

BUTLER LUTOS SUTTON WILKINSON LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 1 DECEMBER 1996 TO
31 JANUARY 1998**



BUTLER LUTOS SUTTON WILKINSON LIMITED

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 1998**

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BUTLER LUTOS SUTTON WILKINSON LIMITED

**COMPANY INFORMATION
AS AT 31 JANUARY 1998**

DIRECTORS

M. Butler
M. Lutos
R. Sutton
T. Wilkinson

SECRETARY

A. McCarthy

REGISTERED OFFICE

Higgison House
381-383 City Road
London EC1V 1NA

REGISTERED NUMBER

02870808

BUSINESS ADDRESS

William Blake House
8 Marshall Street
London W1V 2AJ

AUDITORS

Higgisons
Chartered Accountants

Higgison House
381/383 City Road
London
EC1V 1NA

BUTLER LUTOS SUTTON WILKINSON LIMITED

DIRECTORS' REPORT

The directors present their annual report with the financial statements of the company for the period ended 31 January 1998.

PRINCIPAL ACTIVITIES

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

No significant change in the nature of these activities occurred during the period.

REVIEW OF THE BUSINESS

The net loss after providing for taxation amounted to £61,803.

DIVIDENDS

No dividends were paid during the period and no recommendation is made as to dividends.

POST BALANCE SHEET EVENTS

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in financial years subsequent to the financial period ended 31 January 1998.

DIRECTORS AND THEIR INTERESTS

The directors in office in the period and their beneficial interests in the ultimate parent company at the balance sheet date and the beginning of the year (or on appointment if later) were as follows:

	Number of Shares	
	1998	1997
M. Butler	-	-
M. Lutos	-	-
R. Sutton	-	-
T. Wilkinson	-	-

Directors retired during the period:
A. McCarthy resigned on 28 April 1997

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 as at the end of the financial year 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;
- comply with applicable Accounting Standards, 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 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 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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period the company did not make any political contributions nor any charitable contributions.

BUTLER LUTOS SUTTON WILKINSON LIMITED

DIRECTORS' REPORT

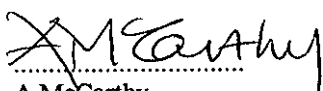
CLOSE COMPANY

The company is a close company, as defined by the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, Higgisons, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

By order of the board:


.....
A. McCarthy
Secretary

Approved by the board: 30 July 1998

BUTLER LUTOS SUTTON WILKINSON LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and on the basis of accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described in the directors' report, 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.

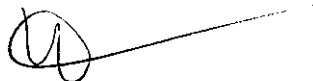
BASIS OF OPINION

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 as to whether 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 affairs of the company as at 31 January 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



.....
Higgisons
Chartered Accountants

Registered Auditors
Higgison House
381/383 City Road
London
EC1V 1NA

30 July 1998

BUTLER LUTOS SUTTON WILKINSON LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 JANUARY 1998**

	Notes	1998 £	1996 £
TURNOVER		17,692,127	12,815,018
Cost of sales		16,577,833	11,938,919
GROSS PROFIT		1,114,294	876,099
Administrative expenses		1,204,844	693,874
		(90,550)	182,225
Other operating income		-	22,714
OPERATING (LOSS) / PROFIT	2	(90,550)	204,939
Investment income and interest receivable	3	34,134	9,400
Interest payable and similar charges	4	(2,650)	(541)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(59,066)	213,798
Tax on (loss) / profit on ordinary activities	7	(2,737)	-
(LOSS) / PROFIT FOR THE PERIOD		(61,803)	213,798

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial periods.

Total recognised gains and losses

The company has no recognised gains or losses other than the profit or loss for the above two financial periods.

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

BUTLER LUTOS SUTTON WILKINSON LIMITED**BALANCE SHEET
AT 31 JANUARY 1998**

	Notes	£	1998 £	£	1996 £
FIXED ASSETS					
Intangible assets	8		5,833		7,000
Tangible assets	9		159,518		70,301
			165,351		77,301
CURRENT ASSETS					
Stocks	10	139,048		133,207	
Debtors	11	2,876,542		2,736,665	
Cash at bank and in hand		496,407		1,515,637	
		3,511,997		4,385,509	
CREDITORS: amounts falling due within one year	12	(3,979,730)		(4,638,389)	
NET CURRENT LIABILITIES			(467,733)		(252,880)
TOTAL ASSETS LESS CURRENT LIABILITIES			(302,382)		(175,579)
CREDITORS: amounts falling due after more than one year	13		-		(65,000)
NET LIABILITIES			(302,382)		(240,579)
CAPITAL AND RESERVES					
Called up share capital	14		2		2
Profit and loss account	15		(302,384)		(240,581)
TOTAL SHAREHOLDERS' FUNDS	16		(302,382)		(240,579)

