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METROVIDEO LIMITED

ACCOUNTS -- 31 DECEMBER 1988

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

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METROVIDEO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1988

The directors present their annual report on the company, together with the accounts and auditors' report, for the year ended 31 December 1988.

**PRINCIPAL ACTIVITY:**

The company's principal activities continue to be the sale and hire of video and related equipment, video programme and conference production, service and installation of video equipment.

**BUSINESS REVIEW:**

The turnover for the year has increased by approximately 51%. This increase arises from additional work for new clients whilst maintaining the existing client base. The directors are confident that the company will continue to grow.

The profit before tax for the year to 31 December 1988 was £1,345,676 (1987 - £872,582).

In October 1988 Metrovideo sold their 51% shareholding in Flipslides Limited. The company was sold to the other major shareholder for £13,250 therefore making a profit on sale of £3,250.

**RESULTS AND DIVIDENDS:**

Results and dividends are as follows-

Profit retained at 1 January 1988	£	318
Profit for the financial year		868,423
		-----
Retained profit at 31 December 1988	£	868,741
		=====

DIRECTORS' REPORT (Continued)

**DIRECTORS AND THEIR INTERESTS:**

The directors who served during the year are shown below-

	<u>Ordinary £1 shares</u>	
	<u>31 December</u>	<u>31 December</u>
	<u>1988</u>	<u>1987</u>
P.A. Jackman (resigned 30 June 1989)	-	-
R.E. Lerwill	-	-
D.J. Pacy	-	-
T. Rawlings (appointed 30 June 1989)	-	-
G.M. Scher	-	-
I.G. Taylor	-	-
	===	===

Mr. D. Pacy held 176,367 ordinary shares of £1 each of WPP Group plc, at 31 December 1988 (10,000 ordinary shares at 31 December 1987).

Mr. R.E. Lerwill is a director of WPP Group plc, and his interests in the company are disclosed in the financial statements of the group.

**FIXED ASSETS:**

The movement in the company's fixed assets is shown in Note 10 to the accounts.

**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,

I.G. Taylor  
Secretary

19 October 1989

ARTHUR ANDERSEN & Co.

1 SURREY STREET  
LONDON WC2R 2PS

To the Members of METROVIDEO LIMITED:

We have audited the financial statements set out on pages 4 to 15 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the company at 31 December 1988 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.*

London

19 October 1989

METROVIDEO LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1988

		Year ended 31 December 1988	Year ended 31 December 1987
	<u>Notes</u>		
TURNOVER	1f,2	£ 7,577,002	£ 5,024,286
Cost of sales		(5,621,580)	(3,734,057)
GROSS PROFIT		1,955,422	1,290,229
Other operating expenses	3	(628,199)	(418,285)
OPERATING PROFIT		1,327,223	871,944
Investment income	4	20,053	7,856
Interest payable and similar charges	5	(1,600)	(7,218)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	1,345,676	872,582
Tax charge on profit on ordinary activities	1e,8	(477,253)	(305,395)
PROFIT FOR THE FINANCIAL YEAR		868,423	567,187
Dividends proposed	9	-	(1,327,000)
RETAINED PROFIT/(LOSS) FOR THE YEAR		868,423	(759,813)
RETAINED PROFIT, beginning of year		318	760,131
RETAINED PROFIT, end of year		£ 868,741	£ 318

The accompanying notes form an integral part of this profit and loss account.

METROVIDEO LIMITED

BALANCE SHEET — 31 DECEMBER 1988

	<u>Notes</u>	<u>31 December 1988</u>	<u>31 December 1987</u>
<b>FIXED ASSETS</b>			
Tangible assets	1b,10	£ 1,581,962	£ 952,081
Investment	11	—	10,000
		<u>1,581,962</u>	<u>962,081</u>
<b>CURRENT ASSETS</b>			
Stocks	1c,12	467,266	342,662
Debtors	13,19	1,719,150	1,527,058
Cash at bank and in hand		580,323	219,923
		<u>2,766,739</u>	<u>2,089,643</u>
CREDITORS: Amounts falling due within one year	14	(1,573,325)	(1,607,396)
NET CURRENT ASSETS		<u>1,193,414</u>	<u>482,247</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,775,376</u>	<u>1,444,328</u>
CREDITORS: Amounts falling due after more than one year	15	(1,769,333)	(1,317,000)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(112,302)	(92,010)
NET ASSETS		<u>£ 893,741</u>	<u>£ 25,318</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	£ 25,000	£ 25,000
Profit and loss account		868,741	318
		<u>£ 893,741</u>	<u>£ 25,318</u>

