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**Manning Gottlieb OMD Limited**

**Directors' report and financial  
statements**

**Registered number 2477134**

**31 December 2003**



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## Directors' report

The directors present their report on the affairs of the company together with the accounts and auditors' report for the year ended 31 December 2003.

### 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.

On 24 June 2003, the company sold its interest in 51% of The Allmond Partnership for a cash consideration of £765,000 which resulted in a gain on disposal of £664,722.

### Results

	2003 £	2002 £
Profit on ordinary activities before taxation	4,647,949	3,233,058
Tax on profit on ordinary activities	(1,139,611)	(1,013,917)
Profit on ordinary activities after taxation	<u>3,508,338</u>	<u>2,219,141</u>

### Dividends

The directors recommend a final dividend of £nil (2002: £20.29) per ordinary share.

### 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:

B Dickerson	
R Ffitch	
J Gittings	
S Hall	
N Hurman	
P Knight	appointed 1/7/03
N Manning	
J McGeough	resigned 24/12/03
R Mudge	appointed 27/1/03
P Nunn	appointed 3/6/03
A Stephens	
M Telling	
P Thomson	
A Wright	

Subsequent to year end P Knight resigned as a director on 27 April 2004 and B White was appointed as a director on 21 June 2004.

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

R Ffitch	1,662 ordinary shares (2002: 1,662)
B Dickerson	547 ordinary shares (2002: 547)
A Wright	547 ordinary shares (2002: 547)

## **Directors' report** *(continued)*

### **Auditor**

A resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming AGM.

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

  
**N Manning**  
*Director*

Seymour Mews House  
26-37 Seymour Mews  
London  
W1H 6BH

29 September 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

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

### **Report of the independent auditors to the members of Manning Gottlieb OMD 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 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 3, 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 2003 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

*30 SEPTEMBER* 2004

**Profit and loss account**  
*for the year ended 31 December 2003*

	Notes	2003 £	2002 As restated £
<b>Turnover (Billings)</b>	<i>1</i>	<b>254,372,046</b>	198,961,399
Rebillable costs		<b>(241,500,364)</b>	(188,601,564)
<b>Revenue / gross profit</b>		<b>12,871,682</b>	10,359,835
Administrative expenses		<b>(9,802,888)</b>	(7,619,752)
<b>Operating profit</b>		<b>3,068,794</b>	2,740,083
Gain on the disposal of subsidiary	<i>2</i>	<b>664,722</b>	-
(Loss) / profit on sale of fixed assets		<b>(4,162)</b>	7,147
Income from shares in group undertakings	<i>3</i>	<b>414,530</b>	-
Interest receivable and similar income	<i>4</i>	<b>642,416</b>	626,887
Interest payable and similar charges	<i>5</i>	<b>(138,351)</b>	(141,059)
<b>Profit on ordinary activities before taxation</b>	<i>6</i>	<b>4,647,949</b>	3,233,058
Tax on profit on ordinary activities	<i>9</i>	<b>(1,139,611)</b>	(1,013,917)
<b>Profit on ordinary activities after taxation</b>		<b>3,508,338</b>	2,219,141
Dividends paid and payable	<i>10</i>	<b>-</b>	(2,219,141)
<b>Retained results for the year</b>		<b>3,508,338</b>	-

Operating Profit 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 prior year.

A statement of movements on reserves is given in note 17 to the accounts.


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

## Balance sheet

at 31 December 2003

	Notes	£	2003 £	£	2002 £
<b>Fixed assets</b>					
Tangible assets	11		239,154		375,479
Investments	12		-		750
			<u>239,174</u>		<u>376,229</u>
<b>Current assets</b>					
Work in progress	13	49,278		28,568	
Debtors	14	27,709,286		26,083,494	
Cash at bank and in hand		29,115,317		18,065,719	
			<u>56,873,881</u>	<u>44,177,781</u>	
<b>Creditors: amounts falling due within one year</b>	15	(53,061,545)		(44,010,857)	
<b>Net current assets</b>			<u>3,812,336</u>		<u>166,924</u>
<b>Net assets</b>			<u>4,051,490</u>		<u>543,153</u>
<b>Capital and reserves</b>					
Called up share capital	16		11,078		11,078
Share premium account	17		109,404		109,404
Profit and loss account	17		3,931,008		422,671
<b>Total shareholders' funds</b>	19		<u>4,051,490</u>		<u>543,153</u>
<b>Shareholders' funds may be analysed as</b>					
Equity interests			4,051,347		543,010
Non-equity interests			143		143
			<u>4,051,490</u>		<u>543,153</u>

These financial statements were approved by the board of directors on 29 September 2004 and were signed on its behalf by:

  
M Telling  
Director

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

## **Notes**

*(forming part of the financial statements)*

### **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.

#### ***Basis of preparation***

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.

