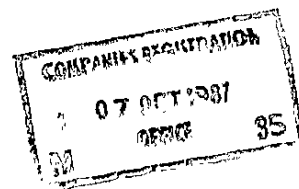


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METROVIDEO LIMITED
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ACCOUNTS -- 31 DECEMBER 1986

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



METROVIDEO LIMITED

DIRECTORS' REPORT

FOR THE 7 MONTHS ENDED 31 DECEMBER 1986

The directors present their annual report on the company, together with the accounts and auditors' report, for the 7 months ended 31 December 1986.

PRINCIPAL ACTIVITY:

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

BUSINESS REVIEW, RESULTS AND DIVIDENDS:

On an annualised basis the turnover for the period has increased by approximately 17%. This increase arises from additional work for new clients whilst maintaining the existing client base. The directors are confident that this level of activity can be sustained.

The profit before tax for the 7 months to 31 December 1986 was £357,524 (year to 31 May 1986 - £531,050).

On 2 September 1986 WPP Group plc acquired the entire share capital of the company.

CHANGE OF ACCOUNTING REFERENCE DATE:

The company has changed its accounting reference date to 31 December.

DIRECTORS AND THEIR INTERESTS:

The directors who served during the period are shown below-

	<u>Ordinary £1 shares</u>	
	<u>31 December</u>	<u>1 June</u>
	<u>1986</u>	<u>1986</u>
D.J. Pacy	-	12,500
P.A. Jackman	-	-
I.G. Taylor	-	-
G.M. Scher	-	-
P.M.C. Rabi (appointed 2 September 1986)	-	-
B.P. Rottger (resigned 2 September 1986)	-	12,500
	=====	=====

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS (Continued):

Mr. D. Pacy held 8,000 ordinary shares of £1 each of WPP Group plc, at 31 December 1986. Mr. Rabl's holdings in the share capital of WPP Group plc are disclosed in that company's financial statements.

FIXED ASSETS:

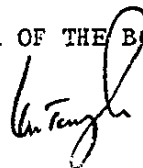
The movement in the company's fixed assets is shown in Note 9 to the accounts.

AUDITORS:

Arthur Andersen & Co. were appointed to fill the casual vacancy following the resignation of Longcrofts & Co.

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

13 March 1987

ARTHUR ANDERSEN & Co.

1 SURREY STREET
LONDON WC2R2PS

To the Members of METROVIDEO LIMITED:

We have audited the accounts set out on pages 4 to 13 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 1986 and of the profit and source and application of funds for the seven months then ended, and comply with the Companies Act 1985.

Arthur Andersen & Co

London

13 March 1987

METROVIDEO LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE 7 MONTHS ENDED 31 DECEMBER 1986

	<u>Notes</u>	<u>7 months ended 31 December 1986</u>	<u>Year ended 31 May 1986</u>
TURNOVER		£ 2,094,072	£ 3,076,071
Cost of sales		(1,508,582)	(2,271,706)
GROSS PROFIT		585,490	804,365
Other operating expenses	3	(223,716)	(262,974)
OPERATING PROFIT		361,774	541,391
Investment income	4	2,734	3,041
Interest payable and similar charges	5	(6,984)	(13,382)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	357,524	531,050
Tax charge on profit on ordinary activities	8	(127,311)	(210,395)
PROFIT FOR THE FINANCIAL PERIOD		230,213	320,655
RETAINED PROFIT, beginning of period		529,918	209,263
RETAINED PROFIT, end of period		£ 760,131 =====	£ 529,918 =====

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

NEIROVIDEO LIMITED

BALANCE SHEET — 31 DECEMBER 1986

	<u>Notes</u>	<u>31 December 1986</u>	<u>31 May 1986</u>
FIXED ASSETS			
Tangible assets	9	£ 759,543	£ 512,006
CURRENT ASSETS			
Stocks	10	146,798	106,250
Debtors	11	642,186	745,262
Cash at bank and in hand		106,919	1,406
		<u>895,903</u>	<u>852,918</u>
CREDITORS: Amounts falling due within one year	12	(754,443)	(718,540)
NET CURRENT ASSETS		<u>141,460</u>	<u>134,378</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>901,003</u>	<u>646,384</u>
CREDITORS: Amounts falling due after more than one year	13	(43,000)	(38,800)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(72,872)	(52,666)
NET ASSETS		<u>£ 785,131</u>	<u>£ 554,918</u>
CAPITAL AND RESERVES			
Called up share capital	15	£ 25,000	£ 25,000
Profit and loss account		760,131	529,918
		<u>£ 785,131</u>	<u>£ 554,918</u>

SIGNED ON BEHALF OF THE BOARD

D.J. Pacy

I.G. Taylor

13 March 1987

) Directors

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

METROVIDEO LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE 7 MONTHS ENDED 31 DECEMBER 1986

