WPP Group plc

Annual Report and Accounts 1992

In this book you will find

the Report and Accounts

for the year ended 31 December

, a guide to

the Group and

its Companies for

,

and a preview of the

Marketing Services Industry in

and beyond...

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Book one: Annual Report and Accounts 1992

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WPP Group plc

Annual Report and Accounts 1992

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Accounts for the year ended 31 December 1992

Financial strategy

To increase earnings per share through organic growth, including improvement in market share and profit margins.

To maximise the cash flow of the Company and to limit capital expenditure to that level required to maintain its long-term competitive position.

To reduce indebtedness and strengthen the Group's capital structure for the benefit of all shareholders.

Group history to date

86 was the first full year following our change in strategic direction from manufacturing to services and saw the Company build a dominant position in the United Kingdom in non-media advertising and develop a strong base in specialist communications in the United States.

87 brought substantial organic growth which, together with major developments by acquisition concluded at the same time, positioned us to achieve our strategic objective more rapidly and more effectively.

88 was spent consolidating our operations worldwide and addressing functional or geographic weaknesses/opportunities through 'in-fill' acquisitions or start-ups.

89 saw further significant organic growth. In addition, major acquisitions largely put in place the overall organisational structure required to meet the strategic vision.

90 saw continued organic growth and in-fill acquisitions, especially in the first half. However, the unexpectedly severe recession, which particularly affected the last quarter, resulted in a significant slow-down in major markets.

91 was the first year since 1983 that profits fell and reflected the particularly severe recession in the Company's most significant markets in the United States and the United Kingdom.

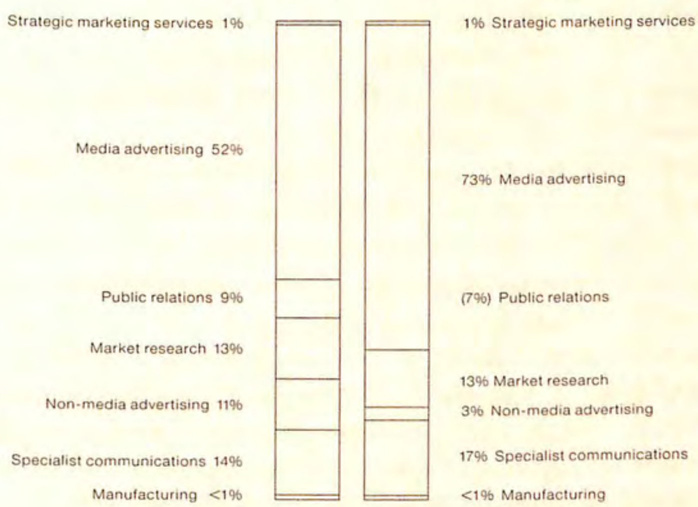
92 saw stability return in the Company's major markets and significant steps taken to improve the Group's capital structure.

Financial summary

	1992 £000	1991 £000	% increase (decrease)
Turnover	5,367,139	5,075,283	5.8
Revenue	1,273,448	1,204,418	5.7
Trading profit	87,841	84,170	4.4
Profit before taxation	23,165	56,105	(58.7)
Profit after taxation	5,932	32,541	(81.8)
Attributable profit/(loss)	(11,929)	13,407	(189.0)
Basic earnings per ordinary share	2.7p	27.9p	(90.3)
Basic earnings per ADS	$0.10	$0.99	(89.9)
Margin – trading profit	6.9%	7.0%	(1.4)
Margin – profit before tax and exceptional items	4.2%	3.2%	31.3

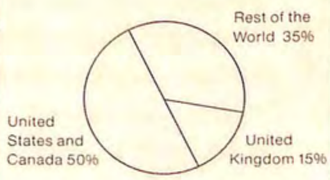
A profit and loss account prepared in accordance with FRS 3 is shown in note 1 to the accounts in this Report.

