

Cedar Communications Limited

Directors' report and financial statements

Registered number 2709621

31 December 2002



Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Omnicom Group Inc Subsidiary	4
Profit and loss account	5
Balance sheet	6
Reconciliation of shareholders' funds	7
Notes	8

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The company's principal activities are customer magazine publishing, advertising sales and the provision of interactive marketing services.

Business review

The directors consider the company's state of affairs and future prospects to be satisfactory.

Turnover for the year was £11,754,349 (2001 £13,076,210) from which a profit before tax arose of £373,361 (2001: loss of £499,629).

Post balance sheet events

There were no events arising subsequent to year end, in the opinion of the directors, that would have a material impact on the financial statements for the year ended 31st December 2002.

Proposed dividend

The directors do not recommend the payment of a dividend (2001 - £nil).

Directors and directors' interests

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

G Rastelli

MRG Baulk

CE Broadbent

BW Curran (resigned 10 June 2002)

SE Easton (resigned 30 April 2002)

KI Grainger

JE Penney

MN Potter

AW Wreford

Subsequent to the year end Mr MN Potter resigned as a Director of the company with effect 1st July 2003.

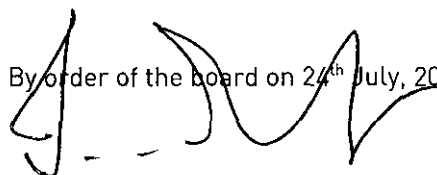
None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Directors' Report *(continued)*

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 on 24th July, 2003.

A handwritten signature in black ink, appearing to be 'IM Port', written over the text 'By order of the board on 24th July, 2003.'

IM Port
Secretary

239 Old Marylebone Road
London NW1 5QT
2003

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 Audit Plc

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent Auditor's report to the Members of Cedar Communications 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 auditor's

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 auditor's, 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 31st December 2002 and of its profit of the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

24th July 2003

Profit and Loss Account
for the year ended 31 December 2002

	Note	2002 £	2001 £
Turnover	1,2	11,754,349	13,076,210
Cost of Sales		<u>(5,902,425)</u>	<u>(7,490,641)</u>
Gross Profit		5,851,924	5,585,569
Administrative expenses		<u>(5,407,455)</u>	<u>(6,085,351)</u>
Operating profit / (loss)		444,469	(499,782)
Loss on sale of fixed assets – continuing operations		(64,717)	(2,053)
Other interest receivable and similar income	6	2,989	200,188
Interest payable and similar charges	7	<u>(9,380)</u>	<u>(197,982)</u>
Profit / (loss) on ordinary activities before taxation	3-7	373,361	(499,629)
Tax on profit / (loss) on ordinary activities	8	<u>(99,204)</u>	<u>106,469</u>
Profit / (loss) on ordinary activities after taxation		<u>274,157</u>	<u>(393,160)</u>
Retained profit / (loss) for the year		<u><u>274,157</u></u>	<u><u>(393,160)</u></u>

There is no difference between the reported result in the profit and loss account and that on a historical basis.

There are no recognised gains or losses for the current or prior financial period other than that stated in the profit and loss account.

All turnover and operating profit for the current and prior financial period were derived from continuing activities.

The notes on pages 8 to 20 form part of these financial statements

Balance Sheet
at 31 December 2002

	<i>Note</i>	2002 £	2001 £
Fixed assets			
Tangible assets	10	595,369	341,775
Current assets			
Work in progress and inventory	11	161,457	210,216
Debtors	12	5,000,507	6,520,579
Cash at bank and in hand		511,434	211,486
		5,673,398	6,942,281
Creditors: amounts falling due within one year	13	[5,362,989]	[6,652,435]
Net current assets		310,409	289,846
Total assets less current liabilities		905,778	631,621
Net assets		905,778	631,621
Capital and reserves			
Called up share capital	15	25,000	25,000
Profit and loss account	16	880,778	606,621
Equity shareholders' funds		905,778	631,621

These financial statements were approved by the board of directors on 24th July 2003 and were signed on its behalf by:



G Rastelli
Director

Reconciliation of shareholders' funds
For the year ended 31 December 2002

	2002	2001
	£	£
Profit / (loss) for the financial year	274,157	(393,160)
Opening shareholders' funds	<u>631,621</u>	<u>1,024,781</u>
Closing shareholders' funds	<u><u>905,778</u></u>	<u><u>631,621</u></u>

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 and under the historical cost accounting rules.

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

As the company is a wholly owned subsidiary 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. The consolidated financial statements of Omnicom Group Inc, within which this company is included, can be obtained from 437 Madison Avenue, New York, 10022, USA.

