



## WPP Group (UK) Limited

Financial statements for the year ended 31 December 1998  
together with directors' and auditors' reports

Registered number: 2670617



## Directors' report

For the year ended 31 December 1998

The directors present their annual report together with the financial statements and auditors' report, for the year ended 31 December 1998.

### 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 £15,115,000 (1997 - £65,550,000). Interim ordinary dividends totalling £4,903,000 were declared and paid during the year (1997 - £60,487,000).

*The retained profit for the year of £11,735,000 (1997 - £3,540,000) has been transferred to reserves*

### Directors and their interests

The directors who served since 1 January 1998 were as follows:

M.S. Sorrell

P.W.G. Richardson

N.E. Read

L. Mellman (appointed 4 February 1999)

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, and details of share options granted are shown in that company's accounts.

Outstanding options granted to N.E. Read and L. Mellman are as follows:

	At 1 January	Granted	At 31 December	Exercise dates		Exercise price per share
	1998	1998	1998	Commencement	Expiry	
N.E. Read	8,466	-	8,466	Sept 2000	Sept 2007	£2.835
	-	9,556	9,556	Sept 2001	Sept 2008	£2.93
L. Mellman	6,631	-	6,631	Sept 2000	Sept 2007	£2.835
	-	7,235	7,235	Sept 2001	Sept 2008	£2.93

In addition, N.E. Read owned 1,000 shares in WPP Group plc and L. Mellman had a beneficial interest in 800 shares in WPP Group plc at 31 December 1998.

## 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

17 August 1999

## Auditors' report

London

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

We have audited the financial statements on pages 4 to 10 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. 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 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

**Arthur Andersen**

**Chartered Accountants and Registered Auditors**

1 Surrey Street  
London  
WC2R 2PS

17 August 1999

## Profit and loss account

For the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Dividend income		4,936	60,723
Interest receivable		14,928	12,070
Interest payable		(4,775)	(8,205)
Foreign exchange loss		(8)	(7)
Other income		34	969
<b>Profit on ordinary activities before taxation</b>	2	15,115	65,550
Tax credit/(charge) on profit on ordinary activities	3	1,523	(1,523)
<b>Profit on ordinary activities after taxation</b>		16,638	64,027
Ordinary dividends paid		(4,903)	(60,487)
<b>Retained profit for the year</b>	10	11,735	3,540

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 1998

	Notes	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Tangible fixed assets	4	991	1,012
Investments	5	461,580	276,407
		<u>462,571</u>	<u>277,419</u>
<b>Current assets</b>			
Cash at bank		74	205
Debtors	6	244,631	217,516
		<u>244,705</u>	<u>217,721</u>
<b>Creditors: Amounts falling due within one year</b>	7	<u>(19,308)</u>	<u>(4,066)</u>
<b>Net current assets</b>		<u>225,397</u>	<u>213,655</u>
<b>Total assets less current liabilities</b>		<u>687,968</u>	<u>491,074</u>
<b>Creditors: Amounts falling due after more than one year</b>	8	<u>(78,761)</u>	<u>(73,969)</u>
<b>Net assets</b>		<u>609,207</u>	<u>417,105</u>
<b>Capital and reserves</b>			
Called-up equity share capital	9,10	8,500	8,500
Share premium account	10	536,834	356,467
Capital reserve	10	44,840	44,840
Profit and loss account	10	19,033	7,298
<b>Share owners' funds</b>	10	<u>609,207</u>	<u>417,105</u>

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

Signed on behalf of the Board



P.W.G. Richardson

Director

17 August 1999

# Notes to financial statements

For the year ended 31 December 1998

## 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 are prepared under the historical cost convention and in accordance with applicable accounting standards.

As permitted by S.228 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.

### 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

	1998 £	1997 £
Corporation tax @ 31% (1997 - 31.5%)	-	1,523,000
Adjustment in respect of prior years	(1,523,000)	-
	<u>(1,523,000)</u>	<u>1,523,000</u>

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
<b>Cost</b>	
At 1 January 1998	1,076
Additions	-
At 31 December 1998	<u>1,076</u>
<b>Depreciation</b>	
At 1 January 1998	64
Charge for the year	21
At 31 December 1998	<u>85</u>
<b>Net book value</b>	
At 31 December 1998	<u>991</u>
At 1 January 1998	<u>1,012</u>



## Notes to financial statements (continued)

### 5 Fixed asset investments

	Subsidiary undertakings		Associated undertakings		Total £'000
	Share capital £'000	Loans £'000	Share capital £'000	Other £'000	
At 1 January 1998	237,526	11,228	25,382	2,271	276,407
Additions	185,229	-	1,277	1,464	187,970
Disposals	-	-	(1,464)	(1,333)	(2,797)
At 31 December 1998	422,755	11,228	25,195	2,402	461,580

During the year the company made additional investments in existing subsidiary undertakings, and new investments in WPP India Limited, The Farm Post Production Limited, Yahoo Inc., Goldfarb Focus Limited and Principals Group Limited.

The company's investments in Hyperparallel Inc. and Broadvision Inc. were sold during the year.

Investments at 31 December 1998, 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%
The Grass Roots Group plc	England and Wales	Incentive and motivation	48.2%
EWA Limited (previously Link Reaction 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	27.8%
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)

### 5 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%
Chime Communications plc	England and Wales	Advertising	29.9%
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%
	<u>Country of incorporation</u>		
Mediopoly Limited	Jersey	Intermediate holding company	14.86%
Yahoo Inc.	US	Internet service provider	1%
<i>Preferred share capital</i>			
Individual Inc.	US	Customised news	3%

### 6 Debtors

	1998 £'000	1997 £'000
Amounts owed by other group undertakings	243,629	216,568
Amounts owed by associate undertakings	1,002	948
	<u>244,631</u>	<u>217,516</u>

Included within amounts owed by other group undertakings is £204,895,000 (1997 -£204,437,000) falling due after more than one year.

### 7 Creditors: Amounts falling due within one year

	1998 £'000	1997 £'000
Amounts owed to other group undertakings	16,823	58
Corporation tax payable	2,485	4,008
	<u>19,308</u>	<u>4,066</u>

## Notes to financial statements (continued)

### 8 Creditors: Amounts falling due after more than one year

	1998 £'000	1997 £'000
Amounts owed to other group undertakings	<u>78,761</u>	<u>73,969</u>

### 9 Called-up equity share capital

	1998 £	1997 £
<i>Authorised</i>		
30,000,000 (1997 - 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>		
8,500,078 (1997 - 8,500,067) ordinary shares of £1 each	<u>8,500,078</u>	<u>8,500,067</u>

Share capital was issued during the year for cash of £2 million and to purchase fixed asset investments of £178 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 1998	8,500	356,467	7,298	44,840	417,105
Retained profit for the year	-	-	11,735	-	11,735
Issue of ordinary shares	-	180,367	-	-	180,367
At 31 December 1998	<u>8,500</u>	<u>536,834</u>	<u>19,033</u>	<u>44,840</u>	<u>609,207</u>

### 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.