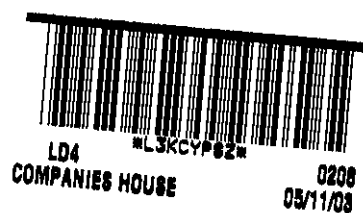


**Atlas Advertising Limited**

**Directors' Report and Financial  
Statements**

Registered Number 964286

Year ended 31 December 2002



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## Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### Principal Activities

The company's activities continue to be that of an advertising agency and a provider of ancillary services.

### Business Review

On 1 August 2003, WPP Group plc acquired the entire issued share capital of Cordiant Communications Group plc and therefore became the ultimate holding company of Atlas Advertising Limited.

### Results and Dividends

The results for the year are given in the profit and loss account on page 5. The profit on ordinary activities after taxation amounted to £216,073 (2001: £389,660), which has been transferred to reserves. No dividend is payable for the year ending 31 December 2002 (2001: £822,030 ; loss after dividend of £432,370 deducted from reserves).

### Directors and Directors' Interests

The directors who held office during the year and subsequent changes were as follows:

	Date of appointment or resignation in the year
A. K. Boland	Resigned 31 October 2003
J. D. Buss	Resigned 10 May 2002
M. T. Coyle	Resigned 17 Dec 2002
S. M. Wilson	Appointed 10 May 2002, Resigned 19 September 2003
C. Sweetland	Appointed 19 September 2003
P. Richardson	Appointed 19 September 2003
A. Scott	Appointed 19 September 2003
D. Williams	Resigned 31 October 2003

None of the directors held any shares in the company either at the beginning or the end of the year.

The interest of those directors in office at the year end in options over shares of Cordiant Communications Group plc at the beginning and end of the year were as follows:

	Balance at 01/01/02 or date of appointment if later	Exercised during period	Granted during period	Lapsed during period	Balance at 31/12/02	Exercise price	Exercisable at 31/12/02
A. K. Boland	50,152	-	-	-	50,152	164p	-
A. K. Boland	-	-	100,000	-	100,000	49p	-
D. Williams	50,152	-	-	-	50,152	164p	-
D. Williams	-	-	20,000	-	20,000	78p	-
S. M. Wilson	30,000	-	-	-	30,000	78p	-

The market value of a share at 31 December 2002 was 33p and the range during 2002 was 31p to 110.5p.

The interests of those directors in office at the end of the year in the shares of Cordiant Communications Group plc at the beginning and end of the year were as follows:

	Balance at 31/12/02	Balance at 31/12/01 or date of appointment if later
D. Williams	2,600	2,600
S. M. Wilson	3,600	2,900

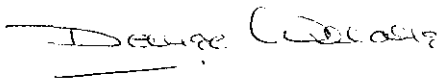
#### Political And Charitable Contributions

The company made no political contributions during the year (2001: £nil). Donations to UK charities amounted to £185 (2001: £199).

#### Elective Resolutions

The company has passed resolutions under sections 252, 366A and 386 of the Companies Act 1985 dispensing with the requirements to lay accounts and reports before the company in general meeting, hold annual general meetings and reappoint auditors annually.

By order of the Board



D. Williams  
Company Secretary

121-141 Westbourne Terrace  
London  
W2 6JR

31 October 2003

## **Statement of Directors' Responsibilities**

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures 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 for the foreseeable future.

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for maintaining adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent Auditors' Report to the Members of Atlas Advertising Limited**

We have audited the financial statements on pages 5 to 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the financial statements. As described on page 3, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view, and have been 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 group is not disclosed.

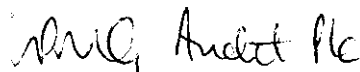
### **Basis of audit opinion**

We conducted our audit in accordance with 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 group'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 as at 31<sup>st</sup> December 2002 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

31 October 2003

8 Salisbury Square  
London  
EC4Y 8BB

## Profit and Loss Account for the Year ended 31 December 2002

	Note	2002 £	2001 £
<b>Turnover</b>	2	<b>24,128,200</b>	22,785,318
Cost of sales	2	<b>(21,830,922)</b>	(20,023,024)
<b>Revenue</b>		<b>2,297,278</b>	2,762,294
Administrative expenses		<b>(1,965,654)</b>	(2,260,018)
<b>Operating profit</b>	2	<b>331,624</b>	502,276
Interest receivable and similar income	6	<b>31,160</b>	94,957
Interest payable and similar charges	7	<b>(46,436)</b>	(7,393)
<b>Profit on ordinary activities before taxation</b>		<b>316,348</b>	589,840
Tax on profit on ordinary activities	8	<b>(100,275)</b>	(200,180)
<b>Profit on ordinary activities after taxation</b>		<b>216,073</b>	389,660
Dividends paid	9	-	(822,030)
<b>Retained profit/(loss) for the year</b>		<b>216,073</b>	(432,370)

All amounts relate to continuing operations of the company.

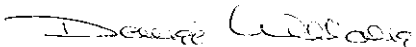
There were no recognised gains or losses other than those shown above. The historical cost profit is the same as the profit reported above.

The accompanying notes are an integral part of this profit and loss account.

