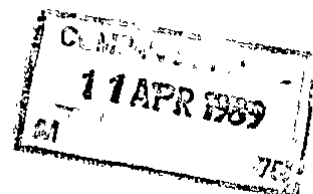


METROVIDEO LIMITED
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ACCOUNTS -- 31 DECEMBER 1987

1493471

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

METROVIDEO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1987

The directors present their annual report on the company, together with the accounts and auditors' report, for the year ended 31 December 1987.

PRINCIPAL ACTIVITY:

The company's principal activities continue to be the sale and hire of video and audio equipment.

BUSINESS REVIEW:

On an annualised basis the turnover for the year has increased by approximately 40%. 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 1987 was £872,582 (7 months to 31 December 1986 - £357,524).

On 1 September 1987 Metrovideo acquired a 51% holding in Flipslides Ltd. The company specialises in the production of computer graphics. The investment is recorded in the company balance sheet at its cost of £10,000. At 31 December 1987 the directors believe the value of the investment is in excess of its cost.

RESULTS AND DIVIDENDS:

Results and dividends are as follows-

Profit retained at 1 January 1987	£ 760,131
Profit for the financial year	567,187
Ordinary dividend - proposed final of 53.08p per share	(1,327,000)
Retained profit at 31 December 1987	<u>£ 318</u>

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>1987</u>	<u>1986</u>
D.J. Pacy	—	—
P.A. Jackman	—	—
I.G. Taylor	—	—
G.M. Scher	—	—
P.M.C. Rabl (resigned 9 June 1987)	—	—
R.E. Lerwill (appointed 9 June 1987)	—	—
	===	===

DIRECTORS AND THEIR INTERESTS (Continued):

Mr. D. Pacy held 10,000 ordinary shares of £1 each of WPP Group plc, 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

5 September 1988

ARTHUR ANDERSEN & Co.

1 SURREY STREET
LONDON WC2R 2PS

To the Members of METROVIDEO LIMITED:

We have audited the accounts set out on pages 4 to 14 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 at 31 December 1987 and of the profit and source and application of funds for the year then ended, and comply with the Companies Act 1985.

Arthur Andersen & Co.

London

5 September 1988

METROVIDEO LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1987

		Year ended 31 December 1987	7 months ended 31 December 1986
	<u>Notes</u>		
TURNOVER	1g,2	£ 5,024,286	£ 2,094,072
Cost of sales		(3,734,057)	(1,508,582)
GROSS PROFIT		1,290,229	585,490
Other operating expenses	3	(418,285)	(223,716)
OPERATING PROFIT		871,944	361,774
Investment income	4	7,856	2,734
Interest payable and similar charges	5	(7,218)	(6,984)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	872,582	357,524
Tax charge on profit on ordinary activities	1e,8	(305,395)	(127,311)
PROFIT FOR THE FINANCIAL YEAR		567,187	230,213
Dividends proposed	9	(1,327,000)	-
RETAINED (LOSS)/PROFIT FOR THE YEAR		(759,813)	230,213
RETAINED PROFIT, beginning of year		760,131	529,918
RETAINED PROFIT, end of year		£ 318	£ 760,131

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

METROVIDEO LIMITED

BALANCE SHEET -- 31 DECEMBER 1987

	<u>Notes</u>	<u>31 December 1987</u>	<u>31 December 1986</u>
FIXED ASSETS			
Tangible assets	1b,10	£ 952,081	£ 759,543
Investment	1f,11	10,000	-
		<u>962,081</u>	<u>759,543</u>
CURRENT ASSETS			
Stocks	12	342,662	146,798
Debtors	13,19	1,527,058	642,186
Cash at bank and in hand		219,923	106,919
		<u>2,089,643</u>	<u>895,903</u>
CREDITORS: Amounts falling due within one year	14	(1,607,396)	(754,443)
NET CURRENT ASSETS		<u>482,247</u>	<u>141,460</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,444,328</u>	<u>901,003</u>
CREDITORS: Amounts falling due after more than one year	15	(1,327,000)	(43,000)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(92,010)	(72,872)
NET ASSETS		<u>£ 25,318</u>	<u>£ 785,131</u>
CAPITAL AND RESERVES			
Called up share capital	17	£ 25,000	£ 25,000
Profit and loss account		318	760,131
		<u>£ 25,318</u>	<u>£ 785,131</u>

