

OMNICOM ENGINEERING LIMITED

FINANCIAL STATEMENTS

31 AUGUST 2004

Registered number : 3153641

ANTRAMS

REGISTERED AUDITORS

BRIGHTON



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OMNICOM ENGINEERING LIMITED

FINANCIAL STATEMENTS

for the year ended 31 August 2004

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The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix	i
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OMNICOM ENGINEERING LIMITED**COMPANY INFORMATION****31 August 2004**

Incorporated in England on 31 January 1996

Number 3153641

DIRECTORS:

P.I. Harkness
S.A. Kimkeran
M. Nickolay
M. Mitcheson
B. Richards (appointed 1st September 2003)

SECRETARY:

P.I. Harkness

REGISTERED OFFICE:

292 Tadcaster Road
York
North Yorkshire
YO24 1ET

BANKERS:

Barclays Bank Plc
Parliament Street
York YO1 1XD

AUDITORS:

Antrams
44-46 Old Steine
BRIGHTON
East Sussex BN1 1NH



OMNICOM ENGINEERING LIMITED

DIRECTORS' REPORT

31 August 2004

The directors present their report together with the audited financial statements for the year ended 31 August 2004.

Principal activity

The principal activity of the company is that of the development, installation and maintenance of computer equipment, software and services for the management of assets and infrastructure.

The results for the year are shown in the profit and loss account on page 5. The retained profit for the year is £234,415 (2003: £133,145).

The directors do not propose payment of a final dividend.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	31 August 2004 Ordinary shares	1 September 2003 Ordinary shares
P.I. Harkness	500	500
S.A. Kimkeran	400	500
M. Nickolay	-	-
M. Mitcheson	-	-
B Richards	-	-

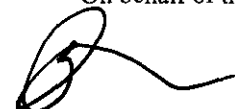
Mr Richards has an option to purchase up to ~~60~~ 60 shares currently held by the Employee Benefit Trust.

Auditors

Antrams have expressed their willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

292 Tadcaster Road
York
YO24 1ET

On behalf of the board



P Harkness
Secretary

Date :

8th Nov 2004



OMNICOM ENGINEERING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under 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 we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- 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.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.



OMNICOM ENGINEERING LIMITED**REPORT OF THE INDEPENDENT AUDITORS**

We have audited the financial statements on pages 5 to 15 which 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 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' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and 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 the 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 misstatements within it.

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 error or other irregularity. 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 31st August 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ANTRAMS
Registered Auditors

44-46 Old Steine
BRIGHTON
East Sussex BN1 1NH

Date: 8th March 2005



OMNICOM ENGINEERING LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 August 2004

	Notes	2004 £	2003 £
Turnover		3,607,561	3,857,351
Cost of sales		(1,594,673)	(1,856,196)
Gross profit		<u>2,012,888</u>	<u>2,001,155</u>
Administrative expenses		(1,736,076)	(1,747,548)
Operating profit	2	<u>276,812</u>	<u>253,607</u>
Interest receivable and similar income	4	30,921	18,105
Interest payable and similar charges		(66,369)	(21,585)
Profit on ordinary activities before taxation		<u>241,364</u>	<u>250,127</u>
Taxation	5	(6,949)	(116,982)
Profit on ordinary activities After taxation		<u>234,415</u>	<u>133,145</u>
Dividends		-	-
Retained profit for the year		<u>234,415</u>	<u>133,145</u>

None of the company's activities were acquired or discontinued during the above year.

There are no recognised gains and losses in 2004 or 2003 other than the profit for the year.

A statement of reserves and reconciliation of movement in shareholders' funds is given in note 13.




OMNICOM ENGINEERING LIMITED

BALANCE SHEET

as at 31 August 2004

		2004	2003
		£	£
	Note		
Fixed assets			
Tangible assets	6	742,403	711,385
Investments	7	-	-
		<u>742,403</u>	<u>711,385</u>
Current assets			
Debtors	8	1,041,561	1,203,277
Cash at bank and in hand		894,030	1,128,596
		<u>1,935,591</u>	<u>2,331,873</u>
Creditors: amounts falling due within one year	9	<u>(1,889,179)</u>	<u>(2,064,009)</u>
Net current assets		46,412	267,864
Total assets less current liabilities		<u>788,815</u>	<u>979,249</u>
Creditors: amounts falling due after more than one year	10	<u>(287,820)</u>	<u>(310,869)</u>
Net assets		<u>500,995</u>	<u>668,680</u>
Capital and reserves			
Called up share capital	12	1,000	1,000
Own shares held by EBT for re-issue	18	(401,800)	-
Profit and loss account		901,795	667,380
	13	<u>500,995</u>	<u>668,380</u>

