

THE DECISION SHOP LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 1998

Registered number - 615225



DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31st December 1998 which were approved by the board on 26th October 1999.

ACTIVITIES AND RESULTS

The principal activity of the company continues to be the provision of ancillary advertising services.

The profit for the year amounted to £327,635 (1997 : £264,839) which has been transferred to reserves.

DIRECTORS

The directors during the year and subsequent changes were as follows:

M. Bungey
A. Chapman
S. M. Howard (Appointed 10th June 1998)
P.G. Howell (Resigned 11th June 1998)
B. Walsh (Chairman)
D. Williams (Appointed 10th June 1998)

None of the directors held any shares in the company either at the beginning or the end of the period. The interests of the directors in the shares of other group companies at the beginning and end of the period were as follows:

	Balance at 31/12/97 *	Exercised During Year	Granted During Year	Lapsed During Year	Balance at 31/12/98	Average Exercise Price
A. Chapman	88,909	-	-	-	88,909	108
S. M. Howard	-	-	178,138	-	178,138	124
P. G. Howell	97,687	5,645	-	5,043	86,999	116
B. Walsh	59,337	-	-	-	59,337	105

Exercisable

A. Chapman To Dec 2004
S. M. Howard May 2001 - May 2005
P. G. Howell To Dec 2004
B. Walsh Dec 2000 - Dec 2004

* or date of appointment if later.

Directors' interests include share options granted.

M. Bungey is a director of Cordiant Communications Group plc and, as such, his interests are shown in the Director's Report and Accounts of that company.

ELECTIVE RESOLUTIONS

The company has passed resolutions under sections 252, 366A and 386 of the Companies Act 1985 dispensing with the requirements to lay accounts and reports before the company in general meeting, hold annual general meetings and reappoint auditors each year.

On behalf of the board


D. Williams, Secretary

121-141 Westbourne Terrace
London W2 6JR
26th October 1999

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 year. In preparing those financial statements, the directors are required to:

- * select suitable accounting policies and then apply them with consistency;
- * 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 maintaining 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.

AUDITOR'S REPORT

AUDITOR'S REPORT TO THE MEMBERS OF THE DECISION SHOP LIMITED

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditor

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 31st December 1998 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
26th October 1999

PROFIT AND LOSS ACCOUNT**For the year ended 31st December 1998**

	Note	1998 £	1997 £
TURNOVER	2	1,769,645	1,984,604
Cost of sales		(440,416)	(609,459)
GROSS PROFIT		<u>1,329,229</u>	<u>1,375,145</u>
Net operating expenses		(1,001,318)	(1,110,254)
OPERATING PROFIT		<u>327,911</u>	<u>264,891</u>
Interest payable	4	(276)	(52)
PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION AND RETAINED PROFIT FOR THE FINANCIAL YEAR	3 - 7	<u>327,635</u>	<u>264,839</u>
Retained profit brought forward		1,347,433	1,082,594
RETAINED PROFIT CARRIED FORWARD		<u><u>1,675,068</u></u>	<u><u>1,347,433</u></u>


All the above results arise from continuing operations.

There were no recognised gains or losses other than those shown above.

BALANCE SHEET**As at 31st December 1998**

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	8	15,537	17,271
CURRENT ASSETS			
Work in progress		9,324	7,277
Debtors	9	1,352,654	1,059,347
Cash at bank and in hand		<u>704,635</u>	<u>777,429</u>
		2,066,613	1,844,053
CREDITORS: amounts falling due within one year	10	<u>(406,981)</u>	<u>(513,790)</u>
NET CURRENT ASSETS		1,659,632	1,330,263
NET ASSETS		<u>1,675,169</u>	<u>1,347,534</u>
CAPITAL AND RESERVES			
Called up share capital	11	101	101
Profit and loss account		<u>1,675,068</u>	<u>1,347,433</u>
SHAREHOLDERS' FUNDS	12	<u>1,675,169</u>	<u>1,347,534</u>

These financial statements were approved by the board of directors on 26th October 1999 and signed on its behalf by:


A. Chapman
Director

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Accounting convention

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

The company's ultimate holding company publishes a consolidated cash flow statement in compliance with Financial Reporting Standard 1, in which the cash flows of the company are consolidated, and the company is therefore not required to publish a separate cash flow statement.

