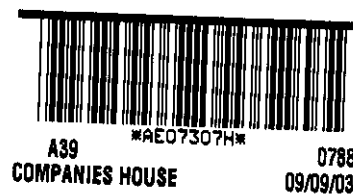


Adelphi Group Limited

**Directors' report and financial
statements**

Registered number 1975338

31 December 2002



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Directors' report

The directors present their annual report on the affairs of the company, together with the audited financial statements for the year ended 31 December 2002.

Principal activity

The principal activity of the company is the holding company of a group whose activities include medical publishing, market research, the organisation of educational seminars and graphic design within the pharmaceutical industry. The company also undertakes disease specific research through its division, Adelphi Group Products.

Results and dividends

The audited financial statements for the year ended 31 December 2002 are set out on pages 4 to 18. The profit for the year after taxation was £2,722,000 (*period ended 31 December 2001: £1,163,000*). A dividend of £932,000 has been paid during the year and £1,414,000 has been proposed (*period ended 31 December 2001: total dividend £1,090,000*).

Directors

The directors who served during the year were as follows:

M J Birkin

E S Cooper

D G Harrison

J Hayes

L T Morgan

M Karavali

N R Penrose

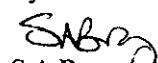
G Turton (resigned 11 March 2002)

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

Auditors

During the year Arthur Andersen resigned as auditors and KPMG Audit Plc were appointed to fill the casual vacancy. In accordance with Section 385 of the Companies Act 1985, 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


S A Bray
Secretary

239 Old Marylebone Road
London
NW1 5QT

18 September 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;
- 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

St James' Square

Manchester

M2 6DS

United Kingdom

Independent auditors' report to the members of Adelphi Group Limited

We have audited the financial statements on pages 4 to 18.

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 2, 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 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 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

3 September 2003

Profit and loss account
for the year ended 31 December 2002


	<i>Note</i>	Year ended 31 December 2002 £000	11 months ended 31 December 2001 £000
Turnover from continuing operations	2	5,579	3,502
Cost of sales		(2,608)	(1,896)
		<hr/>	<hr/>
Gross profit		2,971	1,606
Administrative expenses		(2,109)	(2,727)
Other operating income		21	18
		<hr/>	<hr/>
Operating profit/(loss) from continuing operations		883	(1,103)
Income from shares in group undertakings		2,000	2,000
Income from shares in associated undertakings		18	10
Interest receivable	6	45	51
Interest payable and similar charges	7	(20)	(13)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-7	2,926	945
Tax on profit on ordinary activities	8	(204)	218
		<hr/>	<hr/>
Profit on ordinary activities after taxation		2,722	1,163
Dividends paid and proposed	9	(2,346)	(1,090)
		<hr/>	<hr/>
Retained profit for the financial year/period	17	376	73
		<hr/>	<hr/>

The company has no recognised gains or losses in either period other than the profit for that period.

Balance sheet
at 31 December 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	10	1,538	1,646
Investments	11	104	31
		<u>1,642</u>	<u>1,677</u>
Current assets			
Debtors	12	11,336	13,757
Cash at bank and in hand		179	42
		<u>11,515</u>	<u>13,799</u>
Creditors: amounts falling due within one year	13	<u>(11,161)</u>	<u>(13,786)</u>
Net current assets		<u>354</u>	<u>13</u>
Total assets less current liabilities		<u>1,996</u>	<u>1,690</u>
Creditors: amounts falling due after more than one year	14	(17)	(83)
Provisions for liabilities and charges	15	(53)	(57)
Net assets		<u>1,926</u>	<u>1,550</u>
Capital and reserves			
Called up share capital	16	277	277
Share premium account	17	378	378
Capital redemption reserve	17	95	95
Profit and loss account	17	1,176	800
Equity shareholders' funds		<u>1,926</u>	<u>1,550</u>

These financial statements were approved by the board of directors on 18th September 2003 and were signed on its behalf by:



D G Harrison
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2002

	Year ended 31 December 2002 £000	11 months ended 31 December 2001 £000
Profit for the financial period	2,722	1,163
Equity dividends paid and proposed	(2,346)	(1,090)
	<hr/>	<hr/>
Net addition to shareholders' funds	376	73
Opening shareholders' funds	1,550	1,477
	<hr/>	<hr/>
Closing shareholders' funds	1,926	1,550
	<hr/>	<hr/>

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. The company has adopted FRS 19 'Deferred tax' in these financial statements. There is no prior year adjustment arising as a result of adopting this accounting standard.