The financial statements on pages 5 to 15 were approved by the board of directors on 31/8/04 and were signed on its behalf by:


S. Kimkeran
 Director



OMNICOM ENGINEERING LIMITED

CASH FLOW STATEMENT

for the year ended 31st August 2004

	2004		2003	
	£	£	£	£
Net cash inflow from operating activities		657,743		346,334
Returns on investments and servicing of finance				
Bank interest received	30,921		18,105	
Loan interest	(66,369)		(21,585)	
Net cash outflow from returns on investments and servicing of finance		(35,448)		(3,480)
Taxation				
Corporation tax paid	(111,072)		(46,514)	
Tax paid		(111,072)		(46,514)
Investing activities				
Payments to acquire:				
Tangible fixed assets	(320,940)		(242,798)	
Own shares by EBT	(401,800)		-	
Receipts from sales of:				
Tangible fixed assets	-		1,041	
Investments	-		33,369	
Net cash (outflow) from investing activities		(722,740)		(208,388)
Net cash (outflow)/inflow before financing		(211,517)		87,952
Financing		(23,049)		(21,410)
(Decrease)/increase in cash and cash equivalents		(234,566)		66,542

See Note 14 for the notes to this statement.



OMNICOM ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

as at 31 August 2004

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it is entitled to the exemption available in sections 246 to 247 of the Companies Act 1985 for small companies.

The company has taken advantage of the exemption as a medium sized group from preparing group accounts available in section 248 of the Companies Act 1985 as its' subsidiary Omnicom Engineering Inc is immaterial.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

Depreciation of fixed assets is provided at rates calculated to write off the cost or valuation less any residual value of each asset over its expected useful life, as follows:

Computer equipment	50% per annum on a straight line basis
Office equipment	25% per annum on written down value
Freehold property	2% per annum on a straight line basis
Motor vehicles	25% per annum on a straight line basis

Deferred taxation

The company has adopted FRS 19: Deferred Tax, which is effective for periods ended after January 2002. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences, which have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Under previous practice no provision was required where deferred liabilities were not expected to crystallise.

Stock and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity. Net realisable value is based on estimated selling price less the estimated cost of disposal. Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Turnover

Turnover represents amounts derived from ordinary activities for goods and services provided in the UK net of VAT and trade discounts.

Pensions

Pension costs of the defined contribution scheme are charged to the profit and loss account and represent the amount of contributions payable to the scheme in respect of the accounting period. The assets of the scheme are held separately from those of the company.

Research and development

Research and development costs are charged to the profit and loss account as incurred.



OMNICOM ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
as at 31 August 2004**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred

2. Operating profit

	2004 £	2003 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	289,922	363,590
Loss on disposal of fixed assets	-	1,992
Amounts written (back)/off the value of fixed asset investments	(-)	(4,531)
Directors' remuneration	722,174	966,584
Directors' pension contributions	259,000	29,500
Auditors' remuneration:		
Audit fee	7,000	6,000
Other services	6,670	5,750
Hire of plant and machinery	5,750	5,750
Research and development costs	408,332	189,794

The highest paid director was paid £248,160 (2003: £434,701) and the amount paid into his money purchase pension scheme and FURB was £12,000 and £117,500 respectively.

Retirement benefits are accruing to four directors under money purchase schemes.

3. Staff costs

The average number of employees during the year was:

	2004 £	2003 £
Management	11	11
Administration	4	4
Research and development	16	16
Data processing	18	25
	49	56

Total staff costs are analysed as follows:

	2004 £	2003 £
Wages and salaries	1,706,737	2,170,475
Social security costs	199,482	212,960
Pension costs	278,625	42,851
	2,184,844	2,426,286

The company operates a defined contribution pension scheme. The charge for the year was £43,625 (2003: £42,851).



