

J. WALTER THOMPSON UK HOLDINGS LIMITED

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ACCOUNTS -- 31 DECEMBER 1987

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

J. WALTER THOMPSON UK HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1987

The directors submit their report and the financial statements of the company and group for the year ended 31 December 1987.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW:

The company is a holding company. The principal activity of its subsidiaries is to act as agents and consultants in advertising, marketing and market research.

During the year gross billings of the group increased by 6% from £204 million to £217 million. Commission and fees increased by 29% from £34.3 million to £44.3 million.

Profit on ordinary activities after taxation was £2,223,000 (1986 - £977,000).

The group plans to further expand its client base in 1988 as well as continuing to consolidate its present client base.

The directors do not recommend payment of a dividend. The balance carried forward on the profit and loss account is £4,969,000 (1986 - £2,746,000).

On 14 July 1987 WPP Group plc., which is incorporated in the United Kingdom, acquired the whole of the issued share capital of JWT Group, Inc., the ultimate holding company of J. Walter Thompson UK Holdings Limited.

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year were as follows-

R.M. Sargeant

M. Cooper-Evans

R.E. Lerwill (Appointed 15 January 1988)

M.S. Sorrell (appointed 15 January 1988)

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS (Continued):

None of the directors beneficially held any shares in the company during the period nor had a beneficial interest in any contract or arrangement to which the company was a party during the year. The following directors had a beneficial interest in shares of JWT Group, Inc., held for them by the Trustees of the J. Walter Thompson Group Limited share scheme.

	<u>No. of shares</u> <u>31 December 1987</u>	<u>No. of shares</u> <u>31 December 1986</u>
R.M. Sargeant	NIL	138
M. Cooper-Evans	NIL	556
	====	====

The interests of R.E. Lerwill and M.S. Sorrell in the shares of WPP Group plc are disclosed in the accounts of that company. The interests of other directors in the shares of WPP Group plc are as follows:-

	<u>No. of shares</u> <u>31 December 1987</u>	<u>No. of shares</u> <u>31 December 1986</u>
R.M. Sargeant	200	NIL
	===	===

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 9 to the accounts.

POLITICAL AND CHARITABLE DONATIONS:

The group made no political donations during the year (1986 - £Nil). Payments made to charities during the year amounted to £30,172 (1986 - £27,277).

EMPLOYMENT OF DISABLED PERSONS:

Applications for employment by disabled persons are fully considered, bearing in mind the aptitudes and abilities of the person concerned. In the event of employees becoming disabled every effort is made to ensure that their employment continues. It is the policy of the group that the training, career development and promotion of disabled employees should, as far as possible, be identical with that of other employees.

DIRECTORS' REPORT (Continued)

EMPLOYEE INVOLVEMENT:

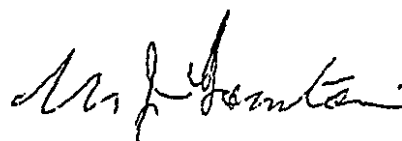
The group formally communicates with the staff in a number of ways: at an annual meeting attended by all staff when the company's business and financial performance of the past year are reviewed and plans and forecasts for the coming year are outlined, at presentations to which newcomers are invited and through a house magazine containing current news about the group and employees.

AUDITORS:

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen & Co. as auditors for the ensuing year.

BY ORDER OF THE BOARD,

40 Berkeley Square
London W1X 6AD



M.J. Fountain
Secretary

15 August 1988

ARTHUR ANDERSEN & Co.

1 SURREY STREET
LONDON WC2R 2PS

To the Members of J. WALTER THOMPSON UK HOLDINGS LIMITED:

We have audited the financial statements set out on pages 5 to 20 in accordance with approved Auditing Standards.

In our opinion, the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company and of the group at 31 December 1987 and of the profit and source and application of funds of the group for the year then ended, and comply with the Companies Act 1985.

Arthur Andersen & Co

15 August 1988

J. WALTER THOMPSON UK HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1987

	<u>Notes</u>	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u> (Note 20)
TURNOVER	2	217,123 =====	203,770 =====
Commission and fee income		44,251	34,274
Administrative expenses		(39,495) -----	(31,448) -----
OPERATING PROFIT		4,756	2,826
Investment income	3	290	470
Interest payable and similar charges	4	(608)	(1,071)
Share of profits of associated company		60 -----	80 -----
GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	4,498	2,305
Tax on group profit on ordinary activities	7	(2,275) -----	(1,328) -----
GROUP PROFIT FOR THE FINANCIAL YEAR		2,223	977
RETAINED PROFIT BROUGHT FORWARD		2,746 -----	1,769 -----
RETAINED PROFIT CARRIED FORWARD		4,969 =====	2,746 =====

The accompanying notes are an integral part of these accounts.

