

WPP Group (UK) Limited

Financial statements for the year ended 31 December 1999
together with directors' and auditors' reports

Registered number: 2670617



Directors' report

For the year ended 31 December 1999

The directors present their annual report together with the financial statements and auditors' report, for the year ended 31 December 1999.

Principal activities and review of the business

The company acts as an intermediate holding company.

The company made a profit before taxation during the year of £15,806,000 (1998 - £15,115,000). Interim ordinary dividends totalling £20,000,000 were declared and paid during the year (1998 - £4,903,000).

The retained loss for the year of £4,194,000 (1999 – profit of £11,735,000) has been transferred to reserves.

Directors and their interests

The directors who served since 1 January 1999 were as follows:

Sir M.S. Sorrell

P.W.G. Richardson

N.E. Read (resigned 1 July 1999)

L. Mellman (appointed 4 February 1999)

A. Scott (appointed 9 November 1999)

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

L. Mellman and A. Scott were granted the following options over shares in WPP Group plc during the year.

	At 1 Jan 1999 Number	Granted 1999 Number	At 31 Dec 1999 Number	Commencement	Expiry	Exercise price per share
A. Scott	-	5,614	5,614	Sept. 2002	Sept. 2009	£5.70
L. Mellman	6,631	-	6,631	Sept. 2000	Sept. 2007	£2.835
	7,235	-	7,235	Sept. 2001	Sept. 2008	£2.93
	-	4,772	4,772	Sept. 2002	Sept. 2009	£5.70

In addition, L. Mellman had a beneficial interest in 800 shares in WPP Group plc at 31 December 1999.

Directors' report (continued)

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 judgements 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.

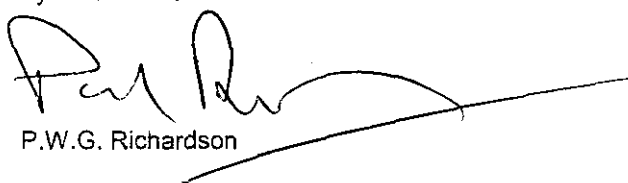
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

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



P.W.G. Richardson

Director

30 October 2000

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

We have audited the financial statements on pages 4 to 11 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 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1999 and of its profit 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 October 2000

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £'000	1998 £'000
Income from shares in group undertakings			
Dividend income		9,142	4,936
Interest receivable		11,759	14,928
Interest payable		(4,662)	(4,775)
Foreign exchange loss		(477)	(8)
Other income		44	34
Profit on ordinary activities before taxation	2	15,806	15,115
Tax credit on profit on ordinary activities	3	-	1,523
Profit on ordinary activities after taxation		15,806	16,638
Ordinary dividends paid (235p per ordinary share, 1998: 57.7p)		(20,000)	(4,903)
Retained (loss)/profit for the year	10	(4,194)	11,735

There were no recognised gains or losses during either year other than the results shown above. The movement on the profit and loss account reserve is shown in note 10.

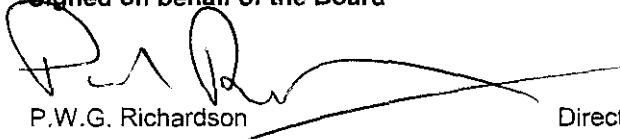
The accompanying notes are an integral part of this profit and loss account.

Balance sheet
At 31 December 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	4	970	991
Investments	5	587,692	461,580
		<u>588,662</u>	<u>462,571</u>
Current assets			
Debtors	6	253,031	244,631
Cash at bank and in hand		517	74
		<u>253,548</u>	<u>244,705</u>
Creditors: Amounts falling due within one year	7	<u>(43,213)</u>	<u>(19,308)</u>
Net current assets		<u>210,335</u>	<u>225,397</u>
Total assets less current liabilities		<u>798,997</u>	<u>687,968</u>
Creditors: Amounts falling due after more than one year	8	<u>(73,969)</u>	<u>(78,761)</u>
Net assets		<u>725,028</u>	<u>609,207</u>
Capital and reserves			
Called-up equity share capital	9,10	8,500	8,500
Share premium account	10	656,849	536,834
Capital reserve	10	44,840	44,840
Profit and loss account	10	14,839	19,033
Share owners' funds	10	<u>725,028</u>	<u>609,207</u>

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

Signed on behalf of the Board


P.W.G. Richardson Director

30 October 2000

Notes to financial statements
For the year ended 31 December 1999

1 Accounting policies

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

a) Basis of accounting

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

As permitted by S228 of the Companies Act 1985, 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 which prepares consolidated accounts which are publicly available.

b) Translation of foreign currency

Foreign currency transactions arising from operating activities are translated from local currency to 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 buildings	2%
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d) Investments

Fixed asset investments are stated at cost less provision for impairment.

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 Financial Reporting Standard 1 (Revised) 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.

g) Transactions with related parties

As a subsidiary of WPP Group plc, the company has taken advantage of the exemption in Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by WPP Group plc.

Notes to financial statements (continued)

2 Profit 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.

3 Taxation

The corporation tax charge of £nil (1998 – credit of £1,523,000) was calculated using a corporation tax rate of 30.25% (1998 – 31%). Corporation tax has been eliminated by the transfer of losses from another group company which has been surrendered under the group relief provisions, without any corresponding payment.