Revenue by activity Trading profit/(loss) by activity

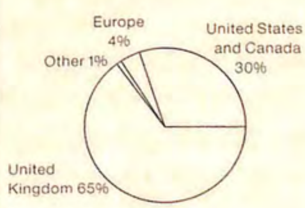


Revenue by geography

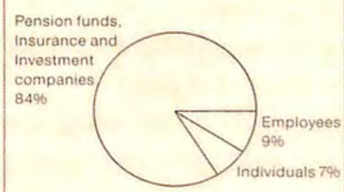
Trading profit by geography



Shareholders by country



Shareholders by type



Revenue (£000)

92	1,273,448
91	1,204,418
90	1,264,100
89	1,005,453
88	547,129
87	284,082

Profit before tax (£000)

92	23,165
91	56,105
90	90,040
89	75,039
88	40,318
87	14,117

Basic earnings per share

92	2.7p
91	27.9p
90	78.1p
89	73.0p
88	54.3p
87	32.1p

Revenue per employee (£)

92	61,626
91	56,764
90	55,958
89	57,232
88	52,391
87	52,941

Profit before tax per employee (£)

92	1,121
91	2,644
90	3,986
89	4,271
88	3,860
87	2,631

Following a difficult year in 1991, the Group has made considerable progress in 1992 in improving operating activities and its capital structure.

In April 1993, the Group successfully completed a four-for-five Ordinary share rights issue which raised £85 million ($123 million) net of expenses. The majority of the proceeds of the rights issue have been used to repay amounts drawn under a short term bridge loan facility of $150 million, due for repayment in 1994, and the balance used to provide additional working capital.

Summary of 1992 results

The Group profit and loss account has been prepared in the same format as last year as well as in accordance with Financial Reporting Standard 3 (FRS 3). Figures in the FRS 3 format can be found on page 20 of this Report.

- 1992 turnover rose by 5.8 per cent from £5.075 billion to £5.367 billion.
- 1992 revenues rose by 5.7 per cent from £1.204 billion to £1.273 billion.
- 1992 trading profit rose by 4.4 per cent from £84.2 million to £87.8 million.
- 1992 profit before exceptional items rose 40.1 per cent from £38.4 million to £53.8 million.
- 1992 profit on ordinary activities before tax fell by 58.7 per cent from £56.1 million to £23.2 million. 1991 profits benefited from the release of £44.3 million of excess liabilities and provisions.
- The 1992 profit on ordinary activities before tax includes exceptional costs totalling £30.6 million. These principally comprise refinancing costs of £13.5 million relating to the Group's capital restructuring and reorganisation and rationalisation costs totalling £15.7 million.
- The 1992 figures also include an extraordinary loss of £15.4 million which principally comprises the cost of the sale or closure of businesses and includes £12.2 million of non-cash costs reflecting the write-off of goodwill.
- Basic earnings per share were 2.7p. Fully diluted earnings per share were 1.7p.
- As last year, the directors will not be recommending a dividend on the Group's Ordinary shares for 1992.

In a difficult year, Group operating profit margins declined marginally from 7.0 per cent to 6.9 per cent. Average headcount in 1992 was 20,664 compared with 21,218 in 1991, a fall of 3 per cent. This reflected continuing efforts to bring staff costs to revenue ratios in line with competitive performance. Operating margins before incentive payments rose from 8.6 per cent to 9.4 per cent indicating underlying improvements in efficiency at J. Walter Thompson Company and Ogilvy & Mather Worldwide.

Underlying Group pre-tax margins (after net interest paid of £34 million in 1992 against £46 million in 1991) rose from 3.2 per cent to 4.2 per cent reflecting the positive impact of the debt for equity capital restructuring with effect from September 1992 and lower dollar interest rates.

As at 31 December 1992, the Group had net debt of £240 million compared with £334 million in 1991 (1991 – £422 million on the basis of 1992 year end exchange rates) primarily reflecting the impact of the debt for equity conversion. In 1992, negative shareholders' funds of £242 million compared with £258 million in 1991 (1991 – £378 million on the basis of 1992 year end exchange rates). The positive impact of the debt for equity restructuring was partially offset by the weakness of sterling against the dollar.