J. WALTER THOMPSON UK HOLDINGS LIMITED

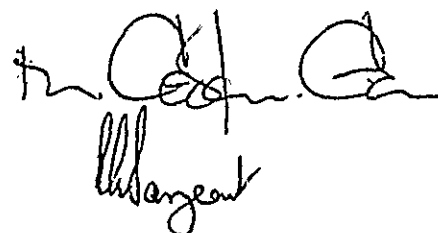
CONSOLIDATED BALANCE SHEET -- 31 DECEMBER 1987

	<u>Notes</u>	<u>1987</u> £'000	<u>1986</u> £'000 (Note 20)
FIXED ASSETS			
Intangible assets	8	1,543	1,896
Tangible assets	9	4,091	4,248
Investments	10	34	42
		<u>5,668</u>	<u>6,186</u>
CURRENT ASSETS			
Work in progress		5,730	4,921
Debtors	12	28,137	19,873
Cash at bank and in hand		6,943	1,315
		<u>40,810</u>	<u>26,109</u>
CREDITORS: Amounts falling due within one year	13	(36,091)	(23,776)
NET CURRENT ASSETS		<u>4,719</u>	<u>2,333</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,387	8,519
CREDITORS: Amounts falling due after more than one year	13	(2,493)	(2,682)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(905)	(1,071)
NET ASSETS		<u>6,989</u>	<u>4,766</u>
CAPITAL AND RESERVES			
Called-up share capital	16	2,020	2,020
Profit and loss account	17	4,969	2,746
TOTAL CAPITAL EMPLOYED		<u>6,989</u>	<u>4,766</u>

SIGNED ON BEHALF OF THE BOARD

M. Cooper-Evans)
) Directors
R.M. Sargeant)

15 August 1988



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

J. WALTER THOMPSON UK HOLDINGS LIMITED
COMPANY BALANCE SHEET -- 31 DECEMBER 1987

	<u>Notes</u>	<u>1987</u> £'000	<u>1986</u> £'000 (Note 20)
FIXED ASSETS			
Investments in group companies	11	1,448	1,617
CURRENT ASSETS			
Debtors	12	8,324	5,427
CREDITORS: Amounts falling due within one year	13	-	(6)
NET CURRENT ASSETS		8,324	5,421
TOTAL ASSETS LESS CURRENT LIABILITIES		9,772	7,038
CREDITORS: Amounts falling due after more than one year	13	(2,232)	(2,232)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(239)	(239)
NET ASSETS		7,301	4,567
CAPITAL AND RESERVES			
Called-up share capital	16	2,020	2,020
Profit and loss account	17	5,281	2,547
TOTAL CAPITAL EMPLOYED		7,301	4,567

SIGNED ON BEHALF OF THE BOARD

M. Cooper-Evans)
) Directors
 R.M. Sargeant)

15 August 1988

th. Cooper-Evans
R.M. Sargeant

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

J. WALTER THOMPSON UK HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1987

	<u>1987</u> £'000	<u>1986</u> £'000 (Note 20)
SOURCE OF FUNDS		
Profit for the financial year	2,223	977
Adjustment for items not involving the movement of funds		
- depreciation	1,061	924
- loss on disposal of fixed assets	7	6
- goodwill written off	353	202
- share of loss (profit) of associated company	8	(39)
	-----	-----
Total funds from operations	3,652	2,070
	=====	=====
APPLICATION OF FUNDS		
Decrease in deferred taxation	166	156
Purchase of fixed assets, net of proceeds on disposal of assets	911	971
Decrease in creditors due after more than one year	189	-
Increase in net current assets, as shown below	2,386	943
	-----	-----
	3,652	2,070
	=====	=====
INCREASE (DECREASE) IN NET CURRENT ASSETS		
Debtors	8,264	(4,561)
Work in progress	809	(807)
Creditors due within one year	(17,073)	5,355
	-----	-----
	(8,000)	(13)
Movement in net liquid funds		
- bank balances and cash in hand	5,628	(1,601)
- bank overdraft	4,758	2,557
	-----	-----
	2,386	943
	=====	=====

The accompanying notes are an integral part of this statement.

J. WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS -- 31 DECEMBER 1987

1. ACCOUNTING POLICIES:

The following is a summary of the principal accounting policies followed by the group in the preparation of the financial statements.

a) Basis of accounting

The consolidated financial statements, prepared under the historical cost convention, include the financial statements of the company and its material subsidiaries. Intercompany transactions are eliminated. These accounts have been prepared in compliance with the Companies Act 1985.

Of the group profit after tax for the financial year of £2,223,000 (1986 - £977,000), £2,734,000 (1986 - £2,332,000) has been dealt with in the profit and loss account of the company, after taking account of dividends received and receivable of £3,050,000.

b) Revenue recognition

Advertising and related activities-

The primary source of revenue from advertising and related activities is commission and fees retained from the gross cost of media and advertising production charges billed to clients. In general, revenue is recognised by the group based on public presentation date for media advertising and when billed to clients for production costs. Payroll costs are written off as incurred.

Market research activities-

In general, profit is recognised only upon completion of each project. Costs including appropriate overhead allocations relating to projects in progress at the balance sheet date are carried forward in expenditure billable to clients. All other expenditure is expensed as incurred.

c) Work in progress

Production expenditure billable to clients is stated at the lower of cost and net realisable value. Media expenditure billable to clients is stated at net realisable value.

d) Tangible fixed assets

Fixed assets are stated at historical cost less depreciation. Fixed assets are depreciated on a straight-line basis over their estimated useful lives which range from three to twenty years. Amortisation of leasehold improvements is provided over the term of the related lease or their estimated useful life, whichever is less.

e) Investments

In the company's accounts, fixed assets investments are shown at cost less amounts written off. Amounts written off consolidation goodwill are also deducted from the carrying value of the relevant subsidiary in the holding company's accounts. Only dividends received and receivable are credited to the company's profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued):

f) Goodwill and amortisation

Goodwill arising on consolidation, being the excess of the cost of investment in subsidiaries over the fair value of the net assets of the companies at the date of acquisition, is amortised on a straight-line basis over the estimated periods of benefit ranging between 15 and 25 years.

g) Taxation

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

Advance corporation tax payable on dividends paid or proposed for in the year is written off except when recoverability against corporation tax payable is considered to be reasonably assured.

Deferred taxation, which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities, has been calculated on the liability method. Provision is made for all timing differences which are expected to reverse, at the rates of tax expected to be in force at the time of the reversal (Note 15).

h) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Items of income and expenditure are translated at the rate of exchange ruling at the date of recording transaction in the accounts. Differences arising from movements in rates exchange are dealt with in the profit and loss account.

i) Pensions

Contributory pension plans are maintained for substantially all qualifying employees. The annual pension fund contributions are calculated to meet liabilities accrued by virtue of service. Independent actuarial valuations on a going concern basis are carried out every three years. The latest valuations were carried out as at 31 March 1987 and showed that pension liabilities were adequately funded.

j) Leases

The company enters into operating and finance leases as described in Note 19. Finance leases are not capitalised in the accounts as the directors do not consider that the amounts involved are material. Amounts paid under operating and finance leases are charged to the profit and loss account as incurred.

2. TURNOVER:

The turnover of the group comprises-

	<u>1987</u> £'000	<u>1986</u> £'000
Fees and billings to clients	217,123 =====	203,770 =====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. INVESTMENT INCOME:

	<u>1987</u> £'000	<u>1986</u> £'000
Interest receivable	290	470
	=====	=====

4. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1987</u> £'000	<u>1986</u> £'000
Interest on bank overdrafts	353	538
Interest on other loans (repayable on demand)	-	27
Interest on other loans (repayable within 5 years)	226	406
Exchange losses	29	100
	-----	-----
	608	1,071
	=====	=====

5. GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

This is stated after charging the following-

	<u>1987</u> £'000	<u>1986</u> £'000
Depreciation of fixed tangible assets	1,061	924
Hire of cars and equipment (see also Note 19)		
- under operating leases	1,131	1,175
- under finance leases	536	339
- other	61	-
Auditors' remuneration	90	77
Loss on disposal of subsidiary	85	-
Staff costs (see Note 6)	20,566	19,532
	=====	=====

6. STAFF COSTS:

Particulars of employees (including executive directors) are shown below. .
Employee costs during the year amounted to-

	<u>1987</u> £'000	<u>1986</u> £'000
Wages and salaries	17,286	16,598
Social security costs	1,640	1,549
Other pension costs	1,640	1,385
	-----	-----
	20,566	19,532
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. STAFF COSTS (Continued):

Director's remuneration-

Aggregate directors' emoluments (including pension contributions) were £529,302 (1986 - £239,417).

