

Cedar Communications Ltd

Directors' report and financial statements

Registered number 2709621

31 December 2011

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activities

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

Business review

	2011			2010			2011 vs 2010	
	Revenue	% of Revenue	% of Admin expenses	Revenue	% of Revenue	% of Admin expenses	£ Change	% Change
Revenue	9,465,056			8,240,438			1,224,618	14.86%
Admin expenses-Staff costs	4,721,072	49.87%	63.35%	4,309,496	52.29%	66.92%	411,576	9.5%
Admin expenses-Office and other	2,731,102	28.85%	36.64%	2,130,146	25.84%	33.07%	600,956	28.21%
Operating Expenses	7,452,174	78.73%	100%	6,439,642	78.14%	100%	1,012,532	15.72%
Operating Profit	2,012,882	21.26%		1,800,796	21.85%		212,086	11.77%

The key indicators that we review focus on revenue, operating margin and administrative expenses

Because we are a service business, we monitor these costs on a percentage of revenue basis. Staff costs tend to fluctuate in conjunction with changes in revenue, whereas administrative expenses, which are not directly related to servicing clients, tend to decrease as a percentage of revenue as revenue increases because a significant portion of these expenses are relatively fixed in nature. During 2011 staff costs decreased to 49.87 % of revenue from 52.29% of revenue in 2010. This decrease is primarily attributable to savings in direct salaries and salary-related costs being outpaced by the rise in revenue during the year.

We measure operating expenses in two distinct cost categories, staff costs and office and all other administrative expenses. Staff costs are primarily comprised of salaries, social security and employer pension contributions and office and general expenses are primarily comprised of rent and occupancy costs, technology related costs and depreciation.

Our group operating margin for 2011 was 21.26 % compared to 21.85% in 2010. We expect that we will be able to maintain margins at historic levels and we are hopeful that we will be able to improve margins as a result of new business wins, our continued new business initiatives associated with the positive long-term industry trends and our continuing focus on cost-reduction.

Operating expenses increased to 78.73 % of revenue from 78.14% in 2010 despite our continuing efforts to better align these costs with business levels.

Directors' report

Risk Factors

The businesses in which we participate are highly competitive. Key competitive considerations for keeping existing business and winning new business include our ability to develop creative solutions that meet client needs, the quality and effectiveness of the services we offer, and our ability to efficiently serve clients, particularly large international clients, on a broad geographic basis. While many of our client relationships are long-standing, companies put their advertising, marketing and corporate communications services business up for competitive review from time to time. We have won and lost accounts in the past as a result of these reviews. To the extent that we are not able to remain competitive, our revenue may be adversely affected, which could then affect our results of operations and financial condition.

Government agencies and consumer groups have directly or indirectly from time to time affected or attempted to affect the scope, content and manner of presentation of advertising, marketing and corporate communications services, whether through regulations or other governmental action. Any such limitations on the scope of the content of our services could affect our ability to meet our clients' needs, which could have a material adverse effect on our results of operations and financial condition. In addition, there has been an increasing tendency on the part of businesses to resort to the judicial system to challenge advertising practices. While such claims have not had a material adverse effect on our operating performance in the past, we cannot assure you that such claims by businesses or governmental agencies will not have a material adverse effect on our results of operations and financial condition in the future.

In addition, we may lose or fail to attract and retain key personnel. Our employees are our most important assets. Our ability to retain key personnel is an important aspect of our competitiveness. Our continuing ability to attract and retain those employees is important to our business and if we are unable to do so, our ability to provide our services in the manner our customers have come to expect may be adversely affected, which could harm our reputation and result in a loss of clients, which could have a material adverse effect on our results of operations and financial condition.

Our clients generally are able to reduce marketing spending or cancel projects at any time for any reason. Any of our clients could decide not to continue to utilise our services to the same extent, as they have in the past, or at all, in the future. A significant reduction in marketing spending by our largest clients, or the loss of several of our largest clients, if not replaced by new client accounts or an increase in business from existing clients, would adversely affect our revenue, which could materially adversely affect our results of operations and financial condition.

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

Dividends

No dividends have been paid in the current year (2010 £6,500,000). The directors do not recommend the payment of a dividend for the year ended 31 December 2011.