SIGNED ON BEHALF OF THE BOARD

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

5 September 1988

I.G. Taylor

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 1987

	Year ended 31 December 1987	7 months ended 31 December 1986
SOURCES OF FUNDS		
Profit on ordinary activities before tax	£ 872,582	£ 357,524
Adjustment for items not involving the movement of funds		
- depreciation	181,785	85,586
- loss (profit) on disposal of tangible fixed assets	(1,650)	266
Total funds from operations	1,052,717	443,376
FUNDS GENERATED FROM OTHER SOURCES		
Proceeds from disposal of tangible fixed assets	128,988	49,511
Increase in creditors falling due after more than one year (excluding dividends payable)	-	4,200
Increase in other provisions	12,645	25,860
Decrease in net current assets		
- debtors	-	103,076
- creditors- amounts falling due within one year (excluding bank loans, overdrafts and UK corporation tax)	727,173	-
	£1,921,523	£ 626,023
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	£ 501,661	£ 382,899
Purchase of 51% of Flipslides Ltd.	10,000	-
Decrease in creditors falling due after more than one year	43,000	-
Taxation paid	210,522	25,908
Increase in net current assets		
- stock	195,864	40,548
- debtors	884,872	-
- creditors-amounts falling due within one year (excluding bank loans, overdrafts and UK corporation tax)		506
	1,845,919	449,861
Movement in net liquid funds		
- cash at bank and in hand	113,004	105,513
- bank loans and overdrafts	(37,400)	70,649
	£1,921,523	£ 626,023

The accompanying notes form an integral part of this statement.

METROVIDEO LIMITED

NOTES TO ACCOUNTS -- 31 DECEMBER 1987

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 25%
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 15.

NOTES TO ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued):

f) Investments

Investments are stated at cost less amounts written off. Group accounts have not been prepared since the company is itself a wholly-owned subsidiary of a UK company.

g) 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 18.

3. OTHER OPERATING EXPENSES:

	Year ended 31 December 1987	7 months ended 31 December 1986
Selling and marketing costs	£ 56,254	£ 22,952
Administrative expenses	362,031	200,764
	-----	-----
	£418,285	£223,716
	=====	=====

4. INVESTMENT INCOME:

Interest receivable	£ 7,856	£ 2,734
	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES:

On bank loans and overdrafts,		
- repayable within five years, by instalments	£ 7,218	£ 715
- repayable within five years, not by instalments	-	4,937
	-----	-----
	7,218	5,652
On other loans	-	1,332
	-----	-----
	£ 7,218	£ 6,984
	=====	=====

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 1987	7 months ended 31 December 1986
a) Depreciation and amounts written off tangible fixed assets	£181,785	£ 85,586
b) Auditors' remuneration	11,500	10,000
c) Staff costs (see Note 7)	613,193	294,987
	=====	=====

7. STAFF COSTS:

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

Employees costs during the period amounted to-

Wages and salaries	£546,555	£262,579
Social security costs	56,626	25,318
Other pension costs	10,012	7,090
	=====	=====
	£613,193	£294,987
	=====	=====

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

	<u>Number</u>	<u>Number</u>
Technical	29	24
Sales and marketing	12	6
Administration	10	9
	-----	-----
	51	39
	=====	=====

Directors' remuneration-

Directors of the company received the following remuneration-

Emoluments (including pension contributions)	£118,600	£ 64,790
	=====	=====

The directors' remuneration shown above (excluding pension contributions) included-

Highest paid director	£ 44,500	£ 21,528
	=====	=====

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 1987	7 months end 31 December 1986
	<u>Number</u>	<u>Number</u>
Nil	2	1
£ 5,001 - £10,000	-	2
£10,001 - £15,000	-	2
£15,001 - £20,000	1	-
£20,001 - £25,000	1	-
£25,001 - £30,000	1	-
	<u>===</u>	<u>===</u>

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 1986 - 35%)	£ 313,194	£133,143
Adjustment to current taxation in respect of prior years	(14,292)	(178)
	<u>298,902</u>	<u>132,965</u>
Deferred taxation arising from - accelerated capital allowances	6,493	(5,654)
	<u>£ 305,395</u>	<u>£127,311</u>
	<u>=====</u>	<u>=====</u>

9. PROPOSED DIVIDEND

Ordinary - final proposed of 53.08p per share	£1,327,000	£ -
	<u>£1,327,000</u>	<u>£ -</u>
	<u>=====</u>	<u>=====</u>

10. TANGIBLE FIXED ASSETS:

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

Freehold land and buildings	£ 236,595	£204,645
Improvements to leasehold land	30,745	-
Fixtures and fittings	36,583	26,045
Plant and machinery	517,652	397,602
Motor vehicles	130,506	131,251
	<u>£ 952,081</u>	<u>£759,543</u>
	<u>=====</u>	<u>=====</u>