OMNICOM ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
as at 31 August 2004

4. Interest receivable and similar income

	2004 £	2003 £
Bank interest	25,349	17,586
Other income	5,572	519
	<u>30,921</u>	<u>18,105</u>

5. Taxation

	2004 £	2003 £
UK corporation tax at 19% (2003:19 %)	12,859	48,982
(Over)/underprovision in previous year	(5,910)	68,000
	<u>6,949</u>	<u>116,982</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	241,364	250,127
Profit on ordinary activities at the standard rate of Corporation Tax in the UK of 19% (2003:19%)	45,859	47,524
Effect on (income)/expenditure not deductible for tax purposes	3,936	3,073
Difference between capital allowances and depreciation for year	1,855	16,415
Research and development allowance	(38,791)	(18,030)
Current tax charge for the year	<u>12,859</u>	<u>48,982</u>



OMNICOM ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
as at 31 August 2004

6. Tangible fixed assets

	Freehold Property £	Motor Vehicles £	Office equipment £	Computer equipment £	Total £
Cost					
At 1 September 2003	586,844	7,500	72,383	1,396,774	2,063,501
Additions	-	-	24,001	296,939	320,940
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 August 2004	586,844	7,500	96,384	1,693,713	2,384,441
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 September 2003	35,049	1,875	29,549	1,285,643	1,352,116
Charge for the year	11,737	1,875	16,709	259,601	289,922
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 August 2004	46,786	3,750	46,258	1,545,244	1,642,038
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
As at 31 August 2004	540,058	3,750	50,126	148,469	742,403
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 1 September 2003	551,795	5,625	42,834	111,131	711,385
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

7. Investments

The company held the following investments:

	2004 £	2003 £
100 Ordinary 1 cent shares in Omnicom Engineering Inc	-	-
	<hr/>	<hr/>

The company owns 100% of the issued share capital of Omnicom Engineering Inc, a company incorporated on 13th May 2002 in the State of Delaware in the USA. The company is dormant and has no distributable reserves. The accounts of Omnicom Engineering Inc have not been consolidated into these accounts as the group is entitled to claim exemption from preparing group accounts under S248 of the Companies Act 1985 as a small group.



OMNICOM ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 August 2004

8. Debtors

	2004 £	2003 £
Trade debtors	987,285	1,170,810
Other debtors	3,183	1,200
Prepayments	51,093	31,267
	<u>1,041,561</u>	<u>1,203,277</u>

9. Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loan	42,995	42,995
Payments in advance	549,308	713,169
Trade creditors	169,530	104,971
Other creditors including taxation and social security	366,329	607,262
Corporation tax	12,859	116,982
Other creditors	693,122	455,269
Accruals	55,036	23,361
	<u>1,889,179</u>	<u>2,064,009</u>

10. Creditors: amounts falling due after more than one year

	2004 £	2003 £
Bank loan	287,820	310,869
	<u>287,820</u>	<u>310,869</u>

The bank loan is secured by a fixed charge on 292 Tadcaster Road, the company's freehold property and on life policies taken out by the company for two of its directors, Mr P Harkness and Mr S Kimkeran. This loan is due to mature on 29 September 2020, with installments totalling £42,995 per annum payable until that date. The interest rate on this loan is 2.25% above the prevailing Bank of England base rate. Installments totalling £472,945 remain payable after more than five years.



OMNICOM ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
as at 31 August 2004

11. Deferred Taxation

No provision has been made in the accounts for the deferred tax asset. The amount unprovided at the end of the year was as follows:

	2004 £	2003 £
Accelerated capital allowances	41,421	39,567

This deferred tax asset will be recoverable against future suitable profits when the company's current timing difference between the depreciation charge in the accounts and capital allowances claimed is reversed.

12. Share capital

	2004 £	2003 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000

13. Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year	234,415	135,145
Own shares purchased by EBT for re-issue (see note 18)	(401,800)	-
Opening shareholders' funds	668,380	535,235
Closing shareholders' funds	500,995	668,380



OMNICOM ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
as at 31 August 200414. Reconciliation of operating profit to
net cash inflow from operating activities

	2004 £	2003 £
Operating profit	276,812	253,607
Depreciation charges	289,922	363,590
Loss on sale of fixed assets	-	1,992
Profit on sale of investments	-	(4,532)
Decrease in work in progress	-	37,759
(Increase) in debtors	161,716	(397,438)
(Decrease)/increase in creditors	(70,707)	91,356
Net cash inflow from operating activities	<u>657,743</u>	<u>346,334</u>