New accounting standards

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

The transitional rules of FRS 17, "Retirement benefits", have been adopted but have not resulted in any material changes in presentation as the company provides retirement benefits to eligible employees by way of a defined contribution scheme.

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 8. The introduction of this standard did not require a prior year adjustment as the impact is not material.

Notes

(forming part of the financial statements)

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:

Leasehold land and buildings -over period of the lease

Computer equipment – over 4 years

Office equipment – over 5 years

Furniture – over 10 years

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.

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. Staff costs are also capitalised as work in progress where the time worked by employees relates to revenue that will be recognised in a subsequent accounting period.

Taxation

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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Revenue is recognised when the goods and services have been provided. Invoices are raised on terms of 30 days.

Notes

(forming part of the financial statements)

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Change in accounting policy

As at 31st December 2002, the company capitalised personnel costs relating to revenue that will be recognised in a subsequent accounting period. In previous periods all personnel related costs were expensed in the period that they arose. The effect of this change in accounting policy was to increase current year profit - £40,727. No adjustment has been made to comparative information for this change in accounting policy because the change is not considered material.

Notes (continued)

2. Turnover

	2002	2001
	£	£
United Kingdom	10,134,547	11,638,017
Rest of Europe	1,090,282	1,041,031
Other	529,520	397,162
	11,754,349	13,076,210

All turnover originated in the UK.

3. Profit/(loss) on ordinary activities before taxation

	2002	2001
	£	£
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit KPMG Audit Plc	18,000	-
Amounts paid to previous auditor	-	18,980
Depreciation and other amounts written off tangible fixed assets:		
Owned	157,890	167,169
Exchange losses	9,136	9,253
Hire of land and buildings - rentals payable under operating leases	321,561	361,265
Hire of other assets - operating leases	151,289	149,144
Hire of Vehicles	72,659	75,961

Notes *(continued)*

4 Remuneration of directors

	2002 £	2001 £
Directors' emoluments	358,440	415,841
Company contributions to personal pension schemes	24,222	44,770
Compensation for loss of office	20,000	168,193
	<u>402,662</u>	<u>628,804</u>

The company's directors participate in the restricted stock scheme operated by the Ultimate Parent Undertaking. Shares were received or receivable under this restricted share scheme by 1 director (2001-2).

Under this scheme, certain directors have been awarded restricted shares in the ultimate parent undertaking, Omnicom Group Inc. The restricted shares typically vest in 20% annual increments provided the director remains an employee of the Omnicom group. Restricted shares may not be sold, transferred, pledged or otherwise encumbered until the restrictions lapse. Under most circumstances, the director forfeits the shares still subject to restriction in return of the nominal price they paid for them at the time the award was granted, if the director ceases employment prior to the end of the period of restriction.

Amounts recognised as long term incentives are in respect of restricted share awards vesting within the year. At the end of the year the company had accrued £5,399 (2001:£7,059) in respect of unvested restricted share awards to directors.

Highest Paid Director

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

	2002 £	2001 £
Emoluments	167,290	190,245
Compensation for loss of office	-	168,193
Company contribution to personal pension scheme	11,156	24,237
	<u>178,446</u>	<u>382,675</u>

	Number of directors 2002	2001
Retirement benefits are accruing to the following number of directors under:		
Personal pension schemes	<u>3</u>	<u>4</u>

5 Staff numbers and costs

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

	Number of employees 2002	2001
Administration	20	24
Editorial & Design	32	34
Sales	27	28
	<u>79</u>	<u>86</u>

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	3,027,193	3,350,424
Social security costs	296,866	337,387
Other pension costs (see note 18)	119,679	134,489
	<u>3,443,738</u>	<u>3,822,300</u>

6 Other interest receivable and similar income

	2002 £	2001 £
Receivable from group undertakings	2,414	199,104
Other	575	1,084
	2,989	200,188

7 Interest payable and similar charges

	2002 £	2001 £
On bank loans and overdrafts	9,380	-
On all other loans	-	197,982
	9,380	197,982

8 Taxation

Analysis of charge in period

	2002 £	2001 £
<i>UK corporation tax (at 30%)</i>		
Current tax on income for the period	166,294	(106,469)
Adjustments in respect of prior periods	(46,556)	-
 Total current tax	 119,738	 (106,469)
Deferred tax (see note 14)		
Origination of timing differences	(2,838)	-
Adjustment in respect of previous years	(17,696)	-
	(20,534)	-
 Tax on profit on ordinary activities	 99,204	 (106,469)