The Group tax rate on profits before refinancing costs was 47 per cent in 1992 compared with 39 per cent in 1991. The Group's effective rate of tax is greater than the United Kingdom corporate tax rate due to the significant level of overseas income subject to higher rates of taxation.

Board changes

Gordon Stevens succeeded David Ogilvy as Chairman in August. David Ogilvy has graciously agreed to become President Emeritus of the Company. John Symonds retired as a director in August and Brian Brooks was appointed to the Board as Director of Human Resources in September. Stephen King retired as a director in April 1993.

The Board would like to record its appreciation of the contribution of David Ogilvy, Stephen King and John Symonds. It is particularly gratifying that David Ogilvy and Stephen King will continue to work with Group companies.

Background to results

1992 was a slightly better year than 1991. Although the much predicted upturn in the Group's key markets in the United States and the United Kingdom did not occur, there was some evidence of an improvement in confidence in the Group's largest market, the United States. In addition, strong growth continued in South East Asia and returned to Latin America. Media advertising and market research benefited particularly. As a result, the Group's budgeted level of revenues was achieved although operating costs, including incentive and severance payments, were above budget.

Review of operations

1992 revenues were 4 per cent up on the previous year in constant currencies. On the same basis, gross profit was over 3 per cent up on 1991, reflecting a slight change in the mix of revenues. Operating costs including severance expenses and provisions for excess property were less than 4 per cent up on the previous year.

Whilst staff costs rose by 2.5 per cent, salary costs, in constant currencies, rose by only 0.1 per cent. Salaries per head rose 3.2 per cent primarily to reward superior performance in successful offices.

Some outstanding performances were achieved. Functionally, media advertising, market research and some direct marketing, design, sales promotion and specialist communications companies met their targets. Geographically, Latin America, Australia and New Zealand and South East Asia achieved the same.

Revenues by sector rose by 7 per cent in media advertising, by 14 per cent in strategic marketing services and market research and by 5 per cent in specialist communications. They fell by 12 per cent in public relations and by 4 per cent in non-media advertising.

Geographically, revenues rose by 1 per cent in the United States, 5 per cent in the United Kingdom and by 8 per cent in the Rest of the World.

In 1992, the Group added net new business revenues of over £147 million ($260 million) equivalent to net billings of £981 million ($1,736 million). This compares to £149 million ($262 million) equivalent to net billings of £995 million ($1,750 million) in 1991.

Media advertising

In 1992, Ogilvy & Mather Worldwide included Cole & Weber and Ogilvy Direct – the largest direct marketing agency in the world. Under a new Chairman and Chief Executive Officer and a restructured organisation, total revenues rose by 1 per cent and operating costs by 0.7 per cent. Operating margins were 5.7 per cent. Two floors of Worldwide Plaza, Ogilvy & Mather Worldwide's headquarters building in New York, have been sublet, with an option having been granted on a third floor. The sublet of the two floors will result in an annual cash saving of $1.2 million.

Ogilvy & Mather Worldwide generated net new business billings of over £241 million ($427 million), compared with £271 million ($478 million) in 1991.

J. Walter Thompson Company's revenues rose by 11 per cent and operating costs rose by 7 per cent. Operating margins were 8.7 per cent.

J. Walter Thompson Company generated net new business billings of over £238 million ($422 million) against £251 million ($443 million) in 1991.

Scali McCabe Sloves Inc. broke even at the operating

Board statement and chief executive's review of operations *continued*

level. Revenues and operating costs rose by 2 per cent.

Conquest Europe's revenues rose by 16 per cent and operating costs by 13 per cent including reorganisation and rationalisation costs.

Public relations

The public relations sector of the Group's business continued to be affected the most by the recession in the United States.

Hill and Knowlton's revenues fell by 14 per cent and operating costs by 13 per cent. As a result, Hill and Knowlton made a slightly increased loss in 1992 as against 1991. Ogilvy Adams & Rinehart's revenue and operating costs fell by a similar amount resulting in a break-even result.

