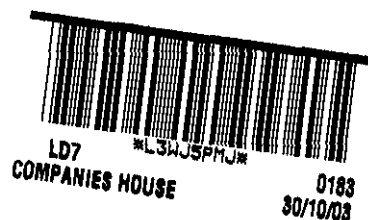


**PSD Associates Limited  
(Trading as PSD : Fitch)**

**Directors' Report and Financial  
Statements**

Registered Number 2431038

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 activity continued to be that of design consultancy.

### 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 PSD Associated Limited.

### Results and Dividends

The results for the year are given in the profit and loss account on page 5. The loss on ordinary activities after taxation amounted to £1,896,000 (2001: £1,410,000), which has been transferred to reserves. The directors do not propose the payment of a dividend (2001: £nil).

### Directors and Directors' Interests

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

	Date of appointment or resignation
A K Boland	
P N Stead	Resigned 1 May 2003
D Williams	
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
J D Buss	Resigned 10 May 2002

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

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	-
P N Stead	75,000	-	-	-	75,000	197p	-
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
P N Stead	633,271	708,271
D Williams	2,600	2,600
S M Wilson	3,600	2,900

## Directors' Report (Continued)

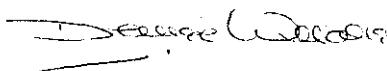
### Political And Charitable Contributions

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

### 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

1-5 Midford Place  
London  
W1D 5BH

23 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 are responsible for maintaining proper 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 PSD Associates Limited**

We have audited the financial statements on pages 5 to 16.

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.

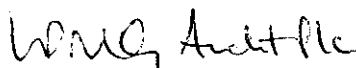
### **Basis of audit opinion**

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 December 2002 and of the loss of the company for the year then ended and the financial statements have been properly prepared in accordance with the Companies Act 1985.



**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London EC4Y 8BB

23 OCTOBER 2003

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

	Note	2002 £'000	2001 £'000
<b>Turnover</b>			
Cost of sales	2	4,417 (586)	5,355 (1,153)
<b>Gross profit</b>		<b>3,831</b>	<b>4,202</b>
Administrative expenses before exceptional item		(5,159)	(6,139)
Exceptional item	3	(1004)	-
Total administrative expenses		<b>(6,163)</b>	<b>(6,139)</b>
<b>Loss on ordinary activities before interest</b>	4	<b>(2,332)</b>	<b>(1,937)</b>
Interest receivable and similar income	7	8	22
Interest payable and similar charges	8	(103)	(19)
<b>Loss on ordinary activities before taxation</b>		<b>(2,427)</b>	<b>(1,934)</b>
Tax on loss on ordinary activities	9	531	524
<b>Loss on ordinary activities after taxation</b>		<b>(1,896)</b>	<b>(1,410)</b>

There were no recognised gains or losses other than those shown above.

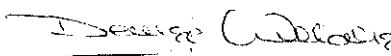
All activities relate to continuing operations.

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

## Balance Sheet at 31 December 2002

	Note	31 December 2002 £'000	31 December 2001 £'000
<b>Fixed Assets</b>			
Tangible assets	10	71	540
		<u>71</u>	<u>540</u>
<b>Current assets</b>			
Work in progress	11	321	258
Debtors	12	2,735	3,539
Cash at bank and in hand		44	116
		<u>3,100</u>	<u>3,913</u>
<b>Creditors: amounts falling due within one year</b>	13	(3,296)	(3,175)
<b>Net current (liabilities)/assets</b>		<u>(196)</u>	<u>738</u>
<b>Total assets less current liabilities</b>		<u>(125)</u>	<u>1,278</u>
<b>Creditors: amounts falling due after one year</b>	13	-	(20)
Provisions for liabilities and charges	14	(661)	(148)
<b>Net (liabilities)/assets</b>		<u>(786)</u>	<u>1,110</u>
<b>Capital and reserves</b>			
Called up share capital	15	25	25
Share premium	16	1,165	1,165
Profit and loss account	16	(1,976)	(80)
<b>Equity shareholders (deficit)/funds</b>	17	<u>(786)</u>	<u>1,110</u>

These financial statements were approved by the Board of Directors on 23/10/2003.  
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 the items, which are considered material in relation to the company's financial statements.

Notwithstanding net current liabilities of £ 196,000 and net liabilities of £786,000, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Cordiant Communications Group plc ("Cordiant"), the company's intermediate parent undertaking. Cordiant has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company.

The company's ultimate parent undertaking WPP Group plc ("WPP") has likewise provided Cordiant with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the group.

The support provided by Cordiant and WPP should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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 gross profit are stated exclusive of VAT, sales taxes and trade discounts.

Gross profit is derived from commissions or fees. Traditionally, gross profit 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. Gross profit is recognised when the service is performed in accordance with the terms of the contractual arrangement.