Analysis of changes in cash and cash
equivalents as shown in the balance sheet

Balance at 1st September	1,128,596	1,062,054
Net cash (outflow)/inflow	(234,566)	66,542
Balance at 31st August	<u>894,030</u>	<u>1,128,596</u>

Analysis of the balances of cash and cash
equivalents as shown in the balance sheet

	2004 £	2003 £	Change in year £
Cash at bank and in hand	<u>894,030</u>	<u>1,128,596</u>	<u>234,566</u>

Analysis of changes in financing during the year

	Finance Leasing £
Balance at 1st September 2003	353,865
Capital elements of loan repayments	(23,049)
Balance at 31st August 2004	<u>330,816</u>



OMNICOM ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
as at 31 August 2004**15. Commitments****Capital Commitments**

As at 31 August 2004 the company had capital commitments of £18,700 (2003:£13,602) for computer and other technological equipment.

Commitments under operating leases

At 31 August 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	2004		2003	
	Land & Buildings	Other	Land & Buildings	Other
	£	£	£	£
Operating leases which expire:				
Within 1 year	-	-	-	-
Within 1 to 2 years	-	5,750	-	-
Within 2 to 5 years	-	-	-	5,750
After more than 5 years	-	-	-	-
	<u>-</u>	<u>5,750</u>	<u>-</u>	<u>5,750</u>

16. Related party transactions

On 8th August 2002 the company set up an Employee Benefit Trust. The two trustees are Mr P Harkness and Mr S Kimkeran, two of the company's directors and its only shareholders. Mr Harkness and Mr Kimkeran have absolute discretion over the funds held within the trust. As a result, the funds held within the trust at 31 August 2004 have been included within the balance sheet of the company.

At 31 August 2004, Cash at bank and in hand included £13,401 held by the Trust's bank accounts.

17. Ultimate Controlling Party

The Company's ultimate controlling party is Mr Paul Harkness.

18. Employee Benefit Trust

As explained in note 16 above, on 8th August 2002 the Company established an Employee Benefit Trust. On 10th March 2004, it purchased one hundred ordinary shares of the Company for £401,800. In accordance with UITF abstract 38, £401,800 has been deducted from shareholders funds. At 31st August 2004, Mr B Richards, one of the Company's directors had an option to purchase some or all of the shares held by the Employee Benefit Trust.



OMNICOM ENGINEERING LIMITED

Detailed trading profit and loss account
for the year ended 31 August 2004

	2004		2003	
	£	£	£	£
Turnover		3,607,561		3,857,351
Cost of sales				
Opening work in progress	-		37,759	
Materials and computer consumables	194,637		188,338	
Consultancy	111,128		71,367	
Carriage	7,074		6,733	
Travel & Accommodation	97,789		135,148	
Staff costs	1,184,045		1,416,851	
Closing work in progress	-		-	
		(1,594,673)		(1,856,196)
Gross profit		2,012,888		2,001,155
Interest receivable		25,349		17,586
Insurance claims		5,572		519
Less overheads:				
Staff training and recruitment	18,881		11,191	
Directors' remuneration	722,174		966,584	
Directors' pension contributions/costs	259,000		29,499	
Staff pension contributions	19,625		13,352	
Redundancy costs	15,492		-	
Medical fees	1,090		716	
Relocation expenses	8,760		11,431	
Premises costs	41,643		30,058	
Repairs and maintenance	14,508		33,416	
Printing, postage & stationery	17,944		16,507	
Directors' life assurance	1,775		1,775	
Insurance	62,303		59,576	
Telephone	23,124		28,948	
Audit & accountancy	22,284		18,617	
Legal and professional	8,759		13,608	
Entertaining	1,556		1,786	
Conferences, promotion & exhibitions	137,033		115,003	
Motor lease costs	5,750		-	
Subscriptions	35,519		18,754	
Sundry	27,372		13,657	
Bank charges	1,966		2,389	
Mortgage interest	19,947		21,585	
Other interest	46,422		-	
Depreciation	289,922		363,590	
Investment write down	(-)		(4,531)	
Loss on sale of fixed assets	-		1,992	
Bad debts	(404)		(370)	
		(1,802,445)		(1,769,133)
Net profit for the financial year		241,364		250,127