Market research

Research International had another excellent year. Operating profits rose by 14 per cent.

Millward Brown also performed strongly in the United Kingdom and the United States.

At MRB Group, strong performances were registered at MRB UK and Japan MRB and there were better performances at Simmons in the United States and Basis in Germany.

Strategic marketing services, non-media advertising and specialist communications

Several of our companies in these sectors performed particularly well – including The Henley Centre, Anspach Grossman Portugal, Einson Freeman, Ferguson Communications Group, Coley Porter Bell, SampsonTyrrell, Business Design Group and Mando Marketing. Other companies performed reasonably well with the exception of McColl Group in the United Kingdom, which continued to be affected severely by difficulties in the retail and property markets. A decision was taken to transfer its business to Business Design Group.

Manufacturing

The Group's manufacturing division began to feel the brunt of the recession in the United Kingdom with profits falling to £0.1 million from £0.3 million in 1991.

Business mix and growth

The Group employed 20,717 people in 660 offices in 70 countries at the year end. It services over 300 of the Fortune 500 companies and over 868 major national or multinational clients in two or more functions. This reflects the increasing opportunities for cross-referral between activities both nationally and internationally.

The Group works with approximately 330 clients in three or more services; and with over 155 clients in five or more countries.

Sales and profits by function

Functional divisions in 1992 accounted for the following proportions of Group revenues and operating profits:

Strategic marketing services, 1 per cent and 1 per cent; media advertising, 52 per cent and 73 per cent; public relations, 9 per cent and (7) per cent; market research, 13 per cent and 13 per cent; non-media advertising, 11 per cent and 3 per cent; and specialist communications, 14 per cent and 17 per cent. Manufacturing still accounts for under 1 per cent of both.

Sales and profits by geographical area

Geographical regions in 1992 accounted for the following proportions of Group revenues and operating profits: United States and Canada 44 per cent and 50 per cent; United Kingdom 22 per cent and 15 per cent; and the Rest of the World 34 per cent and 35 per cent.

Staff costs

Staff costs were 53 per cent of revenues in 1992, down from 54 per cent in 1991. In significant parts of the Group, these ratios are still above competitive levels, as is the fixed element of compensation (salaries) as a percentage of revenues. New short term and long term incentive plans introduced in 1992 are starting to have an impact, by stimulating operating management to improve revenue growth and examine staffing levels. In addition, they are increasing the proportion of total compensation that is variable.

Property costs

Some progress has been made in reducing the costs of excess office space. There has been a net reduction of 138,000 square feet saving $1,900,000 annually. Excess space still totals 517,000 square feet costing $20,500,000 annually; approximately 75 per cent of these costs have been provided for in the accounts and this proportion of these costs does not affect profits. In addition to Worldwide Plaza, referred to earlier, significant amounts of space have been disposed of in London and Los Angeles.

Balance sheet

At the year end, net debt totalled £240 million against £334 million at the end of 1991 or £422 million at the same exchange rates. Net debt averaged £437 million in 1992 against £472 million in 1991 at average exchange rates. The impact of the debt for equity swap worth £143 million was modified by sterling weakness against the dollar, most of the Group's debt being denominated in dollars. Before taking into account improvements in working capital, non-cash adjustments to operating profits and net loan drawdowns, the net cash outflow during 1992 was approximately £19 million due primarily to cash earnout payments of £15 million. Further earnout payments are estimated, at 1992 average exchange rates, to total £78 million in the period 1993-95, of which

£54 million are in cash. In 1992, net capital expenditure totalled £19 million against depreciation of £23 million.

Future prospects

In the first quarter of 1993, Group companies have been awarded a number of significant new assignments, totalling more than £53 million ($79 million) in revenues or £356 million ($525 million) in billings.

Although there has been no significant upturn in business in the first quarter of 1993, the Group has operated above budget and the equivalent period last year. Revenues for the first quarter were up by over 5 per cent in comparison with last year at constant exchange rates.