SIGNED ON BEHALF OF THE BOARD

D.J. Pacy )  
 ) Directors  
 I.G. Taylor )

*Alan  
G. Taylor*

19 October 1989

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

METROVIDEO LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1988

	Year ended 31 December 1988	Year ended 31 December 1987
<b>SOURCES OF FUNDS</b>		
Profit on ordinary activities before tax	£1,345,676	£ 872,582
Adjustment for items not involving the movement of funds		
- depreciation	293,813	181,785
- (profit) on disposal of fixed assets	(15,262)	(1,650)
Total funds from operations	1,624,227	1,052,717
<b>FUNDS GENERATED FROM OTHER SOURCES</b>		
Proceeds from disposal of 51% of Flipslides Ltd	13,250	-
Proceeds from disposal of tangible fixed assets	119,405	128,988
Increase in creditors falling due after more than one year (excluding dividends payable)	442,333	-
Increase in other provisions	-	12,645
Decrease in net current assets		
- creditors- amounts falling due within one year (excluding bank loans, overdrafts and UK corporation tax)	55,320	727,173
	£2,254,535	£1,921,523
	=====	=====
<b>APPLICATION OF FUNDS</b>		
Purchase of tangible fixed assets	£1,031,087	£ 501,661
Purchase of 51% of Flipslides Ltd.	-	10,000
Decrease in creditors falling due after more than one year	-	43,000
Decrease in other provisions	3,941	-
Taxation paid	57,078	210,522
Increase in net current assets		
- stock	124,604	195,864
- debtors	634,425	884,872
	1,831,135	1,845,919
Movement in net liquid funds		
- cash at bank and in hand	360,400	113,004
- bank loans and overdrafts	43,000	(37,400)
	£2,254,535	£1,921,523
	=====	=====

The accompanying notes form an integral part of this statement.

METASVIDEO LIMITED

NOTES TO ACCOUNTS -- 31 DECEMBER 1988

1. ACCOUNTING POLICIES:

The principal accounting policies are-

a) Basis of accounting

The accounts are prepared under the historical cost convention.

b) Tangible fixed assets

Tangible fixed assets are shown 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 its estimated useful life as follows-

Freehold buildings	- 2%
Leasehold land and buildings	- 8%
Fixtures and fittings	- 10% to 20%
Plant and machinery	- 20%
Motor vehicles	- 25%

c) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost, which is based upon bringing the stock to its present location and condition, is determined on a first-in first-out basis. Net realisable value is based on estimated normal invoice value less costs expected to be incurred to completion. Provision is made for obsolete, slow-moving or defective items where appropriate.

In the opinion of the directors the replacement cost of stock is not materially different from its cost.

d) Debtors

Debtors are stated net of a provision for bad and doubtful debts.

e) Taxation

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

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. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in Note 16.



NOTES TO ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued):

f) Turnover

Turnover comprises the value of sales (excluding VAT) on goods and services in the normal course of business.

2. SEGMENT INFORMATION:

Substantially all turnover arises in the UK and is derived from the company's principal activity. Included in turnover are intercompany sales as disclosed in Note 19.

3. OTHER OPERATING EXPENSES:

	Year ended 31 December 1988	Year ended 31 December 1987
Selling and marketing costs	£102,782	£ 56,254
Administrative expenses	525,417	362,031
	-----	-----
	£628,199	£418,285
	=====	=====

4. INVESTMENT INCOME:

Interest receivable	£ 20,053	£ 7,856
	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES:

On bank loans and overdrafts,		
- repayable within five years, by instalments	£ 1,600	£ 7,218
- repayable within five years, not by instalments	-	-
	-----	-----
	1,600	7,218
On other loans	-	-
	-----	-----
	£ 1,600	£ 7,218
	=====	=====