The financial statements were approved by the board of directors on 30 July 1998 and signed on its behalf by:

M.L. Butler
Director

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

BUTLER LUTOS SUTTON WILKINSON LIMITED**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 JANUARY 1998**

	Notes	1998 £	1996 £
CASH FLOW FROM OPERATING ACTIVITIES	2	(869,710)	1,420,401
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	17	31,484	8,859
CAPITAL EXPENDITURE	17	(116,901)	(45,358)
Cash outflow before use of liquid resources and financing		(955,127)	1,383,902
FINANCING	17	(65,000)	-
DECREASE IN CASH IN THE PERIOD		(1,020,127)	1,383,902

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	18		
DECREASE IN CASH IN THE PERIOD		(1,020,127)	1,383,902
Cash outflow from decrease in debt and lease financing		65,000	-
Change in net debt resulting from cash flows		(955,127)	1,383,902
Movement in net debt in the period		(955,127)	1,383,902
Net funds at 1 February 1997		1,433,887	49,985
Net funds at 31 January 1998		478,760	1,433,887

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

BUTLER LUTOS SUTTON WILKINSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 1998

1. STATEMENT OF ACCOUNTING POLICIES

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

Turnover

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the period.

Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separate net assets. Depending on the circumstances of each acquisition, goodwill is either set off directly against reserves or amortised through the profit and loss account over the directors' estimate of its estimated economic life.

Depreciation of tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its useful life:

Motor vehicles	25% on cost
Fixtures fittings and equipment	20% - 25% on cost

Amortisation of intangible fixed assets

Intangible fixed assets, other than goodwill, are amortised over the director's estimate of their economic useful life.

Work in progress

Work in progress is valued at the lower of the recoverable amounts of cost and estimated cost of outlays and materials incurred on behalf of clients, which have still to be recharged to clients.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into the profit and loss account for the year.

Pension costs

The company operates a defined contribution pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets.

BUTLER LUTOS SUTTON WILKINSON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 1998****2. OPERATING LOSS**

Operating loss is stated:	1998	1996
	£	£
After charging:		
Depreciation of fixed assets	24,977	18,576
Amortisation of intangible assets	1,167	1,000
Auditors' remuneration	4,000	7,250
Loss on foreign currencies	8,124	-
	<u> </u>	<u> </u>
After crediting:		
Profit on foreign currencies	-	3,793
	<u> </u>	<u> </u>

**Reconciliation of operating loss to net
cash outflow from operating activities**

	1998	1996
	£	£
Operating loss	(90,550)	204,939
Depreciation	24,977	18,576
Amortisation	1,167	1,000
Loss on disposal of fixed assets	2,706	-
Increase in stocks	(5,841)	(20,708)
Increase in debtors	(139,878)	(1,838,693)
Decrease in creditors	(662,291)	3,055,287
	<u> </u>	<u> </u>
Net cash outflow from operating activities	(869,710)	1,420,401

3. INVESTMENT INCOME AND INTEREST RECEIVABLE

	1998	1996
	£	£
Interest received and receivable		
Bank interest	34,134	9,400
	<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1998	1996
	£	£
On bank loans and overdrafts	2,650	541
	<u> </u>	<u> </u>

BUTLER LUTOS SUTTON WILKINSON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 1998****5. INFORMATION ON DIRECTORS AND EMPLOYEES**

	1998 £	1996 £
Staff costs		
Wages and salaries	944,767	567,880
Social security costs	94,902	56,757
Other pension costs	25,667	20,333
	<u>1,065,336</u>	<u>644,970</u>
	1998 £	1996 £
Directors' emoluments		
Remuneration for management services	237,730	178,202
Benefits in kind	10,583	6,447
Pension costs	25,667	20,333
	<u>273,980</u>	<u>204,982</u>

6. PENSION COSTS**Defined contribution scheme**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £25,667 (1997:£20,333).

