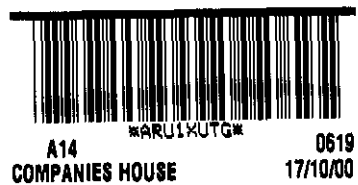


RPM3 LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 JANUARY 1999**



REGISTERED NUMBER: 02870808

RPM3 LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999**

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RPM3 LIMITED

**COMPANY INFORMATION
AT 31 JANUARY 1999**

DIRECTORS

M. Butler
M. Lutos
R. Sutton
T. Wilkinson
P. A. Cowan
M. C. Taylor

SECRETARY

A. McCarthy

REGISTERED OFFICE

Higgison House
381-383 City Road
London EC1V 1NA

BUSINESS ADDRESS

William Blake House
8 Marshall Street
London W1V 2AJ

AUDITORS

Higgisons
Chartered Accountants
Higgison House
381/383 City Road
London
EC1V 1NA

RPM3 LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

The company was previously known as Butler Lutos Sutton Wilkinson Limited and changed its name to RPM3 Limited during the year.

REVIEW OF THE BUSINESS

The net loss after providing for taxation amounted to £461,754.

DIVIDENDS

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

POST BALANCE SHEET EVENTS

No matters or circumstances have arisen since the end of the financial year 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 year ended 31 January 1999.

INTRODUCTION OF THE SINGLE EUROPEAN CURRENCY

The introduction of the single European currency will not have a material impact on the company's activities.

DIRECTORS AND THEIR INTERESTS

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

	Number of Shares	
	1999	1998
M.Butler	-	-
M.Lutos	-	-
R.Sutton	-	-
T.Wilkinson	-	-
P.A.Cowan	-	-
M.C.Taylor	-	-

Directors appointed during the year:

P.A.Cowan Appointed on 1 September 1998

M.C.Taylor Appointed on 1 September 1998

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;
- 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 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.

DIRECTORS' REPORT

YEAR 2000 ISSUES

The directors have made an assessment of the year 2000 problem and they are confident that all their computer softwares and hardwares are year 2000 compliant.

AUDITORS

The auditors, Higgisons, are deemed to be re-appointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the shareholders on 29 November 1999.

By order of the board:

A handwritten signature in black ink, appearing to read 'A. McCarthy', with a long, sweeping underline that extends downwards and to the right.

A. McCarthy
Secretary

Date: 29 November 1999

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 13 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Higgisons
Chartered Accountants**

**Higgison House
381/383 City Road
London
EC1V 1NA**

Date: 29 November 1999

RPM3 LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 1999**

	Notes	1999 £	1998 £
TURNOVER		15,785,640	17,692,127
Cost of sales		14,240,355	16,577,833
GROSS PROFIT		1,545,285	1,114,294
Administrative expenses		2,026,273	1,204,844
OPERATING LOSS	2	(480,988)	(90,550)
Investment income and interest receivable	3	20,207	34,134
Interest payable and similar charges	4	(920)	(2,650)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(461,701)	(59,066)
Tax on loss on ordinary activities	7	(53)	(2,737)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(461,754)	(61,803)

Continuing operations

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

Total recognised gains and losses

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

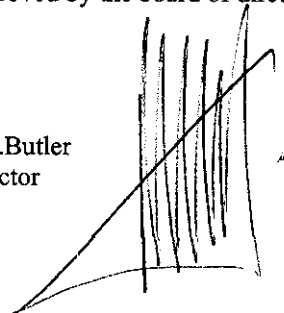
The notes on pages 8 to 13 form part of these financial statements.

