

WPP Group (UK) Limited

Financial statements for the year ended 31 December 1996
together with directors' and auditors' reports

Registered number: 2670617



Directors' report

For the year ended 31 December 1996

The directors present their annual report together with the financial statements and auditors' report, for the year ended 31 December 1996.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and review of the business

The company acts as an intermediate holding company. The company made a loss before taxation during the year of £3,588,000 (1995 - £41,960,000). No interim dividend for the year (1995 - £937,000) was proposed and paid.

The retained loss of £6,072,000 (1995 - £30,181,000) has been set against reserves.

Directors and their interests

The directors who served since 1 January 1996 were as follows:

M.S. Sorrell

R.E. Lerwill (resigned 5 December 1996)

P.W.G. Richardson

N.E. Read (appointed 7 January 1997)

Directors' report (continued)

Directors and their interests (continued)

None of the directors has any beneficial interest in the company's shares. The interests of M.S. Sorrell and P.W.G. Richardson in the shares of the company's ultimate holding company, WPP Group plc, are shown in that company's accounts.

Fixed assets

Information relating to changes in fixed assets is given in notes 4 and 5 to the financial statements.

Share capital

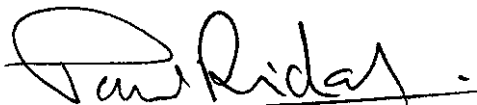
Details of changes in share capital are given in note 9 to the financial statements.

Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

27 Farm Street
London
W1X 6RD

By order of the Board

A handwritten signature in black ink, appearing to read 'P.W.G. Richardson', with a horizontal line extending from the end of the signature.

P.W.G. Richardson

Director

30 April 1997

Auditors' report

London

To the Share owners of WPP Group (UK) Limited:

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

The company is exempt from the requirement of FRS1 to produce a cash flow statement, as the company is a wholly owned subsidiary of WPP Group plc and the cash flows of the company are included in the consolidated cash flow statement of WPP Group plc.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

30 April 1997

Profit and loss account

For the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Dividend income		1,240	1,072
Interest receivable from other group undertakings		8,815	273
Other interest receivable		174	-
Interest payable to other group undertakings		(14,231)	(25,205)
Foreign exchange gain (loss)		22	(2,185)
Gain (loss) on sale of fixed asset investments		688	(15,882)
Amounts written off fixed asset investments	5	(262)	-
Other operating expenses		(34)	(33)
Loss on ordinary activities before taxation	2	(3,588)	(41,960)
Tax on loss on ordinary activities	3	(2,484)	12,716
Loss on ordinary activities after taxation		(6,072)	(29,244)
Interim ordinary dividend paid		-	(937)
Retained loss for the year	10	(6,072)	(30,181)

Statement of total recognised gains and losses

For the year ended 31 December 1996

	1996 £'000	1995 £'000
Loss on ordinary activities after taxation	(6,072)	(29,244)
Transfer of capital reserve to retained earnings	-	49,125
Total recognised gains and losses relating to the year	(6,072)	19,881

The accompanying notes are an integral part of these statements.

Balance sheet

At 31 December 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible fixed assets	4	1,034	1,023
Investments	5	243,360	167,885
		<u>244,394</u>	<u>168,908</u>
Current assets			
Cash		262	435
Debtors (including amounts falling due after more than one year)	6	140,717	143,861
		<u>140,979</u>	<u>144,296</u>
Creditors: Amounts falling due within one year	7	(20,182)	(12,927)
Net current assets		<u>120,797</u>	<u>131,369</u>
Total assets less current liabilities		<u>365,191</u>	<u>300,277</u>
Creditors: Amounts falling due after more than one year	8	(194,164)	(199,046)
Net assets		<u>171,027</u>	<u>101,231</u>
Capital and reserves			
Called-up equity share capital	9,10	8,500	8,500
Capital reserve	10	44,840	44,840
Share premium account	10	113,929	38,061
Profit and loss account	10	3,758	9,830
Share owners' funds		<u>171,027</u>	<u>101,231</u>

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

Signed on behalf of the Board



P.W.G. Richardson

Director

30 April 1997

Notes to financial statements

For the year ended 31 December 1996

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Consolidated financial statements are not prepared as the company is itself a wholly owned subsidiary undertaking of WPP Group plc, a company registered in England and Wales.

b) Translation of foreign currency

Foreign currency transactions arising from operating activities are translated from local currency to UK Sterling at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the year end exchange rate. Foreign currency gains or losses are credited or charged to the profit and loss account as they arise.

c) Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The annual rate used for this purpose is:

Freehold land and buildings	2%
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d) Investments

Fixed asset investments are stated at cost less amounts written off for permanent diminutions in value.

e) Dividends

Dividend income and expense are recognised in the year to which they relate.

f) Cash flow statement

The company is exempt from the requirements of FRS1 to produce a cash flow statement, as the company is a wholly owned subsidiary of WPP Group plc and the cash flows of the company are included in the consolidated cash flow statement of WPP Group plc.