Excluding pension contributions, the emoluments of the highest paid director (there was no chairman) were £348,000 (1986 - £117,278).

The emoluments of the other directors (excluding pension contributions) fell within the following ranges-

	<u>1987</u> Number	<u>1986</u> Number
£0 - £ 5,000	-	2
£ 25,001 - £ 30,000	-	1
£ 50,001 - £ 55,000	-	1
£ 90,001 - £ 95,000	1	-
	===	===

Numbers of employees other than directors whose emoluments (excluding pension contributions) exceeded £30,000, fell in the following ranges-

	<u>1987</u> Number	<u>1986</u> Number
£ 30,001 - £ 35,000	36	31
£ 35,001 - £ 40,000	23	21
£ 40,001 - £ 45,000	20	18
£ 45,001 - £ 50,000	12	8
£ 50,001 - £ 55,000	5	5
£ 55,001 - £ 60,000	8	8
£ 60,001 - £ 65,000	5	5
£ 65,001 - £ 70,000	2	2
£ 70,001 - £ 75,000	1	3
£ 75,001 - £ 80,000	2	1
£ 80,001 - £ 85,000	2	-
£ 85,001 - £ 90,000	1	-
£ 90,001 - £ 95,000	1	-
£ 95,001 - £100,000	2	2
£115,001 - £120,000	-	1
£120,001 - £125,000	-	1
£125,001 - £130,000	1	-
£130,001 - £135,000	-	1
£160,001 - £165,000	2	1
£165,001 - £170,000	1	-
£185,001 - £190,000	-	1
£200,001 - £205,000	-	1
	===	===

The average number of persons employed by the group during the year (excluding interviewers engaged in market research surveys) was 957 (1986 - 978).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. TAX ON GROUP PROFIT ON ORDINARY ACTIVITIES:

The taxation charge is based on the group profit for the year at the rates specified below and comprises-

	<u>1987</u> £'000	<u>1986</u> £'000
Corporation tax at 35% (1986 - 36.25%)	2,411	1,458
Deferred tax	(166)	(152)
Tax on share of profits of associated company	30	40
Adjustments in respect of prior years		
- corporation tax	-	(14)
- deferred tax	-	(4)
	<u>2,275</u>	<u>1,328</u>

8. INTANGIBLE ASSETS:

	<u>1987</u> £'000	<u>1986</u> £'000
Goodwill at 1 January	1,896	2,098
Amount written off in the year	(353)	(202)
	<u>1,543</u>	<u>1,896</u>

9. TANGIBLE ASSETS:

GROUP	<u>Improvements of leasehold premises</u> £'000	<u>Fixtures, fittings and equipment</u> £'000	<u>Total</u> £'000
COST-			
At 1 January 1987	5,407	3,938	9,345
Additions	290	675	965
Disposals	(44)	(135)	(179)
	<u>5,653</u>	<u>4,478</u>	<u>10,131</u>
At 31 December 1987			
DEPRECIATION-			
At 1 January 1987	2,514	2,583	5,097
Charge for the year	521	540	1,061
Disposals	(35)	(83)	(118)
	<u>3,000</u>	<u>3,040</u>	<u>6,040</u>
At 31 December 1987			
NET BOOK VALUE			
at 31 December 1987	<u>2,653</u>	<u>1,438</u>	<u>4,091</u>
NET BOOK VALUE			
at 31 December 1986	<u>2,892</u>	<u>1,356</u>	<u>4,248</u>

COMPANY

The company has no tangible fixed assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. INVESTMENTS:

The group holds the following investments-

	<u>1987</u> £'000	<u>1986</u> £'000
Investment in associate at cost	-	-
Share of retained post acquisition profits thereof	31	39
24.5% of the issued ordinary share capital of		
Lanka Market Research Bureau, at cost	1	1
Loan to India Market Research Bureau	2	2
	-----	-----
	34	42
	=====	=====

Investment in associate:

The group holds the following investment-

	<u>1987</u>	<u>1986</u>
50% of the issued ordinary 'A' share capital of		
POA Holdings Limited at cost	£ 50	£ 50
50% of the ordinary 'B' share capital of		
POA Holdings Limited at cost	£ 325	-
	=====	=====

POA Holdings Limited ("Portland") provides poster advertising and space letting services through its subsidiary, POA Limited ("POA").

