

MANNING GOTTLIEB OMD LIMITED
(formerly Manning Gottlieb Media Limited)

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002

Registered Number: 2477134



MANNING GOTTLIEB OMD LIMITED
(formerly Manning Gottlieb Media Limited)

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MANNING GOTTLIEB OMD LIMITED
(formerly Manning Gottlieb Media Limited)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their report on the affairs of the company together with the accounts and auditors' report for the year ended 31 December 2002.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The company continued to trade as a media buying, planning and consultancy agency. The directors are satisfied with the company's results for the year.

Subsequent to the year end, on 24 June 2003, the company sold its interest in 51% of The Allmond Partnership for a cash consideration of £765,000.

NAME CHANGE

On 1 March 2002 the Company changed its name from Manning Gottlieb Media Limited to Manning Gottlieb OMD Limited.

RESULTS:

The results for the year are set out below:

	Year Ended 31 December 2002 £	Year Ended 31 December 2001 £
Profit on ordinary activities before taxation	3,233,058	2,482,119
Tax on profit on ordinary activities	(1,013,917)	(789,093)
Profit on ordinary activities after taxation	<u>2,219,141</u>	<u>1,693,026</u>

DIVIDENDS:

The directors recommend a final dividend of £20.2939 (2001: £15.4826) per ordinary share.

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year together with their beneficial interests in the company's shares at the dates specified were as follows:

M Amabile – resigned 31 December 2002
B Dickerson
R Ffitch
J Gittings
S Hall – appointed 28 October 2002
M James – resigned 31 August 2002
N Manning
J McGeough
D Simm – resigned 31 December 2002
A Stephens
M Telling – appointed 1 August 2002
P Thomson – appointed 16 December 2002
A Wright

Subsequent to year end, R. Mudge, P. Nunn and P. Knight were appointed additional Directors with effect from 27 January 2003, 3 June 2003 and 1 July 2003 respectively.

The following directors hold options over ordinary shares in the company. These shares will be allotted from those already held by Omnicom UK Limited:

R Ffitch	1,662 ordinary shares (2001: 1,662)
B Dickerson	547 ordinary shares (2001: 547)
A Wright	547 ordinary shares (2001: 547)

AUDITOR

During the year, Arthur Andersen resigned and the directors appointed KPMG Audit Plc as auditor. A resolution appointing KPMG Audit Plc will be proposed at the Annual General Meeting. Special notice has been received for this resolution pursuant to section 388 of the Companies Act 1985.

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



Mrs S.A. Bray
Company Secretary

Date: 5th December 2003
Seymour Mews House
26-37 Seymour Mews
London
W1H 6BN

STATEMENT OF DIRECTORS' RESPONSIBILITIES:

United Kingdom 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 as at the end of the year 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.

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.

Report of the independent auditors to the members of Manning Gottlieb OMD Limited (formerly Manning Gottlieb Media Limited).

We have audited the financial statements on pages 7 to 18.

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 auditors' 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 directors' report and, as described on page 5, 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 company 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 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 as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc

Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

5 December 2003

MANNING GOTTLIEB OMD LIMITED
(formerly Manning Gottlieb Media Limited)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

		Year Ended 31 December 2002 £	Year Ended 31 December 2001 £
	Notes		
TURNOVER	1c	198,961,399	197,651,228
Cost of Sales		<u>(188,601,564)</u>	<u>(187,588,588)</u>
		10,359,835	10,062,640
GROSS PROFIT			
Operating expenses		(7,619,752)	(7,952,865)
OPERATING PROFIT		<u>2,740,083</u>	<u>2,109,775</u>
Profit on sale of fixed assets		7,147	-
Net interest receivable	2	485,828	372,344
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	3,233,058	2,482,119
Taxation on profit on ordinary activities	5	(1,013,917)	(789,093)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>2,219,141</u>	<u>1,693,026</u>
Dividends paid and payable	6	(2,219,141)	(1,693,026)
RETAINED RESULT FOR THE YEAR		<u><u>-</u></u>	<u><u>-</u></u>

The results for the current and preceding period derive from continuing activities.

This profit and loss account includes all recognised gains and losses arising during the year and the preceding year.

A statement of movements on reserves is given in note 13 to the accounts.

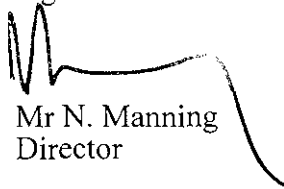
The accompanying notes form an integral part of this profit and loss account.