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 s228 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.

Cash flow statement

Under FRS 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.

Related party transactions

As the company is a wholly owned subsidiary of Diversified Agency Services Limited, 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 Management Europe Limited (formerly Omnicom Europe Limited), within which this company is included, can be obtained from the address given in note 21.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Fixtures and fittings	10-20% per annum
Motor vehicles	20% to 33.3% per annum
Computers and machinery	20% to 33.3% per annum

Investments

Shares in group and associated undertakings are stated at cost less provision for impairment.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Notes *(continued)*

1 **Accounting policies** *(continued)*

Pension costs

The company contributes to the Adelphi Group Limited pension scheme which is a defined contribution scheme for employees. Contributions are charged to the profit and loss account as they fall due. Differences between contributions, payable and amounts actually paid during the year are shown as either accruals or prepayments in the balance sheet.

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.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Geographical analysis of turnover is not disclosed as, in the opinion of the directors, this would be seriously prejudicial to the interests of the company.

Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

Notes (continued)

2 Analysis of turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation is derived from the principal activity of the company.

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2002 £000	11 months ended 31 December 2001 £000
Depreciation of owned assets	357	354
Depreciation of assets held under hire purchase contracts	78	70
Operating lease rentals		
- plant and machinery	86	5
- other	245	245
Auditors' remuneration for audit services	37	24
	<hr/>	<hr/>

There were no amounts paid to the auditors during either period in respect of other services.

The operating lease rentals are stated after deducting recharges to subsidiary undertakings and Adelphi Medi-Cine Limited, a wholly owned subsidiary of Omnicom Management Europe Limited (formerly Omnicom Europe Limited).

4 Directors' remuneration and transactions

The remuneration of the directors' was as follows:

	Year ended 31 December 2002 £000	11 months ended 31 December 2001 £000
Emoluments	852	1,262
Company contributions to money purchase pension schemes	44	40
	<hr/>	<hr/>
	896	1,302
	<hr/>	<hr/>

Pensions

Retirement benefits are accruing to the following number of directors under:

	Year ended 31 December 2002 Number	11 months ended 31 December 2001 Number
Money purchase schemes	4	4
	<hr/>	<hr/>

Notes (continued)

4 Directors' remuneration and transactions (continued)

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 nil directors (2001 - nil).

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 £160,984 (2001: £nil) 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:

	Year ended 31 December 2002 £000	11 months ended 31 December 2001 £000
Emoluments	232	384
Company contributions to money purchase pension schemes	14	12
	<u>246</u>	<u>396</u>

5 Staff costs

The average monthly number of employees employed during the year/period (including executive directors) analysed by category was as follows:

	Year ended 31 December 2002 Number	11 months ended 31 December 2001 Number
Sales and production	44	33
Administration	5	5
	<u>49</u>	<u>38</u>

Their aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2002 £000	11 months ended 31 December 2001 £000
Wages and salaries	1,003	1,839
Social security costs	170	184
Other pension costs (see note 19)	88	64
	<u>1,261</u>	<u>2,087</u>

Notes (continued)

6 Other interest receivable

	Year ended 31 December 2002 £000	11 months ended 31 December 2001 £000
Bank interest	45	51

7 Interest payable and similar charges

	Year ended 31 December 2002 £000	11 months ended 31 December 2001 £000
Bank loans and overdrafts	6	2
Hire purchase interest	14	11
	<u>20</u>	<u>13</u>

8 Taxation

Analysis of charge/(credit) in year/period

	Year ended 31 December 2002 £000		11 months ended 31 December 2001 £000	
<i>UK corporation tax</i>				
Current tax on income for the year/period	311		(271)	
Adjustments in respect of prior periods	(103)		56	
	<u></u>		<u></u>	
Total current tax		208		(215)
<i>Deferred tax (see note 15)</i>				
Origination/reversal of timing differences	9		(3)	
Adjustment in respect of previous years	(13)		-	
	<u></u>		<u></u>	
		(4)		(3)
		<u></u>		<u></u>
Tax on profit on ordinary activities		204		(218)

