

MANNING GOTTLIEB MEDIA LIMITED
ACCOUNTS FOR THE 6 MONTHS TO 31 DECEMBER 1997
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

Registered Number: 2477134



MANNING GOTTLIEB MEDIA LIMITED

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MANNING GOTTLIB MEDIA LIMITED

DIRECTORS' REPORT

FOR THE 6 MONTHS ENDED 31 DECEMBER 1997

The directors present their report on the affairs of the company together with the accounts and auditors' report for the 6 months ended 31 December 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The company continued to trade as a media buying, planning and consultancy agency. The directors are satisfied with the company's results for the period and consider that the future prospects are good.

RESULTS:

The results for the period are set out below:

	6 Months Ended 31 December 1997 £	Year Ended 30 June 1997 £
Profit on ordinary activities before taxation	606,949	1,481,676
Tax on profit on ordinary activities	(204,863)	(495,187)
Profit for the financial period	<u>402,086</u>	<u>986,489</u>

DIVIDENDS:

The final dividend recommended by the directors is 450.81p (1997: £Nil) per ordinary share, which together with the interim dividend of £Nil (1997: 751.35p) per ordinary share gives a total dividend of 450.81p (1997: 751.35p) per ordinary share.

DIRECTORS AND THEIR INTERESTS:

The directors who served during the period together with their beneficial interests in the company's shares at the dates specified were as follows:

		31 December 1997 10p Shares	30 June 1997 10p Shares
N Manning	- Ordinary 'B' shares	5,981	16,073
	- Deferred shares	4,570	8,427
C Gottlieb	- Ordinary 'B' shares	5,981	19,072
	- Deferred shares	4,570	8,428
P Simons			
R Powley	- (resigned August 1997)		
M Jamison	- (appointed September 1997 - resigned October 1997)		
R Ffitch			
H Taylor			
I Lloyd	- (appointed September 1997)		
M James	- (appointed April 1998)		

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS (continued):

The directors interests in the share capital of the company's parent company are shown in the financial statements of that company.

CHARITABLE DONATIONS:

During the period the company made charitable donations amounting to £1,620 (year ended 30 June 1997 - £1,377).

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; 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 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.

CHANGE OF OWNERSHIP:

In October 1997, Simons Palmer Clemmow Johnson (Holdings) Limited acquired 33,898 "B" ordinary shares, 18,960 "C" ordinary shares and 1,815 convertible deferred shares in the company, in addition to the 35,000 "A" ordinary shares that Simons Palmer Clemmow Johnson (Holdings) Limited held originally. See note 19 to the financial statements for details of the ultimate parent company.

AUDITORS:

During the period Deloitte and Touche resigned as auditors of the company and Arthur Andersen were appointed in their place. Accordingly, the directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

Approved by the Board of Directors
and signed on behalf of the Board



Colin Gottlieb
Director

30 October 1998

Auditors' Report to the members of MANNING GOTTlieb MEDIA LIMITED

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of the 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 company's state of affairs at 31 December 1997 and of its profit and cashflows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS

30 October 1998

MANNING GOTTLIEB MEDIA LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 DECEMBER 1997

	Notes	6 Months Ended 31 December 1997 £	Year Ended 30 June 1997 £
TURNOVER			
Cost of sales	1c	36,494,334 (34,786,437)	63,925,230 (60,886,091)
GROSS PROFIT		1,707,897	3,039,139
Net operating expenses		(1,210,296)	(1,752,804)
OPERATING PROFIT		497,601	1,286,335
Interest receivable and similar income	3	112,973	199,465
Interest payable and similar charges	3	(3,625)	(4,124)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	606,949	1,481,676
Taxation on profit on ordinary activities	6	(204,863)	(495,187)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		402,086	986,489
Dividends paid and proposed	7	(450,000)	(749,998)
RETAINED (LOSS)/PROFIT FOR THE YEAR		(47,914)	236,491

This profit and loss account includes all recognised gains and losses arising during the year.