(b) Income recognition

Income is recognised when billed.

(c) Deferred taxation

Deferred taxation is provided on all timing differences between accounting profits and taxable profits to the extent that it is probable that a liability will crystallise in the foreseeable future.

(d) Tangible assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. The cost of tangible fixed assets is written down to the estimated residual value by equal annual instalments over the expected useful lives as follows:

Furniture and equipment - 6 years

(e) Leasing commitments

Assets obtained under finance leases are capitalised and depreciated over the shorter of the useful life of the asset and the term of the lease. The interest element of the payments is charged to the profit and loss account over the period of the agreement, so as to produce a constant periodic rate of charge on the remaining balance of the obligation. Rentals paid under operating leases are charged to the profit and loss account as incurred.

(f) Pension contributions

The company's share of contributions to defined contribution schemes is charged against profits for the year in which they become payable. The cost of providing defined benefits is charged against profits, based on recommendations by independent actuaries, in such a way as to provide for the liabilities evenly over the remaining service lives of the employees.

(g) Work in progress

Work in progress is valued at the lower of cost and net realisable value and comprises mainly outlays incurred on behalf of clients which still have to be recharged.

2. TURNOVER

The turnover and profit before taxation are attributable to the provision of computer and computer research facilities, excluding V.A.T. All billings are made in the UK.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998	1997
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible assets	10,392	10,367
Auditor's remuneration (including expenses)	5,500	5,500
Operating lease payments - land and buildings	44,400	44,015
plant and machinery	1,992	498
	<u>1,992</u>	<u>498</u>

4. INTEREST PAYABLE

	1998	1997
	£	£
Short term interest	<u>276</u>	<u>52</u>

NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEES

	1998	1997
	No.	No.
Average number of employees (including directors)	<u>9</u>	<u>8</u>
Employee costs (including directors)	£	£
Wages and salaries	576,709	548,977
Social security costs	29,356	53,251
Pension contributions	36,614	28,971
	<u>642,679</u>	<u>631,199</u>

6. DIRECTORS' EMOLUMENTS

	1998	1997
	£	£
Emoluments as executives	182,317	138,403
Company contributions to money purchase schemes	22,209	16,421
	<u>204,526</u>	<u>154,824</u>

The emoluments and pension contributions relate solely to one director.

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The charge to taxation on the profit for this year and the previous year has been eliminated by the utilisation of losses surrendered by other group companies for which no payment was made or will be made.

8. TANGIBLE FIXED ASSETS

	Furniture and equipment £
Cost:	
At 1st January 1998	61,639
Additions	8,658
Disposals	(27,229)
At 31st December 1998	<u>43,068</u>
Depreciation:	
At 1st January 1998	(44,368)
Disposals	27,229
Charge for period	(10,392)
At 31st December 1998	<u>(27,531)</u>
Net Book Value:	
At 31st December 1998	<u>15,537</u>
At 31st December 1997	<u>17,271</u>

NOTES TO THE FINANCIAL STATEMENTS

9. DEBTORS	1998	1997
	£	£
Trade debtors	439,238	322,835
Amounts owed by holding company and fellow subsidiary undertakings	860,410	703,760
Other debtors	18,568	6,472
Prepayments and accrued income	34,438	26,280
	<u>1,352,654</u>	<u>1,059,347</u>

10. CREDITORS: amounts falling due within one year	1998	1997
	£	£
Bank overdraft	5,438	30,041
Trade creditors	122,130	145,146
Amounts owed to holding company and fellow subsidiary undertakings	745	116
Taxes and social security	41,091	35,016
Other creditors	4,070	9,000
Accruals and deferred income	233,507	294,471
	<u>406,981</u>	<u>513,790</u>

11. SHARE CAPITAL	1998	1997
	£	£
Authorised, allotted, called up and fully paid:		
100 Equity A Ordinary shares of 1p each	1	1
6 Non-equity B Ordinary shares of 1p each	-	-
100 Deferred ordinary shares of £1 each	100	100
	<u>101</u>	<u>101</u>

Holders of the Non-equity 'B' Ordinary shares hold no voting rights. Holders of the Non-equity 'B' Ordinary shares rank after distributions have been made to 'A' Ordinary shareholders and are entitled the amount paid up on such shares upon the winding up of the company. Holders of the Non-equity 'B' Ordinary shares have right to receive a dividend at the rate of 5% of the dividend paid to Equity 'A' shareholders when the gross amount paid in respect of that financial year or other period exceeds £100,000,000.