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year/period

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

	31 December 2002 £000	11 months ended 31 December 2001 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,926	945
	<hr/>	<hr/>
Current tax at 30% (2001 : 30%)	878	284
<i>Effects of:</i>		
Expenses not deductible for tax purposes	13	8
Capital allowances for period in excess of depreciation	25	40
Franked investment income	(605)	(603)
Adjustments to tax charge in respect of previous periods	(103)	56
	<hr/>	<hr/>
Total current tax charge/(credit) (see above)	208	(215)
	<hr/>	<hr/>

Notes (continued)

9 Dividends

	Year ended 31 December 2002 £000	11 months ended 31 December 2001 £000
<i>Equity shares</i>		
Dividends paid	932	407
Dividends proposed	1,414	683
	<u>2,346</u>	<u>1,090</u>

10 Tangible fixed assets

	Fixtures and fittings £000	Motor Vehicles £000	Computers and machinery £000	Total £000
Cost				
At beginning of year	1,420	887	1,258	3,565
Additions	59	324	30	413
Disposals	-	(339)	-	(339)
	<u>1,479</u>	<u>872</u>	<u>1,288</u>	<u>3,639</u>
Depreciation				
At beginning of year	688	340	891	1,919
Charge for the year	91	187	157	435
Disposals	-	(253)	-	(253)
	<u>779</u>	<u>274</u>	<u>1,048</u>	<u>2,101</u>
Net book value				
At 31 December 2002	<u>700</u>	<u>598</u>	<u>240</u>	<u>1,538</u>
At 31 December 2001	<u>732</u>	<u>547</u>	<u>367</u>	<u>1,646</u>

Included in motor vehicles are assets held under hire purchase contracts with a net book value of £142,000 (*period ended 31 December 2001: £280,000*). Depreciation for the year on these assets was £78,000 (*period ended 31 December 2001: £70,000*).

Notes (continued)

11 Fixed asset investments

	Shares in group undertakings	Investment in associated and joint venture undertakings	Total
	£000	£000	£000
Cost			
At beginning of year	33	43	76
Additions	-	73	73
	<hr/>	<hr/>	<hr/>
At end of year	33	116	149
	<hr/>	<hr/>	<hr/>
Provisions			
At beginning and end of year	11	34	45
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2002	22	82	104
	<hr/>	<hr/>	<hr/>
At 31 December 2001	22	9	31
	<hr/>	<hr/>	<hr/>

The principal group undertakings are:

	Principal activity	% of issued ordinary share capital held by company	Country of incorporation
Adelphi Communications Limited	Medical Publishing	100%	England and Wales
Adelphi International Research Limited	Market Research	100%	England and Wales

The principal associated and joint venture undertakings are:

	Principal activity	% of issued ordinary share capital held by company	Country of incorporation
MAPI Values Sarl	Health outcome research	50%	France
MAPI Values Limited	Health outcome research	48%	England and Wales
Institute Opinion Patient MDC France SA	Data collection	25%	France
Adelphi Lifelong Learning Limited	Medical education	50%	England and Wales
Adelphi Targis SA	Health outcome research	30%	Spain

Notes (continued)

12 Debtors

	2002 £000	2001 £000
Trade debtors	3,213	1,464
Amounts recoverable on contracts	258	397
Amounts owed by group undertakings	7,071	9,838
Amounts owed by related parties (note 20)	-	23
UK corporation tax	-	1,608
Prepayments and accrued income	794	427
	<u>11,336</u>	<u>13,757</u>

13 Creditors: Amounts falling due within one year

	2002 £000	2001 £000
Bank overdraft (see note 18)	5,632	9,102
Obligations under hire purchase contracts	58	91
Payments received on account	2,069	1,763
Trade creditors	401	526
Amounts owed to group undertakings	204	-
Corporation tax	340	-
Other taxation and social security	295	326
Accruals and deferred income	748	1,295
Proposed dividends	1,414	683
	<u>11,161</u>	<u>13,786</u>

14 Creditors: Amounts falling due after more than one year

	2002 £000	2001 £000
Obligations under hire purchase contracts	17	83
	<u>17</u>	<u>83</u>