Directors

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

CE Broadbent

J Byrnes

RJ Moffett

Directors' report

Political and charitable contributions

The Company made no political contributions during the year (2010 £0) Donations to charities amounted to £2,100(2010 £590)

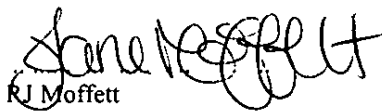
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are individually unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board



RJ Moffett
Director

239 Old Marylebone Road
London
NW1 5QT

27 April 2012

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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, and
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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

15 Canada Square
London
E14 5GL
United Kingdom

Independent Auditor's Report to the Members of Cedar Communications Ltd

We have audited the financial statements of Cedar Communications Ltd for the year ended 31 December 2011 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Statement of directors' responsibilities in respect of the Directors' report and the financial statements (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

RM Yasue (Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc, Statutory Auditor

27 April 2012

Profit and loss account

for the year ended 31 December 2011

	Note	2011 £	2010 £
Gross billings		19,198,818	17,105,243
Rebillable costs		<u>(9,733,762)</u>	<u>(8,864,805)</u>
Revenue		9,465,056	8,240,438
Administrative expenses		<u>(7,452,174)</u>	<u>(6,439,642)</u>
Operating profit		2,012,882	1,800,796
Other interest receivable and similar income	5	<u>30,644</u>	<u>26,908</u>
Profit on ordinary activities before taxation	2	2,043,526	1,827,704
Tax on profit on ordinary activities	6	<u>(551,828)</u>	<u>(546,553)</u>
Profit for the financial year	13	<u><u>1,491,698</u></u>	<u><u>1,281,151</u></u>

The results shown above are derived wholly from continuing operations. There were no recognised gains or losses in either the current or prior year except as shown above. Consequently, a statement of total recognised gains and losses has not been prepared.

Balance sheet

as at 31 December 2011

	Note	2011 £	2010 £
Fixed assets			
Tangible fixed assets	8	<u>148,234</u>	<u>251,941</u>
Current assets			
Stocks	9	443,407	315,411
Debtors	10	8,607,670	5,921,834
Cash at bank and in hand		<u>1,122</u>	<u>946</u>
		9,052,199	6,238,191
Creditors Amounts falling due within one year	11	<u>(5,211,458)</u>	<u>(3,992,855)</u>
Net current assets		<u>3,840,741</u>	<u>2,245,336</u>
Net assets		<u>3,988,975</u>	<u>2,497,277</u>
Capital and reserves			
Called up share capital	12	25,000	25,000
Profit and loss account	13	<u>3,963,975</u>	<u>2,472,277</u>
Equity shareholders' funds		<u>3,988,975</u>	<u>2,497,277</u>

These financial statements were approved by the board of directors on 27 April 2012 and were signed on its behalf by



CE Broadbent
Director

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2011

	2011 £	2010 £
Profit attributable to the members of the company	1,491,698	1,281,151
Dividends on shares classified as shareholders' funds	<u>-</u>	<u>(6,500,000)</u>
Retained profit/(loss)	1,491,698	(5,218,849)
Shareholders' funds at 1 January	<u>2,497,277</u>	<u>7,716,126</u>
Shareholders' funds at 31 December	<u><u>3,988,975</u></u>	<u><u>2,497,277</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

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 s401 of the Companies Act 2006 from the requirement to prepare group accounts as the Company is included in the consolidated accounts of a larger group headed by Omnicom Group Inc, a parent undertaking established under the law of the United States of America. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard ("FRS") 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of Omnicom Group Inc, which includes the Company in its own published consolidated financial statements.

The directors consider that the Company has access to sufficient funding to meet its needs for the reasons set out below. Accordingly, the directors have prepared the financial statements on a going concern basis.

The Company participates in a cash concentration arrangement with its fellow subsidiary, Omnicom Finance plc, the group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance plc or by Omnicom Finance plc depositing cash with the Company. The Company's access to borrowings under the cash concentration arrangement is not limited as long as these borrowings are required in the normal course of business and are made in accordance with the Omnicom Group Inc Grant of Authority.