4 Tangible fixed assets

	Freehold land and buildings £'000
Cost	
At 1 January 1999	1,076
Additions	-
At 31 December 1999	1,076
Depreciation	
At 1 January 1999	85
Charge for the year	21
At 31 December 1999	106
Net book value	
At 31 December 1999	970
At 1 January 1999	991

5 Fixed asset investments

Cost and net book value	Subsidiary undertakings		Associated undertakings		Total £'000
	Share capital £'000	Loans £'000	Share capital £'000	Other £'000	
At 1 January 1999	422,755	11,228	25,195	2,402	461,580
Additions	143,218	-	6,010	-	149,228
Disposals	-	-	(21,652)	(1,464)	(23,116)
Reclassifications	2,088	-	(1,470)	(618)	-
At 31 December 1999	568,061	11,228	8,083	320	587,692

Notes to financial statements (continued)

5 Fixed asset investments (continued)

During the year the company made additional investments in existing undertakings and new investments in WPP North Atlantic Limited, International Presentations Limited, P Four Limited, Flamingo Perspectives Limited, No Ho Digital Limited, Mathew Poppy Advertising Limited, WPP (Isle of Man) 2LLC, Digireels Limited and Computerised Media Services Limited.

Reclassifications comprise POA (Holdings) Limited from associate to subsidiary, and Mediopoly Limited from other to associate.

The company's investments in The Grass Roots Group plc and Chime Communications plc were transferred to another group company during the year.

The company's investment in Yahoo Inc. was sold during the year.

Investments at 31 December 1999, which are shown at cost, represent interests in the following companies:

Ordinary share capital

<u>Company</u>	<u>Country of registration</u>	<u>Activity</u>	<u>Holding</u>
Mindshare Media UK Limited	England and Wales	Media-buying	100%
Mindshare Media Worldwide Limited	England and Wales	Intermediate holding company	100%
Media Insight Limited	England and Wales	Advertising	100%
Digireels Limited	England and Wales	Advertising library	100%
The Marketing Consultancy	England and Wales	Sales promotion & marketing	100%
EWA Limited	England and Wales	Database marketing	100%
Thistleclub Limited	England and Wales	Intermediate holding company	100%
WPP Investments Limited	England and Wales	Intermediate holding company	100%
Newcrosse Limited	England and Wales	Intermediate holding company	100%
WPP Group (Nominees) Limited	England and Wales	Intermediate holding company	100%
WPP India Limited	England and Wales	Intermediate holding company	100%
The Farm Post Production Limited	England and Wales	Post production	49%
Goldfarb Focus Limited	England and Wales	Market research	100%
Principals Group Limited	England and Wales	Corporate identity and design	100%
POA (Holdings) Limited	England and Wales	Outdoor advertising	65%
Banner McBride Limited	England and Wales	Corporate identity	100%
Clockwork Capital Limited	England and Wales	Lease finance for audio visual products	50%

Notes to financial statements (continued)

4 Fixed asset investments (continued)

Ordinary share capital

<u>Company</u>	<u>Country of registration</u>	<u>Activity</u>	<u>Holding</u>
Credit Call Research Limited	England and Wales	Telephone market research	51%
Co-Municate Limited	England and Wales	Direct marketing	100%
Ultimate Square	England and Wales	Intermediate holding company	99%
WPP Group Nominees One Limited	England and Wales	Dormant	100%
WPP Group Nominees Two Limited	England and Wales	Dormant	100%
WPP Group Nominees Three Limited	England and Wales	Dormant	100%
WPP Group Nominees Four Limited	England and Wales	Dormant	100%
WPP Group Nominees Five Limited	England and Wales	Dormant	100%
WPP Group Nominees Six Limited	England and Wales	Dormant	100%
WPP North Atlantic Limited	England and Wales	Intermediate holding company	10%
International Presentations Limited	England and Wales	Financial services provider	49%
P Four Limited	England and Wales	Management consulting	100%
Flamingo Perspectives Limited	England and Wales	Intermediate holding company	100%
No Ho Digital Limited	England and Wales	New media	100%
Mathew Poppy Advertising Limited	England and Wales	Healthcare advertising	100%
WPP (Isle of Man) 2LLC	England and Wales	Intermediate holding company	100%
Computerised Media Services Limited	England and Wales	Media evaluation	100%
Mediopoly Limited	Jersey	Intermediate holding company	40.5%
<i>Preferred share capital</i>			
Individual Inc.	US	Customised news	3%

6 Debtors

	1999	1998
	£'000	£'000
Amounts owed by other group undertakings	251,581	243,629
Amounts owed by associate undertakings	1,450	1,002
	<u>253,031</u>	<u>244,631</u>

Included within amounts owed by other group undertakings is £205,022,000 (1998 - £204,895,000) falling due after more than one year.

Notes to financial statements (continued)

7 Creditors: Amounts falling due within one year

	1999 £'000	1998 £'000
Bank overdraft	19,397	-
Amounts owed to other group undertakings	21,403	16,823
Corporation tax payable	2,413	2,485
	<u>43,213</u>	<u>19,308</u>

8 Creditors: Amounts falling due after more than one year

	1999 £'000	1998 £'000
Amounts owed to other group undertakings	<u>73,969</u>	<u>78,761</u>

9 Called-up equity share capital

	1999 £	1998 £
<i>Authorised</i>		
30,000,000 (1998 - 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>		
8,500,086 (1998 - 8,500,078) ordinary shares of £1 each	<u>8,500,086</u>	<u>8,500,078</u>

Share capital was issued during the year to purchase fixed asset investments of £120 million.

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 1999	8,500	536,834	19,033	44,840	609,207
Retained loss for the year	-	-	(4,194)	-	(4,194)
Issue of ordinary shares	-	120,015	-	-	120,015
At 31 December 1999	<u>8,500</u>	<u>656,849</u>	<u>14,839</u>	<u>44,840</u>	<u>725,028</u>

Notes to financial statements (continued)

11 Guarantees and other financial commitments

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 Great Britain 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.