The maturity of obligations under hire purchase contracts is as follows:

	2002 £000	2001 £000
Within one year	58	91
In the second to fifth years	17	83
	<u>75</u>	<u>174</u>

Notes (continued)

15 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	57
Charge/(credit) to the profit and loss for the year	
Additional amounts provided	9
Amounts released unused	(13)
	<hr/>
At end of year	53
	<hr/>

The elements of deferred taxation are as follows:

	2002 £000	2001 £000
Difference between accumulated depreciation and amortisation and capital allowances	53	57
	<hr/>	<hr/>
Deferred tax liability	53	57
	<hr/>	<hr/>

16 Called-up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
30,000 'A' ordinary shares of £1 each	30	30
330,000 'B' ordinary shares of £1 each	330	330
800,000 'B1' ordinary shares of £0.01 each	8	8
32,000 'C' ordinary shares of £1 each	32	32
	<hr/>	<hr/>
	400	400
	<hr/>	<hr/>
<i>Allotted, called-up and fully-paid</i>		
21,177 'A' ordinary shares of £1 each	21	21
217,155 'B' ordinary shares of £1 each	217	217
796,550 'B1' ordinary shares of £0.01 each	8	8
30,700 'C' ordinary shares of £1 each	31	31
	<hr/>	<hr/>
	277	277
	<hr/>	<hr/>

All of the ordinary shares rank *pari passu* in all respects as if they constituted one class of share.

Notes (continued)

17 Reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	378	95	800
Retained profit for the year	-	-	376
At end of year	<u>378</u>	<u>95</u>	<u>1,176</u>

Only the profit and loss account is considered to be distributable.

18 Commitments

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

	2002		2001	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	147	-	-
In the second to fifth years inclusive	-	121	-	40
Over five years	270	17	270	-
	<u>270</u>	<u>285</u>	<u>270</u>	<u>40</u>

(ii) Omnicom Management Europe Limited (formerly Omnicom Europe Limited), jointly and severally with certain of its subsidiary undertakings including Adelphi Group 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 companies names in the agreement. This facility is guaranteed by Omnicom Group Inc. The HSBC bank overdraft in this company is £5,731,120 (2001: £4,610,531).

(iii) Forward contracts

At 31 December 2002, the company had contractual commitments in respect of outstanding forward foreign exchange contracts. The obligations to sell are as follows:

US dollars – 1,000,000

19 Pension arrangements

The company operates a defined contribution scheme for which the pension cost for the year amounted to £87,673 (period ended 31 December 2001: £64,448).

Notes (continued)

20 Related party transactions

During the year the company entered into the following related party transactions which were on an arms length basis and in the normal course of business.

The company purchased and sold services to the following associated and joint venture undertakings.

	Year ended 31 December 2002		11 months ended 31 December 2001	
	Sales	Purchases	Sales	Purchases
	£000	£000	£000	£000
Institute Opinion Patient MDC France SA	-	(133)	-	(98)
MAPI Values Limited	417	-	538	-
	<u>417</u>	<u>(133)</u>	<u>538</u>	<u>(98)</u>

Adelphi Group Limited is a 48% shareholder of MAPI Values Limited and a 25% shareholder in Institute Opinion Patient MDC France SA.

At the balance sheet date the following balances were due (to)/from related parties:

	2002	2001
	£000	£000
Institute Opinion Patient MDC France SA	(26)	12
MAPI Values Limited	-	11
	<u>(26)*</u>	<u>23</u>

* included within trade creditors (note 13)

21 Ultimate parent company

The company's immediate parent Diversified Agency Services Limited is a 100% owned subsidiary of Omnicom Management Europe Limited (formerly Omnicom Europe Limited). The smallest group in which the company's results are included is the consolidated financial statements of Omnicom Management Europe Limited. These consolidated accounts are available to the public and may be obtained from Omnicom Management Europe Limited, 239 Old Marylebone Road, London, NW1 5QT.

The largest group in which the company's results are included is the consolidated financial statements of the ultimate parent company, Omnicom Group Inc., a company incorporated in the United States of America. These consolidated financial statements are available to the public and may be obtained from Omnicom Group Inc., 437 Madison Avenue, New York, NY 10022, U.S.A.