# NOTES TO ACCOUNTS (Continued)

## 6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging-

	Year ended 31 December <u>1988</u>	Year ended 31 December <u>1987</u>
a) Depreciation and amounts written off tangible fixed assets	£ 293,813	£ 181,785
b) Auditors' remuneration	13,516	11,500
c) Staff costs (see Note 7)	1,084,476 =====	613,193 =====

## 7. STAFF COSTS:

Particulars of employees (including executive directors) are as shown below-

Employee costs during the period amounted to-

Wages and salaries	£ 970,412	£ 546,555
Social security costs	96,641	56,626
Other pension costs	17,423	10,012
	----- £1,084,476 =====	----- £ 613,193 =====

The average weekly number of persons employed by the company during the period is as follows-

	<u>Number</u>	<u>Number</u>
Technical	35	29
Sales and marketing	17	12
Administration	13	10
	----- 65 =====	----- 51 =====

Directors' remuneration-

Directors of the company received the following remuneration-

Emoluments (including pension contributions)	£ 158,107 =====	£ 118,600 =====
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The directors' remuneration shown above (excluding pension contributions) included-

Highest paid director	£ 60,475 =====	£ 44,500 =====
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# NOTES TO ACCOUNTS (Continued)

## 7. STAFF COSTS (Continued):

Other directors received emoluments (excluding pensions and pension contributions) in the following ranges-

	Year ended 31 December 1988	Year ended 31 December 1987
	Number	Number
Nil	1	2
£15,001 - £20,000	-	1
£20,001 - £25,000	1	1
£25,001 - £30,000	1	1
£30,001 - £35,000	1	-
	===	===

## Higher Paid Employees-

Employees of the company other than the directors received remuneration (excluding pension contributions) in the following ranges-

	Year ended 31 December 1988	Year ended 31 December 1987
	Number	Number
£35,001 - £40,000	1	1
	===	===

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax charge is based on the profit for the period and comprises-

Corporation tax at 35% (December 1987 - 35%)	£ 453,020	£ 313,194
Adjustment to current taxation in respect of prior years	-	(14,292)
	453,020	298,902
Deferred taxation arising from - accelerated capital allowances	24,233	6,493
	£ 477,253	£ 305,395
	=====	=====

The tax charge represents amounts payable to other group companies for group relief.

## 9. PROPOSED DIVIDEND:

	1988	1987
Ordinary		
- no dividend is proposed for the year (1987 - 53.08p per share)	£ -	£1,327,000
	£ -	£1,327,000
	=====	=====

NOTES TO ACCOUNTS (Continued)

10. TANGIBLE FIXED ASSETS:

The following are included in the net book value of tangible fixed assets-

Freehold land and buildings	£ 250,083	£ 236,595
Improvements to leasehold land	37,581	30,745
Fixtures and fittings	84,792	36,583
Plant and machinery	949,403	517,652
Motor vehicles	260,103	130,506
	-----	-----
Net tangible fixed assets	£1,581,962	£ 952,081
	=====	=====

NOTES TO ACCOUNTS (Continued)

10. TANGIBLE FIXED ASSETS (Continued):

The movements in the period were as follows-

	<u>Freehold land and buildings</u>	<u>Improvements to leasehold buildings</u>	<u>Fixtures and fittings</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Total</u>
<b>COST-</b>						
1 January 1988	£249,173	£30,906	£ 60,482	£ 709,955	£191,648	£1,242,164
Additions	18,848	10,268	58,666	713,860	229,445	1,031,087
Disposals	-	-	-	(130,072)	(80,588)	(210,660)
31 December 1988	268,021	41,174	119,148	1,293,743	340,505	2,062,591
<b>DEPRECIATION-</b>						
1 January 1988	12,578	161	23,899	192,303	61,142	290,083
Charge	5,360	3,432	10,457	207,108	67,456	293,813
Disposals	-	-	-	(55,071)	(48,196)	(103,267)
31 December 1988	17,938	3,593	34,356	344,340	80,402	480,629
<b>NET BOOK VALUE</b>						
1 January 1988	£236,595	£30,745	£ 36,583	£ 517,652	£130,506	£ 952,081
<b>NET BOOK VALUE</b>						
31 December 1988	£250,083	£37,581	£ 84,792	£ 949,403	£260,103	£1,581,962

NOTES TO ACCOUNTS (Continued)

11. FIXED ASSET INVESTMENT:

In October 1988 the company sold its 51% shareholding in Flipslides Limited to the other major shareholder for £13,250 realising a profit on sale of £3,250.

