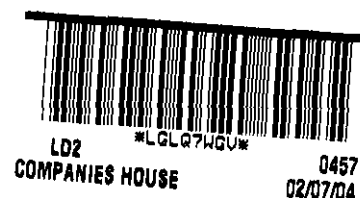


**Cordiant Communications  
Group plc**

**Directors' Report and Financial  
Statements**

Registered Number 1320869

9 months period ended 30 September 2003



## Contents

Directors' Report.....	1
Statement of Directors' Responsibilities .....	3
Independent Auditors' Report to the Members of Cordiant Communications Group Plc .....	4
Profit and Loss Account.....	5
Balance Sheet.....	6
Notes.....	7-13

## Directors' Report

The directors present their report and the audited financial statements for the 9 month period ended 30 September 2003. The previous accounts were for the year ended 31 December 2002.

### Principal Activities

The company acts as a holding company.

### Business Review

The directors are satisfied with the results for the period.

On 1 August 2003, WPP Group plc acquired the entire share capital of the company and therefore became the ultimate holding company.

### Results and Dividends

The results for the period are given in the profit and loss account on page 5. The loss on ordinary activities after taxation for the 9 month period ended 30 September 2003 amounted to £89,508,000 (year ended 31 December 2002: loss of £227,576,000), which has been transferred from reserves. The directors do not propose the payment of a dividend (year ended 31 December 2002: £nil)

Details of significant events since the balance sheet date are contained in note 14 to the financial statements.

### Directors and Directors' Interests

The directors who held office throughout the period, except as noted and subsequent changes were as follows:

	<i>Date of appointment or resignation in the year</i>
L Mellman	(appointed 1 August 2003)
P Richardson	(appointed 1 August 2003)
A Scott	(appointed 1 August 2003)
C Sweetland	(appointed 1 August 2003)
A D'Angelo	(resigned 3 January 2003)
C Scott	(resigned 28 February 2003)
M Bungey	(resigned 31 March 2003)
N Stapleton	(resigned 23 July 2003)
D Hearn	(resigned 23 July 2003)
A Boland	(resigned 23 July 2003)
J de Yturbe	(resigned 8 August 2003)
D Fishburn	(resigned 8 August 2003)
P Schoening	(resigned 8 August 2003)
R Stomberg	(resigned 8 August 2003)
J Tyrell	(resigned 8 August 2003)

None of the directors had any interests in the shares of the company.

The interests of P Richardson in the shares of WPP Group plc are shown in the Annual Report of WPP Group plc.

The interests of the other directors, who held office at the end of the period, in the shares of WPP Group plc are as follows:

	<b>As at 01/01/03 or at date of appointment</b>	<b>As at 30/09/03</b>
L Mellman	1,380	1,380
C Sweetland	42,883	47,592

## Directors' Report (Continued)

### Directors and Directors' Interests – continued

The interest of those directors in office at the end of the period in options over shares of WPP Group plc at the beginning and end of the period were as follows:

	Balance at 01/01/03 or date of appointment if later	Exercised during period	Granted during period	Lapsed during period	Balance at 30/09/03	Exercise price	Exercisable at 30/09/03
C Sweetland	5,012	-	-	-	5,012	293p	5,012
C Sweetland	23,750	-	-	-	23,750	214p	23,750
C Sweetland	2,689	-	-	-	2,689	570p	2,689
C Sweetland	12,070	-	-	-	12,070	901p	-
C Sweetland	5,422	-	-	-	5,422	283.5p	-
C Sweetland	23,143	-	-	-	23,143	486.5p	-
C Sweetland	6,861	-	-	-	6,861	233.5p	6,861
C Sweetland	25,293	-	-	-	25,293	421p	-
A Scott	5,614	-	-	-	5,614	570p	5,614
A Scott	22,994	-	-	-	22,994	421p	22,994
A Scott	1,265(1)	-	-	-	1,265	\$63.265	-
A Scott	4,240 (1)	-	-	-	4,240	\$35.380	-
L Mellman	3,731	-	-	-	3,731	283.5p	3,731
L Mellman	14,026	-	-	-	14,026	486.5p	-
L Mellman	3,552	-	-	-	3,552	901p	-
L Mellman	4,772	-	-	-	4,772	570p	4,772
L Mellman	7,235	-	-	-	7,235	293p	7,235
L Mellman	22,994	-	-	-	22,994	421p	-

(1) ADRs – each ADR (American Depository Receipt) represents 5 ordinary shares.

The directors have no other interest in any other group company.

