

**DRUM PHD LIMITED**

Company No. 2904456



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2001**

# **Drum PHD Limited**

## **Company Information**

### **Directors**

S. George  
L. Munday  
D. Pattison

### **Company Secretary**

L. Munday

### **Registered Office**

5 North Crescent  
Chenies Street  
London  
WC1E 7PH

### **Bankers**

HSBC Bank plc  
PO Box 125  
27-32 Poultry  
London  
EC2P 2BX

### **Solicitors**

Osborne Clark  
Hillgate House  
26 Old Bailey  
London EC1M 7HW

### **Auditors**

Kingston Smith  
Quadrant House  
80 - 82 Regent Street  
London  
W1B 5RP

# **Drum PHD Limited**

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# **Drum PHD Limited**

## **Directors' Report**

The directors have pleasure in presenting their report and financial statements for the year ended 31 December 2001.

### **Principal Activity**

The principal activity of the company throughout the year was that of an added-value media consultant.

### **Business Review and Future Developments**

The directors are satisfied with the results for the year and expect further growth in the future.

### **Results and dividends**

The company made a profit after taxation of £191,000 (2000: £375,000). Dividends of £737,000 were proposed during the year (2000: £nil) and the retained loss of £546,000 has been deducted from reserves (2000: profit £375,000).

### **Directors and their Interests**

The directors who served the company during the year were as follows:

M. Baulk (resigned 31 December 2001)  
S. George  
L. Munday  
D. Pattison

No director has an interest in the ordinary share capital of the company. Any interests that they hold in any other group companies are disclosed in the financial statements of that company.

### **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 of the company for that period.

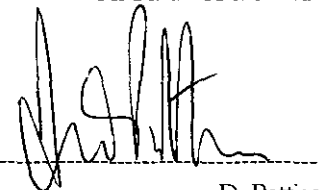
In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; prepare the financial statements on a going concern basis unless it is inappropriate to assume that 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

Kingston Smith have indicated their willingness to remain in office and in accordance with the provisions of the Companies Act 1985, a resolution for their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board



D. Pattison  
Director

5 North Crescent  
Chenies Street  
London WC1E 7PH

# Drum PHD Limited

## Independent Auditors' Report to the Members of Drum PHD Limited

We have audited the financial statements of Drum PHD Limited for the year ended 31 December 2001 which comprise the Profit & Loss Account, Balance Sheet, and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and 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

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

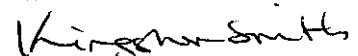
### Basis of Opinion

We conducted our audit in accordance with United Kingdom 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 at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KINGSTON SMITH

Chartered Accountants

and Registered Auditors

28 May 2003

Quadrant House

80-82 Regent Street

London W1B 5RP

**Drum PHD Limited**  
**Profit and Loss Account**  
**For the year ended 31 December 2001**

		2001	2000
		£000	£000
Turnover	Note 2	9,618	10,767
Cost of sales		<u>(8,222)</u>	<u>(9,400)</u>
Gross profit		1,396	1,367
Administrative expenses		<u>(950)</u>	<u>(949)</u>
Operating profit	3	446	418
Exceptional item	15	(279)	-
Interest receivable and similar income		<u>98</u>	<u>126</u>
Profit on ordinary activities before taxation		266	544
Taxation on profit on ordinary activities	4	<u>(75)</u>	<u>(169)</u>
Profit on ordinary activities after taxation		191	375
Dividends paid and proposed	5	<u>(737)</u>	<u>-</u>
Retained (loss)/profit for the financial year transferred (from)/to reserves	12	<u><u>(546)</u></u>	<u><u>375</u></u>

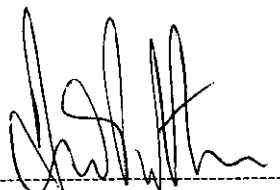
There were no recognised gains or losses other than the loss for the year.