Of the Group's functional divisions, public relations and non-media advertising are still the most affected by the recession. Retail design, real estate advertising, recruitment advertising and some parts of sales promotion also continue to be affected.

Operations performing well include: media advertising; market research; some design and sales promotion companies; and some specialist communications companies such as direct marketing and healthcare.

Geographically, trading conditions in the United States, the United Kingdom, Canada, Scandinavia, Australia and New Zealand remain difficult. In the latter half of last year, economic uncertainties started to affect Continental European countries such as Germany, Spain and Italy. In France, the Loi Sapin has accentuated the economic uncertainty, although it has also diminished the competitive position of media buying agencies. However, stronger performance continues in South East Asia and Latin America.

Under the terms of the restructuring completed in September 1992, the Group is due to repay on 1 July 1994 all amounts drawn under the $150 million bridge loan facility.

The Board continues to explore asset disposals and refinancing options. Amongst other proposals, a revised offer for Scali McCabe Sloves Inc. has been received although personnel issues are adding to the difficulty of consummating this transaction. In addition, several proposals have been received to refinance existing short term debt with subordinated loans. The Board is of the view that the successfully completed rights issue which raised £85 million ($123 million) net of expenses, together with asset disposals, or other initiatives as described above, will be sufficient to repay drawings under the $150 million bridge loan facility.

Many of the Group's clients set themselves annual profit growth targets of between 5 per cent and 10 per cent. Given the maturity of most of the product markets in which they operate, and the low rates of population growth in their major consumer markets, achievement of such objectives is dependent on a combination of three related actions: revenue growth, cost containment and acquisition.

Despite the recession, stock market values remain high, particularly in the United States, making acquisitions by the Group's clients no less expensive than they were in the 1980s, and cost cutting has become more and more difficult as opportunities are progressively exhausted. As a result, it seems probable that clients will increasingly concentrate on growing revenues, with increases in market share being the principal contributor to growth objectives. In circumstances of this kind, the demand for marketing services traditionally increases, as does the need to differentiate products or services by increasingly creative ideas. This has led recently to clients experimenting with new creative sources which pose a threat to traditional agencies, unless they are prepared to respond in kind.

Longer term trends will contribute to this demand; the Group is likely to see continued increases in the speed of technological change; the geographical and functional complexity of our clients' businesses; the fragmentation of communications media; and the power of retail distribution.

There are still few consistent signs of an economic recovery and economic conditions remain fragile. Given uncertainties on both sides of the Atlantic concerning new economic policies that are being or have been introduced, it is too early in the year to predict its outcome. However, given the Group's functional and geographical strengths, the continuation of its new business record and an improvement in cost control, the Board believes that the Group is well placed to capitalise on the recovery when it comes.

But whatever the underlying economic conditions, the principal reason that your company is well placed to prosper is because of the talent, commitment and sheer hard work of those in our companies. Your Board is deeply appreciative of the extraordinary efforts that have been made in particularly trying times and would like to record their thanks to all our people for their 1992 accomplishments.

Gordon K.G. Stevens

Gordon Stevens | *Chairman*

Martin Sorrell

Martin Sorrell | *Group Chief Executive*

Board of directors and advisers

WPP Group plc

Board of Directors
G K G Stevens *Chairman*
B J Brooks
J J D Bullmore
P R Judge
R E Lerwill
S W Morten
J A Quelch
G C Sampson
M S Sorrell

D F Calow *Secretary*

N C Berry
M W Capes
R P Emmins
D G Errington
S Goldstein
F McEwan
M Richardot
P W G Richardson
D M Roberts
M Sampson
M Thorne

J A L Allen
D Barker
R J C Beanland
R C Clementson
J Drefs
M E Howe
T Neuman
M L Rooker
A G Stimpson
J Treacy
P Walker