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>
COST--						
1 January 1987	£212,273	£ -	£39,493	£ 525,885	£174,487	£ 952,138
Additions	36,900	30,906	20,989	342,919	69,947	501,661
Disposals	-	-	-	(158,849)	(52,786)	(211,635)
31 December 1987	249,173	30,906	60,482	709,955	191,648	1,242,164
DEPRECIATION--						
1 June 1987	7,628	-	13,448	128,283	43,236	192,595
Charge	4,950	161	10,451	125,079	41,144	181,785
Disposals	-	-	-	(61,059)	(23,238)	(84,297)
31 December 1987	12,578	161	23,899	192,303	61,142	290,083
NET BOOK VALUE						
31 December 1986	£204,645	£ -	£26,045	£ 397,602	£131,251	£ 759,543
NET BOOK VALUE						
31 December 1987	£236,595	£30,745	£36,583	£ 517,652	£130,506	£ 952,081

NOTES TO ACCOUNTS (Continued)

11. FIXED ASSET INVESTMENT:

On 1 September 1987 the company acquired a 51% holding comprising 100 A Ordinary Shares (issued - 200), and 1 B Ordinary Share (issued - 1) in Flipslides Limited a computer graphics bureau which is registered in the United Kingdom. At 31 December 1987 the directors believe the investment to have a value in excess of the cost of £10,000. The loss for the 4 months ended 31 December 1987 was £1,000.

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>1987</u>	<u>1986</u>
Trade debtors	£1,021,473	£621,081
Other debtors	25,944	2,289
Prepayments	37,308	18,816
ACT recoverable	442,333	-
	<u>£1,527,058</u>	<u>£642,186</u>
	=====	=====

14. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

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

	<u>1987</u>	<u>1986</u>
Bank loans and overdrafts	£ 43,000	£ 5,600
Trade creditors	444,170	219,537
U.K. corporation tax payable	447,641	359,261
Other creditors including taxation and social security	104,906	68,343
ACT payable on proposed dividend	442,333	-
Accruals and deferred income	125,346	101,702
	<u>£1,607,396</u>	<u>£754,443</u>
	=====	=====

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

The following amounts are included in creditors falling due after more than one year--

	<u>1987</u>	<u>1986</u>
Bank loans	£ -	£ 43,000
Amount owed to parent company	1,327,000	-
	<u>£1,327,000</u>	<u>£ 43,000</u>
	=====	=====

NOTES TO ACCOUNTS (Continued)

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

Analysis of bank borrowings-

	<u>1987</u>	<u>1986</u>
Borrowings were repayable as follows		
- within 1 - 2 years	£ -	£ 5,600
- within 2 - 5 years	-	16,800
- within 5 - 10 years	-	20,600
	-----	-----
	£ -	£ 43,000
	=====	=====

The bank loan has been rescheduled to be repaid within one year.

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 1987	£47,012	£25,860	£72,872
Charged to profit and loss	6,493	12,645	19,138
	-----	-----	-----
Carried forward as at 31 December 1987	£53,505	£38,505	£92,010
	=====	=====	=====

Deferred taxation-

Deferred taxation provided in the accounts is as follows-

	<u>Amounts provided</u>		<u>Amounts not provided</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
Tax effect of timing differences due to-				
Accelerated capital allowances	£53,505	£47,012	£ Nil	£ Nil
Other short term timing differences				
(Assets)/liabilities	-	-	-	(9,051)
	-----	-----	-----	-----
	£53,505	£47,012	£ Nil	£(9,051)
	=====	=====	=====	=====

17. CALLED-UP SHARE CAPITAL:

	<u>1987</u>	<u>1986</u>
Authorised, issued and fully paid 25,000 ordinary £1 shares	£25,000	£25,000
	=====	=====

NOTES TO ACCOUNTS (Continued)

18. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments

There were no capital commitments at 31 December 1987. (At 31 December 1986 capital expenditure of £28,000 had been authorised by the board and contracted for).

b) Contingent liabilities

The company has cross-guaranteed the borrowing from the National Westminster 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 £34,000 (1986 - £Nil) representing a minimum annual rental of £25,000 payable for 1987/1988, 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 1987 have been charged to the profit and loss account.

19. RELATED PARTY TRANSACTIONS:

a) Included in turnover are sales of £126,000 (1986 - £Nil) to group companies.

b) Included in debtors are intercompany debtors of £21,000 (1986 - £Nil).

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.

20. ULTIMATE HOLDING COMPANY:

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