The WPP Group plc Register of Directors' Interests (which is open to inspection) contains full details of directors' shareholdings and options to subscribe.

### Policy on payment of creditors

It is the company's policy that payments to suppliers are made in accordance with the terms and conditions agreed with the suppliers for business transactions, providing that the supplier is also complying with all relevant terms and conditions. Trade creditors for the company, expressed as a number of days, were 30 days at 30 September 2003 (2002: 30 days).


### 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 meetings, hold annual general meetings and reappoint auditors annually.

### Changes of auditors

On 1 August 2003 KPMG resigned as auditors and Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, were appointed in their place. The Directors have placed a resolution before the Annual General Meeting to appoint Deloitte & Touche LLP as auditors for the ensuing year.

By order of the Board  
C Sweetland  
Director



27 Farm Street  
London  
W1J 5RJ

28 June 2004

## Statement of Directors' Responsibilities

The directors are required by United Kingdom company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of that financial period 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 ; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business for the foreseeable future.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a 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.

## **Independent Auditors' Report to the Members of Cordiant Communications Group plc**

We have audited the financial statements of Cordiant Communications Group plc for the nine month period ended 30 September 2003, which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

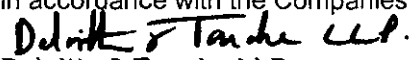
### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 30 September 2003 and of its loss for the nine month period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**Deloitte & Touche LLP**  
**Chartered Accountants and Registered Auditors**  
**London**  
**28 June 2004**

## Profit and Loss Account for the Period Ended 30 September 2003

	Notes	9 months to 30 September 2003 £'000	Year ended 31 December 2002 £'000
Administrative expenses		(4,036)	(2,368)
<b>Operating loss</b>	2	<b>(4,036)</b>	<b>(2,368)</b>
Interest payable and similar charges	4	(259)	-
Interest receivable and similar income	4	6,891	9,907
Amounts written off investments	6	(90,030)	(278,104)
(Loss)/profit on disposal of group undertakings	6	(13,112)	32,088
Amounts received from fixed asset investments		10,493	11,151
<b>Loss on ordinary activities before taxation</b>		<b>(90,053)</b>	<b>(227,326)</b>
Tax on loss on ordinary activities	5	545	(250)
<b>Loss on ordinary activities and retained loss for the period</b>	11	<b>(89,508)</b>	<b>(227,576)</b>

All results are derived from continuing activities.

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses in either year other than the profit and its losses shown above.

## Balance Sheet at 30 September 2003

	Notes	30 September 2003 £'000	31 December 2002 £'000
<b>Fixed Assets</b>			
Investments	6	112,629	248,168
<b>Current assets</b>			
Debtors	7	90,777	136,230
Cash at bank and in hand		62,310	-
		<u>153,087</u>	<u>136,230</u>
<b>Creditors: amounts falling due within one year</b>	8	(9,218)	(34,386)
<b>Net current assets</b>		<u>143,689</u>	<u>101,844</u>
<b>Total assets less current liabilities</b>		<u>256,498</u>	<u>350,012</u>
<b>Capital and reserves</b>			
Called up share capital	9	209,506	205,344
Share premium	10	174,425	174,425
Other reserves	10	49,089	78,078
Profit and loss account	10	(176,522)	(107,835)
<b>Equity Shareholders' funds</b>	11	<u>256,498</u>	<u>350,012</u>

These financial statements were approved by the Board of Directors on 28 June 2004.  
Signed on behalf of the Board of Directors

  
C Sweetland  
Director



## Notes (Forming Part of the Financial Statements)

### 1. Accounting Policies

#### Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of WPP Group plc which prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from the requirement of FRS 1 to present a cash flow statement.

#### 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.

#### Current taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

#### Deferred tax

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in period different from those in which they are included in financial statements.

Deferred tax is not provided on un-remitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that is regarded as more likely that not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Segmental information

The total expenses, profit before tax and net assets for the period have been derived from the company's principal activity, the management of investments, which is wholly undertaken in the United Kingdom.

#### Earnouts

Future anticipated payments to vendors in respect of earnouts are based on the directors' best estimates of future obligations, which are dependent on the future performance of the interests acquired and assume the operating companies improve profits in line with directors' estimates. When earnouts are to be settled by cash consideration, the fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future. The resulting interest charge is included within net interest payable and similar charges.