Omnicom Finance plc is able to make this commitment because Omnicom Finance plc is a co-borrower with Omnicom Finance Inc and Omnicom Capital Inc under certain group bank facilities which are more fully described in the Omnicom Group Inc financial statements filed on Form 10-K and available at www.OmnicomGroup.com.

The directors consider the combination of the group facilities and expected funding requirements of the Omnicom Group Inc and its subsidiaries provides sufficient access to funding to ensure that the company is able to meet its liabilities as they fall due for the foreseeable future. Accordingly, the directors have prepared the financial statements as a going concern.

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 the address given in note 16.

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:

Notes

(continued)

Leasehold improvements	-	over period of lease
Computer equipment	-	over 4 years
Office equipment	-	over 5 years
Fixtures and fittings	-	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 is stated at the lower of cost and net realisable value. Cost consists of direct expenses incurred on unbilled work. Net realisable value is based on estimated sales value less further costs to completion.

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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Gross billings

Gross billings are recognised when the service is performed, in accordance with the terms and conditions of the contractual arrangement and when collection is reasonably assured.

Gross billings comprises the gross 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.

Notes

(continued)

Rebillable costs

Rebillable costs comprise media payments and third party production costs for those services that the Company is arranging for its clients in its capacity as an intermediary. The Company contracts directly with suppliers and is responsible for their payment, recharging its clients for all costs incurred. Although the Company bears credit risk in respect of these activities, the arrangements with its clients are such that, in effect it acts as an intermediary on behalf of its client. Where the Company acts as an intermediary, costs incurred with external suppliers are excluded from revenue.

Revenue

Consequently, revenue comprises fees, and commissions earned in respect of gross billings and direct costs, which meet the Companies Act definition of turnover. Revenue is recognised when services are performed, in accordance with the terms of arrangements reached with each client. Gross billings and revenue are stated exclusive of VAT, sales taxes and trade discounts. Substantially all income occurs in the UK.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated

after charging

	2011 £	2010 £
Depreciation and other amounts written off tangible fixed assets owned	103,707	116,878
Exchange losses	3,764	-
Hire of plant and machinery - rentals payable under operating leases	152,123	145,874
Hire of other assets - rentals payable under operating leases	<u>909,379</u>	<u>724,325</u>

after crediting

Exchange gains	<u>-</u>	<u>(11,558)</u>
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Auditors' remuneration

	2011 £	2010 £
Audit of these financial statements	<u>14,448</u>	<u>14,165</u>

Notes

(continued)

3 Remuneration of directors

	2011	2010
	£	£
Directors' emoluments	386,149	468,120
Company contributions to personal pension schemes	26,445	43,524
	<u>412,594</u>	<u>511,644</u>

Retirement benefits are accruing to the following number of directors under

	2011	2010
	No	No.
Money purchase schemes	<u>2</u>	<u>2</u>

4 Staff numbers and costs

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

	Number of employees	
	2011	2010
Administration	17	18
Editorial & Design	54	50
Sales	21	20
	<u>92</u>	<u>88</u>

The aggregate payroll costs of these persons were as follows

	2011	2010
	£	£
Wages and salaries	4,104,166	3,743,814
Social security costs	462,968	414,980
Other pension costs	153,938	150,702
	<u>4,721,072</u>	<u>4,309,496</u>

Notes

(continued)

5 Other interest receivable and similar income

	2011 £	2010 £
Receivable from group undertakings	<u>30,644</u>	<u>26,908</u>

6 Taxation

Analysis of charge in period

	2011 £	2010 £
UK corporation tax		
Current tax on income for the period	511,805	607,969
Adjustments in respect of prior periods	<u>(28,085)</u>	<u>7,444</u>
Total current tax	<u>483,720</u>	<u>615,413</u>
Deferred tax (see note 10)		
Origination/reversal of timing differences	51,618	(68,517)
Adjustment in respect of previous years	<u>16,490</u>	<u>(343)</u>
Total deferred tax	<u>68,108</u>	<u>(68,860)</u>
Tax on profit on ordinary activities	<u>551,828</u>	<u>546,553</u>

Factors affecting current tax charge for the year

The current tax charge for the period is lower than (2010 - higher than) the standard rate of corporation tax in the UK of 26.5% (2010 - 28%)