# Drum PHD Limited

## Balance Sheet at 31 December 2001

	Note	2001 £000	2000 £000
<b>Fixed assets</b>			
Tangible assets	7	-	14
Investments	8	-	-
<b>Current Assets</b>			
Debtors	9	785	2,159
Cash at bank and in hand		2,328	1,977
		<u>3,113</u>	<u>4,136</u>
<b>Creditors: Amounts falling due within one year</b>	10	<u>(2,793)</u>	<u>(3,284)</u>
<b>Net current assets</b>		<u>320</u>	<u>852</u>
<b>Total assets less current liabilities</b>		<u><u>320</u></u>	<u><u>866</u></u>
<b>Capital and Reserves</b>			
Called up share capital	13	81	81
Share premium account	12	17	17
Profit and loss account	12	<u>222</u>	<u>767</u>
<b>Equity Shareholders' funds</b>		<u><u>320</u></u>	<u><u>866</u></u>

The financial statements were approved by the board of directors on 28/5/03



David Pattison  
Director

**Drum PHD Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2001**

**1 Principal Accounting Policies**

**(a) Accounting basis and standards**

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The accounting policies have remained unchanged since the preceding period.

**(b) Turnover and income recognition**

Turnover represents amounts, excluding value added tax, invoiced to clients for added-value media consultancy services rendered during the year. Income is recognised when the related production work is substantially completed. Fees are recognised at the time the fee is billable.

**(c) Taxation**

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

*Deferred taxation represents the amount required to allow for the effects of certain items of income and expense being attributable for tax purposes to period different from those in which credits or charges are recorded in the accounts. Deferred taxation is fully provided on such timing differences if material.*

**(d) Depreciation**

Depreciation on fixed assets is provided at rates estimated to write off the cost or revalued amounts, less estimated residual value of each asset, by equal annual instalments, over its expected useful life as follows:

Furniture, fixtures & equipment	20% - 33%
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**(e) Work in progress**

Work in progress comprises costs incurred on work for clients not yet billed. Work in progress is stated at the lower of cost and net realisable value.

**(f) Foreign currency**

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates as at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the exchange rate prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

**(g) Pension costs**

The company operates a defined contribution pension scheme, the assets of which are held in funds completely independent of the company. The pension cost charge represents contributions payable by the company to this scheme.

**(h) Cash flow statement**

*In accordance with the provisions of Financial Reporting Standard No. 1 (Revised) ("FRS1") a cash flow statement has not been prepared, since the company is a wholly-owned subsidiary undertaking. A consolidated cashflow statement is included in the accounts of Omnicom Group Inc., the ultimate parent company.*

**(i) Related party transactions**

The company has taken advantage of the exemption conferred by FRS8 not to disclose details of transactions with companies in the same group, as the company is a wholly-owned subsidiary, where those transactions have been eliminated on consolidation.



**Drum PHD Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2001 (continued)**

**2 Turnover**

Turnover is attributable to the one principal activity of the company, which was carried out solely in the United Kingdom.

**3 Operating profit**

The operating profit is stated after charging:

	2001 £000	2000 £000
Auditors' remuneration	7	9
Depreciation of tangible fixed assets	<u>9</u>	<u>10</u>

**4 Taxation**

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

UK corporation tax at 30% (2000 - 30%)	75	175
Overprovision in prior year	-	(6)
Movement on deferred tax	<u>-</u>	<u>-</u>
	<u>75</u>	<u>169</u>

**5 Equity dividends**

Proposed	364	-
Paid	<u>373</u>	<u>-</u>
	<u>737</u>	<u>-</u>

**6 Directors and Employees**

Staff costs during the year were as follows:

Wages and salaries	546	539
Social security costs	58	59
Pension costs	<u>28</u>	<u>10</u>
	<u>632</u>	<u>608</u>

The average number of persons employed by the company (including directors) during the year was 10. (2000: 14). Due to the size of the company there was no formal classification of duties.

**Directors' Emoluments:**

Emoluments	223	299
Company contributions to money purchase pension schemes	18	14
Other emoluments	<u>5</u>	<u>7</u>
	<u>246</u>	<u>320</u>

The amounts payable in respect of the highest paid director were:

<u>121</u>	<u>114</u>
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2 directors (2000 - 3) were members of money purchase pension schemes.

**Drum PHD Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2001 (continued)**

7 Tangible Fixed Assets	Fixtures and Equipment £000
<b>Cost</b>	
At 1 January 2001	75
Additions	-
Disposals	(75)
At 31 December 2001	<u>-</u>
<b>Depreciation</b>	
At 1 January 2001	61
Charge for the year	9
Disposals	(70)
At 31 December 2001	<u>-</u>
<b>Net book value</b>	
At 31 December 2001	<u>-</u>
At 31 December 2000	<u>14</u>

All assets were transferred to the parent company New PHD Ltd at net book value during the year.