A statement of movements on reserves is given in note 14 to the financial statements.

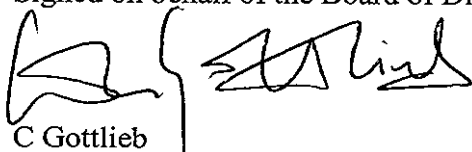
The accompanying notes form an integral part of this profit and loss account.

MANNING GOTTLIEB MEDIA LIMITED

BALANCE SHEET -- 31 DECEMBER 1997

	Notes	31 December 1997 £	30 June 1997 £
FIXED ASSETS			
Tangible assets	8	250,888	261,399
Investments	9	750	-
		<hr/> 251,638	<hr/> 261,399
CURRENT ASSETS			
Work in progress	1d	28,064	31,392
Debtors	10	4,577,913	8,137,445
Cash at bank and in hand		4,645,651	1,811,522
		<hr/> 9,251,628	<hr/> 9,980,359
CREDITORS: Amounts falling due within one year	11	(8,952,414)	(9,649,179)
NET CURRENT ASSETS		<hr/> 299,214	<hr/> 331,180
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 550,852	<hr/> 592,579
PROVISIONS FOR LIABILITIES AND CHARGES	12	(7,778)	(1,591)
NET ASSETS		<hr/> <u>543,074</u>	<hr/> <u>590,988</u>
CAPITAL AND RESERVES			
Called up share capital	13	11,078	11,078
Share premium account	14	109,404	109,404
Profit and loss account	14	422,592	470,506
TOTAL SHAREHOLDERS' FUNDS		<hr/> <u>543,074</u>	<hr/> <u>590,988</u>
SHAREHOLDERS' FUNDS MAY BE ANALYSED AS:			
Equity Interests		541,978	588,940
Non-equity Interests		1,096	2,048
		<hr/> <u>543,074</u>	<hr/> <u>590,988</u>

These financial statements were approved by the Board of Directors on 30 October 1998
Signed on behalf of the Board of Directors


C Gottlieb
Director

The accompanying notes form an integral part of this balance sheet.

MANNING GOTTLIEB MEDIA LIMITED

CASH FLOW STATEMENT -- 31 DECEMBER 1997

	Notes	31 December 97 £	30 June 97 £
Net cash inflow/(outflow) from operating activities	15	2,972,308	117,617
Returns on investment and servicing of finance			
Interest received		93,238	199,465
Interest paid		(1,233)	(4,124)
		<hr/>	<hr/>
		92,005	195,341
Taxation			
Corporation tax paid		(189,240)	(182,542)
Capital expenditure			
Payments to acquire tangible fixed assets		(40,944)	(134,739)
Receipts from sales of tangible fixed assets		-	11,000
		<hr/>	<hr/>
		(40,944)	(123,739)
		<hr/>	<hr/>
		2,834,129	6,677
Equity dividends paid		-	(950,000)
		<hr/>	<hr/>
(Decrease)/increase in cash	16	2,834,129	(943,323)
		<hr/>	<hr/>

The accompanying notes form an integral part of this cash flow statement.

MANNING GOTTLIEB MEDIA LIMITED

NOTES TO THE ACCOUNTS -- 31 DECEMBER 1997

1. ACCOUNTING POLICIES:

The company's principal accounting policies all of which have been applied consistently throughout the period and the preceding year, are set out below.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable financial reporting and accounting standards.

b) Continuing activities

The company's activities during the year are all continuing operations.

c) Turnover and recognition of income

Turnover comprises the net value of billing, excluding VAT, of services rendered in the normal course of business and reflects the costs of advertising expenditure incurred by the company on behalf of clients, including its commissions and fees. Commissions are recognised as income when the related advertisement appears.

d) Work in progress

These amounts represent costs incurred on behalf of clients after provision for any amounts which may not be recoverable.

e) Tangible fixed assets

Fixed assets are stated at historical cost less accumulated depreciation.

