The Decision Shop Limited

Directors' report and financial statements

Registered number 615225

Year Ended 31 December 2001

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The company's activity continues to be that of a provider of ancillary advertising services.

Results

The results for the year are given in the profit and loss account on page 5. The loss on ordinary activities after taxation amounted to £309,000 *(2000: loss of £16,000)*, which has been transferred to reserves. The directors do not propose the payment of a dividend *(2000: £nil)*.

Directors and directors' interests

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

Directors' name	Date of appointment	Date of resignation
A. Boland		
M. Bungey		
J. Buss	19 January 2001	10 May 2002
A. Chapman		
M. Deady	5 July 2001	
D.F. Ham		19 January 2001
M. Southwood	5 July 2001	
B. Walsh		
D. Williams		
S Wilson	10 May 2002	

None of the directors held any shares in the company either at the beginning or end of the period.

The directors who held office at the end of the financial year had the following interests in the share options of Cordiant Communications Group plc.

	Balance at 31 December 2000	Exercised during period	Granted during period	Lapsed During period	Balance at 31 December 2001	Average exercise price	Exercisable at 31 December 2001
A. Boland	50,152	-	-	-	50,152	164	-
A. Chapman	82,049	-	-	5,743	76,306	105	76,306
B. Walsh	59,337	-	-	7,120	52,217	105	52,217
D. Williams	50,152	-	-	-	50,152	164	-

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The directors who held office at the end of the financial year had the following interests in the shares of Cordiant Communications Group plc:

	*Balance at 31 December 2000	Balance at 31 December 2001
M Deady	71,698	71,698
D Williams	-	2,600
M Southwood	8,940	8,940

* Or date of appointment if later

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

By order of the board

Derek Williams

D Williams
Secretary

121-141 Westbourne Terrace
London
W2 6JR

8 October 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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

KPMG Audit Plc
PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of The Decision Shop Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its loss 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

9 October 2002

Profit and loss account

for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Turnover	*1*	**1,050**	1,150
Cost of sales		**(236)**	(328)
Gross profit		**814**	822
Administrative expenses		**(1,130)**	(837)
Operating loss	*2*	**(316)**	(15)
Interest receivable and similar income	*5*	**7**	-
Interest payable and similar charges	*6*	**-**	(1)
Loss on ordinary activities before and after taxation	*1-7*	**(309)**	(16)
Loss for the financial year		**(309)**	(16)
Retained loss for the year		**(309)**	(16)

All the above results arise from continuing operations. There were no recognised gains or losses other than those shown above. The historical cost loss is the same as that shown above.

The notes on pages 7 to 15 form part of the financial statements.

Balance sheet
at 31 December 2001

	Note	2001		2000	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		9		15
Current assets					
Stock	9	22		12	
Debtors	10	484		747	
Cash at bank and in hand		1,265		1,365	
		1,771		2,124	
Creditors: amounts falling due within one year	11	(291)		(461)	
Net current assets			1,480		1,663
Total assets less current liabilities			1,489		1,678
Provisions for liabilities and charges	12		(120)		-
Net assets			1,369		1,678
Capital and reserves					
Called up share capital	13		-		-
Profit and loss account	14		1,369		1,678
Shareholder's funds					
Equity	15		1,369		1,678

These financial statements were approved by the board of directors on 8 October 2002 and were signed on its behalf by

A. Boland
Director

The notes on pages 7 to 15 form part of the financial statements.

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.

In compliance with Financial Reporting Standard 1 (revised), the financial statements of Cordiant Communications Group plc include a consolidated cash flow statement hence the company is not required to prepare a cash flow statement.

New accounting standards

FRS 17 "Retirement Benefits" has been introduced during the year. The transitional rule contained in the standard has been applied resulting in some extra disclosures in the notes to the balance sheet. There has been no material impact on the company's financial statements.

FRS 18 " Accounting Policies" has been adopted during the year. This has had not material impact on the company financial statements.

FRS 19 "Deferred Tax" has been adopted during the year. There has been no material impact of the company's financial statements.

Profit recognition

Profits are recognised generally when work is billed. Fixed fees are recognised over the period of the related agreements.

Turnover

Turnover comprises amounts billed to clients excluding value added tax. The turnover and loss before taxation is attributable to the provision of advertising services in the United Kingdom.

Fixed assets and depreciation

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

Furniture and equipment	-	6 years
Computer equipment	-	4 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.

Notes *(continued)*

1. Accounting policies *(continued)*

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

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.

Deferred tax

The company adopted FRS 19 (Deferred Tax) during the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Pension costs

Retirement benefits for employees of the company are provided by defined benefit and defined contribution schemes, which are funded by contributions from company employees.

The company's share of contributions to defined contribution schemes are charged within the profit and loss account of the year in which they become payable.

The company is unable to identify its share of the defined benefit scheme assets and liabilities on a consistent and reasonable basis and hence has taken advantage of the exemption within FRS 17 to account for the scheme as if it were a defined 'contribution scheme'.

Notes *(continued)*

2. Loss on ordinary activities before taxation

	2001	2000
	£'000	£'000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration	**4**	6
Depreciation and other amounts written off tangible fixed assets	**12**	8
Rentals payable under operating leases:		
Hire of plant and machinery	**1**	2
Leasehold property net of sublease income	**48**	44

3. Remuneration of directors

	2001	2000
	£'000	£'000
Remuneration as executives	131	144
Contributions to money purchase pension schemes	-	32
	131	176

The emoluments of the highest paid director was £131,250 *(2000:£144,382)*, and company pension contributions of £nil *(2000: £31,642)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2001	2000
Retirement benefits are accruing to the following number of directors under money purchase schemes	-	1

A Boland's, D Williams' and M Bungey's emoluments are borne by Cordiant Group Limited. Although management charges are made by the company's fellow subsidiary undertaking Cordiant Group Limited in the opinion of group management, it is not possible to allocate part of these charges to the remuneration of individual directors.