No dividends have been declared by Portland during the year. In the opinion of the directors the value of the group's investment in its associate is not less than the amount at which it is included in the accounts.

Lanka Market Research Bureau is incorporated in Sri Lanka. It has not been treated as an associated company since the directors consider that they do not influence its financial or operating decisions.

11. INVESTMENTS IN GROUP COMPANIES:

	<u>1987</u> £'000	<u>1986</u> £'000
COST-		
Beginning and end of year	1,991	1,991
	=====	=====
AMOUNTS WRITTEN OFF-		
Beginning of year	374	358
Written off	169	16
	-----	-----
End of year	543	374
	-----	-----
Net book value at end of year	1,448	1,617
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. INVESTMENTS IN GROUP COMPANIES (Continued):

Investments in subsidiaries are in the ordinary shares of the following wholly-owned companies which are registered in England unless otherwise stated-

J. Walter Thompson Group Limited
LandsdownEuro Limited

J. Walter Thompson Group Limited has investments in the ordinary shares of the following wholly-owned companies which are registered in England-

- * J. Walter Thompson Company (Manchester) Limited
- MRB Group Limited
- * Deltakos (UK) Limited
- * British Marketing and Distributing Company Limited
- J. Walter Thompson Trustees Limited
- * Lansdowne Marketing Limited
- * J. Walter Thompson Company Limited
- Art Control Limited

J. Walter Thompson Company (Manchester) Limited has investments in the ordinary shares of the following wholly-owned companies which are registered in England-

- * Astley Promotion Company Limited
- * Yeoward, Taylor Recruitment Limited
- * Yeoward, Taylor and Bonner (Chester) Limited

MRB Group Limited has investments in the ordinary shares of the following companies, all wholly-owned unless otherwise stated and all registered in England and Wales except as noted-

- * British Market Research Bureau Limited
- * European Market Research Bureau Limited
- Mass Observation (UK) Limited
- * Media Research Consultancy Limited

LansdownEuro Limited has investments in the ordinary shares of the following companies, all wholly-owned unless otherwise stated and all registered in England-

- * EA Media Services Limited
- * Print Management Limited
- * Ace Studios Limited

Fourteen of the above companies (denoted by *) either operate under agency agreements within the group or are dormant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. DEBTORS:

	<u>1987</u> £'000	<u>1986</u> £'000
GROUP		
Trade debtors	23,830	16,156
Amounts owed by holding company	210	263
Amounts owed by fellow subsidiaries	2,410	1,429
Amounts owed by employees	131	202
Loans to associated company	-	15
Other debtors	647	485
Prepayments and accrued income	909	1,323
	-----	-----
	28,137	19,873
	=====	=====
	<u>1987</u> £'000	<u>1986</u> £'000
COMPANY		
Group relief receivable	314	86
Amounts owed by subsidiaries	8,010	5,341
	-----	-----
	8,324	5,427
	=====	=====

13. CREDITORS:

	<u>Due within</u> <u>one year</u> <u>1987</u> £'000	<u>Due after</u> <u>one year</u> <u>1987</u> £'000	<u>Due within</u> <u>one year</u> <u>1986</u> £'000	<u>Due after</u> <u>one year</u> <u>1986</u> £'000
GROUP				
Bank overdrafts	1	-	4,759	-
Trade creditors	27,694	-	14,080	-
Amounts owed to fellow subsidiaries	236	-	172	-
Other creditors	-	-	1,087	34
Accruals and deferred income	5,534	15	1,394	198
Taxation and Social Security	2,626	246	2,284	218
Loans (Note 14)	-	2,232	-	2,232
	-----	-----	-----	-----
	36,091	2,493	23,776	2,682
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. CREDITORS (Continued):