For project based business, gross profit 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, gross profit 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:

Short leasehold property	Period of lease
Furniture and equipment	15% reducing balance
Computer equipment	25% straight line
Computer software	50% straight line
Motor vehicles	25% reducing balance

### 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.

### Leases

Where the company enters into a lease, which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and of the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

### 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 event 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 that 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 are charged within the profit and loss of the year in which they become payable.

## 2. Analysis of Turnover and Loss Before Interest

All turnover and pre-tax loss is derived from design consultancy.

	2002 £'000	2001 £'000
<b>Turnover</b>		
UK	3,367	3,109
Europe	754	1,887
Rest of the world	296	359
	<u>4,417</u>	<u>5,355</u>

### 3. Exceptional Item

	2002 £'000	2001 £'000
The exceptional item is represent by the following:		
Redundancy and ex-gratia costs	233	-
Accelerated depreciation on redundant assets	343	-
Lease termination payments	428	-
	<u>1,004</u>	<u>-</u>

At the end of the year the company was relocated to 121-141 Westbourne Terrace, London resulting in redundancies, termination of property and other leases and asset write-downs.

### 4. Loss on Ordinary Activities Before Interest

	2002 £'000	2001 £'000
Loss on ordinary activities before interest is stated after charging/(crediting):		
Auditors' remuneration:		
Audit	13	20
Profit on disposal of fixed assets	(4)	-
Depreciation and other amounts written off tangible fixed assets	485	183
Exchange losses	2	-
Rentals payable under operating leases:		
Hire of plant and machinery	225	70
Other	11	145

### 5. Remuneration of Directors

	2002 £'000	2001 £'000
Remuneration of executives	525	316
Contribution to money purchase pension schemes	14	-
	<u>539</u>	<u>316</u>

The emoluments of the highest paid director were £200,000 (2001: £202,683), and company pension contributions of £2000 (2001: £nil) were made to a defined contribution pension scheme on his behalf.

The emoluments of A K Boland, S M Wilson, and D Williams emoluments are borne by Cordiant Group 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.

J Buss' emoluments are borne by Bates UK Limited. In the opinion of group management it is not possible to allocate part of these costs to the company and no recharge therefore has been made.

**6. Staff Numbers and Costs**

	<b>2002</b>	<b>2001</b>
	<b>Number of employees</b>	
Average number of persons employed by the company (including directors) during the year	<b>64</b>	<b>71</b>

The aggregate payroll costs of these persons were as follows:

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	
Wages and salaries	<b>2,742</b>	<b>3,422</b>
Social security costs	<b>276</b>	<b>295</b>
Other pension costs (see note 20)	<b>21</b>	<b>4</b>
	<b>3,039</b>	<b>3,721</b>

**7. Interest Receivable and Similar Income**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	
Bank deposit interest	<b>8</b>	<b>22</b>

**8. Interest Payable and Similar Charges**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	
Bank loans and overdraft	<b>96</b>	<b>10</b>
Finance Leases and hire purchase charges	<b>7</b>	<b>9</b>
	<b>103</b>	<b>19</b>

## 9. Taxation

Analysis of charge in year

	2002 £'000	2001 £'000
UK corporation tax @ 30% (2001:30%)		
Total current tax	(516)	(539)
Deferred tax (see note)	(15)	15
UK taxation	<u>(531)</u>	<u>(524)</u>

The company has surrendered its current tax loss to other group companies.

The current tax charge for the period is lower (2001:lower) than the standard rate of corporation tax in the UK (30%, 2001:30%). The differences are explained below.

	2002 £'000	2001 £'000
Current tax reconciliation		
Tax credit on pre tax loss at 30% (2001:30%)	(728)	(580)
Effects of:		
Expenses not deductible for tax purposes	125	25
Capital allowances for period in excess of depreciation	87	16
Total current tax credit (see above)	<u>(516)</u>	<u>(539)</u>

A deferred tax asset of £73,000 (2001: £nil) relating to accelerated capital allowances has not been recognised. In the opinion of the Directors, there is not sufficient evidence presently available that income will be generated to support the recognition of such asset.

## 10. Tangible Fixed Assets

	Land and buildings	Motor vehicles	Fixtures and fittings	Computer equipment and software	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 January 2002	91	53	456	977	1,577
Additions	1	-	16	15	32
Disposals		(32)	-	(2)	(34)
<b>At 31 December 2002</b>	<b>92</b>	<b>21</b>	<b>472</b>	<b>990</b>	<b>1,575</b>
<b>Depreciation</b>					
At 1 January 2002	14	16	189	818	1,037
Charge for period	78	14	260	133	485
Disposals	-	(16)	-	(2)	(18)
<b>At 31 December 2002</b>	<b>92</b>	<b>14</b>	<b>449</b>	<b>949</b>	<b>1,504</b>
<b>Net book value</b>					
<b>At 31 December 2002</b>	<b>-</b>	<b>7</b>	<b>23</b>	<b>41</b>	<b>71</b>
At 31 December 2001	77	37	267	159	540

Included in the total net book value is £52,995 (2001: £100,677) in respect of assets held under finance leases, and the depreciation charged on assets held under finance leases was £33,625 (2001: £61,954).