Board committees

Audit Committee
J A Quelch *Chairman*
J J D Bullmore
P R Judge
S W Morten

Compensation Committee
P R Judge *Chairman*
G K G Stevens
S W Morten

Nomination Committee
G K G Stevens *Chairman*
B J Brooks
P R Judge
S W Morten
M S Sorrell

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Registrars

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Bristol
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Merchant bankers

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NY 10019

Wertheim Schroder
& Co. Inc.
Equitable Centre
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New York
NY 10019

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London
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& Co. Limited
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London
EC2Y 9DS

Solicitors

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Schriver & Jacobson
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New York
NY 10004

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New York
NY 10167

Property advisers

James Andrew Badger
Limited
11 Waterloo Place
London
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Michael Soames
Knight Frank & Rutley
32 Coleman Street
London
EC2R 5AA

Directors' responsibilities

In respect of the preparation of financial statements

The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and Group at the end of each financial year and of the profit or loss of the Group for that year. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. In addition, the directors are required:

- to select suitable accounting policies and apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to take account of expenses and income relating to the period being reported on; and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

The directors confirm that the financial statements comply with the above requirements. The directors are also responsible for maintaining adequate accounting records to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985, for safeguarding the assets of the Group, and for preventing and detecting fraud and other irregularities.

Corporate governance

The Cadbury Committee was set up in May 1991 by the Financial Reporting Council, The London Stock Exchange and the accountancy profession to address the financial aspects of corporate governance. The Committee issued its final report on 1 December 1992 incorporating a Code of Best Practice.

The Committee recommended that listed companies reporting in respect of years ending after 30 June 1993 should make a statement in their report and accounts about their compliance with the Code and identify and give reasons for any areas of non-compliance.

WPP Group plc complies with the recommendations contained in The Code of Best Practice issued by the Cadbury Committee, except with regard to paragraphs 4.5 and 4.6, which the Company is not able to comply with until the necessary guidance for companies has been developed as recommended in the Committee's report and explained in note 13 to the Code.

Details concerning Board Committees are provided below:

Audit Committee

The Committee meets at least three times a year to monitor accounting issues, the Group's internal control systems and audit-related matters. The Committee comprises the following non-executive directors: Messrs J A Quelch (Chairman), J J D Bullmore, P R Judge and S W Morten.

Compensation Committee

The Compensation Committee reviews the remuneration and terms of employment of executive directors and senior executives in subsidiary companies. The Committee comprises the following non-executive directors: Messrs P R Judge (Chairman), G K G Stevens and S W Morten.

Nomination Committee

The Nomination Committee considers candidates for appointment to the Board of Directors and makes recommendations in this respect to the Board. The Committee comprises Messrs G K G Stevens (Chairman), B J Brooks, P R Judge, S W Morten and M S Sorrell.

Directors' report

The directors present their annual report, together with the audited accounts for the year ended 31 December 1992.

Profits and dividends

The profit on ordinary activities before tax for the year was £23,165,000 (1991: £56,105,000). Before exceptional items, profits were £53,751,000 (1991: £38,363,000).

The directors are recommending that no ordinary dividend is paid in respect of 1992 (1991: £Nil).

The retained loss for the year of £11,929,000 is carried to reserves.

An illustrative profit and loss account prepared in accordance with Financial Reporting Standard 3 has been provided for information purposes in note 1 to the accounts, in addition to the Group's formal profit and loss account prepared in accordance with applicable standards.

Review of the Group

The principal activity of the Group continues to be the provision of marketing services worldwide. The Company acts only as a holding company and does not trade.

A full review of the Group's activities during the year and its future prospects is given in the Board statement and chief executive's review of operations.

Capital restructuring and rights issue

In August 1992, the Group completed a capital restructuring, the principal components of which were:

- extension to the Group of a short term bridge facility of $150 million repayable in July 1994;
- the conversion of Convertible Cumulative Redeemable Preference shares into Ordinary shares; and
- the issue of new Convertible Cumulative Redeemable Preference shares to the Group's banking syndicate, with consideration for the issue being their agreement to a reduction of $272 million (£143 million) in the Group's bank loans.

