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J. WALTER THOMPSON UK HOLDINGS LIMITED

FINANCIAL STATEMENTS -- 31 DECEMBER 1989
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

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J. WALTER THOMPSON UK HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1989

The directors submit their report and the financial statements of the company for the year ended 31 December 1989.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW:

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

Profit on ordinary activities after taxation was £13,731,000 (1988 - £102,000). Dividends paid during the year amounted to £16,073,000 (1988 - Nil).

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year or who were subsequently appointed were : follows-

R.M. Sargeant
M. Cooper-Evans (resigned 31 December 1989)
R.E. Lerwill
M.S. Sorrell
M.W.M. Colebrook (appointed 21 February 1990)

None of the directors beneficially held any shares in the company during the year nor had a beneficial interest in any contract or arrangement to which the company was a party during the year.

The interests of R.E. Lerwill and M.S. Sorrell in the shares of WPP Group plc are disclosed in the financial statements 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 1989</u>	<u>No. of shares</u> <u>31 December 1988</u>
R.M. Sargeant		
- ordinary shares	525	386
- subscription warrants	65	-
- convertible preference shares	1,060	-

DIRECTORS' REPORT (Continued)

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

N.D. Cullen
Secretary

15 October 1990

ARTHUR ANDERSEN & Co.

1 SURREY STREET
LONDON WC2R 2PS

AUDITORS' REPORT TO THE MEMBERS OF J. WALTER THOMPSON UK HOLDINGS LIMITED:

We have audited the financial statements set out on pages 4 to 11 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1989 and of the profit and source and application of funds for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen & Co.

15 October 1990

J. WALTER THOMPSON UK HOLDINGS LIMITED

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Dividend income from group companies		14,073	461
Amounts written off investments in group companies	4	(169)	(169)
Interest on loans from fellow subsidiaries repayable within 5 years, not by instalments		(266)	(231)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	13,638	61
Tax on profit on ordinary activities	3	93	41
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		13,731	102
Dividends paid		(16,073)	-
TRANSFERRED (FROM) TO RESERVES		(2,342)	102
RETAINED PROFIT BROUGHT FORWARD		5,383	5,281
RETAINED PROFIT CARRIED FORWARD		3,041	5,383

The accompanying notes are an integral part of this statement.

J. WALTER THOMPSON UK HOLDINGS LIMITED

BALANCE SHEET -- 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u> <u>£'000</u>	<u>198</u> <u>£'000</u>
FIXED ASSETS			
Investments in group companies	4	13,510	1,27
CURRENT ASSETS			
Debtors	5	6,562	8,63
CREDITORS: Amounts falling within one year	6	(100)	-
NET CURRENT ASSETS		6,462	8,63
TOTAL ASSETS LESS CURRENT LIABILITIES		19,972	9,91
CREDITORS: Amounts falling due after more than one year	6	(2,232)	(2,23
PROVISIONS FOR LIABILITIES AND CHARGES	7	(279)	(27
NET ASSETS		17,461	7,40
CAPITAL AND RESERVES			
Called-up share capital	8	14,420	2,02
Profit and loss account		3,041	5,38
TOTAL CAPITAL EMPLOYED		17,461	7,40

SIGNED ON BEHALF OF THE BOARD

M.W.M. Colebrook

R.M. Sargeant

15 October 1990

) Directors

[Handwritten signatures: M.W.M. Colebrook and R.M. Sargeant]

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

J. WALTER THOMPSON UK HOLDINGS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
SOURCE OF FUNDS		
Profit on ordinary activities after taxation	13,731	102
Adjustments for items not involving the movement of funds		
- amounts written off investments in group companies	169	169
- increase in deferred taxation	-	40
Total funds from operations	13,900	311
Decrease in net current assets, as shown below	2,173	-
	16,073	311
	=====	=====
APPLICATION OF FUNDS		
Dividends paid on ordinary shares	16,073	-
Increase in net current assets, as shown below	-	311
	16,073	311
	=====	=====
INCREASE (DECREASE) IN NET CURRENT ASSETS		
Debtors	(2,073)	311
Creditors due within one year	(100)	-
	(2,173)	311
	=====	=====

The accompanying notes are an integral part of this statement.

J. WALTER THOMPSON UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS -- 31 DECEMBER 1989

1. ACCOUNTING POLICIES:

a) Basis of accounting

The financial statements have been prepared under the historical cost convention.

In accordance with Section 229(2) of the Companies Act 1985, consolidated financial statements have not been prepared as the company is a wholly-owned subsidiary of another body corporate incorporated in Great Britain.

b) Investments

Fixed asset investments are shown at cost less amounts written off. Only dividends received and receivable are credited to the statement of profit and loss.

Provision is made to amortise the goodwill inherent in the cost of investment over its estimated economic life.

c) Taxation

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

Advance corporation tax payable on dividends paid or proposed 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 in the financial statements and by the tax authorities, has been calculated using 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.

d) 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 the transaction in the financial statements. Differences arising from movements in rates of exchange are dealt with in the statement of profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

The auditors' remuneration is borne by the company's main operating subsidiary, J. Walter Thompson Group Limited.

