TBWA \ London Limited

Directors' report and financial statements

Registered number: 1367372

31 December 2002

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Directors' report

The directors present their annual report, together with the financial statements and auditor's report for the year ended 31 December 2002.

Principal activities and Business Review

The principal activity during the year was the provision of advertising and media services to clients.

The directors are satisfied with the company's results for the year and its future prospects.

Post balance sheet events

Subsequent to the year end, on the 4th of February 2003 the company acquired 3,756 of ordinary shares in Copithorne & Bellows Limited for nil consideration.

Results and Dividends

The company made a profit after taxation for the financial year of £2,134,693 (2001 as restated see Note 17: loss of £9,950,936)

The directors recommend payment of a dividend of £2,134,693 (2001: £nil).

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the year were as follows:

P. Bainsfair

N. Baum

T. Beattie

V. Cooper (resigned 28th February 2002)

D. Firth

G. Lace (resigned 31st October 2002)

Subsequent to the yearend PF Richardson-Smith was appointed as a director on 22nd March 2004.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Charitable Contributions

During the year the company made charitable donations of £70,493 (*2001: £67,072*), principally to local charities serving in the communities in which the company operates.

Auditors

During the year Arthur Andersen resigned as auditors and the directors appointed KPMG Audit Plc as auditors. 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.

By order of the board

S-A Bray
Secretary

76 – 80 Whitfield Street
London
W1T 4EZ
29 March 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; 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.

KPMG

KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of TBWA\London Limited

We have audited the financial statements on pages 5 to 20.

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 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 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
London

29 March 2004

Profit and loss account

for the year ended 31 December 2002

	Note	**2002**	2001 As restated
		£'000	£'000
Turnover	*2*	**54,626**	56,413
Cost of sales		**(29,576)**	(31,688)
Gross profit		**25,050**	24,725
Administrative expenses *(including impairment of goodwill £nil (2001: £12,606,000)*		**(21,283)**	(36,232)
Operating profit		**3,767**	(11,507)
Profit on sale of fixed assets - continuing operations		**-**	5,164
Other interest receivable and similar income	*6*	**299**	331
Interest payable and similar charges	*7*	**(147)**	(205)
Profit/(loss) on ordinary activities before taxation	*3*	**3,919**	(6,217)
Tax on profit/(loss) on ordinary activities	*8*	**(1,784)**	(3,734)
Profit/(loss) on ordinary activities after taxation		**2,135**	(9,951)
Profit/(loss) for the financial year		**2,135**	(9,951)
Dividends on equity shares	*9*	**(2,135)**	-
Retained result for the year		**-**	(9,951)

Statement of total recognised gains and losses

for the year ended 31 December 2002

	2002 £'000	2001 As restated £'000
Profit/(loss) for the financial year	**2,135**	(9,951)
Total recognised gains and losses relating to the year	**2,135**	(9,951)
Prior year adjustment (as explained in note 17)	**(14,386)**	
Total gains and losses recognised since last financial statements	**(12,251)**	

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2002

	2002 £'000	2001 As restated £'000
Profit/(loss) for the financial year	**2,135**	(9,951)
Dividends payable	**(2,135)**	-
Net addition to/(reduction in) shareholders' funds	-	(9,951)
Opening shareholders' funds (originally £22,280,000 restated for prior year adjustment of (£14,386,000) and £20,500,000)	**28,394**	38,345
Closing shareholders' funds	**28,394**	28,394

Balance sheet
at 31 December 2002

	Note	2002		2001	
				As restated	As restated
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	*10*		**14,000**		14,893
Tangible assets	*11*		**1,556**		1,770
			15,556		16,663
Current assets					
Work in progress	*12*	**1,676**		1,128	
Debtors	*13*	**33,116**		34,462	
Cash at bank and in hand		**14,696**		7,539	
		49,488		43,129	
Creditors: amounts falling due within one year	*14*	**(32,937)**		(26,885)	
Net current assets			**16,551**		16,244
Total assets less current liabilities			**32,107**		32,907
Provisions for liabilities and charges	*15*		**(3,713)**		(4,513)
Net assets			**28,394**		28,394
Capital and reserves					
Called up share capital	*18*		**125**		125
Share premium account	*19*		**14,975**		14,975
Capital redemption reserve	*19*		**68**		68
Profit and loss account	*19*		**13,226**		13,226
Equity shareholders' funds			**28,394**		28,394

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

P Bainsfair
Director

Notes

(forming part of the financial statements)

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 except as noted below.