In March 1993, the Group announced a rights issue of 4 new Ordinary shares for every 5 previously held, issuing 195,397,300 new Ordinary shares at a price of 45p per share and raising approximately £85 million, net of expenses. The majority of the proceeds of the issue has been used to repay amounts drawn down under the $150 million short term bridge loan facility obtained as part of the capital restructuring, the balance being used to provide additional working capital.

Further details of the capital restructuring can be found in notes 18 and 20 to the accounts, and, of the rights issue, in note 25.

Fixed assets

The consolidated balance sheet includes a conservative valuation of certain corporate brand names. Details of this and movements in fixed assets are set out in notes 11 to 13 to the accounts.

Share capital

The number of Ordinary shares in issue increased during the year from 54,763,752 to 238,196,368, primarily due to the conversion of Cumulative Convertible Redeemable Preference shares to Ordinary shares as part of the capital restructuring completed in August 1992. Details of the capital restructuring and related share movements are given in notes 18 and 20 to the accounts, and details of the rights issue announced on 11 March 1993 are provided in note 25.

It is proposed to extend the existing powers of your directors in relation to the allotment of Ordinary shares for cash, in order to give your Board continuing flexibility. Shareholders' approval is therefore sought at the Annual General Meeting to disapply the pre-emption provisions of Section 89(1) of the Companies Act 1985 in relation to Ordinary shares of an aggregate nominal value not exceeding £2,176,000.

Directors and their interests

Directors who served in the year and their interests, all of which were beneficial, in the Company's share capital were as follows:

	1 January 1992			31 December 1992		7 May 1993	
	Ordinary shares	Preference shares	Options	Ordinary shares	Options	Ordinary shares	Options
David Ogilvy *	4,000	–	–	–	–	–	–
B J Brooks *	–	–	–	10,000	536,232	10,000	536,232
J J D Bullmore	3,000	15,900	–	17,925	–	20,065	–
P R Judge	–	–	–	–	–	–	–
S H M King	–	–	–	–	–	–	–
R E Lerwill	20,075	28,813	126,376	56,684	126,376	73,738	661,538
S W Morten	–	–	–	–	–	–	–
J A Quelch	400	–	–	400	–	400	–
G C Sampson	289,515	156,750	–	407,077	–	500,000	–
M S Sorrell	930,287	506,851	–	1,510,425	–	2,159,342	190,476
G K G Stevens *	–	–	–	10,000	–	18,000	–
J R Symonds *	12,547	20,000	–	–	–	–	–

* Details of directors' interests in the Company's share capital are not provided in the period before or after their appointment or retirement, as appropriate.

Directors who held subscription warrants at the above dates include Messrs J J D Bullmore – 375, R E Lerwill – 7,509, and M S Sorrell – 116,285.

Options are granted under the WPP Executive Share Option Scheme. Subscription prices of options granted from 1986 to 1992 have ranged from 34.5p to 755p per share. Options granted in 1992 and those granted after the year end but in respect of 1992 have subscription prices of 34.5p and 52.5p per share respectively. Options are normally exercisable between three and ten years from their date of issue. In addition, it is intended that Mr R E Lerwill should be granted 321,981 options from the WPP Group plc ESOP Executive Share Option Scheme at a subscription price of 52.5p per share, to be exercisable between three and seven years from the date of issue.

Messrs G K G Stevens and B J Brooks were appointed to the Board on 6 August and 25 September 1992 respectively, subsequent to the date of the last Annual General Meeting. They therefore retire and, being eligible, offer themselves for election. Neither Mr Stevens nor Mr Brooks have service contracts which exceed one year in duration.

Messrs D Ogilvy, J R Symonds and S H M King retired as directors of the Company on 5 August 1992, 16 August 1992 and 15 April 1993 respectively.

Messrs J A Quelch, P R Judge and J J D Bullmore retire by rotation and, being eligible, offer themselves for re-election. Their service contracts do not exceed one year in duration.

