

**PSD Associates Limited**

**Directors' report and financial  
statements**

**Registered number 2431038**

**31 December 2003**



## Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of PSD Associates Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

### Principal activities

*The company's activity continues to be that of a design consultancy.*

### Business review

On 1 August 2003, WPP Group plc acquired the entire issued capital of Cordiant Communications Group plc and therefore became the ultimate holding company of PSD Associates 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 £1,675,000 (2002: £1,896,000), which has been transferred to reserves. The directors do not propose the payment of a dividend (2002: £nil).

### 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 or thereafter:

A Boland	(resigned 31 October 2003)
P Stead	(resigned 1 May 2003)
D Williams	(resigned 31 October 2003)
S Wilson	(resigned 19 September 2003)
C Sweetland	(appointed 19 September 2003)
P Richardson	(appointed 19 September 2003)
A Scott	(appointed 19 September 2003)

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

The interests of P Richardson in the shares of WPP Group plc are shown in the Directors' Report of WPP Group plc.

The interests of the other directors in office at the end of the period in the shares of WPP Group plc at the beginning, or date of appointment if later, and the end of the period were as follows:

	At 01/01/03 or at date of appointment	At 31/12/03
C Sweetland	47,592	47,592

## Directors' report (continued)

### Directors and directors' interests (continued)

The interest of those directors in office at the year end in options over shares of WPP Group plc at the beginning or at the date of appointment if later, and end of the year were as follows:

	Balance at 01/01/03 or at date of appointment if later	Exercised during period	Granted during period	Lapsed during period	Balance at 31/12/03	Exercise price	Exercisable at 31/12/03
C Sweetland	5,012	-	-	-	5,012	293p	5,012
C Sweetland	150	-	-	-	150	570p	150
C Sweetland	23,750	-	-	-	23,750	214p	23,750
C Sweetland	2,539	-	-	-	2,539	570p	2,539
C Sweetland	832	-	-	-	832	901p	832
C Sweetland	11,238	-	-	-	11,238	901p	11,238
C Sweetland	5,422	-	-	-	5,422	283.5p	5,422
C Sweetland	23,143	-	-	-	23,143	486.5p	-
C Sweetland	6,861	-	-	-	6,861	233.5p	6,861
C Sweetland	25,293	-	-	-	25,293	421p	-
C Sweetland	-	-	16,080	-	16,080	559.5p	-
C Sweetland	-	-	1,435	-	1,435	559.5p	-
A Scott	351	-	-	-	351	570p	351
A Scott	22,994	-	-	-	22,994	421p	-
A Scott	1,265 (1)	-	-	-	1,265	\$63.265	-
A Scott	5,263	-	-	-	5,263	570p	5,263
A Scott	4,240 (1)	-	-	-	4,240	\$35.380	-
A Scott	-	-	15,923	-	15,923	559.5p	-

(1) ADRs – each ADR (American Depository Receipt) represents 5 ordinary shares

The WPP Group plc's Register of Directors' Interests (which is open to inspection) contains full details of directors' shareholdings and options to subscribe.

### Auditors and 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.

Approved by the Board of Directors and signed on behalf of the Board

C Sweetland  
Director

27 Farm Street  
London  
W1J 5JR

15 October

2004

## Statement of 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 of the profit or loss 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;
- 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 Companies Act 1985. They have 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.



KPMG Audit Plc  
PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## **Report of the independent auditors to the members of PSD Associates Limited**

We have audited the financial statements on pages 5 to 15.

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 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 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 2003 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

 25 OCTOBER 2004  
8 Salisbury Square  
London EC4Y 8BB

## Profit and loss account

for the year ended 31 December 2003

	Note	2003 £000	2002 £000
Turnover	1	1,750	4,417
Cost of sales	1	(230)	(586)
<b>Revenue</b>	2	<b>1,520</b>	<b>3,831</b>
Administrative expenses before exceptional item		(3,916)	(5,159)
Exceptional item	3	-	(1,004)
Total administrative expenses		(3,916)	(6,163)
<b>Loss on ordinary activities before interest</b>		<b>(2,396)</b>	<b>(2,332)</b>
Interest receivable and similar income	7	-	8
Interest payable and similar charges	8	(146)	(103)
<b>Loss on ordinary activities before taxation</b>	4	<b>(2,542)</b>	<b>(2,427)</b>
Tax on loss on ordinary activities	9	867	531
<b>Retained loss for the financial year</b>		<b>(1,675)</b>	<b>(1,896)</b>

All activities relate to continuing operations

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

The accompanying notes on pages 7 to 15 form part of the financial statement.