Expenditure on leasehold improvements is depreciated at a rate calculated to reduce the value to nil on expiry of the lease.

Depreciation is provided at rates calculated to write off the cost of the assets less estimated residual value over their expected useful lives on a straight line basis. The annual rates of depreciation are as follows-

Furniture and equipment	- 25% to 33.3%
Motor vehicles	- 25%

f) Leased assets

All leases are operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued):

g) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

2. SEGMENTAL INFORMATION

All turnover and profit on ordinary activities before taxation results from the placement of advertisements in the United Kingdom.

3. NET INTEREST:

	6 Months Ended 31 December 1997 £	Year Ended 30 June 1997 £
Interest receivable-		
Bank interest	112,973	195,988
Other interest	-	3,477
	<hr/> 112,973	<hr/> 199,465
Interest payable-		
Bank interest	(1,163)	(4,124)
Other interest	(2,462)	-
	<hr/> (3,625)	<hr/> (4,124)
Net interest	<hr/> 109,348	<hr/> 195,341
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

This is stated after charging-

	6 Months Ended 31 December 1997 £	Year Ended 30 June 1997 £
Depreciation of tangible fixed assets	51,455	87,726
Rentals under operating leases	6,098	10,887
Auditors' remuneration		
- Audit fees	9,500	8,000
- Non-audit fees	-	-
	<u> </u>	<u> </u>

5. STAFF COSTS:

Employee costs (including directors) during the period amounted to-

	6 Months Ended 31 December 1997 £	Year Ended 30 June 1997 £
Wages and salaries	551,709	860,630
Social security costs	56,683	88,292
	<u> </u>	<u> </u>
	<u>608,392</u>	<u>948,922</u>

The average monthly number of persons (including directors) employed by the company was 27 (year ended 30 June 1997 - 25).

Directors' emoluments	<u>270,426</u>	<u>348,051</u>
Emoluments of the highest paid director	<u>91,926</u>	<u>106,458</u>

The following transaction has taken place with a director:

During the period, a motor car owned by Manning Gottlieb Media Limited was transferred into the ownership of N Manning, for nil proceeds. The motor car was fully depreciated and had a market value of £9,350 at the time of transfer.

NOTES TO THE ACCOUNTS (Continued)

6. TAXATION:

The tax charge is based on the profit for the year and comprises-

	6 Months Ended 31 December 1997 £	Year Ended 30 June 1997 £
Corporation tax at 31%/33%	201,648	499,590
Adjustment of current tax in respect of prior years	(2,972)	(3,183)
Deferred taxation arising from		
- capital allowances	3,087	(1,220)
- other timing differences	3,100	-
	<u>204,863</u>	<u>495,187</u>

7. DIVIDENDS:

	6 Months Ended 31 December 1997 £	Year Ended 30 June 1997 £
Interim dividends paid		
£Nil per ordinary share (1997 - £7.5135)	-	749,998
Final dividends paid		
£4.5081 per ordinary share (1997 - £Nil)	450,000	-
	<u>450,000</u>	<u>749,998</u>

NOTES TO THE ACCOUNTS (Continued)

8. TANGIBLE FIXED ASSETS:

	Short leasehold property improvements £	Furniture and equipment £	Motor cars £	Total £
COST-				
At 1 July 1997	66,077	225,655	113,234	404,966
Additions	(1,274)	11,223	30,995	40,944
Disposals	-	-	(19,188)	(19,188)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	<u>64,803</u>	<u>236,878</u>	<u>125,041</u>	<u>426,722</u>
 DEPRECIATION-				
At 1 July 1997	15,945	97,923	29,699	143,567
Charge	6,204	30,266	14,985	51,455
Disposals	-	-	(19,188)	(19,188)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	<u>22,149</u>	<u>128,189</u>	<u>25,496</u>	<u>175,834</u>
 NET BOOK VALUE-				
At 31 December 1997	<u>42,654</u>	<u>108,689</u>	<u>99,545</u>	<u>250,888</u>
 At 30 June 1997	<u>50,132</u>	<u>127,732</u>	<u>83,535</u>	<u>261,399</u>

