

WPP Group (UK) Limited

Financial statements for the year ended 31 December 1997
together with directors' and auditors' reports

Registered number: 2670617



Directors' report

For the year ended 31 December 1997

The directors present their annual report together with the financial statements and auditors' report, for the year ended 31 December 1997.

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.

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 £65,550,000 (1996 – loss of £3,588,000). Interim ordinary dividends totalling £60,487,000 were declared and paid (1996 – £Nil).

The retained profit for the year of £3,540,000 (1996 – loss of £6,072,000) has been transferred to reserves.

Directors and their interests

The directors who served since 1 January 1997 were as follows:

M.S. Sorrell

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

N.E. Read was granted the following options over shares in WPP Group Plc during the year:

At 1 January 1997 Number	Granted 1997 Number	At 31 December 1997 Number	Exercise dates Commencement	Expiry	Exercise Price per Share
-	8,466	8,466	Sept 2000	Sept 2007	£2.835

In addition, N. E. Read purchased 1,000 shares in WPP Group plc on 27 August 1998.

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.W.G. Richardson

Director

23 October 1998

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 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1997 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

23 October 1998

Profit and loss account

For the year ended 31 December 1997

	Notes	1997 £'000	1996 £'000
Dividend income		60,723	1,240
Interest receivable		12,070	8,989
Interest payable		(8,205)	(14,231)
Foreign exchange (loss) gain		(7)	22
Gain (loss) on sale of fixed asset investments		-	688
Amounts written off fixed asset investments		-	(262)
Other income (expense)		969	(34)
Profit (loss) on ordinary activities before taxation	2	<u>65,550</u>	<u>(3,588)</u>
Tax on profit (loss) on ordinary activities	3	<u>(1,523)</u>	<u>(2,484)</u>
Profit (loss) on ordinary activities after taxation		<u>64,027</u>	<u>(6,072)</u>
Interim ordinary dividend paid		<u>(60,487)</u>	<u>-</u>
Retained profit (loss) for the year	10	<u>3,540</u>	<u>(6,072)</u>

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 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible fixed assets	4	1,012	1,034
Investments	5	276,407	243,360
		<u>277,419</u>	<u>244,394</u>
Current assets			
Cash at bank		205	262
Debtors	6	217,516	140,717
		<u>217,721</u>	<u>140,979</u>
Creditors: Amounts falling due within one year	7	(4,066)	(20,182)
Net current assets		<u>213,655</u>	<u>120,797</u>
Total assets less current liabilities		<u>491,074</u>	<u>365,191</u>
Creditors: Amounts falling due after more than one year	8	(73,969)	(194,164)
Net assets		<u>417,105</u>	<u>171,027</u>
Capital and reserves			
Called-up equity share capital	9,10	8,500	8,500
Share premium account	10	356,467	113,929
Capital reserve	10	44,840	44,840
Profit and loss account	10	7,298	3,758
Share owners' funds	10	<u>417,105</u>	<u>171,027</u>

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

Signed on behalf of the Board


 P.W.G. Richardson Director

23 October 1998

Notes to financial statements

For the year ended 31 December 1997

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 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 (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 FRS 8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by WPP Group plc.

2 Profit (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 £1,523,000 (1996 - £2,484,000) has been calculated using a UK corporation tax rate of 31.5% (1996 - 33%).

4 Tangible fixed assets

	Freehold land and buildings £'000
Cost	
At 1 January 1997	1,076
Additions	-
At 31 December 1997	1,076
Depreciation	
At 1 January 1997	42
Charge for the year	22
At 31 December 1997	64
Net book value	
At 31 December 1997	1,012
At 1 January 1997	1,034

5 Fixed asset investments

	Subsidiary undertakings		Associated undertakings		
	Share capital £'000	Loans £'000	Share capital £'000	Other £'000	Total £'000
At 1 January 1997	220,843	11,228	9,636	1,653	243,360
Additions	25,917	-	15,746	618	42,281
Disposals	(9,234)	-	-	-	(9,234)
At 31 December 1997	237,526	11,228	25,382	2,271	276,407

During the year the company made additional investments in existing subsidiary undertakings, and new investments in Co-Municate Limited, Ultimate Square, Mediopoly Limited, Hyperparallel Inc and Chime Communications plc.

The company's investment in Camden Limited was sold to WPP Group plc, the company's ultimate parent undertaking, during the year.

Notes to financial statements (continued)

5 Fixed asset investments (continued)

Investments at 31 December 1997, 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%
POA (Holdings) Limited	England and Wales	Outdoor advertising	27.8%
Banner McBride Limited	England and Wales	Corporate identity	100%
Clockwork Leasing Limited	England and Wales	Lease finance for audio visual products	50%
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%
Hyperparallel Inc	US	Data Specialist	15%
<i>Preferred share capital</i>			
Broadvision Inc.	US	Internet based direct marketing	20%
Individual Inc.	US	Customised news	3%

Notes to financial statements (continued)

6 Debtors

	1997 £'000	1996 £'000
Amounts owed by other group undertakings	216,568	140,717
Amounts owed by associate undertakings	948	-
	<u>217,516</u>	<u>140,717</u>

Included within amounts owed by other group undertakings is £204,437,000 (1996 - £138,338,000) falling due after more than one year.

7 Creditors: Amounts falling due within one year

	1997 £'000	1996 £'000
Amounts owed to other group undertakings	58	15,020
Dividends payable	-	2,678
Corporation tax payable	4,008	2,484
	<u>4,066</u>	<u>20,182</u>

8 Creditors: Amounts falling due after more than one year

	1997 £'000	1996 £'000
Amounts owed to other group undertakings	<u>73,969</u>	<u>194,164</u>

9 Called-up equity share capital

	1997 £	1996 £
<i>Authorised</i>		
30,000,000 (1996 - 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>		
8,500,067 (1996 - 8,500,054) ordinary shares of £1 each	<u>8,500,067</u>	<u>8,500,054</u>

Share capital was issued during the year for cash, to purchase fixed asset investments, and to purchase an intercompany receivable balance from a fellow subsidiary undertaking.

Notes to financial statements (continued)

10 Reconciliation of movements in share owners' funds

	Equity				
	Share capital	Share premium account	Profit and loss account	Capital reserve	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 1997	8,500	113,929	3,758	44,840	171,027
Retained profit for the year	-	-	3,540	-	3,540
Issue of ordinary shares	-	242,538	-	-	242,538
At 31 December 1997	8,500	356,467	7,298	44,840	417,105

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.

WPP Group (UK) Limited, together with its parent company WPP Group plc, and certain other subsidiary undertakings, is a party to the group's syndicated banking arrangements. WPP Group (UK) Limited has jointly and severally guaranteed the borrowings under those arrangements, details of which are included in the financial statements of WPP Group plc.

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.