SOURCES OF FUNDS	7 months to 31 December 1986	Year ended 31 May 1986
Profit on ordinary activities before tax	£357,524	£531,050
Adjustment for items not involving the movement of funds		
- depreciation	85,586	104,381
- loss (profit) on disposal of tangible fixed assets	266	(1,329)
- warranty provision	25,860	-
Total funds from operations	469,236	634,102
 FUNDS GENERATED FROM OTHER SOURCES		
Proceeds from disposal of tangible fixed assets	49,511	90,338
Increase in creditors falling due after more than one year	4,200	-
Decrease in net current assets		
- debtors	103,076	-
	£626,023	£724,440
	=====	=====
 APPLICATION OF FUNDS		
Purchase of tangible fixed assets	£382,899	£316,104
Decrease in creditors falling due after more than one year	-	28,867
Taxation paid	25,908	23,899
Increase in net current assets		
- stock	40,548	15,015
- debtors	-	376,044
- creditors-amounts falling due within one year	506	5,751
	449,861	765,680
Movement in net liquid funds		
- cash at bank and in hand	105,513	(2,543)
- bank loans and overdrafts	70,649	(38,697)
	£626,023	£724,440
	=====	=====

The accompanying notes form an integral part of this statement.

METROVIDEO LIMITED

NOTES TO ACCOUNTS — 31 DECEMBER 1986

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%
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 14.

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.

3. OTHER OPERATING EXPENSES:

	<u>7 months ended</u> <u>31 December 1986</u>	<u>Year ended</u> <u>31 May 1986</u>
Selling and marketing costs	£ 22,952	£ 28,621
Administrative expenses	200,764	234,353
	<u>£223,716</u>	<u>£262,974</u>
	=====	=====

4. INVESTMENT INCOME:

	<u>7 months ended</u> <u>31 December 1986</u>	<u>Year ended</u> <u>31 May 1986</u>
Interest receivable	£ 2,734	£ 3,041
	<u>=====</u>	<u>=====</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>7 months ended</u> <u>31 December 1986</u>	<u>Year ended</u> <u>31 May 1986</u>
On bank loans and overdrafts,		
- repayable within five years, by instalments	£ 715	£ 12,248
- repayable within five years, not by instalments	4,937	1,134
	<u>5,652</u>	<u>13,382</u>
On other loans	1,332	-
	<u>£ 6,984</u>	<u>£ 13,382</u>
	=====	=====

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging-

	<u>7 months ended</u> <u>31 December 1986</u>	<u>Year ended</u> <u>31 May 1986</u>
a) Depreciation and amounts written off tangible fixed assets	£ 85,586	£104,381
b) Auditors' remuneration	10,000	8,500
c) Staff costs (see Note 7)	294,987	318,196
	<u>=====</u>	<u>=====</u>

NOTES TO ACCOUNTS (Continued)

7. STAFF COSTS:

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

	7 months ended 31 December 1986	Year ended 31 May 1986
Employees costs during the period amounted to—		
Wages and salaries	£262,579	£280,680
Social security costs	25,318	29,731
Other pension costs	7,090	7,785
	-----	-----
	£294,987	£318,196
	=====	=====

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

	7 months ended 31 December 1986 Number	Year ended 31 May 1986 Number
Technical	24	19
Sales and marketing	6	4
Administration	9	7
	-----	-----
	39	30
	=====	=====

Directors' remuneration—

Directors of the company received the following remuneration—

	7 months ended 31 December 1986	Year ended 31 May 1986
Emoluments (including pension contributions)	£ 64,790	£ 54,158
	=====	=====

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

Highest paid director	£ 21,528	£ 26,274
	=====	=====

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

	7 months ended 31 December 1986 Number	Year ended 31 May 1986 Number
Nil	1	—
£ 5,001 — £10,000	2	—
£10,001 — £15,000	2	—
£20,001 — £25,000	—	1
	-----	-----
	===	===

NOTES TO ACCOUNTS (Continued)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES:

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

	<u>7 months ended</u> <u>31 December 1986</u>	<u>Year ended</u> <u>31 May 1986</u>
Corporation tax at 35% (May 1986 - 39.16%)	£133,143	£223,282
Prior year adjustment	(178)	9,354
	<u>132,965</u>	<u>232,636</u>
Deferred taxation arising from - accelerated capital allowances	(5,654)	(22,241)
	<u>£127,311</u> =====	<u>£210,395</u> =====

9. TANGIBLE FIXED ASSETS:

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

	<u>31 December 1986</u>	<u>31 May 1986</u>
Freehold land and buildings	£204,645	£152,968
Fixtures and fittings	26,045	25,603
Plant and machinery	397,602	235,217
Motor vehicles	131,251	98,218
Net tangible fixed assets	<u>£759,543</u> =====	<u>£512,006</u> =====

Freehold land and buildings includes payments on account of approximately £40,000 in respect of assets in the course of construction.