9. FIXED ASSET INVESTMENTS:

COST AND NET BOOK VALUE-	£
At 1 July 1997	-
Additions	750
	<hr/>
At 31 December 1997	<u>750</u>

In October 1997, Manning Gottlieb Media Limited subscribed for 51% of the share capital in The Allmond Partnership Ltd, a company incorporated in England and Wales. The Allmond Partnership Limited did not trade during the period.

NOTES TO THE ACCOUNTS (Continued)

10. DEBTORS:

The following are included in the net book value of debtors.

	31 December 1997 £	30 June 1997 £
Amounts falling due within one year-		
Trade debtors	4,241,912	8,004,070
Amounts owed by associated undertakings	62,968	32,392
Amounts owed by other group undertakings	-	-
Other debtors	706	6,847
Prepayments and accrued income	159,827	94,136
	<hr/> 4,465,413	<hr/> 8,137,445
Amounts falling due after more than one year-		
ACT Recoverable	112,500	-
	<hr/> 4,577,913	<hr/> 8,137,445
	=====	=====

11. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

	31 December 1997 £	30 June 1997 £
Trade creditors	7,133,071	8,203,734
Amounts owed to associated undertakings	14,218	209,004
Amounts owed to other group undertakings	-	-
UK corporation tax payable	574,497	452,561
Other taxes and social security costs	81,076	149
VAT payable	352,765	123,404
Other creditors	20,698	382,249
Accruals and deferred income	326,089	278,078
Proposed Dividend	450,000	-
	<hr/> 8,952,414	<hr/> 9,649,179
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

12. PROVISIONS FOR LIABILITIES AND CHARGES:

Deferred taxation comprises-

	31 December 1997 £	30 June 1997 £
Excess of tax allowances over book depreciation of fixed assets	4,678	1,591
Other short-term timing differences	3,100	-
	<u>7,778</u>	<u>1,591</u>
	=====	=====

The movement on deferred taxation comprises-

	31 December 1997 £	30 June 1997 £
Beginning of year	1,591	1,161
Charged/(credited) to profit and loss account, in respect of		
- capital allowances	3,087	(1,220)
- other timing differences	3,100	-
Adjustment in respect of prior years	-	1,650
	<u>7,778</u>	<u>1,591</u>
	=====	=====

The amount of deferred taxation not provided was £Nil (1997- £Nil).

NOTES TO THE ACCOUNTS (Continued)

13. CALLED UP SHARE CAPITAL:

	31 December 1997 £	30 June 1997 £
Authorised:		
35,000 ordinary 'A' shares of 10p each (1997 – 35,000)	3,500	3,500
50,624 ordinary 'B' shares of 10p each (1997 – 42,909)	5,062	4,291
20,075 ordinary 'C' shares of 10p each (1997 – 18,260)	2,007	1,826
16,856 deferred shares of 10p each (1997 – 24,571)	1,686	2,457
3,635 convertible deferred shares of 10p each (1997 – 5,540)	364	545
	<hr/> 12,619 <hr/>	<hr/> 12,619 <hr/>

Allotted, called up and fully paid:

35,000 ordinary 'A' shares of 10p each (1997 – 35,000)	3,500	3,500
45,860 ordinary 'B' shares of 10p each (1997 – 38,145)	4,586	3,815
18,960 ordinary 'C' shares of 10p each (1997 – 17,145)	1,896	1,715
9,140 deferred shares of 10p each (1997 – 16,855)	914	1,685
1,815 convertible deferred shares of 10p each (1997 – 3,630)	182	363
	<hr/> 11,078 <hr/>	<hr/> 11,078 <hr/>

The ordinary 'A', 'B' and 'C' shares rank pari passu in respect of rights to dividends participation in a surplus on winding up and voting rights.