The depreciation charge for the year includes £343,000 for accelerated depreciation on redundant assets, which is discussed in note 3.

## 11. Work In Progress

	2002 £'000	2001 £'000
Work in progress	321	258

## 12. Debtors

	2002 £'000	2001 £'000
<b>Due within one year:</b>		
Trade debtors	1,572	2,018
Amounts owed by parent and fellow subsidiary undertakings	1,073	1,415
Other debtors	13	39
Prepayments and accrued income	77	67
	<b>2,735</b>	<b>3,539</b>

### 13. Creditors

	2002 £'000	2001 £'000
<b>Due within one year:</b>		
Finance leases and hire purchase contracts	20	47
Bank loans and overdrafts	2,157	-
Trade creditors	534	154
Amounts owed to parent and fellow subsidiary undertakings	42	2,818
Taxation and social security	392	76
Other creditors	10	38
Accruals and deferred income	141	42
	<b>3,296</b>	<b>3,175</b>
<b>Due after one year:</b>		
Finance leases and hire purchase contracts	-	20

<b>Finance leases and hire purchase</b>	<b>2002 £'000</b>	<b>2001 £'000</b>
Due within one year	20	47
Due within two to five years	-	20
	<b>20</b>	<b>67</b>

### 14. Provisions for Liabilities and Charges

	Contract Terminations £'000	Employee redundancy benefits £'000	Deferred taxation £'000	Provisions and similar obligations £'000	Total £'000
At 1 January 2002	-	-	15	133	148
Utilised during period	-	-	(15)	(133)	(148)
Charge to the profit and loss for the year	428	233	-	-	661
<b>At 31 December 2002</b>	<b>428</b>	<b>233</b>	<b>-</b>	<b>-</b>	<b>661</b>

**15. Called up share capital**

	2002 £'000	2001 £'000
Authorised		
Equity		
5,889,163 Ordinary shares of 1p each	59	59
2,500,000 'A' Ordinary shares of 1p each	25	25
10,837 'C' Redeemable shares of 1p each	-	-
1,000,000 'D' Ordinary shares	10	10

**Allotted, called-up and fully paid**

Equity:		
2,500,000 'A' Ordinary shares of 1p each	25	25
10,837 'C' Redeemable shares of 1p each	-	-

The C and D ordinary shares do not entitle the holders to vote at any general meeting. On a return of capital on liquidation or otherwise, the Ordinary shares, A shares, C shares and D shares shall rank equally in repaying the amounts paid up. The surplus assets available for distribution after such repayment shall be payable to shareholders of the Ordinary shares and A shares as if such shares constituted one class.

The 'C' Redeemable shares shall rank for dividends for the accounting periods ending 31 December 2000, 31 December 2001, 31 December 2002 and 31 December 2003. The Ordinary shares and the 'A' Ordinary shares shall rank for dividends in respect of all periods before 31 March 2000 and periods after 31 December 2003 as if such shares constituted one class.

Save as otherwise provided in the Company's articles the Ordinary Shares, A Shares, and D Shares will rank equally in all respects.

**16. Share Premium and Reserves**

	Share premium £'000	Profit and loss account £'000
At 1 January 2002	1,165	(80)
Loss for the year	-	(1,896)
<b>At 31 December 2002</b>	<b>1,165</b>	<b>(1,976)</b>

**17. Reconciliation of Movements in Shareholders' Funds**

	2002 £'000	2001 £'000
Loss for the year	(1,896)	(1,410)
Shareholders' funds at the beginning of the year	1,110	2,520
<b>Shareholders' (deficit)/funds at the end of the year</b>	<b>(786)</b>	<b>1,110</b>



#### 18. 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, therefore the full amount of potential liability cannot be quantified with recoverable accuracy.

The Company, together with other group Companies, has given a cross guarantee to secure the borrowings of other group Companies that commenced on 19 April 2002. At 31 December 2002 these borrowings amounted to £230.6 million. In addition, the Company has given a fixed and floating charge to guarantee these borrowings that also commenced on 19 April 2002.

#### 19. Commitments

(a) Annual commitments under non-cancellable operating leases are as follows:

	2002			2001		
	Land and Buildings	Other	Total	Land and Buildings	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases which expire:						
Within one year	-	-	-	-	7	7
In the second to fifth years inclusive	-	-	-	-	71	71
Over five years	-	-	-	145	-	145
	-	-	-	145	78	223

#### 20. 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 £ 5,346 (2001: £9,528).

#### 21. 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.

During the year the company paid rent and management charges of £145,000 (2001: £145,000) and lease termination fee of £310,000 (2001: £nil) to PSD Property Limited, a company controlled by P N Stead. Amounts owed to PSD Property Limited at the year end were £5,875 (2001: £5,875) and a provision of £310,000 (2001: £nil) relating to the lease termination charge.

**22. 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. These financial statements are consolidated into those of Cordiant Communications Group plc 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.