8 Investments	2001 £	2000 £
Shares in group undertakings	<u>8</u>	<u>-</u>

The shares in group undertakings represent 100% of the issued Ordinary 'A' share capital of Drum APM Limited, a company incorporated in England and Wales. Drum APM was incorporated on the 2 May 2001 but did not trade during the year.

9 Debtors	2001 £000	2000 £000
Trade debtors	703	2,143
Amounts due from group undertakings	1	-
Other debtors	74	4
Prepayments and accrued income	<u>7</u>	<u>12</u>
	<u>785</u>	<u>2,159</u>

**Drum PHD Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2001 (continued)**

**10 Creditors: Amounts falling due in less than one year**

	2001 £000	2000 £000
Trade creditors	29	21
Amounts owed to group undertakings	7	249
Advance billings	2,214	2,619
Corporation tax	-	138
Other taxes and social security	22	29
Value added tax	130	205
Accruals	14	13
Proposed dividends	364	-
Other creditors	13	10
	<u>2,793</u>	<u>3,284</u>

**11 Financial Commitments**

**Operating Leases**

At 31 December 2001 the company had annual commitments under operating leases as set out below:

	2001		2000
	£ Land and Buildings	£ Other	£ Land and Buildings Other
Operating leases which expire: in the second to fifth year	<u>-</u>	<u>5,195</u>	<u>-</u> <u>-</u>

**12 Reconciliation of movements in shareholders' funds**

	Profit & Loss Account £000	Share Capital £000	Share Premium £000	Total £000
At 1 January 2000	392	81	17	490
Retained profit for the year	<u>375</u>	<u>-</u>	<u>-</u>	<u>375</u>
At 31 December 2000	<u>767</u>	<u>81</u>	<u>17</u>	<u>865</u>
Retained profit for the year	191	-	-	191
Dividends	<u>(737)</u>	<u>-</u>	<u>-</u>	<u>(737)</u>
At 31 December 2001	<u>222</u>	<u>81</u>	<u>17</u>	<u>320</u>

**Drum PHD Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2001 (continued)**

**13 Share capital**

The share capital comprises:

	2001 £000	2000 £000
Authorised:		
561,555 Ordinary 'A' Shares of 10p each	56	56
438,445 Ordinary 'B' Shares of 10p each	44	44
	<u>100</u>	<u>100</u>
Called up and fully paid:		
428,475 (2000: 428,475) Ordinary 'A' Shares of 10p each	43	43
378,445 (2000: 378,445) Ordinary 'B' Shares of 10p each	38	38
	<u>81</u>	<u>81</u>

**14 Pension arrangements**

The company operates a defined-contribution funded pension scheme. The pension charge represents contributions payable by the company to the scheme and amounted to £28,103 in the year ended 31 December 2001 (2000: £23,963). There were no outstanding contributions at the year end.

**15 Exceptional item**

Prior to PHD Media Limited acquiring the entire share capital of Drum PHD Limited it was jointly owned by Abbott Mead Vickers and PHD Media Limited. During this earlier period, an incentive scheme was set up to benefit two of the directors, S. George and L. Mundy. The liability for the incentive payment was therefore transferred to Drum PHD Limited at the date of change of ownership, and has been disclosed as an exceptional item in the accounts.

**16 Related Party Transactions**

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 not to disclose transactions with other members of the group headed by Omnicom Group Inc., which have been eliminated on consolidation.

The balances at the year end owed to /(from) Drum PHD and related companies are shown below:

	2001 £	2000 £
PHD Media Limited	1,299	-
Abbott Mead Vickers Group Limited	<u>(6,685)</u>	<u>(248,526)</u>

Drum PHD Limited is and among others party to the AMV Group Limited facilities letter dated 14 April 1999, which incorporates a legal right of set off as well as joint and several liability.

**17 Ultimate controlling party**

The ultimate parent undertaking is Omnicom Group Inc. Consolidated financial statements are available to the public and may be obtained from Omnicom Group Inc., 437 Madison Avenue, New York 10022.