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	1998 £	1996 £
The taxation charge comprises:		
UK Corporation tax at 24/21% (1996 - 24%)	<u>2,737</u>	<u>-</u>

BUTLER LUTOS SUTTON WILKINSON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 1998****8. INTANGIBLE FIXED ASSETS**

	Goodwill £
Cost:	
At 1 December 1996 and 31 January 1998	10,000
Amortisation:	
At 1 December 1996	3,000
Charge for period	1,167
At 31 January 1998	4,167
Net book value:	
At 31 January 1998	5,833
At 30 November 1996	7,000

9. TANGIBLE FIXED ASSETS

	Fixtures fittings and equipment £	Motor vehicles £	Total £
Cost:			
At 1 December 1996	100,812	-	100,812
Additions	110,705	14,050	124,755
Disposals	(11,736)	-	(11,736)
At 31 January 1998	199,781	14,050	213,831
Depreciation:			
At 1 December 1996	30,511	-	30,511
Charge for period	22,344	2,634	24,978
On disposals	(1,176)	-	(1,176)
At 31 January 1998	51,679	2,634	54,313
Net book value:			
At 31 January 1998	148,102	11,416	159,518
At 30 November 1996	70,301	-	70,301

10. STOCKS & WORK IN PROGRESS

	1998 £	1996 £
Short term work in progress	139,048	133,207

BUTLER LUTOS SUTTON WILKINSON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 1998****11. DEBTORS**

	1998 £	1996 £
Trade debtors	2,706,253	2,663,924
Amounts owed by other group undertakings	500	500
Other debtors	82,567	17,553
Prepayments and accrued income	87,222	54,688
	<u>2,876,542</u>	<u>2,736,665</u>

12. CREDITORS: amounts falling due within one year

	1998 £	1996 £
Bank loans and overdrafts	17,647	16,750
Trade creditors	3,719,207	2,703,608
Amounts owed to participating interests	-	1,503,895
Corporation tax	2,737	-
Other taxes and social security costs	112,649	359,055
Other creditors	12,348	33,105
Accruals and deferred income	115,142	21,976
	<u>3,979,730</u>	<u>4,638,389</u>

13. CREDITORS: amounts falling due after more than one year

	1998 £	1996 £
Loans	-	65,000
	<u>-</u>	<u>65,000</u>

14. SHARE CAPITAL

	1998 £	1996 £
Authorised:		
Equity interests:		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid:		
Equity interests:		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

BUTLER LUTOS SUTTON WILKINSON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 1998****15. PROFIT AND LOSS ACCOUNT**

	1998 £	1996 £
Accumulated losses at 1 December 1996	(240,581)	(454,379)
Loss for the period	(61,803)	213,798
Accumulated losses at 31 January 1998	<u>(302,384)</u>	<u>(240,581)</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1996 £
Loss for the financial period	(61,803)	213,798
Opening shareholders' funds	<u>(240,579)</u>	<u>(454,377)</u>
Closing shareholders' funds	<u>(302,382)</u>	<u>(240,579)</u>

Represented by:-

Equity interests	<u>(302,382)</u>	<u>(240,579)</u>
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17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1998 £	1996 £
Returns on investments and servicing of finance		
Interest received	34,134	9,400
Interest paid	<u>(2,650)</u>	<u>(541)</u>
Net cash inflow from returns on investments and servicing of finance	<u>31,484</u>	<u>8,859</u>
Capital expenditure		
Purchase of tangible fixed assets	(124,755)	(45,358)
Receipts from sale of tangible fixed assets	<u>7,854</u>	<u>-</u>
Net cash outflow from capital expenditure	<u>(116,901)</u>	<u>(45,358)</u>
Financing		
Repayments of long-term loans	<u>(65,000)</u>	<u>-</u>
Net cash outflow from financing	<u>(65,000)</u>	<u>-</u>

BUTLER LUTOS SUTTON WILKINSON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 1998**

18. ANALYSIS OF NET FUNDS

	1997	Cash flow	1998
	£	£	£
Cash at bank and in hand	1,515,637	(1,019,230)	496,407
Bank overdraft	(16,750)	(897)	(17,647)
Debt due after one year	(65,000)	65,000	-
	<u>1,433,887</u>	<u>(955,127)</u>	<u>478,760</u>

19. ULTIMATE PARENT COMPANY

The company is owned by Butler Lutos Sutton Wilkinson Group Limited and the ultimate parent company is Blake Communications Limited. Both companies are incorporated in England.

20. RELATED PARTY DISCLOSURES

During the period the company had the following transactions with companies related to the directors:
Lewis Broadbent Associates Limited was charged £97,700 for creative art direction.
Connell, May & Steavenson Limited charged the company £170,572 for management and accommodation charges and £346,778 for commission.

There was a net amount due from companies related to the directors at 31 January 1998 of £68,474.