None of the directors receive any remuneration (including pensions and pensic contributions) for their services to the company.

The company has no employees.

3. TAX ON PROFIT ON ORDINARY ACTIVITIES:

The taxation credit is based on the profit for the year at the rates specific below and comprises-

	<u>1989</u> £'000	<u>1988</u> £'000
Consideration received for surrender of group relief at 35% (1988 - 35%)	93	81
Deferred tax charge	-	(40)
	-----	-----
	93	41
	=====	=====

4. INVESTMENTS IN GROUP COMPANIES:

	<u>1989</u> £'000	<u>1988</u> £'000
COST-		
Beginning of year	1,991	1,991
Investment in MRB Group Limited	12,400	-
	-----	-----
End of year	14,391	1,991
	-----	-----
AMOUNTS WRITTEN OFF-		
Beginning of year	712	543
Written off in year	169	169
	-----	-----
End of year	881	712
	-----	-----
NET BOOK VALUE AT END OF YEAR	13,510	1,279
	=====	=====

On 28 September 1989 the company acquired from J. Walter Thompson Group Limited all of the issued share capital of MRB Group Limited, for a cash consideration of £12,400,000. In the opinion of the directors, this amount was a fair valuation of MRB Group Limited.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. INVESTMENTS IN GROUP COMPANIES (Continued):

Investments in subsidiaries are in the ordinary shares of the following wholly-owned companies (all of which are engaged in advertising and related activities), which are registered in England-

J. Walter Thompson Group Limited
LandsdownEuro Limited
MRB Group 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
- * Deltakos (UK) Limited
- * British Marketing and Distributing Company Limited
- * J. Walter Thompson Trustees Limited
- * Lansdowne Marketing Limited
- * J. Walter Thompson Company Limited
- * Conquest Creative Services Limited (formerly 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
- * JWT Direct Limited
- * Conquest Media Limited
- * The Delphi Bureau Limited

MRB Group Limited has investments in the ordinary shares of the following wholly-owned companies which are registered in England-

- * British Market Research Bureau Limited
- * European Market Research Bureau Limited
- * Mass Observation (UK) Limited
- * Media Research Consultancy Limited
- * Mass Observation Limited
- * MRB International Limited
- * Telephone Market Research Bureau Limited
- * Piler Limited
- * MRB Research Limited
- * MRB Research Group Limited
- * The International Market Research Bureau Limited
- * The Quantative Workshop Bureau Limited

LansdownEuro Limited has investments in the ordinary shares of the following wholly-owned companies which are all registered in England-

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

Companies denoted by * either operate under agency agreements within the group or are dormant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. DEBTORS:

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

	<u>1989</u> £'000	<u>1988</u> £'000
Group relief receivable	174	82
Amounts owed by subsidiary company	6,388	8,553
	<u>6,562</u>	<u>8,635</u>
	=====	=====

6. CREDITORS:

	<u>Due within</u> <u>one year</u> <u>1989</u> £'000	<u>Due after</u> <u>one year</u> <u>1989</u> £'000	<u>Due within</u> <u>one year</u> <u>1988</u> £'000	<u>Due after</u> <u>one year</u> <u>1988</u> £'000
Amounts owed to immediate parent company	100	-	-	-
Loans	-	2,232	-	2,232
	<u>100</u>	<u>2,232</u>	<u>-</u>	<u>2,232</u>
	=====	=====	=====	=====

Included within loans are the following-

	<u>1989</u> £'000	<u>1988</u> £'000
Unsecured 8% loan from fellow subsidiary	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	1,582	1,582
	<u>2,232</u>	<u>2,232</u>
	=====	=====

The unsecured loan and promissory notes are repayable on demand. However, the ultimate parent company has indicated that repayment will not be demanded within twelve months of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. PROVISIONS FOR LIABILITIES AND CHARGES:

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

	<u>1989</u> £'000	<u>198</u> £'00
Chargeable gain rolled over	279	27
	=====	=====

The movement on deferred taxation comprises-

	<u>1989</u> £'000	<u>198</u> £'00
Beginning of year	279	23
Charged to profit and loss account	-	4
	-----	-----
End of year	279	27
	=====	=====

8. CALLED-UP SHARE CAPITAL:

	<u>1989</u>	<u>1988</u>
Authorised, called-up and fully-paid-		
12,420,000 (1988 - 20,000) ordinary shares of £1 each	£12,420,000	£ 20,000
2,000,000 redeemable preference shares of £1 each	2,000,000	2,000,000
	-----	-----
	£14,420,000	£2,020 000
	=====	=====

During the year, the authorised share capital at the company was increased from £2,020,000 to £14,420,000 by the creation of an additional 12,400,000 ordinary shares of £1 each.

In order to finance the acquisition of MRB Group Limited (see Note 4) the company allotted 12,400,000 ordinary shares with nominal value of £1 to Prophaven Limited, the immediate parent company. The cash consideration received amounted to £12,400,000.

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

9. ULTIMATE HOLDING COMPANY:

The ultimate holding company is WPP Group plc, which is incorporated in Great Britain.