Basis of preparation

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

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Omnicom Group Inc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Omnicom Group Inc, within which this company is included, can be obtained from 437 Madison Avenue, New York NY 10022, U.S.A.

New accounting standards

The following Financial Reporting Standard ('FRS') which came into effect this year, has been adopted in these financial statements.

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 crystallise. The effect of this change, which has not been discounted, is set out in note 17.

Notes *(continued)*

1 Accounting policies *(continued)*

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to £nil by equal annual instalments over its estimated useful life of 20 years.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short Leasehold	-	over the life of lease on a straight-line basis
Computer	-	25% per annum straight-line basis
Furniture and equipment	-	20% per annum straight-line basis
Motor Vehicles	-	25% per annum straight-line basis

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.

Leases

All leases are operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Work in progress

Work in progress consists of amounts spent by the company on behalf of its clients which have not been recharged to clients by the end of the year.

Notes *(continued)*

Accounting policies *(continued)*

Taxation

Taxation is provided for the estimated liability for the period at the current rate.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. FRS 19 has been applied for the first time this year as described in the Prior Period Adjustment note 17.

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business. Turnover is recognised when the service has been performed and in accordance with the contractual arrangements. For long term projects turnover is recognised when the service has been performed, in accordance with the contractual arrangements and the stage of completion of the work.

2 Segment Information

The company's turnover and operating profit resulted from the provision of advertising services in the following areas:

	2002	2001
	£'000	£'000
United Kingdom	**44,582**	45,091
Rest of Europe	**9,993**	10,583
USA	**51**	739
	54,626	56,413

3 Profit on ordinary activities before taxation

	2002	2001
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit – KPMG Audit Plc	**50**	-
Amounts paid to previous auditor	-	50
Profit on disposal of assets	**22**	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	**338**	355
Amortisation of goodwill	**893**	1,650
Hire of equipment - rentals payable under operating leases	**379**	357
Hire of property - rentals payable under operating leases	**859**	767

Notes *(continued)*

4 Remuneration of directors

Director's remuneration was paid in respect of directors of the company as follows:

	2002	2001
	£'000	£'000
Directors' emoluments	**1,095**	1,215
Company contributions to money purchase pension schemes	**28**	58
Compensation for loss of office	**139**	250
	1,262	1,523

	Number of directors	
	2002	2001
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**3**	3

The above amounts for remuneration include the following in respect of the highest paid director:

	2002	2001
	£'000	£'000
Emoluments	**557**	350
Company contributions to money purchase pension	-	-
	557	350

The directors participate in the restricted stock schemes operated by the ultimate parent company. Shares were received or receivable under the restricted stock scheme by 2 directors (2001: 2).

Under this scheme, certain directors have been awarded shares in the ultimate parent company, Omnicom Group Inc. The shares vest equally over 5 years, starting 12 months after the date of the award, subject to the satisfaction of certain performance conditions.

Notes *(continued)*

5 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	
	2002	2001
Client Services	**101**	102
Creative	**44**	42
Production	**41**	40
Administration	**36**	52
	222	236

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£'000	£'000
Wages and salaries	**11,003**	11,315
Social security costs	**1,208**	1,196
Other pension costs	**162**	137
Severance Payments	**413**	129
	12,786	12,777

6 Other interest receivable and similar income

	2002	2001
	£'000	£'000
Interest receivable on bank deposits	**299**	331
	299	331

Notes *(continued)*

7 Interest payable and similar charges

	2002 **£'000**	2001 As restated £'000
Unwinding of discount on provisions	**146**	162
Other interest payable	**1**	43
	147	205

8 Taxation

Analysis of charge in period

	2002 **£'000**	**2002** **£'000**	2001 £'000	2001 As restated £'000
UK corporation tax				
Current tax on income for the year	**720**		2,223	
Adjustments in respect of prior years	**444**		-	
Total current tax		**1,164**		2,223
Deferred tax (see note 16) – origination and reversal of timing differences	**620**		331	
Adjustment in respect of previous years	**-**		1,180	
		620		1,511
Tax on profit on ordinary activities		**1,784**		3,734