#### ***Restatement***

In November 2003 the Accounting Standards Board (ASB) issued Amendment to FRS 'Reporting the substance of transactions': Revenue recognition ("the Amendment"). The Amendment includes specific guidance in respect of the presentation of revenue as principal or agent. The directors have considered the various factors set out in the Amendment and they have restated the presentation of the profit and loss account to show memorandum information on turnover and to identify the amounts the company has earned as principal as revenue. These restatements have no impact on operating profit in the current or prior year.

#### ***Turnover (Billings)***

Turnover (Billings) comprises the amounts billed to clients in respect of commission based income together with the total of other fees earned and amounts recharged to clients for rebillable costs.

#### ***Rebillable costs***

Rebillable costs comprises media payments and third party production costs for those services that the company is arranging for its clients in accordance with terms of arrangements reached with each client, in its capacity as an agent. The company contracts directly with media suppliers and is responsible for their payment, recharging its clients for all costs incurred. The company bears credit risk in respect of these activities and the arrangements with its clients are such that the company acts as a principal at law.

#### ***Revenue***

Consequently, revenue comprises fees and commissions earned in respect of turnover, as defined above, which meets the Companies Act definition of turnover. Revenue is recognised when services are performed, in accordance with terms of arrangements reached with each client. Performance based incentives are recognised when specified quantitative goals are achieved, or when the client determines performance against qualitative goals. Turnover (Billings) and revenue are stated exclusive of VAT, sales taxes and trade discounts.

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

#### ***Work in progress***

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

## **Notes** *(continued)*

### ***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%
Leasehold Improvement	- Over the life of the lease

### ***Investments***

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

### ***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.

### ***Taxation***

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

Deferred taxation is recognised 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 FRS 19.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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.

#### 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.

#### 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.

### 2 Gain on disposal of subsidiary

On 24<sup>th</sup> June 2003 51% of The Allmond Partnership was sold for a consideration of £765,000 resulting in a gain on a disposal of £664,722. This was sold with an effective date of 1<sup>st</sup> January 2003.

### 3 Income from shares in group undertakings

	2003 £	2002 £
Dividends received from The Allmond Partnership and APE TV	414,530	-

### 4 Interest receivable and similar income

	2003 £	2002 £
Bank interest receivable	642,416	626,887

### 5 Interest payable and similar charges

	2003 £	2002 £
Interest payable	138,351	141,059

## Notes (continued)

### 6 Profit on ordinary activities before taxation

	2003 £	2002 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation on tangible fixed assets	158,632	193,030
Property rentals under operating leases	417,461	358,594
Other rentals under operating leases	126,737	120,081
Auditors' remuneration - audit	25,200	24,600
<i>after crediting</i>		
Exchange gains	(5,149)	(37,614)
	<u>          </u>	<u>          </u>

### 7 Remuneration of directors

	2003 £	2002 £
Directors' emoluments	1,544,783	1,102,121
	<u>          </u>	<u>          </u>
Emoluments of the highest paid director	213,149	195,803
	<u>          </u>	<u>          </u>

DAS Europe Limited (formerly Omnicom UK Limited) granted options over the ordinary shares of the company held by DAS Europe Limited (formerly Omnicom UK Limited) to certain directors which were held at year end as follows:

	Number of shares	Exercise price	Exercise period
R Fitch (issued 2 <sup>nd</sup> July 1998)	1,662	192,366	1 January 2001 to 31 December 2004
B Dickerson (issued 23 <sup>rd</sup> October 2000)	547	87,219	1 January 2003 to 31 December 2006
A Wright (issued 23 <sup>rd</sup> October 2000)	547	87,219	1 January 2003 to 31 December 2006

### 8 Staff numbers and costs

The average number of persons employed by the company (including executive directors) during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Media planning and buying	117	82
Administration	10	9
	<u>      </u>	<u>      </u>
	127	91
	<u>      </u>	<u>      </u>

## Notes (continued)

The aggregate payroll costs of these persons were as follows:

	2003 £	2002 £
Wages and salaries	4,949,898	3,860,909
Social security costs	537,389	411,452
Severance costs	5,000	25,000
	<u>5,492,287</u>	<u>4,297,361</u>

## 9 Taxation

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

	2003 £	2002 £
Corporation tax at 30% (2002: 30%)	<u>1,139,611</u>	<u>1,013,917</u>

The effective tax rate (2003: 25%, 2002: 31%) for the current year is lower than the standard tax rate as explained below:

	2003 £	2002 £
<i>Current tax reconciliation</i>		
Profit on ordinary profit before taxation	<u>4,647,949</u>	<u>3,233,058</u>
Current tax at 30% (2002: 30%)	<u>1,394,385</u>	<u>969,917</u>
<i>Effect of</i>		
Expenses not deductible for tax purposes	34,723	26,139
Depreciation in excess of capital allowance	34,279	20,005
Profit on disposal of property	-	(2,144)
Income from subsidiary undertakings	(124,359)	-
Group relief available on gain on disposal of subsidiary	<u>(199,417)</u>	<u>-</u>
Total current tax charge	<u>1,139,611</u>	<u>1,013,917</u>

### Factors affecting the tax charge for the current period

At 31 December 2003 the company had an unrecognised gross deferred tax asset of approximately £38,500 (2002: £63,000) arising from excess of depreciation over capital allowance and a general bad debt provision. This has not been recognised in the balance sheet due to uncertainty over its recoverability.