J Buss's and D Ham's emoluments are borne by Bates UK Limited and A Chapman's, M Deady's and M Southwood's emoluments are borne by PSD Associates Limited. In the opinion of group management it is not possible to allocate part of these costs to the company.

Notes *(continued)*

4. Staff numbers and costs

	Number of employees	
	2001	2000
Average number of persons employed by the company (including directors) during the period	7	7

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£'000	£'000
Wages and salaries	380	421
Social security costs	43	49
Other pension costs (see note 18)	71	50
	494	520

5 Interest receivable and similar income

	2001	2000
	£000	£000
Bank deposit interest	7	-

6 Interest payable and similar charges

	2001	2000
	£'000	£'000
On bank loans and overdrafts	-	1

7 Tax on ordinary activities

The company has surrendered its tax losses to other group companies for no consideration.

Notes *(continued)*

7. Tax on ordinary activities *(continued)*

Reconciliation of the company's current tax to the United Kingdom statutory rate:

	2001 **£000**	2000 £000
Tax credit on pre tax loss at 30%	**(93)**	(5)
Permanent differences between expenditures charged in arriving at income and expenditures allowed for tax purposes	**2**	7
Tax effect of timing differences	**28**	(1)
Losses surrendered as group relief for no consideration	**63**	(1)
Current tax	**-**	-

8. Tangible fixed assets

	Motor vehicles £'000	**Furniture and equipment** £'000	**Computer equipment** £'000	**Total** £'000
Cost				
At 1 January 2001	-	15	46	61
Additions	56	-	-	56
At 31 December 2001	56	15	46	117
Depreciation				
At 1 January 2001	-	15	31	46
Additions	50	-	-	50
Charge for period	5	-	7	12
At 31 December 2001	55	15	38	108
Net book value				
At 31 December 2001	**1**	**-**	**8**	**9**
At 31 December 2000	-	-	15	15

9. Stocks

	2001 **£'000**	2000 £'000
Work in progress	**22**	12

Notes *(continued)*

10. Debtors

	2001	2000
	£'000	£'000
Trade debtors	**159**	548
Amounts owed by parent and fellow subsidiary undertakings	**240**	140
Other debtors	**21**	3
Prepayments and accrued income	**64**	56
	484	747

11. Creditors: amounts falling due within one year

	2001	2000
	£'000	£'000
Bank loans and overdrafts	**-**	30
Trade creditors	**57**	111
Amounts owed to group undertakings	**133**	146
Taxation and social security	**-**	24
Other creditors	**-**	11
Accruals and deferred income	**101**	139
	291	461

12. Provisions for liabilities and charges

	Provisions and similar obligations £000
At 1 January 2001	**-**
Profit and loss account	**120**
At 31 December 2001	**120**

Notes *(continued)*

13. Called up share capital

	2001 £	2000 £
Authorised, allotted, called up and fully paid		
Equity:		
100 'A' Ordinary shares of 1p each	**1**	1
100 Deferred ordinary shares of 100p each	**100**	100
Non-equity:		
6 'B' Ordinary shares of 1p each	**-**	-
	101	101

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 to the amount paid up on such shares upon the winding up of the company. Holders of the non-equity 'B' Ordinary shares have the 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 million.

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.

14. Share premium and reserves

	Profit and loss account £'000
At 1 January 2001	1,678
Retained loss for the period	(309)
At 31 December 2001	1,369

15. *Reconciliation of movement in shareholder's funds*

	2001 £'000	2000 £'000
Loss for the year	**(309)**	(16)
Shareholder's funds at the beginning of the year	**1,678**	1,694
Shareholder's funds at the end of the year	**1,369**	1,678

Notes *(continued)*

16. Guarantees and contingent liabilities

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

The company, together with other group companies, has given a cross guarantee to secure the borrowings of other group companies. At 31 December 2001 these borrowings amounted to £231 million *(2000: £179.4 million)*.

17. Commitments

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

	2001		2000	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Operating leases which expire:				
In the second to fifth years inclusive	-	1	-	2
Over five years	48	-	44	-
	48	1	44	2

18. Pension costs

The company's employees participate in the Cordiant Group Pension Scheme, a funded group scheme providing defined benefits, and the Cordiant Group Money Purchase Plan, a funded group defined contribution scheme. In addition contributions were made to certain employee self administered schemes and personal pension schemes.

The company is unable to identify its share of the defined benefit scheme assets and liabilities on a constant and reasonable basis and hence has taken advantage of the exemption into FRS 17 to account for the scheme as if it were a defined contribution scheme.

Particulars of the defined benefit scheme are disclosed in the accounts of Cordiant Communications Group plc.

The pension costs relating to the defined benefit scheme are assessed in accordance with the advice of a qualified actuary. The latest actuarial valuation of the scheme was at 30 September 2000 and was updated for FRS 17 purposes based on changes in membership and investment values.

The normal cost of contributions to the defined benefit scheme for the period was £54,135 *(2000: £32,821)*, and the normal cost of contributions to the Money Purchase Scheme for the period was £17,124 *(2000: £17,434)*.

19. Related party disclosures

The company has taken advantage of the exemption under Financial Reporting Standard 8 – Related Party Disclosures not to disclose related party transactions between wholly owned group undertakings.

Notes *(continued)*

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

The ultimate parent 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 the consolidated financial statements can be obtained from the Secretary, 121 - 141 Westbourne Terrace, London, W2 6JR.