

Lowe International Limited
Registered Number 1709017

Directors' Report And Accounts
For The Year Ended 31 December 1997



Lowe International Limited

Directors' Report For The Year Ended 31 December 1997

The directors present their report and the audited accounts of the company for the year ended 31 December 1997.

Principal Activity

The principal activity of the company is that of a holding company.

Results And Dividends

The loss for the year, after taxation, amounted to £3,117,000 (1996 profit : £731,000) which has been deducted from reserves. The directors do not recommend payment of a dividend (1996: £nil).

Charitable donations of £67,922 were made in 1997 (1996: £68,000).

Directors And Their Interests

The directors of the company during the year were as follows:

E Beard
L Delano
G Howard-Spink
J Gilbride
D Coleman

No director had any beneficial interest in the shares of the company or its subsidiary undertakings during the year or had any interest in transactions which were significant to the company's business.

Lowe International Limited

Directors' Report For The Year Ended 31 December 1997

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.

Auditors

Following the merger of the company's auditors, Price Waterhouse, with Coopers and Lybrand on 1 July, a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the company will be proposed at the Annual General Meeting.

By order of the Board


D Coleman
Secretary

22 October 1998

Price Waterhouse



Auditors' Report To The Shareholders Of Lowe International Limited

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 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 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 affairs of the Company as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
and Registered Auditors

22 October 1998

Lowe International Limited

Profit And Loss Account For The Year Ended 31 December 1997

	Note	Continuing operations 1997 £'000	Continuing operations 1996 £'000
Administrative Expenses		(6,273)	(3,821)
Operating Loss		(6,273)	(3,821)
Dividends Receivable From Group Undertakings		1,978	3,196
Other Interest Receivable And Similar Income		446	955
Interest Payable And Similar Charges	4	(567)	(670)
Loss On Ordinary Activities Before Taxation	2	(4,416)	(340)
Taxation On Loss On Ordinary Activities	5	1,299	1,071
Retained (Loss)/Profit For The Year	12	(3,117)	731

The company had no recognised gains and losses during the year, other than those reflected in the above profit and loss account.

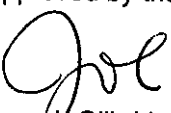
The notes on pages 6 to 15 form part of these accounts.

Lowe International Limited

Balance Sheet - 31 December 1997

	Notes	<u>1997</u> £'000	<u>1996</u> £'000
Fixed Assets			
Tangible Assets	6	565	246
Investments	7(a)	39,600	35,011
		40,165	35,257
Current Assets			
Debtors	8	6,931	4,414
Investments	9	1	1
Cash At Bank And In Hand		57	518
		6,989	4,933
Creditors (Amount Falling Due Within One Year)	10	(11,965)	(8,722)
Net Current Liabilities		(4,976)	(3,789)
Total Assets Less Current Liabilities		35,189	31,468
Equity Capital And Reserves			
Called Up Share Capital	11	11,967	11,283
Share Premium Account	12	24,207	18,053
Profit And Loss Account	12	(985)	2,132
SHAREHOLDERS' FUNDS		35,189	31,468

Approved by the Board on 22 October 1998


Joseph Gilbride
Director

The notes on pages 6 to 15 form part of these accounts

Lowe International Limited

Notes To The Financial Statements - 31 December 1997

1 Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards.

The principal accounting policies of the company are as follows:

1) Basis of accounting

The financial statements are prepared under the historical cost convention.

2) Investments

In the Company's balance sheet, fixed asset investments in subsidiaries are stated at cost less any amounts written off for permanent diminution in value. Where shares are issued as consideration on acquisitions, cost is taken as the nominal value of the shares issued to the extent that share premium relief is available in accordance with sections 131 and 133 (1) of the Companies Act 1985.

3) Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over the asset's estimated useful life, as follows:

Short leasehold property improvements	- over the period of the lease
Furniture, fittings and equipment	- 4 to 10 years
Motor vehicles	- 4 years or term of lease if shorter

4) Leases

All finance leases are capitalised. Leases are treated as finance leases where the company enters into a lease which entails taking on substantially all of the risks and rewards of ownership of an asset.

The asset is recorded in the balance sheet as a tangible asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are categorised as appropriate under creditors due within or after one year. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability.

Rentals payable under operating leases are written off to the profit and loss account as incurred. Further information on charges in the year are disclosed in note 2.

Lowe International Limited

Notes To The Financial Statements - 31 December 1997 (Continued)

1 Accounting Policies (Continued)

5) Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates ruling at the balance sheet date. Exchange differences arising from currency conversions in the normal course of trading are dealt with in the profit and loss account.