Notes *(continued)*

8 Taxation *(continued)*

Factors effecting the tax charge for the current period

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

	2002 £	2001 £
Current tax reconciliation		
Profit on ordinary activities before tax	373,361	[499,629]
Current tax at 30% (2001:30%)	112,008	[149,888]
Effects of:		
Expenses not deductible for tax purposes	51,515	26,646
Capital allowances for periods in excess of depreciation	(7,861)	-
Depreciation for period in excess of capital allowances	-	16,974
Other timing differences	10,632	(201)
Adjustments to tax charge in respect of previous periods	[46,556]	-
Total current tax charge	<u>119,738</u>	<u>[106,469]</u>

9 Dividends and other appropriations

The aggregate amount of proposed dividends is £nil (2001: £nil)

Notes *(continued)*

10 Tangible fixed assets

	Leasehold improvements	Computer equipment	Office equipment	Fixtures & Fittings	Total
Cost					
At beginning of year	280,412	251,218	114,700	17,359	663,689
Additions	489,046	26,015	46,051	49,091	610,203
Disposals	(285,536)	(36,721)	(27,168)	(14,441)	(363,866)
At end of year	<u>483,922</u>	<u>240,512</u>	<u>133,583</u>	<u>52,009</u>	<u>910,026</u>
Depreciation					
At beginning of year	95,524	161,892	61,966	2,533	321,915
Charge for year	82,479	51,575	18,521	5,315	157,890
On disposals	(133,558)	(18,360)	(9,599)	(3,631)	(165,148)
At end of year	<u>44,445</u>	<u>195,107</u>	<u>70,888</u>	<u>4,217</u>	<u>314,657</u>
Net book value					
At 31 December 2002	<u>439,477</u>	<u>45,405</u>	<u>62,695</u>	<u>47,792</u>	<u>595,369</u>
At 31 December 2001	<u>184,888</u>	<u>89,326</u>	<u>52,734</u>	<u>14,826</u>	<u>341,774</u>

Notes *(continued)*

11 Work in progress and inventory

	2002	2001
	£	£
Paper	91,398	160,325
Work in progress	70,059	49,891
	<u>161,457</u>	<u>210,216</u>

12 Debtors

	2002	2001
	£	£
Trade debtors	4,293,657	5,661,162
Amounts owed by group undertakings	107,344	14,292
Amounts receivable in respect of group relief	-	85,973
Other debtors	47,070	49,728
Net deferred tax assets (see note 14)	20,534	-
Prepayments and accrued income	531,902	709,424
	<u>5,000,507</u>	<u>6,520,579</u>

Debtors include net deferred tax assets of £20,534 (2001:£nil) that fall due after more than one year.

Notes (continued)

13 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	1,940,017	2,899,978
Amounts owed to group undertakings	596,414	202,318
Corporation tax	112,100	-
Other taxation and social security	116,941	104,265
Value added tax	26,044	171,772
Other creditors	87,695	-
Accruals and deferred income	2,483,778	3,274,102
	<u>5,362,989</u>	<u>6,652,435</u>

14 Deferred tax asset

The elements of deferred taxation are as follows:

	2002 £	2001 £
Difference between depreciation and capital allowances	20,845	-
Other	[311]	-
	<u>20,534</u>	<u>-</u>

15 Called up share capital

	2002 £	2001 £
Authorised, allotted, called up and fully paid		
Equity: 25,000 ordinary shares of £1.00 each	25,000	25,000
	<u>25,000</u>	<u>25,000</u>

Notes (continued)

16 Retained profits and reserves

	Profit and loss account 31 Dec 2002 £	Profit and loss account 31 Dec 2001 £
At beginning of year	606,621	999,781
Retained profit for the year	274,157	(393,160)
At end of year	<u>880,778</u>	<u>606,621</u>

17 Commitments

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

	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	17,686	-	11,323
In the second to fifth years inclusive	249,000	146,286	286,800	90,347
	<u>249,000</u>	<u>163,972</u>	<u>286,800</u>	<u>101,670</u>

Omnicom Europe Limited, jointly and severally with certain of its subsidiary undertakings including Cedar Communication Limited, has entered into a £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 group companies in the agreement. The facility is guaranteed by Omnicom Group Inc.

Notes *(continued)*

18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £ 119,679 (2001: £134,489).

Contributions amounting to £ 15,313 (2001: £ NIL) were payable to the scheme and are included in creditors.

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

The company is a subsidiary undertaking of Omnicom UK Limited, a company registered in England, and itself a wholly owner subsidiary of Omnicom Europe Limited. The company's results are included in the consolidated accounts of its ultimate United Kingdom parent company, Omnicom Europe Limited, whose principal place of business is 239 Old Marylebone Road, London, NW1 5QT.

The largest group in which the company's result are included are 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 from Omnicom Group Inc, 437 Madison Avenue, New York, 10022 USA.