RPM3 LIMITED**BALANCE SHEET
AT 31 JANUARY 1999**

	Notes	£	1999 £	£	1998 £
FIXED ASSETS					
Intangible assets	8		4,833		5,833
Tangible assets	9		261,344		159,518
			<u>266,177</u>		<u>165,351</u>
CURRENT ASSETS					
Stocks	10	453,384		139,048	
Debtors	11	2,225,007		2,876,542	
Cash at bank and in hand		<u>124,702</u>		<u>496,407</u>	
		2,803,093		3,511,997	
CREDITORS: amounts falling due within one year	12	<u>(3,833,406)</u>		<u>(3,979,730)</u>	
NET CURRENT LIABILITIES			(1,030,313)		(467,733)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(764,136)</u>		<u>(302,382)</u>
CAPITAL AND RESERVES					
Called up share capital	14		2		2
Profit and loss account	15		<u>(764,138)</u>		<u>(302,384)</u>
TOTAL SHAREHOLDERS' FUNDS	16		<u>(764,136)</u>		<u>(302,382)</u>

Approved by the board of directors on 29 November 1999 and signed on its behalf by:

M.L.Butler
Director



The notes on pages 8 to 13 form part of these financial statements.

RPM3 LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 1999**

	Notes	1999 £	1998 £
Net cash outflow from operating activities	2	(289,516)	(869,710)
Returns on investments and servicing of finance	17	19,807	31,484
Taxation	17	(2,789)	-
Capital expenditure	17	(156,539)	(116,901)
Cash outflow before use of liquid resources and financing		(429,037)	(955,127)
Financing	17	-	(65,000)
DECREASE IN CASH IN THE YEAR		(429,037)	(1,020,127)

**RECONCILIATION OF NET CASH FLOW TO
MOVEMENT IN NET FUNDS**

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DECREASE IN CASH IN THE YEAR	(429,037)	(1,020,127)
Cash outflow / (inflow) from movement in debt and lease financing	-	65,000
Change in net debt resulting from cash flows	(429,037)	(955,127)
Movement in net debt in the year	(429,037)	(955,127)
Net funds at 1 February 1998	478,760	1,433,887
Net funds at 31 January 1999	49,723	478,760

The notes on pages 8 to 13 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999****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 year.

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:

Improvements to premises	2% on cost
Motor vehicles	25% on cost
Fixtures fittings and equipment	20% - 25% on cost

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 money purchase (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.

2. OPERATING LOSS

Operating loss	1999 £	1998 £
After charging:		
Depreciation of fixed assets	54,712	24,977
Loss on disposal of tangible assets	-	2,706
Amortisation of intangible assets	1,000	1,167
Auditors' remuneration	4,000	4,000
Loss on foreign currencies	-	8,124
	<hr/>	<hr/>
After crediting:		
Profit on foreign currencies	42	-
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999****2. OPERATING LOSS - (continued)****Reconciliation of operating loss to
net cash outflow from operating activities**

	1999	1998
	£	£
Operating loss	(480,988)	(90,550)
Depreciation	54,712	24,977
Amortisation	1,000	1,167
Loss on disposal of fixed assets	-	2,706
Increase in stocks	(314,337)	(5,841)
Decrease / (increase) in debtors	651,535	(139,877)
Decrease in creditors	(201,438)	(662,292)
Net cash outflow from operating activities	(289,516)	(869,710)

3. INVESTMENT INCOME AND INTEREST RECEIVABLE

	1999	1998
	£	£
Interest received and receivable		
Bank interest	20,207	34,134

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1999	1998
	£	£
On bank loans and overdrafts	400	2,650
Other interest	520	-
	920	2,650

5. INFORMATION ON DIRECTORS AND EMPLOYEES

	1999	1998
	£	£
Staff costs		
Wages and salaries	1,480,678	944,767
Social security costs	133,574	94,902
Other pension costs	22,000	25,667
	1,636,252	1,065,336

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999****5. INFORMATION ON DIRECTORS AND EMPLOYEES - (continued)**

	1999 £	1998 £
Directors' emoluments		
Emoluments	479,221	248,313
Pension contributions to money purchase (defined contribution) schemes	22,000	25,667
	<u>501,221</u>	<u>273,980</u>

6. PENSION COSTS**Money purchase (defined contribution) pension scheme**

The company operates a money purchase (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 £22,000 (1998: £25,667).