2 Loss on ordinary activities before taxation

The directors received no remuneration during either year. The company had no other employees during the current or prior year. Administrative expenses are borne by the ultimate parent company, WPP Group plc.

Notes to financial statements (continued)

3 Taxation

The corporation tax charge for the year of £2,484,000 (1995 - credit of £12,716,000) has been calculated using the UK corporation tax rate of 33%.

4 Tangible fixed assets

	Freehold land and buildings £'000
Cost	
At 1 January 1996	1,044
Additions	32
At 31 December 1996	1,076
Depreciation	
At 1 January 1996	21
Charge for the year	21
At 31 December 1996	42
Net book value	
At 31 December 1996	1,034
At 1 January 1996	1,023

5 Fixed asset investments

	Subsidiary undertakings		Associated undertakings	Other group undertakings		
	Share capital £'000	Loans £'000	Share capital £'000	Share capital £'000	Other £'000	Total £'000
At 1 January 1996	149,384	11,228	7,142	131	-	167,885
Additions	71,721	-	2,494	931	1,653	76,799
Disposals	-	-	-	(1,062)	-	(1,062)
Amounts written-off	(262)	-	-	-	-	(262)
At 31 December 1996	220,843	11,228	9,636	-	1,653	243,360

During the year the company made additional investments in existing subsidiary undertakings, and new investments in Banner McBride Limited, Portland Outdoor Advertising (Holdings) Limited, Clockwork Leasing Limited, Credit Call Limited, Broadvision Inc. and Individual Inc..

The company's investment in Wise Conclusion was sold to Dickens Square Limited, a fellow group undertaking.

Notes to financial statements (continued)

5 Fixed asset investments (continued)

Investments at 31 December 1996, which are shown at cost, represent interests in the following companies:

Ordinary share capital

<u>Company</u>	<u>Country of incorporation</u>	<u>Activity</u>	<u>Holding</u>
The Marketing Consultancy	UK	Sales promotion & marketing	100%
The Grass Roots Group plc	UK	Incentive and motivation	48.2%
EWA Limited (previously Link Reaction Limited)	UK	Database marketing	100%
Thistleclub Limited	UK	Intermediate holding company	100%
Camden Limited	Isle of Man	Dormant company	100%
WPP Investments Limited	UK	Intermediate holding company	100%
Newcrosse Limited	UK	Intermediate holding company	100%
WPP Group (Nominees) Limited	UK	Intermediate holding company	100%
POA (Holdings) Limited	UK	Outdoor advertising	33.4%
Banner McBride Limited	UK	Corporate identity	100%
Clockwork Leasing Limited	UK	Lease finance for audio visual products	50%
Credit Call Research Limited	UK	Telephone market research	51%

Preferred share capital

Broadvision Inc.	US	Internet based direct marketing	20% preferred stock
Individual Inc.	US	Customised news	3%

6 Debtors

	1996 £'000	1995 £'000
Amounts owed by other group undertakings	140,717	143,861

Included within amounts owed by other group undertakings is £138,338,000 (1995 - £138,338,000) which falls due after more than one year.

7 Creditors: Amounts falling due within one year

	1996 £'000	1995 £'000
Amounts owed to other group undertakings	15,020	10,249
Dividends payable	2,678	2,678
Corporation tax payable	2,484	-
	20,182	12,927

Notes to financial statements (continued)

8 Creditors: Amounts falling due after more than one year

	1996 £'000	1995 £'000
Amounts owed to other group undertakings	<u>194,164</u>	<u>199,046</u>

9 Called-up equity share capital

	1996 £	1995 £
<i>Authorised</i>		
30,000,000 (1995 - 30,000,000) ordinary shares of £1 each	<u>30,000,000</u>	<u>30,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
8,500,054 (1995 - 8,500,020) ordinary shares of £1 each	<u>8,500,054</u>	<u>8,500,020</u>

Share capital was issued during the year to purchase fixed asset investments.

10 Reconciliation of movements in share owners' funds

	Equity				
	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Capital reserve £'000	Total £'000
At 1 January 1996	8,500	38,061	9,830	44,840	101,231
Loss for the year	-	-	(6,072)	-	(6,072)
Issue of ordinary shares	-	75,868	-	-	75,868
At 31 December 1996	<u>8,500</u>	<u>113,929</u>	<u>3,758</u>	<u>44,840</u>	<u>171,027</u>

11 Guarantees and other financial commitment

The company participates in group banking arrangements with its parent WPP Group plc, and has access to a group cash management facility. The company guarantees the facility to the extent of its cash deposited in the UK with its clearing bank.

12 Ultimate parent company

The company is a wholly owned subsidiary undertaking of WPP Group plc, a company registered in England and Wales. The only group in which the results of WPP Group (UK) Limited are consolidated is that headed by WPP Group plc. The consolidated financial statements of WPP Group plc may be obtained from WPP Group plc, 27 Farm Street, London W1X 6RD.