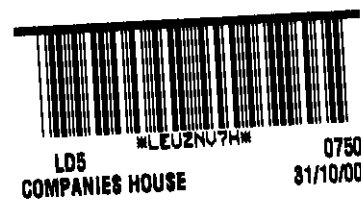


Scholz & Friends London Limited
(Formerly Freshname No. 233 Limited)

**Directors' report and financial
statements**

Registered number 3398022
Year ended 31 December 1999



Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities	4
Report of the auditors to the members of Scholz & Friends London Limited	5
Profit and loss account	6
Balance sheet	7
Notes	8

Company information

Directors: S M Howard (resigned 17/3/00)
D Williams
D Ham (appointed 31/1/00)
A Boland (appointed 24/7/00)

Secretary: D Williams

Registered Office: 121-141 Westbourne Terrace
London

W2 6JR

Registered Number: 3398022 (England and Wales)

Auditors: KPMG Audit Plc
Chartered Accountants
Registered Auditor
PO Box 486
1 Puddle Dock
London
EC4V 3PD

Directors' report

The directors present their annual report with the audited financial statements of the company for the year ended 31 December 1999.

Principal activities

The principal activity of the company in the year under review was that of an advertising agency.

Business review

The results for the year and financial position of the company are as shown in the annexed financial statements.

Results

The results of the company are shown in the profit and loss account on page 6. The profit for the year of £141,974 (*period to 31 December 1998: loss £533,383*) has been transferred to reserves. The directors do not recommend the payment of a dividend (*period to 31 December 1998: £nil*).

Directors

The directors during the year under review were:

S M Howard (Resigned 17 March 2000)
D Williams

The directors holding office at 31 December 1999 did not hold any beneficial interest in the issued share capital of the company at 1 January 1999 or 31 December 1999.

The directors who held office at the end of the year had interests in the shares of other group companies as follows:

Director	Company	Class of shares	At end of year	At beginning of year
S M Howard	Cordiant Communications Group plc	Ordinary	178,138	178,138
D Williams	Cordiant Communications Group plc	Ordinary	50,152	Nil

Directors' interests include share options granted.

Year 2000 compliance

CCG 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 efforts on business critical systems and, in addition to internal systems, it covers key clients, suppliers and affiliates. The programme is being co-ordinated centrally and regular status reports are made to the Board of CCG plc. The six key stages of the project are inventory, impact assessment, compliance review, corrective action, testing and implementation.

The Group's Year 2000 project, a mixture of corrective actions and the replacement and enhancement of existing systems, continued during the period. Testing and implementation were satisfactorily completed by the end of the financial year. The project has allowed us to upgrade some of our older systems which will enable improved client service and internal information flows.

The Group has to date experienced no problems as a result of the Year 2000 issue. However, this does not guarantee that no further issues will arise, either from within the Group or from third parties. We will continue to monitor the situation during 2000.

Directors' report *(continued)*

European Monetary Union

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

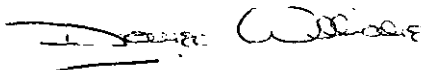
Charitable donations

The company made charitable donations of £1,270 during the year (period ending 31 December 1998:£250).

Auditors

Pursuant to section 386 of the Companies Act 1985, a resolution is to be put to the forthcoming Annual General Meeting which, if passed, would result in the company not being required to reappoint its auditors annually. KPMG Audit Plc would then continue as the company's auditors.

By order of the board



D Williams
Director

121-141 Westbourne Terrace
London
W2 6JR

26 October 2000

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 of the company 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Report of the auditors to the members of Scholz & Friends London Limited

We have audited the financial statements on pages 6 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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. 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 1999 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

27th October 2000

Profit and loss account
for the year ended 31 December 1999

		Year ended 31 December 1999 £	Period 3 July 1997 to 31 December 1998 £
	<i>Notes</i>		
Turnover	2	4,621,251	1,901,837
Cost of sales		(3,125,529)	(1,309,202)
Gross profit		1,495,722	592,635
Administrative expenses		(1,421,852)	(1,124,927)
Operating profit/(loss)	4	73,870	(532,292)
Other interest receivable and similar income	5	102,889	-
Interest payable and similar charges	6	(34,785)	(1,091)
Profit/(loss) on ordinary activities before taxation		141,974	(533,383)
Tax on profit/(loss) on ordinary activities	7	-	-
Profit/(loss) for the financial year after taxation		141,974	(533,383)
Deficit brought forward		(533,383)	-
Deficit carried forward		(391,409)	(533,383)

All of the above results are derived from continuing operations.