## 2. Operating Loss

	9 months to 30 September 2003 £'000	Year ended 31 December 2002 £'000
Loss on ordinary activities before interest is stated after charging/(crediting):		
Management fees	7,496	6,564
Net exchange gain	(7,329)	(3,682)
Net release of provisions against amounts owed by group undertakings	(21,394)	-
Waiver of amounts owed by group undertakings	23,868	-
	<u>23,868</u>	<u>-</u>

## 3. Remuneration of Directors

	9 months to 30 September 2003 £'000	Year ended 31 December 2002 £'000
Compensation for loss of office	2,699	-
Special pension contribution	60	-
	<u>2,759</u>	<u>-</u>

The emoluments of A D'Angelo, C Scott, M Bungey, N Stapleton, D Hearn, A Boland, J de Yturbe, D Fishburn, P Schoening, R Stomberg and J Tyrell were borne by a fellow subsidiary undertaking, Cordiant Group Limited. Although management charges were 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. None of the other directors received any remuneration for their services to the company during the period. All operating expenses, including the auditors' remuneration, are borne by the ultimate parent company, WPP Group plc. The company had no other employees during the current period or the preceding year.

## 4. Net interest

	9 months to 30 September 2003 £'000	Year ended 31 December 2002 £'000
Interest payable and similar charges:		
Amounts payable to group undertakings	259	-
Interest receivable and similar income:		
Bank deposit interest	479	17
Amounts receivable from group undertakings	6,412	9,890
	<u>6,891</u>	<u>9,907</u>

## 5. Taxation

	9 months to 30 September 2003 £'000	Year ended 31 December 2002 £'000
UK Corporation tax		
Current year	2,577	109
Prior Year	(595)	141
	<u>1,982</u>	<u>250</u>
Double tax relief	(2,577)	(68)
Overseas Tax	50	68
	<u>(545)</u>	<u>250</u>
Total Current Tax	(545)	250
Deferred tax	-	-
	<u>(545)</u>	<u>250</u>
Tax on ordinary activities	<u>(545)</u>	<u>250</u>

## 5. Taxation - continued

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

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

	9 months to 30 September 2003 £'000	Year ended 31 December 2002 £'000
Tax on profit/(loss) on ordinary activities at 30%	(27,016)	(68,589)
Effects of:		
Permanent differences disallowed for tax purposes	31,114	70,539
Adjustments in respect of prior period	-	(141)
Profits/(losses) group relieved for nil consideration	(1,521)	(1,700)
Double tax relief	(2,577)	(68)
Overseas tax	50	68
Prior year adjustment	(595)	141
Current Tax	<u>(545)</u>	<u>250</u>

## 6. Fixed Asset Investments

	Group undertakings £'000	Other £'000	Total £'000
<b>Cost</b>			
At beginning of period	309,651	318	309,969
Additions	1,628	-	1,628
Movements in contingent consideration	(3,872)	-	(3,872)
Disposals	(55,056)	(18)	(55,074)
<b>At end of period</b>	<u>252,351</u>	<u>300</u>	<u>252,651</u>
<b>Provisions</b>			
At beginning of period	61,501	300	61,801
Increases in provisions	90,030	-	90,030
Disposals	(11,809)	-	(11,809)
<b>At end of period</b>	<u>139,722</u>	<u>300</u>	<u>140,022</u>
<b>Net book value</b>			
<b>At end of period</b>	<u>112,629</u>	<u>-</u>	<u>112,629</u>
<b>At beginning of period</b>	<u>248,150</u>	<u>18</u>	<u>248,168</u>

On 30 June 2003, the company sold its entire interest (£1,055) in the ordinary share capital in X/M PTY Limited for Aus \$10 making a loss on disposal of £1,000.

On 30 June 2003, the company sold its interest (£1,630,979) in the 358 preference shares of Cordiant Communications Group Australia Pty Limited for Aus \$3,580,000 making a loss on disposal of £186,000.

On 30 June 2003, the company sold its entire interest (£14,081,413) in the ordinary share capital of Cordiant Communications (Australia) Pty Limited for Aus \$27,448,112 making a loss on disposal of £4,775,000.

On 23 July 2003, the company sold its interests (£39,341,990) in Financial Dynamics Ireland Ltd, Financial Dynamics Holdings Limited, C&FD (Holdings) Limited and FD International Limited for £19,323,000 making a loss on disposal of £8,150,000.

## 6. Fixed Asset Investments (cont.)

Except where otherwise indicated, the company either directly or indirectly owned 100% of each class of the issued shares of the undertakings listed below. All these undertakings are advertising and marketing communications companies.