	Due within <u>one year</u> <u>1987</u>	Due after <u>one year</u> <u>1987</u>	Due within <u>one year</u> <u>1986</u>	Due after <u>one year</u> <u>1986</u>
COMPANY	£'000	£'000	£'000	£'000
Other creditors	-	-	6	-
Loans (Note 14)	-	2,232	-	2,232
	-----	-----	-----	-----
	-	2,232	6	2,232
	=====	=====	=====	=====

14. LOANS (GROUP AND COMPANY):

	Due after <u>one year</u> <u>1987</u> £'000	Due after <u>one year</u> <u>1986</u> £'000
GROUP		
Unsecured 8% loan from holding company repayable after 31 December 1988	650	650
Unsecured promissory note (held by fellow subsidiary), with interest payable at one percent above the base rate in London of Manufacturers Hanover Trust Company on 1 September immediately preceding the interest payment date, repayable after 31 December 1988	1,582	1,582
	-----	-----
	2,232	2,232
	=====	=====

15. PROVISIONS FOR LIABILITIES AND CHARGES:

This represents deferred tax which is provided in full and comprises-

	<u>Group</u>		<u>Company</u>	
	<u>1987</u> £'000	<u>1986</u> £'000	<u>1987</u> £'000	<u>1986</u> £'000
Accelerated tax depreciation	656	815	-	-
Short term timing differences	4	11	-	-
Chargeable gain rolled over	245	245	239	239
	-----	-----	-----	-----
	905	1,071	239	239
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PROVISIONS FOR LIABILITIES AND CHARGES (Continued):

The movement on deferred taxation comprises-

	<u>Group</u> <u>1987</u> £'000	<u>Company</u> <u>1987</u> £'000
Beginning of year	1,071	239
Credited to profit and loss	(166)	-
End of year	<u>905</u>	<u>239</u>

16. CALLED-UP SHARE CAPITAL:

	<u>1987</u>	<u>1986</u>
Authorised, called-up and fully-paid- 20,000 ordinary shares of £1 each	£ 20,000	£ 20,000
2,000,000 redeemable ordinary shares of £1 each	<u>£2,000,000</u>	<u>£2,000,000</u>
	<u>£2,020,000</u>	<u>£2,020,000</u>

The redeemable shares are redeemable at par at the option of the company at any future date.

17. RESERVES:

	<u>Group</u> <u>£'000</u>	<u>Company</u> <u>£'000</u>
Beginning of year	2,746	2,547
Retained profit for the year	<u>2,223</u>	<u>2,734</u>
End of year	<u>4,969</u>	<u>5,281</u>

18. CAPITAL COMMITMENTS:

Capital expenditure contracted but not provided for at 31 December 1987 amounted to £ NIL (1986 - £15,000). There was no capital expenditure authorised but not contracted for at 31 December 1987 (1986 - £Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Leasing obligations and commitments

The group had future finance lease obligations net of future finance charges as follows-

	<u>1987</u> £'000	<u>1986</u> £'000
Payable within 1 year	158	339
Payable within 2-5 years	42	315
	-----	-----
	200	654
	=====	=====

Assets leased under finance leases have not been capitalised in these accounts.

No commitments existed at 31 December 1987 in respect of finance leases which had been entered into but whose inception had not occurred.

In addition to the operating lease rentals disclosed in Note 5, amounts totalling £2,419,000 (1986 - £2,476,000) were charged in the profit and loss account for rent of premises under operating leases.

Commitments existing at the balance sheet date to pay operating lease rentals during the following year were-

	<u>Premises</u> £'000	<u>Other</u> £'000
Commitment expiring during the following year	-	95
Commitment expiring in the second to fifth years	223	753
Commitment expiring in over five years	2,601	-
	-----	-----
	2,824	848
	=====	=====

b) Guarantees

Since 31 December 1987, the company has entered into an agreement whereby it became jointly and severally liable for borrowings of WPP Group plc. and certain of its subsidiary companies amounting to US\$ 160 million.

20. PRIOR YEAR COMPARATIVES:

The financial statements for 1986 were audited and reported on without qualification by Price Waterhouse, Chartered Accountants.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. ULTIMATE HOLDING COMPANY:

The immediate holding company is J. Walter Thompson Company which is incorporated in the United States.

At 31 December 1986 the ultimate holding company was JWT Group, Inc., also incorporated in the United States of America. On 14 July 1987, WPP Group plc., which is incorporated in the United Kingdom, acquired the whole of the issued share capital of JWT Group, Inc. and was the ultimate holding company at 31 December 1987.