## Balance Sheet at 31 December 2002

	Note	31 December 2002 £	31 December 2001 £
<b>Fixed assets</b>			
Tangible assets	10	<u>101,042</u>	<u>130,372</u>
		<b>101,042</b>	<b>130,372</b>
<b>Current assets</b>			
Work in progress		4,043	80,338
Debtors	11	<u>425,160</u>	<u>1,727,617</u>
Cash at bank and in hand		<u>1,267,813</u>	<u>1,869,707</u>
		<b>1,697,016</b>	<b>3,677,662</b>
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,175,927)</u>	<u>(3,398,858)</u>
<b>Net current assets</b>		<b>521,089</b>	<b>278,804</b>
<b>Total assets less current liabilities</b>		<u>622,131</u>	<u>409,176</u>
Provisions for liabilities and charges	13	<u>(10,741)</u>	<u>(13,859)</u>
<b>Net assets</b>		<u>611,390</u>	<u>395,317</u>
<b>Capital and reserves</b>			
Called up share capital	14	2,000	2,000
Profit and loss account	15	<u>609,390</u>	<u>393,317</u>
<b>Equity shareholders' funds</b>	16	<u>611,390</u>	<u>395,317</u>

These financial statements were approved by the Board of Directors on 31/10/2003.  
Signed on behalf of the Board of Directors

  
D. Williams  
Director



## Notes (forming part of the financial statements)

### 1. Accounting Policies

#### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and with the Companies Act 1985, except as noted below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

In compliance with Financial Reporting Standard 1 (revised) the financial statements of Cordiant Communications Group plc include a consolidated cash flow statement and therefore the company is not required to prepare a cash flow statement.

#### Turnover, cost of sales and revenue

Turnover comprises the gross amounts billed to clients in respect of commission based income together with the total of other fees earned. Cost of sales comprises media payments and production costs. Turnover and revenue are stated exclusive of VAT, sales taxes and trade discounts.

Revenue is derived from commissions or fees. Traditionally, revenue was calculated as commission based on total media and production expenditure. In recent years, changes in compensation arrangements have meant that revenue has become a mixture of commissions and fees which are negotiated and agreed with clients on an individual basis. Revenue is recognised when the service is performed in accordance with the terms of the contractual arrangement.

For project based business, revenue is derived from a mixture of fees for services performed and retainer fees which are specific to the contract with the client. In such cases, revenue is recognised when the service has been performed, in accordance with the contractual arrangements and the stage of completion of the work.

#### Fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. Additions, improvements and major renewals are capitalised. Maintenance repairs and minor renewals are expensed as incurred. The cost of tangible fixed assets less the estimated residual value is written off by equal annual instalments over the expected useful lives of the assets as follows:

Computer equipment	- 4 years
Furniture and equipment	- 6 years

#### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### Work in progress

Work in progress is valued at the lower of cost and net realisable value and comprises mainly outlays incurred on behalf of clients and work in progress under project arrangements. Provision is made for irrecoverable costs where appropriate.

#### Deferred tax

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 future or a right to pay less tax in future have occurred at the balance sheet date. 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.

### Pension costs

Retirement benefits for employees of the company are provided by defined contribution schemes, which are funded by contributions from company employees. The company's share of contributions to defined contribution schemes is charged within the profit and loss account of the year in which they become payable.

## 2. Analysis of turnover and profit before interest

The turnover and profit before taxation is attributable to the provision of advertising services in the United Kingdom.

## 3. Profit on ordinary activities before interest

	2002 £	2001 £
Profit on ordinary activities before interest is stated after charging/(crediting):		
Auditors' remuneration:		
Audit	3,834	7,525
Depreciation and other amounts written off tangible fixed assets - owned	32,130	32,967
Exchange losses	71,757	61,935

## 4. Remuneration of directors

The emoluments of D. Williams, S Wilson, and A. Boland are borne by Cordiant Group Limited. The emoluments of M Coyle and J Buss are borne by Bates UK Limited. Although management charges are made by the company's fellow subsidiary undertaking Cordiant Group Limited, in the opinion of group management it is not possible to allocate part of these charges to the remuneration of individual directors.

## 5. Staff numbers and costs

	2002 Number of employees	2001 Number of employees
Average number of persons employed by the company (including directors) during the period		
Selling and distribution	10	9
	10	9

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	547,045	647,032
Social security costs	44,483	54,151
Other pension costs (see note 18)	22,094	27,649
	613,622	728,832

## 6. Interest receivable and similar income

	2002 £	2001 £
Bank deposit interest	-	9,143
Receivable from group undertakings	31,160	85,814
	31,160	94,957

**7. Interest payable and similar charges**

	2002	2001
	£	£
Bank loans and overdraft	43,436	7,393
Payable to group undertakings	3,000	-
	<u>46,436</u>	<u>7,393</u>

**8. Taxation**

	2002	2001
	£	£
UK corporation tax at 30% (2001: 30%)	103,391	186,321
Deferred tax	(3,116)	13,859
Taxation on ordinary activities	<u>100,275</u>	<u>200,180</u>

Reconciliation of the Company's current tax to the United Kingdom statutory rate:

	2002	2001
	£	£
Tax on pre tax profit at 30%	94,904	176,952
Effects of:		
Permanent differences between expenditures charged in arriving at income and expenditures allowed for tax purposes	5,371	7,896
Tax effect of timing differences	3,116	1,473
Current tax	<u>103,391</u>	<u>186,321</u>

**9. Dividends**

	2002	2001
	£	£
Interim dividend paid (2001: £411.015 per ordinary share)	<u>-</u>	<u>822,030</u>

**10. Tangible fixed assets**

	Furniture and equipment £	Computer equipment £	Total £
<b>Cost</b>			
At 1 January 2002	152,268	29,408	181,676
Additions	-	2,800	2,800
Reclassifications	(15,617)	15,617	-
<b>At 31 December 2002</b>	<b>136,651</b>	<b>47,825</b>	<b>184,476</b>
<b>Depreciation</b>			
At 1 January 2002	32,059	19,245	51,304
Charge for period	22,776	9,354	32,130
Reclassifications	(2,542)	2,542	-
<b>At 31 December 2002</b>	<b>52,293</b>	<b>31,141</b>	<b>83,434</b>
<b>Net book value</b>			
<b>At 31 December 2002</b>	<b>84,358</b>	<b>16,684</b>	<b>101,042</b>
At 31 December 2001	120,209	10,163	130,372

**11. Debtors**

	2002 £	2001 £
<b>Due within one year:</b>		
Trade debtors	227,379	1,128,073
Amounts owed by parent and fellow subsidiary undertakings	147,488	-
Other debtors	10,653	568,815
Prepayments and accrued income	39,640	30,729
	<b>425,160</b>	<b>1,727,617</b>

The company earns interest at base rate less one percent on cash balances held on its behalf by Bates UK Limited, a fellow subsidiary undertaking.

**12. Creditors**

	2002 £	2001 £
<b>Due within one year:</b>		
Bank loans and overdrafts	-	90,973
Trade creditors	269,768	1,984,019
Amounts owed to group and fellow subsidiary undertakings	85,662	284,318
Taxation and social security	289,712	189,330
Other creditors	138,570	-
Accruals and deferred income	392,215	850,218
	<u>1,175,927</u>	<u>3,398,858</u>

**13. Provisions for liabilities and charges**

	Deferred taxation £
At 1 January 2002	13,859
Profit and loss account – released	(3,116)
<b>At 31 December 2002</b>	<u><b>10,741</b></u>

**14. Called up share capital**

	2002 £	2001 £
<b>Allotted, called-up and fully paid</b>		
Authorised:		
2,000 Ordinary shares of £1 each	2,000	2,000
Equity:		
2,000 Ordinary shares of shares of £1 each (2001:2,000)	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

**15. Reserves**

	Profit and loss account £
At 1 January 2002	393,317
Profit for the year	216,073
<b>At 31 December 2002</b>	<u><b>609,390</b></u>

**16. Reconciliation of movements in shareholders' funds**

	2002 £	2001 £
Profit/(Loss) for the year	216,073	(432,370)
Shareholders' funds at the beginning of the year	395,317	827,687
<b>Shareholders' funds at the end of the year</b>	<b>611,390</b>	<b>395,317</b>

**17. Guarantees and contingent liabilities**

The company is grouped for VAT purposes with certain other group companies. Consequently, the company is contingently liable for the VAT liabilities of those companies. The quarter end for the VAT group does not fall on the 31 December 2002, therefore the full amount of the potential liability cannot be quantified with reasonable accuracy.

The company together with other Group Companies, has given a cross guarantee to secure the borrowings of other group companies. At 31<sup>st</sup> December 2002 these borrowings amounted to £230.6 million (2001: £231 million). In addition, the company has given a fixed and floating charge to guarantee these borrowings.

**18. Pension scheme**

The company's employees participate in the Cordiant Group Money Purchase Plan, a funded group defined contribution scheme. In addition contributions are made to certain employee self administered schemes and personal pension schemes.

The normal cost of contributions to the money purchase scheme for the period was £1,285 (2001: £937).

**19. Related party disclosures**

The company has taken advantage of the exemption under Financial Reporting Standard 8 – Related Party Disclosures (FRS 8) not to disclose related party transactions between wholly owned group undertakings.

**20. Ultimate Parent Company and Parent Undertaking of Smallest Group of Which the Company is a Member**

Until 31 July 2003, the ultimate parent company was Cordiant Communications Group plc, which is registered in England and Wales. The immediate holding company is Garrott Dorland Crawford Holdings Limited which is registered in England and Wales. These financial statements are consolidated into those of both Cordiant Communications Group plc and GDCH Limited for the year ended 31 December 2002. Copies of the above consolidated financial statements can be obtained from the Secretary, 1-5 Midford Place, London, W1T 5BH.

From 1 August 2003, the ultimate parent company is WPP Group plc, which is registered in England and Wales. Copies of the group financial statements for WPP subsidiary undertakings for the year ended 31 December 2002 can be obtained from the Secretary, WPP Group Plc, 27 Farm Street, London, W1X 6RD.