MANNING GOTTLIEB OMD LIMITED
(formerly Manning Gottlieb Media Limited)

BALANCE SHEET -- 31 DECEMBER 2002

	Notes	31 December 2002 £	31 December 2001 £
FIXED ASSETS			
Tangible Assets	7	375,479	557,187
Investments	8	750	750
		<u>376,229</u>	<u>557,937</u>
CURRENT ASSETS			
Work in progress	9	28,568	2,073
Debtors	10	26,083,494	24,129,493
Cash at bank and in hand		18,065,719	14,361,480
		<u>44,177,781</u>	<u>38,493,046</u>
CREDITORS: Amounts falling due within one year	11	(44,010,857)	(38,507,830)
NET CURRENT ASSETS/(LIABILITIES)		<u>166,924</u>	<u>(14,784)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>543,153</u>	<u>543,153</u>
NET ASSETS		<u><u>543,153</u></u>	<u><u>543,153</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	11,078	11,078
Share premium account	13	109,404	109,404
Profit and loss account	13	422,671	422,671
TOTAL SHAREHOLDERS' FUNDS	15	<u><u>543,153</u></u>	<u><u>543,153</u></u>
SHAREHOLDERS' FUNDS MAY BE ANALYSED AS:			
Equity Interests		543,010	543,010
Non-equity Interests		143	143
		<u><u>543,153</u></u>	<u><u>543,153</u></u>

These financial statements were approved by the Board of Directors on 5th December 2003
Signed on behalf of the Board of Directors


Mr N. Manning
Director

The accompanying notes form an integral part of this balance sheet.

MANNING GOTTLIEB OMD LIMITED
(formerly Manning Gottlieb Media Limited)

NOTES TO THE ACCOUNTS -- 31 DECEMBER 2002

1. ACCOUNTING POLICIES:

The company's principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are set out below.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable financial reporting and accounting standards. As permitted under S 228 Companies Act 1985, consolidated accounts have not been prepared as the company is a subsidiary undertaking of Omnicom Management Europe Limited (formerly Omnicom Europe Limited), a company incorporated in the UK which itself produces consolidated accounts.

b) Continuing activities

The company's activities during the year are all continuing operations.

c) Turnover and recognition of income

Turnover comprises the net value of billings, excluding VAT, of services rendered in the normal course of business and reflects the costs of advertising expenditure incurred by the company on behalf of clients, including its commissions and fees. Commissions are recognised as income when the related advertisement appears.

All turnover and profits on ordinary activities before taxation are generated solely in the United Kingdom.

d) Work in progress

These amounts represent costs incurred on behalf of clients after provision for any amounts which may not be recoverable.

e) Tangible fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and any provision for impairment.

Expenditure on leasehold improvements is depreciated at a rate calculated to reduce the value to £nil on expiry of the lease.

Depreciation is provided at rates calculated to write off the cost of the assets less estimated residual value over their expected useful lives on a straight line basis. The annual rates of depreciation are as follows-

Furniture and equipment	- 25% to 33.3%
Motor vehicles	- 25%

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued):

f) Investments

Fixed asset investments are shown at cost less amounts written off for impairment. Dividend income is recognised on a receivable basis.

g) Leased assets

Assets acquired under finance leases are capitalized and the outstanding future lease obligations are shown in creditors. Operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

h) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is recognized without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have not arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

i) Cash Flow Statement

The company is exempt from the requirements of FRS1 to include a cash flow statement as part of its financial statements because it is a wholly-owned subsidiary of Omnicom Group Inc. in whose financial statements the company is consolidated, and whose accounts are publicly available.

j) Related Party Transactions

In preparing the accounts, the company has taken advantage of the provisions within FRS8 and has not disclosed transactions with the ultimate parent company, Omnicom Group Inc, or any other group undertakings.

k) 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.

l) New Accounting Standards

FRS 19, "Deferred Tax", has been adopted. The standard requires deferred taxation to be provided in full on all material timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. Previously, provision was made for deferred taxation on all material timing differences to the extent that there was a reasonable probability that a liability or asset would crystallize. The introduction of this standard did not require a prior year adjustment as the impact is not material.

