/(profit) on disposal of fixed assets	3,984	(2,096)
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Auditors' remuneration	15,500	13,500
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Loss on disposal of investments	100	-
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5 EMPLOYEES

2002	2001
No.	No.

The average weekly number of persons (including directors) employed by the company during the year was:

Office and management	22	22
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Staff costs for the above persons:

	2002	2001
	£	£

Wages and salaries	742,477	620,879
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Social security costs	80,882	62,379
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Pension costs	26,848	20,840
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Redundancy and payment in lieu of notice	-	5,499
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	<u>850,207</u>	<u>709,597</u>
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QD Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2002

5	EMPLOYEES (<i>continued</i>)	2002 £	2001 £
	DIRECTORS' REMUNERATION		
	Emoluments (including benefits in kind)	309,386	284,876
	Amounts paid to money purchase pension schemes	12,724	9,232
	Total emoluments	<u>322,110</u>	<u>294,108</u>
		No.	No.
	The number of directors to whom relevant benefits are accruing under: money purchase pension schemes was	5	5
	Highest paid director:		
	Emoluments (including benefits in kind)	197,993	111,771
	Amounts paid to money purchase schemes	3,000	37,825
		<u>200,993</u>	<u>149,596</u>
6	TAXATION	2002 £	2001 £
	Based on the profit for the year:		
	UK corporation tax at 30% (2001: 30%)	127,914	106,074
	Group relief surrendered by parent company	22,886	10,887
	Deferred taxation:		
	Origination and reversal of timing differences	(5,191)	-
		<u>145,609</u>	<u>116,961</u>
	Under provided in earlier years	-	69,873
		<u>145,609</u>	<u>186,834</u>
	Factors affecting tax charge for period:	2002 £	2001 £
	Profit on ordinary activities before tax	534,140	420,522
	Profit on ordinary activities multiplied by standard rate of 30% (2001: 30%)	<u>160,242</u>	<u>126,157</u>
	Effects of:		
	Expenses not deductible for tax purposes	5,744	13,551
	Depreciation in excess of capital allowances	(7,718)	(19,368)
	Small company relief	(7,468)	(3,379)
	Curent tax charge for period	<u>150,800</u>	<u>116,961</u>

QD Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

7	TANGIBLE FIXED ASSETS	<i>Leasehold improvements</i> £	<i>Plant and machinery</i> £	<i>Fixtures and fittings</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
	Cost or valuation					
	1 April 2001	-	252,829	15,522	22,883	291,234
	Additions	17,898	95,482	10,955	-	124,335
	Disposals	-	-	-	(22,883)	(22,883)
	31 March 2002	<u>17,898</u>	<u>348,311</u>	<u>26,477</u>	<u>-</u>	<u>392,686</u>
	Depreciation					
	1 April 2001	-	148,100	4,386	17,649	170,135
	Charged in the year	164	61,258	3,762	-	65,184
	On disposals	-	-	-	(17,649)	(17,649)
	31 March 2002	<u>164</u>	<u>209,358</u>	<u>8,148</u>	<u>-</u>	<u>217,670</u>
	Net book value					
	31 March 2002	<u>17,734</u>	<u>138,953</u>	<u>18,329</u>	<u>-</u>	<u>175,016</u>
	31 March 2001	<u>-</u>	<u>104,729</u>	<u>11,136</u>	<u>5,234</u>	<u>121,099</u>
8	FIXED ASSETS INVESTMENTS				<i>Subsidiary undertakings</i> £	
	Cost					
	1 April 2001					1,100
	Additions					-
	Disposals in year					(1,100)
	31 March 2002					<u>-</u>
	Amounts written off					
	1 April 2001					-
	Disposal in year					-
	31 March 2002					<u>-</u>
	Net book value					
	31 March 2002					<u>-</u>
	31 March 2001					<u>1,100</u>

QD Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2002

8 FIXED ASSET INVESTMENTS (*continued*)

The company holds more than 20% of the equity of the following companies at the balance sheet date:

Name of company	Holding	Proportion held	Nature of business
Quick on the Draw (Management) Limited	100 ordinary £1 shares	100%	Dormant

The company has not produced group accounts in respect of its subsidiary undertakings since the group which the company heads qualifies as a medium sized group.

For each undertaking in which the company holds more than 20% of the equity, the aggregate amount of share capital and reserves at the end of its financial year and of profit or loss for that year was as follows:

Name of undertaking	Loss after tax	Aggregate amount of its share capital and reserves	Profit after tax	Aggregate amount of its share capital and reserves
	2002 £	2002 £	2001 £	2001 £
Quick on the Draw (Management) Limited	-	-	-	100
9 STOCKS			2002 £	2001 £
Work in progress			51,214	14,625
10 DEBTORS			2002 £	2001 £
Due within one year:				
Trade debtors			829,496	683,426
Other debtors			23,207	10,940
Prepayments			35,675	28,331
Deferred tax			5,191	-
			<u>893,569</u>	<u>722,697</u>

Included within trade debtors is £1,310 (2001: £605) owed by Quontrol Limited which is a related party as disclosed in note 18.