## 10 Dividends

	2003 £	2002 £
<i>Final dividends payable</i>		
£nil per ordinary share (2002: £20.29)	<u>-</u>	<u>2,219,141</u>

## Notes (continued)

### 11 Tangible fixed assets

	Short leasehold property improvements £	Furniture and equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2003	536,895	687,444	22,001	1,246,340
Additions	21,598	10,335	-	31,933
Disposals	-	-	(22,001)	(22,001)
<b>At 31 December 2003</b>	<b>558,493</b>	<b>697,779</b>	<b>-</b>	<b>1,256,272</b>
<b>Depreciation</b>				
At 1 January 2003	264,824	593,662	12,375	870,861
Charge for the year	88,363	70,269	-	158,632
On disposals	-	-	(12,375)	(12,375)
<b>At 31 December 2003</b>	<b>353,187</b>	<b>663,931</b>	<b>-</b>	<b>1,017,118</b>
<b>Net book value</b>				
<b>At 31 December 2003</b>	<b>205,306</b>	<b>33,848</b>	<b>-</b>	<b>239,154</b>
At 31 December 2002	272,071	93,782	9,626	375,479

### 12 Fixed asset investments

	2003 £	2002 £
<b>Cost and net book value</b>		
At 1 January 2003	750	750
Disposal of The Allmond Partnership	(750)	-
<b>At 31 December 2003</b>	<b>-</b>	<b>750</b>

### 13 Work in progress

	2003 £	2002 £
Work in progress	49,278	28,568

**Notes (continued)**

**14 Debtors**

	2003 £	2002 £
Trade debtors	23,804,136	24,406,177
Amounts owed by group undertakings	1,147,726	395,551
Other debtors	30,402	24,440
Prepayments and accrued income	2,727,022	1,257,326
	<u>27,709,286</u>	<u>26,083,494</u>

**15 Creditors: Amounts falling due within one year**

	2003 £	2002 £
Trade creditors	43,924,952	36,341,444
Amounts owed to group undertakings	525,518	2,004,622
Corporation Tax	504,939	605,920
VAT payable	3,184,455	1,061,284
Social security tax	187,236	140,858
Other creditors	21,544	-
Accruals and deferred income	2,493,760	1,637,588
Dividend payable	2,219,141	2,219,141
	<u>53,061,545</u>	<u>44,010,857</u>

**16 Called up share capital**

	2003 £	2002 £
<i>Authorised</i>		
124,765 ordinary shares of 10p each	12,476	12,476
1,425 deferred shares of 10p each	143	143
	<u>12,619</u>	<u>12,619</u>
<i>Allotted, called up and fully paid</i>		
109,350 ordinary shares of 10p each	10,935	10,935
1,425 deferred shares of 10p each	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.

## Notes (continued)

### 17 Profit and Loss Account

	Profit and loss Account £	Share Premium Account £
At 1 January 2003	422,671	109,404
Retained profit for the year	3,508,337	-
	<hr/>	<hr/>
At 31 December 2003	3,931,008	109,404
	<hr/>	<hr/>

### 18 Guarantees and commitments

#### Capital commitments

There were no capital commitments contracted for at 31 December 2003 (2002: £nil).

#### Lease commitments

The company has annual commitments under operating leases as follows:

	2003 Furniture fittings and motor vehicles £	Leasehold property £	2002 Furniture fittings and motor vehicles £	Leasehold property £
Operating leases which expire:				
Within one year	3,611	-	46,116	-
In the second to fifth years inclusive	99,456	417,461	72,231	316,550
Over five years	1,052	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	104,119	417,461	118,347	316,550
	<hr/>	<hr/>	<hr/>	<hr/>

#### Guarantees

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.

### 19 Reconciliation of movement in shareholders' funds

	2003 £	2002 £
Shareholders' funds at beginning of year	543,153	543,153
Profit on ordinary activities after taxation	3,508,337	2,219,141
Dividends payable	-	(2,219,141)
	<hr/>	<hr/>
	4,051,490	543,153
	<hr/>	<hr/>

**Notes** *(continued)*

**20 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.