Notes *(continued)*

8 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2001: higher)* than the standard rate of corporation tax in the UK *(2002: 30 %, 2001: 30 %)*. The differences are explained below:

	2002	2001 As restated
	£'000	£'000
Current tax reconciliation		
Profit on ordinary activities before tax	**3,919**	(6,217)
Current tax at 30 % *(2001: 30 %)*	**1,176**	(1,865)
Effects of:		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	**(407)**	4,230
Capital allowances for period in excess of depreciation	**(49)**	(142)
Adjustments in respect of the prior year	**444**	-
Total current tax charge (see above)	**1,164**	2,223

9 Dividends and other appropriations

	2002	2001 As restated
	£'000	£'000
Equity shares:		
Final dividend proposed (2001: paid)	**(2,135)**	(20,500)
Dividend recoverable (see note 17)	**-**	20,500
	(2,135)	-

Notes *(continued)*

10 Intangible fixed assets - Goodwill

	Goodwill As restated £'000
Cost	
At beginning and end of year	33,000
Amortisation	
At beginning of year (see note 17)	18,107
Charged in year	893
At end of year	19,000
Net book value	
At 31 December 2002	**14,000**
At 31 December 2001 as restated	14,893

In 1998 the company acquired the trade, assets and liabilities of BDDP GGT Limited. The goodwill arising on the acquisition is amortised over 20 years from the date of purchase.

Notes *(continued)*

11 Tangible fixed assets

	Short Leasehold Improvements £'000	Motor Vehicles £'000	Fixtures, fittings, tools and equipment £'000	Computer equipment £'000	Total £'000
Cost					
At beginning of year	4,265	137	1,729	1,398	7,529
Additions	80	-	73	6	159
Disposals	(453)	(78)	-	-	(531)
At end of year	3,892	59	1,802	1,404	7,157
Depreciation					
At beginning of year	2,824	127	1,517	1,291	5,759
Charge for year	165	7	90	76	338
On disposals	(421)	(75)	-	-	(496)
At end of year	2,568	59	1,607	1,367	5,601
Net book value					
At 31 December 2002	**1,324**	**-**	**195**	**37**	**1,556**
At 31 December 2001	1,441	10	212	107	1,770

12 Work in progress

	2002 £'000	2001 £'000
Work in progress	**1,676**	1,128

13 Debtors

	2002 £'000	2001 As restated £'000
Trade debtors	**6,446**	5,071
Amounts owed by group undertakings	**23,808**	25,380
Other debtors	**105**	135
Net deferred tax assets	**1,301**	1,922
Prepayments and accrued income	**1,456**	1,954
	33,116	34,462

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Bank loans and overdrafts	**81**	71
Payments received on account	**1,938**	1,027
Trade creditors	**4,789**	4,116
Amounts owed to group undertakings	**11,866**	7,540
Taxation and social security	**2,821**	3,794
Other creditors	**545**	479
Proposed Dividend	**2,135**	-
Accruals and deferred income	**8,762**	9,858
	32,937	26,885

15 Provisions for liabilities and charges

	Property Provision As restated £'000	**Lessor Contribution** £'000	**Total** As restated £'000
At beginning of year	3,904	610	4,513
Utilised during year	(590)	(58)	(647)
Credit to the profit and loss account in year	(299)	-	(299)
Unwinding of discounted amount	146	-	146
At end of year	3,161	552	3,713

The property provision relates to amounts provided in respect of future shortfalls of rental income against rental expense on leasehold properties.

The lessor contribution relates to a cash contribution from the agency's landlord towards leasehold improvement costs on moving into the present premises.

Notes *(continued)*

16 Deferred Taxation

	2002	2001
		As restated
	£'000	£'000
Opening balance	1,921	3,432
Debit to the profit and loss account in year	(620)	(1,511)
Closing balance	1,301	1,921

The elements of deferred taxation are as follows:

	2002	2001
		As restated
	£'000	£'000
Difference between accumulated depreciation and amortisation and capital allowances	(104)	(152)
Other timing differences	1405	2,073
Deferred tax asset	1,301	1,921

17 Prior Period Adjustment

Deferred Tax

The company has adopted FRS19 in the period. Under the Standard, deferred tax is provided for on the full provision basis, whereas previously it had been provided for using the partial provision method. The application of this change in accounting policy has been treated as a prior period adjustment to the year ended 31 December 2001. As a result, for the year ended 31 December 2001, the taxation charge on profit on ordinary activities is £540,000 higher and profit for the year is £540,000 lower than previously reported. At 31 December 2001 deferred tax assets have been increased by £1,609,000.