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	1999 £	1998 £
The taxation charge comprises:		
UK Corporation tax at 21% (1998 - 21%)	-	2,737
Adjustment in respect of prior years	53	-
	<u>53</u>	<u>2,737</u>

8. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost:	
At 1 February 1998 and at 31 January 1999	10,000
Amortisation:	
At 1 February 1998	4,167
Charge for year	1,000
At 31 January 1999	5,167
Net book value:	
At 31 January 1999	4,833
At 31 January 1998	5,833

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999**

9. TANGIBLE FIXED ASSETS

	Improvements to premises £	Fixtures and fittings £	Motor vehicles £	Total £
Cost:				
At 1 February 1998	-	199,781	14,050	213,831
Additions	70,532	86,007	-	156,539
At 31 January 1999	70,532	285,788	14,050	370,370
Depreciation:				
At 1 February 1998	-	51,679	2,634	54,313
Charge for year	1,410	49,789	3,513	54,712
At 31 January 1999	1,410	101,468	6,147	109,025
Net book value:				
At 31 January 1999	69,122	184,320	7,903	261,345
At 31 January 1998	-	148,102	11,416	159,518

10. STOCKS

	1999 £	1998 £
Short term work in progress	453,384	139,048

11. DEBTORS

	1999 £	1998 £
Trade debtors	2,067,462	2,706,253
Amounts owed by group undertakings	500	500
Other debtors	123,208	82,567
Prepayments and accrued income	33,837	87,222
	2,225,007	2,876,542

12. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Bank loans and overdrafts	74,979	17,647
Trade creditors	3,476,445	3,719,207
Corporation tax	-	2,737
Other taxes and social security costs	76,618	112,649
Other creditors	6,980	12,348
Accruals and deferred income	198,384	115,142
	3,833,406	3,979,730

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999****13. BORROWINGS**

	1999 £	1998 £
The company's borrowings are repayable as follows		
Up to one year and on demand	74,979	17,647

14. SHARE CAPITAL

	1999 £	1998 £
Authorised:		
Equity interests:		
100,000 Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid:		
Equity interests:		
2 Ordinary shares of £1 each	2	2

15. PROFIT AND LOSS ACCOUNT

	1999 £	1998 £
Accumulated loss at 1 February 1998	(302,384)	(240,581)
Loss at 31 January 1999	(461,754)	(61,803)
Accumulated loss at 31 January 1999	(764,138)	(302,384)

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Loss for the financial year	(461,754)	(61,803)
Opening shareholders' funds	(302,382)	(240,579)
Closing shareholders' funds	(764,136)	(302,382)
Represented by:-		
Equity interests	(764,136)	(302,382)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999****17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	1999 £	1998 £
Returns on investments and servicing of finance		
Interest received	20,207	34,134
Interest paid	(400)	(2,650)
	<u>19,807</u>	<u>31,484</u>
Net cash inflow from returns on investments and servicing of finance		
	<u>19,807</u>	<u>31,484</u>
Taxation		
Corporation tax paid	(2,789)	-
Capital expenditure		
Purchase of tangible fixed assets	(156,539)	(124,755)
Receipts from sale of tangible fixed assets	-	7,854
	<u>(156,539)</u>	<u>(116,901)</u>
Net cash outflow from capital expenditure		
	<u>(156,539)</u>	<u>(116,901)</u>
Financing		
Repayments of long term loans	-	(65,000)
	<u>-</u>	<u>(65,000)</u>
Net cash outflow from financing		
	<u>-</u>	<u>(65,000)</u>

18. ANALYSIS OF CHANGES IN NET FUNDS

	1998 £	Cash flow £	1999 £
Cash at bank and in hand	496,407	(371,705)	124,702
Bank overdraft	(17,647)	(57,332)	(74,979)
	<u>478,760</u>	<u>(429,037)</u>	<u>49,723</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 year the company had the following transactions with companies related to the directors: Lewis Broadbent Advertising Limited was charged £130,000 for creative art direction. The company was charged £214,000 for management and accommodation charges and £400,689 for commission by Connell, May & Steavenson Limited, £198,885 for artwork by Lewis Broadbent Advertising Limited, and £18,333 for consultancy services by Martin Butler Associates Limited.

There was a net amount due to companies related to the directors at 31 January 1999 of £125,439.