NOTES TO THE ACCOUNTS (Continued)

2. NET INTEREST:

	Year Ended 31 December 2002 £	Year Ended 31 December 2001 £
Interest receivable -		
Bank interest	626,887	443,839
Other interest	-	1,256
	<u>626,887</u>	<u>445,095</u>
Interest payable -		
Other interest	(141,059)	(72,751)
Net Interest	<u><u>485,828</u></u>	<u><u>372,344</u></u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated

	Year Ended 31 December 2002 £	Year Ended 31 December 2001 £
after charging-		
Depreciation of tangible fixed assets	193,030	198,263
Property rentals under operating leases	358,594	368,084
Other rentals under operating leases	120,081	126,524
Auditors' remuneration	24,600	28,259
after (crediting)-		
Exchange gains	<u><u>(37,614)</u></u>	<u><u>(15,153)</u></u>

NOTES TO THE ACCOUNTS (Continued)

4. STAFF COSTS:

Employee costs (including directors) during the period amounted to-

	Year Ended 31 December 2002 £	Year Ended 31 December 2001 £
Wages and salaries	3,860,909	4,014,020
Social security costs	411,452	437,800
Severance Costs	25,000	-
	<u>4,297,361</u>	<u>4,451,820</u>

The average monthly number of persons (including directors) employed by the company was 91 (Year ended 31 December 2001 - 99), of which:

Media planning and buying	82	92
Administration	9	7
	<u>91</u>	<u>99</u>

Directors' emoluments	<u>1,102,121</u>	<u>1,096,000</u>
Emoluments of the highest paid director	<u>195,803</u>	<u>207,481</u>

Omnicom UK Limited has granted options over the ordinary shares of the company held by Omnicom UK Limited to certain directors as follows:

Director	Number of Shares	Exercise price £	Exercise period
R.Ffitch	1,662	192,366	1 January 2001 to 31 December 2004
B Dickerson	547	87,219	1 January 2003 to 31 December 2006
A Wright	547	87,219	1 January 2003 to 31 December 2006

NOTES TO THE ACCOUNTS (Continued)

5. TAXATION:

The tax charge is based on the profit for the year and comprises-

	Year Ended 31 December 2002 £	Year Ended 31 December 2001 £
Corporation tax at 30% (2001 - 30%)	1,013,917	789,093
	<u>1,013,917</u>	<u>789,093</u>

Factors affecting the Tax Charge for the Current Period

The effective tax rate for the current year is higher than the standard tax rate (2002 – 31%, 2001 – 32%) as explained below:

Current Tax Reconciliation

Profit on ordinary profit before taxation	3,233,058	2,482,119
Current tax at 30% (2001 - 30%)	<u>969,917</u>	<u>744,636</u>
Effects of		
Expenses not deductible for tax purposes	26,139	35,295
Depreciation in excess of capital allowance	20,005	9,162
Profit on disposal of property	(2,144)	-
Total current tax charge	<u>1,013,917</u>	<u>789,093</u>

At 31 December 2002 the company had an unrecognized gross deferred tax asset of approximately £63,000 (2001: £45,000) arising from excess of depreciation over capital allowance and a general bad debt provision. This has not been recognized in the balance sheet due to uncertainty over its recoverability.

6. DIVIDENDS:

	Year Ended 31 December 2002 £	Year Ended 31 December 2001 £
Final dividends payable £20.2939 per ordinary share (2001 - £15.4826)	2,219,141	1,693,026
	<u>2,219,141</u>	<u>1,693,026</u>

NOTES TO THE ACCOUNTS (Continued)

7. TANGIBLE FIXED ASSETS:

	Short leasehold property improvements £	Furniture and equipment £	Motor vehicles £	Total £
Cost -				
At 1 January 2002	512,130	687,444	79,703	1,279,277
Additions	24,765	-	-	24,765
Disposals	-	-	(57,702)	(57,702)
At 31 December 2002	<u>536,895</u>	<u>687,444</u>	<u>22,001</u>	<u>1,246,340</u>
Depreciation -				
At 1 January 2002	185,579	491,165	45,346	722,090
Charge for year	79,245	102,497	11,288	193,030
On disposals	-	-	(44,259)	(44,259)
At 31 December 2002	<u>264,824</u>	<u>593,662</u>	<u>12,375</u>	<u>870,861</u>
Net Book Value -				
At 31 December 2002	<u>272,071</u>	<u>93,782</u>	<u>9,626</u>	<u>375,479</u>
At 31 December 2001	<u>326,551</u>	<u>196,279</u>	<u>34,357</u>	<u>557,187</u>

8. FIXED ASSET INVESTMENTS:

Cost and Net Book Value-

	£
At 1 January 2002 & at 31 December 2002	<u>750</u>

At the 31 December 2002 the company had an interest of 51% (2001: 51%) in the ordinary shares of The Allmond Partnership Ltd, a company incorporated in England and Wales whose principal activity is media buying, planning and consultancy.