NOTES TO ACCOUNTS (Continued)

9. TANGIBLE FIXED ASSETS (Continued):

The movements in the period were as follows-

	<u>Freehold land and buildings</u>	<u>Fixtures and fittings</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Total</u>
COST-					
1 June 1986	£158,746	£ 34,403	£322,103	£135,824	£651,076
Additions	53,527	5,090	260,598	63,684	382,899
Disposals	-	-	(56,816)	(25,021)	(81,837)
31 December 1986	<u>212,273</u>	<u>39,493</u>	<u>525,885</u>	<u>174,487</u>	<u>952,138</u>
DEPRECIATION-					
1 June 1986	5,778	8,800	86,886	37,606	139,070
Charge	1,850	4,648	56,195	22,893	85,586
Disposals	-	-	(14,798)	(17,263)	(32,061)
31 December 1986	<u>7,628</u>	<u>13,448</u>	<u>128,283</u>	<u>43,236</u>	<u>192,595</u>
NET BOOK VALUE					
1 June 1986	<u>£152,968</u>	<u>£ 25,603</u>	<u>£235,217</u>	<u>£ 98,218</u>	<u>£512,006</u>
NET BOOK VALUE					
31 December 1986	<u>£204,645</u>	<u>£ 26,045</u>	<u>£397,602</u>	<u>£131,251</u>	<u>£759,543</u>

10. STOCKS:

Stocks consist of finished goods and goods for resale.

11. DEBTORS:

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

Amounts falling due within one year-

	<u>31 December 1986</u>	<u>31 May 1986</u>
Trade debtors	£621,081	£729,972
Other debtors	2,289	3,053
Prepayments and accrued income	18,816	12,237
	<u>£642,186</u>	<u>£745,262</u>

NOTES TO ACCOUNTS (Continued)

12. CREDITORS-- AMOUNTS FALLING DUE WITHIN ONE YEAR:

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

	<u>31 December 1986</u>	<u>31 May 1986</u>
Bank loans and overdrafts	£ 5,600	£ 76,249
Trade creditors	219,537	221,330
U.K. corporation tax payable	359,261	252,203
Other taxation and social security	68,343	31,394
Other creditors	-	63,384
Accruals and deferred income	101,702	75,980
	<u>£754,443</u>	<u>£718,540</u>
	=====	=====

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

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

	<u>31 December 1986</u>	<u>31 May 1986</u>
Bank loans	£ 43,000	£ 38,800
	=====	=====
Analysis of bank borrowings-		
Borrowings are repayable as follows		
- within 1 - 2 years - bank	£ 5,600	£ 5,600
- within 2 - 5 years - bank	16,800	16,800
- within 5 - 10 years - bank	20,600	16,400
	<u>£ 43,000</u>	<u>£ 38,800</u>
	=====	=====

14. PROVISIONS FOR LIABILITIES AND CHARGES:

The movement on provisions for liabilities and charges comprises-

	<u>Deferred tax</u>	<u>Warranty</u>	<u>Total</u>
Brought forward as at 1 June 1986	£52,666	£ -	£52,666
Charge for the year	-	25,860	25,860
Released to profit and loss	(5,654)	-	(5,654)
	<u>£47,012</u>	<u>£25,860</u>	<u>£72,872</u>
Carried forward as at 31 December 1986	=====	=====	=====

NOTES TO ACCOUNTS (Continued)

14. PROVISIONS FOR LIABILITIES AND CHARGES (Continued):

Deferred taxation-

Deferred taxation provided in the accounts is as follows-

	Amounts provided		Amounts not provided	
	31 December 1986	31 May 1986	31 December 1986	31 May 1986
Tax effect of timing differences due to-				
Accelerated capital allowances	£47,012	£52,666	£ Nil	£ Nil
Other short term timing differences				
(Assets)/liabilities	-	-	(9,051)	Nil
	<u>£47,012</u>	<u>£52,666</u>	<u>£(9,051)</u>	<u>£ Nil</u>
	=====	=====	=====	=====

15. CALLED-UP SHARE CAPITAL:

	<u>31 December 1986</u>	<u>31 May 1986</u>
Authorised, issued and fully paid 25,000 ordinary £1 shares	£25,000	£25,000
	=====	=====

16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments

At 31 December 1986 capital expenditure of £28,000 had been authorised by the board and contracted for. This has not been provided for in the accounts.

b) Contingent liabilities

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

c) Pension arrangements

The company has defined contributions under pension schemes designed to provide future benefits for the directors and certain employees. The liabilities to the pension fund for the 7 months ended 31 December 1986 have been charged to the profit and loss account.

17. ULTIMATE HOLDING COMPANY:

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