## Balance sheet

at 31 December 2003

	Note	2003 £000	2002 £000
<b>Fixed assets</b>			
Tangible assets	10	-	71
<b>Current assets</b>			
Work in progress	11	-	321
Debtors	12	2,497	2,735
Cash at bank and in hand		-	44
		<u>2,497</u>	<u>3,100</u>
<b>Creditors: amounts falling due within one year</b>	13	-	(3,296)
<b>Net current liabilities</b>		<u>2,497</u>	<u>(196)</u>
<b>Total assets less current liabilities</b>		<u>2,497</u>	<u>(125)</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(4,958)	-
<b>Provisions for liabilities and charges</b>	15	-	(661)
<b>Net liabilities</b>		<u>(2,461)</u>	<u>(786)</u>
<b>Capital and reserves</b>			
Called up share capital	17	25	25
Share premium	16	1,165	1,165
Profit and loss account	16	(3,651)	(1,976)
<b>Equity shareholders' deficit</b>	17	<u>(2,461)</u>	<u>(786)</u>

These financial statements were approved by the board of directors on  
signed on its behalf by:

15 October

2004 and were

C Sweetland  
Director

The accompanying notes on pages 7 to 15 form part of the financial statement.



## 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 WPP Group plc include a consolidated cash flow statement and therefore the company is not required to prepare a cash flow statement.

#### *Going concern*

The ultimate parent company, WPP Group plc, has confirmed that it will support the company for 12 months from the date of approval of the financial statements, by not calling on the group debts of £4,958,000 during this period.

#### *Turnover, cost of sales and revenue*

Turnover comprises the gross amounts billed to clients in respect of fees earned and rechargeable expenses. Turnover and revenue are stated exclusive of VAT, sales taxes and trade discounts.

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 and depreciation*

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	-	life of lease
Furniture and equipment	-	15%-25% on cost
Computer equipment	-	25%-33% on cost
Motor vehicles	-	25% on cost

#### *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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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 taxation

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.

Contributions to the schemes are charged on an as incurred basis.

The company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis and hence has taken advantage of the exemption within FRS 17 to account for the scheme as if it were a defined 'contribution scheme'.

### 2 Revenue

All turnover is derived from design consultancy services.

	2003 £000	2002 £000
<b>Geographical analysis:</b>		
United Kingdom	1,119	3,367
Europe	289	754
Rest of the world	112	296
	<hr/> 1,520	<hr/> 4,417

## Notes (continued)

### 3 Exceptional administrative expenses

The exceptional item is represented by the following:

	2003 £000	2002 £000
Redundancy and ex gratia costs	-	233
Accelerated depreciation on redundant assets	-	343
Lease termination payment	-	428
	<hr/>	<hr/>
	-	1,004
	<hr/>	<hr/>

### 4 Loss on ordinary activities before taxation

	2003 £000	2002 £000
<i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration		
Audit	6	13
Profit on disposal of fixed assets	-	(4)
Depreciation and other amounts written off tangible fixed assets	-	485
Exchange losses/(gains)	-	2
Rentals payable under operating leases:		
Hire of plant and machinery	-	225
Other	-	11
	<hr/>	<hr/>

### 5 Remuneration of directors

	2003 £000	2002 £000
Remuneration of executives	69	200
Compensation for loss of office	240	-

The emoluments of the highest paid director were £319,000 (2002: £200,000), and company pension contributions of £nil (2002: £nil) were made to a defined benefit pension scheme on his behalf.

A Boland, S Wilson, and D Williams emoluments are borne by other fellow subsidiary undertakings. 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. None of the other directors received any emoluments for their services in the company.

**Notes** *(continued)*

**6 Staff numbers and costs**

	<b>Number of employees</b>	
	<b>2003</b>	<b>2002</b>
	<b>No.</b>	<b>No.</b>
The average number of persons employed by the company (including directors) during the year, was as follows:	<b>31</b>	<b>64</b>
The aggregate payroll costs of these persons were as follows:		
	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>1,603</b>	<b>2,742</b>
Social security costs	<b>136</b>	<b>276</b>
Other pension costs (see note 19)	<b>48</b>	<b>21</b>
	<b>1,787</b>	<b>3,039</b>

**7 Interest receivable and similar income**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Bank interest	-	8

**8 Interest payable and similar charges**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	<b>146</b>	<b>96</b>
Finance leases and hire purchase charges	-	7
	<b>146</b>	<b>103</b>

## Notes (continued)

### 9 Taxation

Analysis of charge in period

	2003 £000	2002 £000
UK corporation tax at 30% (2002: 30%)		-
UK current tax	(867)	(516)
UK deferred tax	-	(15)
	<hr/>	<hr/>
Tax on ordinary activities	(867)	(531)
	<hr/>	<hr/>

The company has surrendered its tax losses to other group companies.