There is no difference in either year between the above profit/(loss) and the profit/(loss) on a historical cost basis.

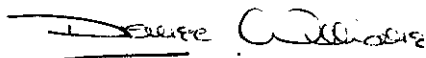
There are no other recognised gains and losses other than those shown above.

The notes on pages 8 to 14 form part of these financial statements.

Balance sheet
at 31 December 1999

	Notes	1999	1998
		£	£
Fixed assets			
Tangible assets	8	101,850	103,066
Current assets			
Work in progress	9	7,818	88,709
Debtors	10	647,470	400,979
Cash at bank and in hand		764,465	175,321
		<u>1,419,753</u>	<u>665,009</u>
Creditors: amounts falling due within one year	11	<u>(1,913,010)</u>	<u>(1,296,981)</u>
Net current liabilities		<u>(493,257)</u>	<u>(631,972)</u>
Total assets less current liabilities		<u>(391,407)</u>	<u>(528,906)</u>
Creditors: amounts falling due after more than one year	12	<u>-</u>	<u>(4,475)</u>
Net assets		<u><u>(391,407)</u></u>	<u><u>(533,381)</u></u>
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account		<u>(391,409)</u>	<u>(533,383)</u>
Equity shareholders' deficit	19	<u><u>(391,407)</u></u>	<u><u>(533,381)</u></u>

These financial statements were approved by the board of directors on 26 October 2000 were signed on its behalf by:



D Williams
Director

The notes on pages 8 to 14 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Principle 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.

Under Financial Reporting Standard ('FRS') 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that Cordiant Communications Group plc, the company's ultimate parent undertaking includes the company in its own published consolidated financial statements.

Cordiant Communications Group plc has indicated it is its intention to continue to provide sufficient finance to the company to enable it to meet its liabilities as they fall due at least one year from the date of approval of these financial statements.

Turnover

Turnover comprises amounts billed to clients, excluding value added tax.

Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided to write off the cost less estimated residual value by equal annual instalments over the estimated useful economic life of the assets as follows:

Furniture and equipment	4-6 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.

Work in progress

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

Lease commitments

Assets obtained under finance leases are capitalised and depreciated over the shorter of the lease term and the useful life of the asset. The interest element of the payments is charged to the profit and loss account over the period of the agreements so as to produce a constant 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.

Pension costs

Retirement costs are provided for employees by means of contributions to money purchase schemes. Company contributions to these schemes are charged against profit in the year for which they are payable.

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.

Notes (continued)

2 Analysis of turnover and profit before taxation

The whole of the company's turnover and profit (period ending 31 December 1998 - loss) before taxation is attributable to its activity as an advertising agency which was carried on in the UK.

3 Staff numbers and costs

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

	Year ended 31 December 1999	Period 3 July 1997 to 31 December 1998
Management	3	3
Client service department	5	2
Creative department	4	2
Finance department	1	1
Administration department	2	3
	<u>15</u>	<u>11</u>

The directors of the company received no remuneration during the year (period ending 31 December 1998: £nil).

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 1999 £	Period 3 July 1997 to 31 December 1998 £
Wages and salaries	755,286	514,405
Social security costs	70,606	45,265
Other pension costs	32,878	25,000
	<u>858,770</u>	<u>584,670</u>

4 Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	Year ended 31 December 1999 £	Period 3 July 1997 to 31 December 1998 £
Depreciation - owned assets	21,331	14,958
Depreciation - assets held under finance leases	4,501	4,125
Auditors' remuneration - Audit	6,000	6,000
Operating lease payments - land & buildings	30,842	30,724
- other	24,871	29,807
	<u></u>	<u></u>

Notes (continued)

5 Other interest receivable and similar income

	Year ended 31 December 1999 £	Period 3 July 1997 to 31 December 1998 £
Exchange gains	102,889	-

6 Interest payable and similar charges

	Year ended 31 December 1999 £	Period 3 July 1997 to 31 December 1998 £
On bank loans and overdrafts	1	-
Finance charges payable in respect of finance leases	935	1,091
Interest payable to group undertakings	33,849	-
	<u>34,785</u>	<u>1,091</u>

7 Taxation

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 1999 nor for the period ended 31 December 1998. The profit for the year ending 31 December 1999 was offset against prior year losses. Trading losses remaining at the end of the year are £349,970 (*period ending 31 December 1998: £518,561*).