9. WORK IN PROGRESS

	31 December 2002 £	31 December 2001 £
Work in progress	<u>28,568</u>	<u>2,073</u>

NOTES TO THE ACCOUNTS (Continued)

10. DEBTORS:

The following are included in the book value of debtors.

	31 December 2002 £	31 December 2001 £
Amounts falling due within one year -		
Trade debtors	24,406,177	21,681,397
Amounts owed by group undertakings	395,551	1,451,197
Other debtors	24,440	723,413
Prepayments and accrued income	1,257,326	273,486
	<u>26,083,494</u>	<u>24,129,493</u>

11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR:

	31 December 2002 £	31 December 2001 £
Trade creditors	36,341,444	25,906,311
Amounts owed to group undertakings	2,004,622	1,430,805
UK corporation tax payable	605,920	878,816
VAT	1,061,284	2,532,017
Social security costs	140,858	111,623
Other creditors	-	247,762
Accruals and deferred income	1,637,588	5,707,470
Dividend payable	2,219,141	1,693,026
	<u>44,010,857</u>	<u>38,507,830</u>

NOTES TO THE ACCOUNTS (Continued)

12. CALLED UP SHARE CAPITAL:

	31 December 2002 £	31 December 2001 £
Authorised:		
124,765 ordinary shares of 10p each (2001 - 124,765)	12,476	12,476
1,425 deferred shares of 10p each (2001 - 1,425)	143	143
	<u>12,619</u>	<u>12,619</u>
Allotted, called up and fully paid:		
109,350 ordinary shares of 10p each (2001 - 109,350)	10,935	10,935
1,425 deferred shares of 10p each (2001 - 1,425)	143	143
	<u>11,078</u>	<u>11,078</u>

The deferred shares carry no rights to dividends, participation in a surplus on winding up, voting or conversion rights.

13. RESERVES:

	Profit and loss account £	Share premium account £
At 1 January 2002	422,671	109,404
Retained profit for the year	-	-
At 31 December 2002	<u>422,671</u>	<u>109,404</u>

NOTES TO THE ACCOUNTS (Continued)

14. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments

There were no capital commitments contracted for at 31 December 2002 (2001: £Nil).

b) Lease commitments

Year Ended 31 December 2002

The company has annual commitments under operating leases as follows:	Furniture, fittings and motor vehicles £	Leasehold property £
Leases which expire		
- within one year	46,116	-
- within two to five years	72,231	316,550
- after five years	-	-
	<u>118,347</u>	<u>316,550</u>

Year Ended 31 December 2001

The company has annual commitments under operating leases as follows:	Furniture, fittings and motor vehicles £	Leasehold property £
Leases which expire		
- within one year	16,514	-
- within two to five years	102,119	-
- after five years	-	316,550
	<u>118,633</u>	<u>316,550</u>

c) Financial commitments

Omnicom Management Europe Limited (formerly Omnicom Europe Limited), jointly and severally with certain of its subsidiary undertakings including Manning Gottlieb OMD Limited, has entered into an £8,000,000 collective net overdraft facility with HSBC Bank plc. HSBC Bank plc has the right to apply positive cash balances of the company against indebtedness or liability of any of the other companies named in the agreement. This facility is guaranteed by Omnicom Group Inc.

NOTES TO THE ACCOUNTS (Continued)

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS:

	31 December 2002 £	31 December 2001 £
Shareholders' funds at beginning of year	543,153	543,153
Profit on ordinary activities after taxation	2,219,141	1,693,026
Dividends paid and proposed	<u>(2,219,141)</u>	<u>(1,693,026)</u>
	<u>543,153</u>	<u>543,153</u>

16. ULTIMATE PARENT COMPANY:

Manning Gottlieb OMD Limited is a wholly owned subsidiary of Omnicom Management Europe Limited (formerly Omnicom Europe Limited), a company registered in England and Wales.

The smallest group in which the company's results are included are the consolidated accounts of its ultimate United Kingdom parent company, Omnicom Management Europe Limited, whose principal place of business is at 239 Old Marylebone Road, London NW1 5QT.

The largest group in which the company's results are included is the consolidated accounts of the ultimate parent company, Omnicom Group Inc., a company incorporated in the United States of America. These consolidated accounts are available to the public and may be obtained from Omnicom Group Inc., 437 Madison Avenue, New York, NY10022, U.S.A.

As a subsidiary of Omnicom Group Inc., the company has taken advantage of the exemption in FRS8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by Omnicom Group Inc.