Had the company continued with partial provision method of accounting for deferred tax, the taxation charge in respect of deferred tax would have been £127,000 and the asset carried forward for deferred taxation would have been £149,000 for the year ended 31 December 2002. This would have resulted in the profit for the financial year being £493,000 higher than reported and net assets being £1,152,000 lower as at 31 December 2002.

Restatement

In 1998 the company acquired certain of the trade and net assets of BDDP.GGT Limited as part of a group reorganisation. The company also took responsibility to meet the costs of lease space made vacant by the reorganisation. Although a provision was quantified it was not recognised at the time the reorganisation took place. The financial statements have been restated to reflect an appropriate provision as at the start of the previous year, ie as if the provision had been recognised at the time of the reorganisation. The effect of the restatement is to reduce reported net assets as at 31 December 2001 by £3,388,000 and to reduce profit for the year to 31 December 2001 by £162,000.

On 13 December 2001 TBWA\London Limited was acquired at fair value by TBWA UK Group Limited as part of a group reorganisation. The value placed on TBWA\London Limited indicated that the value of goodwill in its

Notes *(continued)*

17 Prior period adjustment *(continued)*

balance sheet was less than its carrying value. Although an impairment review was not done at the time and no impairment was recognised, the impairment has been confirmed by a subsequent review. Accordingly, the financial statements have been restated to reflect the impairment which existed at the end of the previous year. The effect of the restatement is to recognise an impairment charge of £12,606,000 in the previous year. The remaining good will continues to be amortised over the original estimated useful life, resulting in a reduction in the 2002 amortisation charge of £756,000 compared with the charge which would have arisen if no impairment had arisen.

In 2001 the company declared and paid a dividend of £20.5 million. If the property provision and goodwill adjustment noted above had been considered at the time the dividend was paid, there would not have been sufficient distributable reserves from which to make the payment. Consequently the dividend was not lawful. The recipient of the dividend has acknowledged that it is repayable, and accordingly, the company has restated the 2001 comparative financial statements to reverse the dividend and to recognise a receivable for the recoverable amount.

18 Called up share capital

	2002 **£'000**	2001 £'000
Authorised		
Equity: 150,000 Ordinary shares of £1 each	**150**	150
Allotted, called up and fully paid		
Equity: 125,000 Ordinary shares of £1 each	**125**	125

19 Share premium and reserves

	Share premium account £'000	**Capital redemption reserve** £'000	**Profit and loss account** £'000
At beginning of year as previously stated	14,975	68	7,112
Prior year adjustments	-	-	6,114
At beginning of year as restated	14,975	68	13,226
Retained profit for the year	-	-	-
At end of year	14,975	68	13,226

Notes *(continued)*

20 Commitments and contingencies

Annual commitments under non-cancellable operating leases are as follows:

	2002		2001	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Operating leases which expire:				
Within one year	**-**	**66**	-	33
In the second to fifth years inclusive	**-**	**263**	-	295
Over five years	**1,031**	**-**	1,425	-
	1,031	**329**	1,425	328

The company together with certain other group companies, has entered into a cash pooling arrangement with HSBC Bank plc. HSBC Bank plc has the right to apply positive cash balances of the company against indebtedness or liabilities of any of the other companies named in the agreement. This facility is guaranteed by Omnicom Group Inc.

21 Pension scheme

The company makes pension contributions to the IPA Portable Pension Plan, a defined contribution pension scheme, and other private pension schemes for certain employees. The assets of the company are held separately from those of the company in independently administered funds.

The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £ 161,713 *(2001: £137,300)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

22 Ultimate parent company and parent undertaking of larger group of which the company is a member

The largest and smallest group in which the results of the company are consolidated is that headed by Omnicom Group Inc. and TBWA UK Group Limited respectively. The consolidated accounts of these groups are available to the public and may be obtained from Omnicom Group Inc, 437 Madison Avenue, New York, NY 10022, USA, or Companies House, respectively.

23 Post balance sheet events

Subsequent to the year end, on the 4th of February 2003 the company acquired 3,756 of ordinary shares in Copithorne & Bellows Limited for nil consideration.