The deferred ordinary shares entitle the holders thereof to a fixed cumulative dividend at the rate of 5% per annum for any financial year in which net distributable profits exceed £20 million.

On a winding up, the holders of the deferred ordinary shares are entitled to a return of the capital paid up on these shares, after a total of £2 million has been distributed in respect of each of the ordinary shares of the company.

The deferred ordinary shares do not entitle the holders to attend or vote at any general meeting.

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998	1997
	£	£
Profit for the year	327,635	264,839
Opening shareholders' funds	1,347,534	1,082,695
Closing shareholders' funds	<u>1,675,169</u>	<u>1,347,534</u>

NOTES TO THE FINANCIAL STATEMENTS

13. OPERATING LEASES

At 31st December 1998 the company had commitments under non-cancellable operating leases for the following year as follows:

	1998		1997	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire within one year	-	-	-	-
in the second to fifth years	-	1,992	-	1,992
after five years	44,400	-	44,400	-

14. PENSION COSTS

The company is a member of the Cordiant Group Pension Scheme, a defined benefit scheme, and the Cordiant Group Money Purchase Plan.

The Cordiant Group Pension Scheme is a fully funded defined benefit scheme. The assets of the scheme are held in a separate trustee administered fund.

The Cordiant Group Pension Scheme was revalued at 1st April 1996 using the Attained Age Method assuming annual rates of future investment returns of 9% and salary increases of 7%. The valuation showed that the value of the Scheme's assets was some 108% of the Scheme's liabilities on an ongoing basis.

The pension costs during the period in respect of the above schemes amounted to £36,614 (1997: £28,971).

15. CONTINGENT LIABILITIES

The company has issued debentures giving fixed and floating charges over its assets to secure the borrowings of other group companies. The borrowings outstanding at 31st December 1998 amounted to £36.4 million.

The company is also grouped for VAT purposes with other group companies. Consequently the company is contingently liable for the VAT liabilities of those companies.

16. YEAR 2000 COMPLIANCE

Cordiant Communications Group plc, the ultimate holding company, has been conducting a wide ranging programme across the group which began in mid 1997. The programme is designed to focus the group's efforts on business critical systems and, in addition to internal systems, it covers key clients and suppliers, and affiliates. The programme is being co-ordinated centrally and regular status reports are made to the Board of Cordiant Communications Group plc. The six key stages of the project are inventory, impact assessment, compliance review, corrective action, testing and implementation.

The 2000 compliance is being achieved by a mixture of corrective actions and the replacing and enhancing of existing systems. The incremental cost to the group of achieving Year 2000 compliance is estimated to be £1.3 million, of this £0.7 million will be charged to the profit and loss account as incurred and £0.6 million of systems enhancements will be capitalised. As the programme is undertaken by the group, it is not possible to allocate the costs to individual companies within the group. These costs, as with all estimates, are subject to change as the project is implemented. The group's Year 2000 project is based upon a plan to have all the group's business critical systems compliant well before the end of 1999. Based upon the work carried out so far, the Group believes that once corrective action, testing and implementation is complete, internal systems will not give rise to significant operational problems as a result of the Year 2000 issue. Contingency plans will be developed to reflect the expected results from the last three stages of the project.

However, as with even the best run projects, it is possible that Decision Shop Ltd will face some Year 2000 compliance failures. Decision Shop Ltd may also be adversely affected by the inability of third parties to manage the Year 2000 problem.

NOTES TO THE FINANCIAL STATEMENTS

17. EUROPEAN MONETARY UNION

A project team considered the implications of the introduction of the Euro during 1998. The areas covered included client services, computer systems, accounting and reporting, financing and treasury, legal, human resources, and training. The Decision Shop Ltd has not encountered any significant problems in respect of the introduction of the Euro. The costs associated with the project are not material.

18. ULTIMATE HOLDING COMPANY

The ultimate holding company is Cordiant Communications Group plc, which is registered in England and Wales. These financial statements are consolidated into those of Cordiant Communications Group plc, copies of which can be obtained from the Secretary at 121-141 Westbourne Terrace, London W2 6JR.