8 Tangible assets

	Furniture and equipment £
Cost:	
At 1 January 1999	122,149
Additions	24,616
	<u>146,765</u>
At 31 December 1999	146,765
Depreciation:	
At 1 January 1999	19,083
Charge for year	25,832
	<u>44,915</u>
At 31 December 1999	44,915
Net book value:	
At 31 December 1999	<u>101,850</u>
At 31 December 1998	<u>103,066</u>

Notes (continued)

8 Tangible assets (continued)

Fixed assets, included in the above, which are held under finance leases are as follows:

	Furniture and equipment £
Cost:	
At 1 January 1999	
and 31 December 1999	18,002
	<hr/>
Depreciation:	
At 1 January 1999	4,125
Charge for year	4,501
	<hr/>
At 31 December 1999	8,626
	<hr/>
Net book value:	
At 31 December 1999	9,376
	<hr/>
At 31 December 1998	13,877
	<hr/>

9 Work in progress

	1999 £	1998 £
Work in progress	7,818	88,709
	<hr/>	<hr/>

10 Debtors

	1999 £	1998 £
Trade debtors	516,086	352,860
Amounts owed by group undertakings	22,929	20,625
Other debtors	8,809	298
Prepayments and accrued income	99,646	27,196
	<hr/>	<hr/>
	647,470	400,979
	<hr/>	<hr/>

All of the above are due within 1 year.

Notes *(continued)*

11 Creditors: amounts falling due within one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	4,475	4,947
Trade creditors	652,625	382,276
Amounts owed to parent and fellow subsidiary undertakings	470,039	572,388
Taxation and Social Security	25,007	64,236
Other creditors	2,178	1,318
Accruals and deferred income	758,686	271,816
	<u>1,913,010</u>	<u>1,296,981</u>

12 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	-	4,475
Obligations under finance leases are as follows:		
Within one year	4,475	4,947
2-5 years	-	4,475
	<u>1999 £000</u>	<u>1998 £000</u>
Debt can be analysed as falling due:		
Between one and two years	-	4,475

Notes (continued)

13 Commitments

Land and Buildings

The company occupied premises at Bridge House for the year ending 31 December 1999, subject to six-month notice of termination on either side. The company gave notice to terminate this agreement and vacate the premises on 31 March 2000.

On 1 April 2000 the company moved to new premises at Scholz & Friends Corner, 80 Clerkenwell Road, London, EC1M 5RJ.

Operating leases

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

	1999 £	1998 £
Operating leases which expire:		
Within one year	5,677	8,294
In the second to fifth years inclusive	947	11,273
	<hr/>	<hr/>
	6,624	19,567
	<hr/>	<hr/>

14 Called up share capital

Number	1999 £	1998 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, issued and fully paid</i>		
Ordinary Shares of £1 each	2	2
	<hr/>	<hr/>

15 Profit and loss account

	£
At beginning of year	(533,383)
Retained profit for the year	141,974
	<hr/>
At end of year	(391,409)
	<hr/>

16 Contingent liabilities

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

Notes (continued)

17 Pension scheme

The company is a member of the Cordiant Group Money Purchase Plan, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. No payments were made in the year and pension contributions of £nil (*period ending 31 December 1998: £nil*) were due at the year end. The charge to the profit and loss account for the year was £32,878 (*period ending 31 December 1998: £25,000*), which related to payments to employees' personal pension plans.

18 Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the requirements to disclose related party transactions with Cordiant Communications Group plc and its associated undertakings on the grounds that 90% of the voting rights are controlled within the group.

19 Reconciliation of movements in shareholders' deficit

	1999 £	1998 £
Profit/(loss) for the financial year	141,974	(533,383)
Share capital subscribed	-	2
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	141,974	(533,381)
Opening shareholders' deficit	(533,381)	-
	<hr/>	<hr/>
Closing shareholders' deficit	(391,407)	(533,381)
	<hr/>	<hr/>
Equity interests	(391,407)	(533,381)
	<hr/>	<hr/>

20 Ultimate parent company

The company is a subsidiary undertaking of Cordiant Communications Group plc, incorporated in England and Wales.

The company's immediate parent undertaking is Scholz & Friends GmbH which is registered in Germany. The largest and smallest group in which the results of the company are consolidated is that headed by Cordiant Communications Group plc.

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