12. STOCKS:

Stocks consist of finished goods and goods for resale.

13. DEBTORS:

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

Amounts falling due within one year-

	<u>1988</u>	<u>1987</u>
Trade debtors	£1,567,681	£1,021,473
Other debtors	18,481	25,944
Prepayments	43,952	37,308
ACT recoverable	—	442,333
	<u>1,630,114</u>	<u>1,527,058</u>

Amounts falling due after more than one year-

Trade debtors	£ 89,036	£ —
Total debtors	<u>£1,719,150</u>	<u>£1,527,058</u>

14. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following amounts are included in creditors falling due within one year-

	<u>1988</u>	<u>1987</u>
Bank loans and overdrafts	£ —	£ 43,000
Trade creditors	839,337	444,170
Amounts payable for group relief	401,250	447,641
Taxation and social security	218,763	104,906
ACT payable on proposed dividend	—	442,333
Accruals and deferred income	113,975	125,346
	<u>£1,573,325</u>	<u>£1,607,396</u>

15. CREDITORS- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

The following amount is included in creditors falling due after more than one year-

	<u>1988</u>	<u>1987</u>
Amount owed to parent company	<u>£1,769,333</u>	<u>£1,327,000</u>

NOTES TO ACCOUNTS (Continued)

16. PROVISIONS FOR LIABILITIES AND CHARGES:

The movement on provisions for liabilities and charges comprises-

	<u>Deferred tax</u>	<u>Other</u>	<u>Total</u>
Brought forward as at 1 January 1988	£53,505	£38,505	£ 92,010
Charged to profit and loss	24,233	(3,941)	20,292
	<u>-----</u>	<u>-----</u>	<u>-----</u>
Carried forward as at 31 December 1988	£77,738	£34,564	£112,302
	<u>=====</u>	<u>=====</u>	<u>=====</u>

Deferred taxation-

Deferred taxation provided in the accounts is as follows-

	<u>Amounts provided</u>		<u>Amounts not provided</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
Tax effect of timing differences due to-				
Accelerated capital allowances	£77,738	£53,505	£ Nil	£ Nil
Other short term timing differences	-	-	-	-
(Assets)/liabilities	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
	<u>£77,738</u>	<u>£53,505</u>	<u>£ Nil</u>	<u>£ Nil</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

17. CALLED-UP SHARE CAPITAL:

	<u>1988</u>	<u>1987</u>
Authorised, issued and fully paid 25,000 ordinary £1 shares	£25,000	£25,000
	<u>=====</u>	<u>=====</u>

NOTES TO ACCOUNTS (Continued)

**18. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:**

**a) Capital commitments**

There were no capital commitments at 31 December 1987. £299,000 worth of fixed assets were contracted for but not provided for.

**b) Contingent liabilities**

The company has cross-guaranteed the borrowing from the Midland Bank plc of all WPP Group plc group companies.

**c) Lease commitments**

The company leases a building on a short lease. The annual aggregated rental on this lease up to the first period of review is £36,000 (1987 - £36,000) representing a minimum annual rental of £35,000 payable for 1988/1989, rising to a maximum of £48,000 for the year 1990/1991. The rent payable under this lease is subject to renegotiation at various intervals specified in the lease. The company pays all insurance, maintenance and repair of this property.

**d) Pension arrangements**

The company has a defined contribution pension scheme designed to provide future benefits for the directors and certain employees. The liabilities to the pension fund for the year ended 31 December 1988 have been charged to the profit and loss account.

**19. RELATED PARTY TRANSACTIONS:**

a) Included in turnover are sales of £240,000 (1987 - £126,000) to group companies.

b) Included in debtors are intercompany debtors of £50,000 (1987 - £21,000).

c) The company took out a twelve year lease on the premises in London W1 on 1 November 1987. The freehold is owned by a director of the company, the terms of which are set out in Note 18c.

**20. ULTIMATE HOLDING COMPANY:**

The company is a wholly owned subsidiary of WPP Group plc, incorporated in England.