6) Deferred taxation

Deferred tax is provided for using the liability method in respect of timing differences except where it is expected that no liability will crystallise in the foreseeable future.

7) Group accounts

In accordance with the exemptions under section 228(1) of the companies Act 1985, the Directors have not prepared Group accounts.

2 Loss On Ordinary Activities Before Taxation

Is stated after charging/(crediting) the following:

	<u>1997</u> £'000	<u>1996</u> £'000
Salaries	2,485	1,565
Social security costs	168	97
Pension costs	25	32
Severance payments	-	252
Operating lease rentals	151	119
Rent payable	543	675
Depreciation - owned assets	(5)	181
Profit on disposal of tangible fixed assets	(17)	-
Auditors' remuneration - audit related services	12	8
Auditors' remuneration - other services	156	73
Loss on foreign exchange	6	23

Lowe International Limited

Notes To The Financial Statements - 31 December 1997 (Continued)

3 Directors' Remuneration

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Aggregate emoluments	313	277

The remuneration of the highest paid Director was as follows:

Highest paid director	174	139
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4 Interest Payable And Similar Charges

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Interest payable on bank loans, overdrafts and other loans repayable within five years	367	670
Interest payable to group undertakings	200	-
	567	670

5 Taxation On Loss On Ordinary Activities

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Corporation tax is based on the taxable loss at 33%/31% (1996 - 33%)		
Current credit	1,713	902
Prior year (under)/over provision	(364)	21
Deferred tax (charge)/credit	(50)	148
Tax Credit	1,299	1,071

Lowe International Limited

Notes To The Financial Statements - 31 December 1997 (Continued)

6 Tangible Fixed Assets

	Short Leasehold Property and Improvements £'000	Furniture Fittings and Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 January 1997	180	1,473	172	1,825
Additions	-	257	57	314
Disposals	-	-	(7)	(7)
At 31 December 1997	180	1,730	222	2,132
Depreciation				
At 1 January 1997	(29)	(1,401)	(149)	(1,579)
Charge For The Year	(4)	27	(18)	5
Disposals	-	-	7	7
At 31 December 1997	(33)	(1,374)	(160)	(1,567)
Net Book Value				
At 31 December 1997	147	356	62	565
At 31 December 1996	151	72	23	246

Lowe International Limited

Notes To The Financial Statements - 31 December 1997 (Continued)

7 Fixed Asset Investments

(a) The movements of fixed asset investments were as follows:

	Shares in Group Companies	Other Investments	Intercompany Loans	Total
	£'000	£'000	£'000	£'000
At 1 January 1997	35,349	1,000	(1,338)	35,011
Increased investment	4,589	-	-	4,589
At 31 December 1997	39,938	1,000	(1,338)	39,600

Other investments represents the Company's cost of investment in Chime Communications PLC which is listed on the Stock Exchange. The total holding was sold on 28th April 1998 for £3,146,133.

(b) Subsidiaries

The principal subsidiaries at 31 December 1997 were:

	Interest in issued ordinary share capital	Country of incorporation	Principal activity
Lowe Direct Limited	75%	UK	Advertising Agency
Poundhold Limited	100%	UK	Holding Company
Lowe Howard-Spink Limited	100%	UK	Advertising Agency
Lowe Worldwide Holdings B.V.	100%	Netherlands*	Overseas Holding Company
Lowe Troost S.A.	100%	Belgium*	Advertising Agency
Lowe Kuiper & Schouten B.V.	100%	Netherlands*	Advertising Agency
Pirella Gottsche Lowe SpA	95%	Italy*	Advertising Agency
Lowe & Partners Dusseldorf GmbH	75%	Germany*	Advertising Agency
Lowe & Partners Frankfurt GmbH	75%	Germany*	Advertising Agency
Adplus Werbeagentur GmbH	75%	Germany*	Advertising Agency
Lowe & Partners Espana SA	100%	Spain*	Advertising Agency
Interfocus Network Limited	75%	UK	Sales Promotion
Direct Creations SA	100%	Belgium*	Advertising Agency

All directly owned except *

Lowe International Limited

Notes To The Financial Statements - 31 December 1997 (Continued)

7 Fixed Asset Investments (Continued)

(c) The principal associated undertakings at 31 December 1997 were:

	Total issued share capital	Interest in issued share capital	Country of incorporation	Principal activity
Gariboldi Parisi Verga Interad Srl	L 20,000,000	30% *	Italy	Advertising Agency
Alice SNC	FF1,000,000	50%	France	Advertising Agency
Roche Macauley & Partners Advertising Inc	Can\$6,278,000	22.5% *	Canada	Advertising Agency
Birkholz & Jedlicki GmbH	DM 50,000	40% *	Germany	Advertising Agency