QD Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

10 DEBTORS (*continued*)

Deferred tax

Provision for deferred tax has been made as follows:

	£
Provision at 1 April 2001	-
Accelerated capital allowances	5,191
Provision at 31 March 2002	<u>5,191</u>

11 CREDITORS: Amounts falling due within one year

	2002 £	2001 £
Trade creditors	461,720	343,842
Amount owned to parent company	22,886	10,887
Corporation tax	127,914	132,860
Other creditors	62,875	17,535
Other taxation and social security costs	20,828	62,849
Accruals and deferred income	140,967	132,783
	<u>837,190</u>	<u>700,756</u>

12 SHARE CAPITAL

	2002 £	2001 £
Authorised: 2,000,000 ordinary shares of 5p each	100,000	100,000
Allotted, issued and fully paid: 1,000,000 ordinary shares of 5p each	<u>50,000</u>	<u>50,000</u>

Under the company's Executive Share Option scheme the following options to subscribe for a total of 41,700 ordinary shares have been granted or are currently outstanding.

Dates granted	Number of ordinary shares	Sub- scription price
30 November 1989	5,800	1.25
30 November 1990	2,000	1.30
30 November 1991	1,950	0.80
30 November 1992	1,500	0.90
30 November 1993	3,200	1.70
30 November 1994	2,050	1.85
30 November 1996	3,750	1.61
30 November 1998	6,250	0.85
30 November 2000	15,200	2.16

The options are exercisable in the event of either control of the company passing to a third party or on a Stock Exchange listing of the whole or part of the company's shares.

QD Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

13	MERGER RESERVE	2002 £	2001 £
	1 April and 31 March	191,004	191,004
14	PROFIT AND LOSS ACCOUNT	2002 £	2001 £
	1 April	690,547	456,859
	Profit for the financial year	388,531	233,688
	31 March	1,079,078	690,547
15	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2002 £	2001 £
	Profit for the financial year	388,531	233,688
	Opening shareholders' funds	931,551	697,863
	Closing shareholders' funds	1,320,082	931,551
16	CASH FLOWS	2002 £	2001 £
a	Reconciliation of operating profit to net cash inflow from operating activities		
	Operating profit	463,588	388,838
	Depreciation	65,184	57,794
	(Increase)/decrease in stocks	(36,589)	150,144
	(Increase)/decrease in debtors	(165,681)	170,605
	Increase/(decrease) in creditors	61,494	(406,649)
	Loss/(profit) on sale of fixed assets	3,984	(2,096)
	Increase in provisions	57,000	-
	Net cash flow from operating activities	448,980	358,636

QD Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

16	CASH FLOWS (<i>continued</i>)		2002	2001
			£	£
b	Analysis of cash flows for headings netted in the cash flow			
	Returns on investments and servicing of finance			
	Interest received		39,323	32,491
	Interest paid		(936)	(278)
	Interest element of finance lease rental payments		-	(529)
	Other investment income		32,165	-
	Net cash inflow for returns on investment and servicing of income		<u>70,552</u>	<u>31,684</u>
	Capital expenditure and financial investment			
	Purchase of tangible fixed assets		(124,335)	(89,462)
	Sale of tangible fixed assets and investments		2,350	-
	Net cash outflow for capital expenditure and financial investment		<u>(121,985)</u>	<u>(89,462)</u>
	Financing			
	Capital element of finance lease rental payments		-	(2,917)
	Net cash outflow from financing		<u>-</u>	<u>(2,917)</u>
c	Analysis of net debt	At	Other non	At 31
		1 April	cash	March
		2001	changes	2002
		£	£	£
	Cash in hand, at bank	772,786	264,687	-
	Total	<u>772,786</u>	<u>264,687</u>	<u>-</u>
				<u>1,037,473</u>

17 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2002 the company had annual commitments under non-cancellable operating leases as follows:

	2002	2001
	£	£
Land and buildings		
expiring within 1 year		-
expiring in the second to fifth year	90,000	90,000
expiring after five years	52,700	-
	<u>142,700</u>	<u>90,000</u>

QD Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

18 RELATED PARTY DISCLOSURES

The company's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below:

	Sub note	2002 £	2001 £
Fees paid to DLA for the supply of legal services	1	8,427	7,325
Management charges paid to Quontrol Limited	2	460,000	400,000
Rent payable to Quontrol Retirement and Death Benefit Scheme	3	90,000	87,596
Corporation tax group relief payable to Quest Holdings Limited	4	22,886	10,887
Rent payable to Poland Street Consortium	5	4,043	-

Sub notes

- 1) P. J Michau is a partner at DLA and is also a director of QD Limited.
- 2) WM Cellier and D Wharin are both directors of Quontrol Limited and of QD Limited.
- 3) WM Cellier and D Wharin are both members of the Quontrol Retirement and Death Benefit Scheme and directors of QD Limited.
- 4) Quest Holdings Limited owns 99% of the share capital of the company.
- 5) The Poland Street Consortium is part of the investment held by Quontrol Retirement and Death Benefit Scheme (see note 3 above).

19 ULTIMATE CONTROLLING PARTY

The company's ultimate controlling party is Abacus Trust Company (Isle of Man).

20 IMMEDIATE AND ULTIMATE PARENT COMPANY

The company's immediate and ultimate parent company is Quest Holdings Limited which is incorporated in the Isle of Man. Group financial statements have not been prepared because the group qualifies as a medium sized group.