

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO, SC

WPP Group (UK) Limited

Financial statements for the year ended 31 December 1995
together with directors' and auditors' reports

Registered number: 2670617



Directors' report

For the year ended 31 December 1995

The directors present their annual report together with the financial statements and auditors' report, for the year ended 31 December 1995.

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 £41,960,000 (1994 - £14,345,000). An interim dividend of £937,000 for the year (1994 - nil) was proposed and paid.

The retained loss of £30,181,000 (1994 - £13,355,000) has been set against reserves.

Directors and their interests

The directors who served during the year were as follows:

M.S. Sorrell

R.E. Lerwill

P. Richardson (appointed 8 December 1995)

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 R.E. Lerwill 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

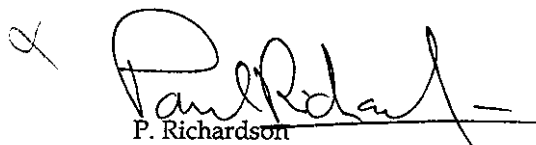
Details of changes in share capital are given in note 9 to the financial statements.

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


P. Richardson

Director

24 September 1996

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

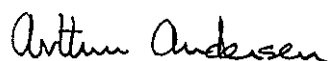
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 1995 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

24 September 1996

Profit and loss account

For the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
Administrative expenses		(33)	-
Dividend income		1,072	-
Interest receivable from other group undertakings		273	311
Interest payable to other group undertakings		(25,205)	(16,857)
Foreign exchange (loss) gain		(2,185)	2,201
Loss on sale of fixed asset investments		(15,882)	-
Loss on ordinary activities before taxation	2	<u>(41,960)</u>	<u>(14,345)</u>
Tax on loss on ordinary activities	3	12,716	990
Loss on ordinary activities after taxation		<u>(29,244)</u>	<u>(13,355)</u>
Interim ordinary dividend paid		(937)	-
Retained loss for the year	10	<u>(30,181)</u>	<u>(13,355)</u>

Statement of total recognised gains and losses

For the year ended 31 December 1995

	1995 £'000	1994 £'000
Loss on ordinary activities after taxation	(29,244)	(13,355)
Transfer of capital reserve to retained earnings	49,125	-
Total recognised gains and losses relating to the year	<u>19,881</u>	<u>(13,355)</u>

The accompanying notes are an integral part of these statements.


Balance sheet

At 31 December 1995

	Notes	1995 £'000	1994 £'000
Fixed assets			
Tangible fixed assets	4	1,023	-
Investments	5	167,885	340,312
		<u>168,908</u>	<u>340,312</u>
Current assets			
Cash		435	-
Debtors (including amounts falling due after more than one year)	6	143,861	9,075
		<u>144,296</u>	<u>9,075</u>
Creditors: Amounts falling due within one year	7	(12,927)	(21,755)
Net current assets (liabilities)		<u>131,369</u>	<u>(12,680)</u>
Total assets less current liabilities		<u>300,277</u>	<u>327,632</u>
Creditors: Amounts falling due after more than one year	8	(199,046)	(283,637)
Net assets		<u>101,231</u>	<u>43,995</u>
Capital and reserves			
Called-up equity share capital	9,10	8,500	8,500
Capital reserve	10	44,840	29,416
Share premium account	10	38,061	15,193
Profit and loss account	10	9,830	(9,114)
Share owners' funds		<u>101,231</u>	<u>43,995</u>

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

Signed on behalf of the Board


P. Richardson

Director

24 September 1996

Notes to financial statements

For the year ended 31 December 1995

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 principal annual rates used for this purpose are:

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 the year (1994 - £nil). The company had no other employees during the current or prior year. All operating expenses are borne by the ultimate parent company, WPP Group plc.

Notes to financial statements (continued)

3 Taxation

Corporation tax recoverable for the year of £12,716,000 (1994 - £990,000) has been calculated using the UK corporation tax rate of 33%.

4 Tangible fixed assets

	Freehold land and buildings £'000
Cost	
At 1 January 1995	-
Additions	1,044
At 31 December 1995	1,044
Depreciation	
At 1 January 1995	-
Charge for the year	21
At 31 December 1995	21
Net book value	
At 31 December 1995	1,023
At 1 January 1995	-

5 Fixed asset investments

	Subsidiary undertakings		Associated undertakings	Other group undertakings	
	Share capital £'000	Loans £'000	Share capital £'000	Share Capital £'000	Total £'000
At 1 January 1995	326,867	11,228	2,217	-	340,312
Reclassification	(5,056)	-	4,925	131	-
Additions	118,402	-	-	-	118,402
Disposals	(290,829)	-	-	-	(280,829)
At 31 December 1995	149,384	11,228	7,142	131	167,885

During the year the Company made additional investments in existing subsidiary undertakings, and subscribed for 100% of the issued ordinary share capital of Newcrosse Limited and EWA Limited (previously Link Reaction Limited).

The company's investments in Metrovideo Limited, Sampson Tyrrell Limited and Business Design Group Holdings Limited were sold to Newcrosse Limited, a subsidiary undertaking acquired during the year.

Notes to financial statements (continued)

5 Fixed asset investments (continued)

Millward Brown International plc and 99% of the ordinary share capital of Wise Conclusion were sold to WPP Group Holdings Limited, a subsidiary undertaking, which was sold later in the year to Intact Limited, another group undertaking.

Investments at 31 December 1995, which are shown at cost, represent interests in the share capital of the following companies:

<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	Intermediate holding company	100%
WPP Investments Limited	UK	Intermediate holding company	100%
Newcrosse Limited	UK	Intermediate holding company	100%
WPP Group Nominees Limited	UK	Dormant company	100%
Wise Conclusion	UK	Intermediate holding company	1%

6 Debtors

	1995 £'000	1994 £'000
Amounts owed by other group undertakings	143,861	5,297
Corporation tax recoverable	-	3,778
	<u>143,861</u>	<u>9,075</u>

Included within amounts owed by other group undertakings is £138,338,000 (1994 - £4,144,000) which falls due after more than one year.

7 Creditors: Amounts falling due within one year

	1995 £'000	1994 £'000
Amounts owed to other group undertakings	10,249	19,320
Dividends payable	2,678	2,435
	<u>12,927</u>	<u>21,755</u>

Notes to financial statements (continued)

8 Creditors: Amounts falling due after more than one year

	1995 £'000	1994 £'000
Amounts owed to other group undertakings	<u>199,046</u>	<u>283,637</u>

9 Called-up equity share capital

	1995 £	1994 £
<i>Authorised</i>		
30,000,000(1994 - 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>		
8,500,020 (1994 - 8,500,005) ordinary shares of £1 each	<u>8,500,020</u>	<u>8,500,005</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 1995	8,500	15,193	(9,114)	29,416	43,995
Loss for the year	-	-	(30,181)	-	(30,181)
Issue of ordinary shares	-	22,868	-	-	22,868
Capital contribution	-	-	-	64,549	64,549
Transfer	-	-	49,125	(49,125)	-
At 31 December 1995	<u>8,500</u>	<u>38,061</u>	<u>9,830</u>	<u>44,840</u>	<u>101,231</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.