All directly owned except *

8 Debtors

	1997 £'000	1996 £'000
Amounts owed by parent company and other group undertakings	4,071	2,001
Group relief	1,586	1,222
Other debtors	490	498
Prepayments	494	353
Deferred tax asset	290	340
	6,931	4,414
		£'000
Movement on deferred tax asset		
At 1 January 1997		340
Profit and loss account		(50)
At 31 December 1997		290
	£'000	£'000
Timing difference due to Accelerated capital allowances	60	107
Other timing differences	230	233
	290	340

Included in other debtors are amounts totalling £469,000 (1996 - £434,000) which fall due after more than one year.

Lowe International Limited

Notes To The Financial Statements - 31 December 1997 (Continued)

9 Current Asset Investments

	1997 £'000	1996 £'000
UK unlisted investments	1	1

10 Creditors (amounts falling due within one year)

	1997 £'000	1996 £'000
Bank overdraft	1,656	-
Amounts owed to parent company and other group undertakings	4,215	2,095
Accruals and deferred income	6,042	6,461
Other creditors	52	166
	11,965	8,722

11 Called Up Share Capital

	No of shares 31.12.97	31.12.97 £'000	No of shares 31.12.96	31.12.96 £'000
Authorised				
Ordinary shares of 10p each	191,430,303	19,143	108,430,303	10,843
Restricted Voting Ordinary Shares	8,569,697	857	4,569,697	457
	200,000,000	20,000	113,000,000	11,300

Authorised share capital increased from £11.3 million to £20 million by the creation of 83 million new ordinary shares and 4 million new Restricted Voting Ordinary Shares

	No of shares 31.12.97	31.12.97 £'000	No of shares 31.12.96	31.12.96 £'000
Issued				
Ordinary shares of 10p each	108,266,902	10,827	108,266,902	10,827
Restricted Voting Ordinary shares of 10p each	4,562,810	456	4,562,810	456
Ordinary shares issued during the year	6,561,630	656	-	-
Restricted shares issued during the year	276,533	28	-	-
	119,667,875	11,967	112,829,712	11,283

Lowe International Limited

Notes To The Financial Statements - 31 December 1997 (Continued)

12 Reserves

	Share Premium account £'000	Profit and loss account £'000
At 1 January 1997	18,053	2,132
Retained loss for the year		(3,117)
Share premium rights issue	6,154	
At 31 December 1997	24,207	(985)

13 Reconciliation Of Movements In Shareholders' Funds

	1997 £'000	1996 £'000
(Loss)/Profit for the financial year	(3,117)	731
New share capital subscribed	684	-
Premium on new share capital subscribed	6,154	-
Opening shareholders' funds	31,468	30,737
Closing shareholders' funds	35,189	31,468

14 Contingent Liabilities

- The Company has given guarantees in the normal course of business in respect of certain of its subsidiaries and related companies to secure bank borrowings, finance leases and media recognition.
- The Company, together with certain UK subsidiaries, has entered into an Omnibus Guarantee and Letter of Set-Off covering bank balances held with the Group's bankers.
- The Company has given guarantees in the normal course of business in respect of certain non-group companies.

15 Employees

The average number of persons employed by the Company during the year was 31 (1996: 38).

Lowe International Limited

Notes To The Financial Statements - 31 December 1997 (Continued)

16 Financial Commitments

	Motor vehicles 1997 £'000	Motor vehicles 1996 £'000
Agreements which expire		
Within one year	26	7
Between two and five years inclusive	148	48
	<hr/> 174	<hr/> 55

17 Related Party Transactions

The Company is a wholly owned subsidiary of Interpublic Limited and has taken advantage of the exemption contained in FRS 8 Related Party Disclosures not to disclose any transactions with entities that are part of the Interpublic Group.

18 Ultimate Holding Company

The parent company of the smallest group for which group accounts are prepared and of which Lowe International Limited is a member, is Interpublic Limited, a company incorporated in England.

Copies of the Group accounts can be obtained from Interpublic Limited, 4 Golden Square, London W1R 3AE.

The parent company of the largest group for which group accounts are prepared and of which Lowe International Limited is a member, is the Interpublic Group of Companies Inc., a company incorporated in the United States of America. The company is also the ultimate holding company of Lowe International Limited.

Copies of the Group accounts can be obtained from The Interpublic Group of Companies Inc., 1271 Avenue of the Americas, New York, 10020.