The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>2,043,526</u>	<u>1,827,704</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	541,534	511,757
Expenses not deductible for tax purposes	19,305	27,695
Depreciation for period in excess of capital allowances	11,286	4,830
Other timing differences	<u>(60,321)</u>	<u>63,687</u>
Total current tax charge (see above)	<u>511,804</u>	<u>607,969</u>

Notes

(continued)

Accounting periods ending after the substantive enactment of the reduction to 26% and 25%

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 and a further reduction to 25 per cent with effect from 1 April 2012. These changes became substantively enacted on 29 March 2011 and 5 July 2011 respectively and therefore the effect of these rate reductions creates a reduction in the deferred tax asset which has been included in the figures above.

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012.

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

7 Dividends and other appropriations

Dividends on shares classified as shareholders' funds

	2011 £	2010 £
Interim dividend paid	-	6,500,000

Notes

(continued)

8 Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings, tools and equipment £	Office equipment £	Total £
Cost or valuation				
At 1 January 2011	435,861	146,960	40,111	622,932
Depreciation				
At 1 January 2011	246,988	102,094	21,909	370,991
Charge for the year	87,172	8,513	8,022	103,707
At 31 December 2011	334,160	110,607	29,931	474,698
Net book value				
At 31 December 2011	101,701	36,353	10,180	148,234
At 31 December 2010	188,873	44,866	18,202	251,941

9 Stock

	2011 £	2010 £
Stocks	149,949	73,237
Work in progress	293,458	242,174
	443,407	315,411

Notes

(continued)

10 Debtors

	2011 £	2010 £
Trade debtors	4,199,639	3,904,836
Amounts owed by group undertakings - trading balances	154,184	2,897
Owed by group undertakings - loans and advances	3,613,426	1,298,070
Other debtors	293,751	504,850
Deferred tax assets	15,494	83,602
Prepayments and accrued income	331,176	127,579
	<u>8,607,670</u>	<u>5,921,834</u>

The Company participates in a cash concentration arrangement with its fellow subsidiary, Omnicom Finance plc, the Omnicom Europe Limited group's UK treasury operation, under which bank balances are cleared to zero on a daily basis either by the Company depositing cash with Omnicom Finance plc or by Omnicom Finance plc depositing cash with the Company. Included in Amounts owed by group undertakings - loans and advances is £3,613,426 (2010 £1,298,070) representing cash deposited by the Company under these arrangements.

	Deferred tax asset £
At beginning of year	83,602
Charged to the profit and loss account	(51,618)
Adjustment in respect of prior years	(16,490)
Total	<u>15,494</u>

11 Creditors Amounts falling due within one year

	2011 £	2010 £
Trade creditors	1,246,679	1,353,381
Amounts owed to group undertakings - trading balances	280,050	82,689
Taxation and social security	723,500	783,571
Accruals and deferred income	2,961,229	1,773,214
	<u>5,211,458</u>	<u>3,992,855</u>

Notes

(continued)

12 Called up share capital

					2011 £	2010 £
<i>Allotted, called up and fully paid</i>						
Equity	25,000	Ordinary shares of	£ 1	each	25,000	25,000
					<u>25,000</u>	<u>25,000</u>

13 Reserves

	Profit and loss account £
At 1 January 2011	2,472,277
Profit for the year	<u>1,491,698</u>
At 31 December 2011	<u>3,963,975</u>

Notes

(continued)

14 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2011		2010	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire				
Within one year	933,500	8,922	-	53,324
In the second to fifth years inclusive	-	93,448	889,900	80,741
Over five years	-	-	-	-
	<u>933,500</u>	<u>102,370</u>	<u>889,900</u>	<u>134,065</u>

15 Pension schemes

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 £153,938 (2010 £150,702).

Contributions amounting to £19,651 (2010 £18,723) were payable to the scheme at year end and are included in creditors.

16 Ultimate parent company

The Company is a subsidiary undertaking of Omnicom Group Inc, incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by Omnicom Group Inc. The consolidated accounts of this company are available to the public and may be obtained from Omnicom Group Inc, 437 Madison Avenue, New York, NY10022, USA. No other group accounts include the results of the company.