The deferred and convertible deferred shares carry no rights to dividends, participation in a surplus on winding up or voting rights.

The deferred shares are convertible into 'B' ordinary shares and the convertible deferred shares are convertible into 'C' ordinary shares from June 1995 to June 1998.

During the period, 7,715 deferred shares of 10p each were converted into 7,715 ordinary 'B' shares of 10p each and 1,815 convertible deferred shares of 10p each were converted into 1,815 ordinary 'C' shares of 10p each, in accordance with the provisions of the Articles of Association.

NOTES TO THE ACCOUNTS (Continued)

14. RESERVES:

	Profit and loss account £	Share premium account £	Share capital £
At 1 July 1997	470,506	109,404	11,078
Retained loss for the year	(47,914)	-	-
At 31 December 1997	<u>422,592</u>	<u>109,404</u>	<u>11,078</u>

15. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES:

	31 December 1997 £	30 June 1997 £
Operating profit	497,601	1,286,335
Depreciation charges	51,455	87,726
(Profit) on sale of equipment	-	(11,000)
Decrease/(increase) in debtors	3,689,375	(1,860,692)
(Decrease)/increase in creditors	(1,269,451)	615,248
Decrease/(increase) in work-in-progress	3,328	-
	<u>2,972,308</u>	<u>117,617</u>

16. ANALYSIS OF CHANGES IN NET DEBT:

	At 1 July 1997 £	Cashflow £	At 31 December 1997 £
Cash in hand and at bank	<u>1,811,522</u>	<u>2,834,129</u>	<u>4,645,651</u>

NOTES TO THE ACCOUNTS (Continued)

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments

There were no capital commitments contracted for at 31 December 1997 or in the prior year.

b) Lease commitments

The company has annual commitments under operating leases as follows:

	Furniture, fittings and motor vehicles £	Leasehold property £
Leases which expire		
- within one year	1,702	-
- within two to five years	8,792	-
- after five years	-	72,000
	<hr/> 10,494	<hr/> 72,000
	=====	=====

c) Financial commitments

Diversified Agency Services Limited, jointly and severally with certain of its subsidiary undertakings, including Manning Gottlieb Media Limited, has entered into a £8 million collective net overdraft facility with Midland Bank plc. Midland Bank plc has the right to apply positive cash balances of the company against indebtedness or liability of any of the other companies named in the agreement. This facility is guaranteed by Omnicom Group Inc.

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS:

	31 December 1997 £	30 June 1997 £
Shareholders' funds at beginning of year	470,506	234,015
Profit on ordinary activities after taxation	402,086	986,489
Dividends paid and payable	(450,000)	(749,998)
	<hr/> 422,592	<hr/> 470,506
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

19. ULTIMATE PARENT COMPANY:

The company's results are included in the consolidated accounts of its United Kingdom parent company, Diversified Agency Services Limited, whose principal place of business is at 239 Old Marylebone Road, London NW1 5QT.

The largest group in which the company's results are included is the consolidated accounts of the ultimate parent company, Omnicom Group Inc., a company incorporated in the United States of America. These consolidated accounts are available to the public and may be obtained from Omnicom Group Inc., 437 Madison Avenue, New York, NY10022, U.S.A.

20. RELATED PARTY TRANSACTIONS

Transactions with the directors of Manning Gottlieb Media Limited are disclosed in note 5.

At 31 December the company had the following balances owing to and by other undertakings of Omnicom Group Inc.

	Fellow Subsidiaries £
Debtor	64,731
Creditor	(14,218)
	=====

The company has entered into an agreement with a fellow subsidiary undertaking for the provision of finance and administration services to Manning Gottlieb Media Limited. Charges payable under this agreement amounted to £20,667 during the period. £Nil was the balance owing at 31 December 1997.

The directors believe that all transactions with group undertakings are on a commercial basis.