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

	2003 £000	2002 £000
Tax on pre tax profit at 30% (2002: 30%)	(763)	(728)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	125
Capital allowances for period in excess of depreciation	(104)	87
	<hr/>	<hr/>
	(867)	(516)
	<hr/>	<hr/>

No deferred tax remains as at 31/12/03 (2002: £73,000).

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

**Notes** *(continued)*

**10 Tangible fixed assets**

	Land and buildings £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment and software £000	Total £000
<i>Cost</i>					
At 1 January 2003	92	21	472	990	1,575
Transfer to fellow subsidiary undertakings	(92)	(21)	(472)	(990)	(1,575)
At 31 December 2003	-	-	-	-	-
<i>Depreciation</i>					
At 1 January 2003	92	14	449	949	1,504
Transfer to fellow subsidiary undertakings	(92)	(14)	(449)	(949)	(1,504)
At 31 December 2003	-	-	-	-	-
<i>Net book value</i>					
At 31 December 2003	-	-	-	-	-
At 31 December 2002	-	7	23	41	71

Included in the total net book value is £nil (2002: £52,995) in respect of assets held under finance leases, and the depreciation charged on assets held under finance leases was £nil (2002: £33,625).

**11 Work in progress**

	2003 £000	2002 £000
Work in progress	-	321

**Notes (continued)**

**12 Debtors: due within one year**

	2003 £000	2002 £000
Trade debtors	-	1,572
Amounts owed by parent and fellow subsidiary undertakings	2,497	1,073
Other debtors	-	13
Prepayments and accrued income	-	77
	<u>2,497</u>	<u>2,735</u>

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

	2003 £000	2002 £000
Finance leases and hire purchase	-	20
Bank loans and overdraft	-	2,157
Trade creditors	-	534
Amounts owed to group and fellow subsidiary undertakings	-	42
Taxation and social security	-	392
Other creditors	-	10
Accruals and deferred income	-	141
	<u>-</u>	<u>3,296</u>
<i>Finance leases and hire purchase</i>		
Due within 1 year	-	20
Due within 2-5 years	-	-
	<u>-</u>	<u>20</u>

**14 Creditors: amounts falling due after more than one year**

	2003 £000	2002 £000
Amounts owed to group and fellow subsidiary undertakings	4,958	-
	<u>4,958</u>	<u>-</u>

**15 Provisions for liabilities and charges**

	Contract terminations £000	Employee redundancy benefits £000	Deferred Taxation £000	Total £000
At 1 January 2003	428	233	-	661
Utilised during the period	(428)	(233)	-	(661)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

**16 Reconciliation of movements in equity shareholder's funds**

	2003 £000	2002 £000
Loss for the year	(1,675)	(1,896)
Opening shareholder's funds at the beginning of the year	(786)	1,110
	<hr/>	<hr/>
Shareholder's funds at the end of the year	(2,461)	(786)
	<hr/>	<hr/>

**17 Called up share capital**

	2003 £000	2002 £000
<i>Authorised</i>		
Equity		
5,889,163 ordinary shares of 1p each	25	25
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
<i>Allotted called up and fully paid</i>		
Equity		
2,500,000 'A' ordinary shares of 1p each	25	25
10,837 'C' redeemable shares of 1p each	-	-
	<hr/>	<hr/>

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 ended 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.



**Notes (continued)**

**18 Share premium and reserves**

	Share Premium £000	Profit and loss account £000
At beginning of year	1,165	1,976
Loss for the year	-	1,675
<b>At end of year</b>	<b>1,165</b>	<b>3,651</b>

**19 Guarantee and Contingent Liabilities**

The company participates in group banking arrangements with its parent, WPP Group plc, and has access to a group cash management facility. The company guarantees the facility to the extent of its cash deposited in the UK with its clearing bank.

**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 £5,623 (2002: £5,346).

**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.

**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.

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 Group plc and its subsidiary undertakings for the year ended 31 December 2003 can be obtained from the Company Secretary, WPP Group plc, 27 Farm Street, London, W1X 5RJ.

The immediate holding company is Cordiant Communications Group Limited, which is registered in England and Wales.