The country of incorporation of the principal undertakings were as follows:

England	Fitch Limited
Korea	Diamond Ad Limited (80% Ordinary)
US	Bates Advertising USA, Inc.
	GHBM Inc.

A full list of Group companies will be included in the company's annual return.

The directors are of the opinion that the investments in the above companies are worth at least the amounts included in the balance sheet.

## 7. Debtors

	30 September 2003 £'000	31 December 2002 £'000
<b>Due within one year:</b>		
Trade debtors	108	379
Amounts owed by group and fellow subsidiary undertakings	87,382	135,851
Other debtors	1,277	-
Prepayments and accrued income	2,010	-
<b>Total debtors</b>	<b>90,777</b>	<b>136,230</b>

## 8. Creditors

	30 September 2003 £'000	31 December 2002 £'000
<b>Due within one year:</b>		
Bank loans and overdrafts	-	26,696
Trade creditors	48	11
Amounts owed to group and fellow subsidiary undertakings	5,291	3,995
Taxation and social security	1,009	498
Other creditors	56	3,186
Accruals and deferred income	2,814	-
<b>Total creditors</b>	<b>9,218</b>	<b>34,386</b>

**9. Called up share capital**

	30 September 2003 £'000	31 December 2002 £'000
<b>Authorised</b>		
520 million equity ordinary shares of 50p each (2002: 520 million)	<u>260,000</u>	<u>260,000</u>
<b>Allotted, called-up and fully paid</b>		
419.0 million equity ordinary shares of 50p each (2002: 410.7 million)	<u>209,506</u>	<u>205,344</u>

During the period the company issued 1.2 million Ordinary shares of 50p each for consideration of £0.6 million pursuant to receipt of notices to exercise options from employees of the group. In addition, the company issued 7.1 million Ordinary shares of 50p each for a total consideration of £3.5 million in respect of the settlement of contingent consideration on a previous transaction.

**10. Share Premium and Reserves**

	Share premium £'000	Other reserves £'000	Profit and loss £'000	Total £'000
At beginning of period	174,425	78,078	(107,835)	144,668
Transfer to P&L reserve	-	(20,821)	20,821	-
Adjustment to contingent consideration	-	(7,330)	-	(7,330)
Exercising of employee share schemes	-	(838)	-	(838)
Loss attributable to ordinary shareholders	-	-	(89,508)	(89,508)
At end of period	<u>174,425</u>	<u>49,089</u>	<u>(176,522)</u>	<u>46,992</u>

At 30 September 2003 the company's other reserves comprise merger reserve £22.8 million (31 December 2002: £22.8 million), shares to be issued £0.6 million (31 December 2002: £8.8 million), special reserve £25.7 million (31 December 2002: £25.7 million) and warrant reserve £nil (31 December 2002: £20.8 million).

The warrant reserve arose from the recognition of the fair value of options on the acquisition of certain businesses. These options lapsed in February 2004. As a result the warrant reserve has been transferred to the P&L reserve.

# **11. Reconciliation of Movements in Shareholders' Funds**

	<b>9 months to 30 September 2003 £'000</b>	<b>Year ended 31 December 2002 £'000</b>
Loss for the period	(89,508)	(227,576)
Shareholders' funds at the beginning of the period	350,012	573,888
Contingent consideration	(3,773)	2,400
Employee share options schemes	(233)	1,300
<b>Shareholders' funds at the end of the period</b>	<b>256,498</b>	<b>350,012</b>

# **12. Contingent Liabilities**

The company participates in group banking arrangements with its parent, WPP Group plc, and has access to a group cash management facility. The company guarantees the facility to the extent of its cash deposited in the UK with its clearing bank.

# **13. Related Party Disclosures**

The company has taken advantage of the exemption under Financial Reporting Standard 8 – Related Party Disclosures (FRS 8) not to disclose related party transactions between 90%-100% owned group undertakings.

# **14. Subsequent events**

On 15 December 2003 the investment in Chafma BV was transferred to WPP Dutch Holdings Ltd, a fellow subsidiary undertaking, for £51,788k; the transfer price was equivalent to the net book value of the investment at 30 September 2003.

# **15. Ultimate Parent Company and Parent undertaking of Smallest Group of Which the Company is a Member**

From 1 August 2003, the ultimate parent company and the parent undertaking of the smallest group which the company is a member is WPP Group plc, which is registered in England and Wales and incorporated in Great Britain. Copies of the consolidated financial statements for WPP Group plc for the year ended 31 December 2003 can be obtained from the Secretary, WPP Group plc, 27 Farm Street, London, W1J 5RJ.