No director had any interest in a contract of significance with the Group during the year.

The Company has maintained insurance during the year to indemnify its directors and officers against liability when acting for the Company.

Non-executive directors

Gordon Stevens became Chairman of WPP Group plc in August 1992. Previously he had a distinguished international marketing and management career with Unilever, for twelve years before retirement as a member of the main Boards. He became Chairman of Scholl PLC, the international personal products company, in 1990.

Jeremy Bullmore took up his post of non-executive director in 1988 after 33 years at J. Walter Thompson Company, London, the last eleven as Chairman. He was Chairman of the Advertising Association from 1981 to 1987 and has written and lectured extensively on marketing and advertising. He is also a non-executive director of the Guardian and Manchester Evening News plc. He became a CBE in 1985.

Paul Judge, who became a non-executive director of WPP Group plc in June 1991, was Chairman of Food from Britain until December 1992 when he became Director General of the Conservative Party. Previously he spent twelve years with Cadbury Schweppes, ultimately as Group Planning Director, working in the UK, the US and East Africa. In 1985, he led a management buy-out to form Premier Brands. He is a benefactor of the Judge Institute of Management Studies at Cambridge University.

Stanley Morten, who became a non-executive director of WPP Group plc in December 1991, is Managing Director of the equity division of Wertheim Schroder & Co., Inc in New York, with responsibility for investment research, sales, trading, syndicate and international operations.

John Quelch is Professor of Business Administration at Harvard University Graduate School of Business Administration. A prolific writer on marketing and public policy issues, he is also author of numerous books on marketing management including The Marketing Challenge of Europe 1992. He has been a non-executive director of WPP Group plc since 1987 and is also a non-executive director of Reebok International Ltd.

Substantial shareholdings

As at 7 May 1993, the Company has been notified of the following interests of 3 per cent or more in the issued Ordinary share capital of the Company:

Fidelity	9.37%
Schroder Investment Management Limited	4.81%
Banking syndicate	7.47%

The disclosed interest of "Fidelity" refers to the combined holdings of FMR Corp., Fidelity International Limited and Edward C Johnson III (the principal shareholder of these companies).

Members of the banking syndicate are all parties to the agreement dated 1 July 1992 relating to the allotment of the new Convertible Cumulative Redeemable Preference shares. This agreement falls within the terms of Section 204 of the Companies Act 1985. Therefore, each member of the banking syndicate is deemed to have an interest in the aggregate holdings of itself and other members of the syndicate in the Ordinary share capital of WPP Group plc. That aggregate interest in Ordinary shares is primarily of a non-beneficial nature and represents 7.47% of WPP Group plc's issued Ordinary share capital. Those members of the banking syndicate holding Ordinary shares are detailed below together with the percentage of their shareholdings, as notified to the Company at 7 May 1993:

	%
Barclays Bank plc	3.73
Deutsche Bank A.G.	1.35
Midland Bank plc	1.19
National Westminster Bank plc	0.97
The Royal Bank of Scotland plc	0.22
Citibank N.A.	0.01
	7.47

The Company is not aware of any other holdings of Ordinary share capital in excess of 3 per cent.

Directors' report

Close company status

The Company is not a close company within the meaning of the provisions of the Income and Corporation Taxes Act 1988.

Equal opportunities

The Group endorses and supports the principles of Equal Employment Opportunity. It is the policy of the Group to provide Equal Employment Opportunity to all qualified individuals without regard to race, creed, colour, age, religion, sex, disability, sexual orientation, marital status, military service, national origin or ancestry.

The purpose of the Group's policy is to ensure that all employment decisions are made, subject to its legal obligations, on a non-discriminatory basis, whether at the time of employment, in promotion, training, remuneration, termination of employment or whenever any terms and conditions of employment with the Group are being considered.

Employee consultation and involvement

The Group places considerable importance on the contributions to be made by all employees to the progress of the Group through their respective companies, and aims to keep them informed on matters affecting them as employees and on developments within the Group. This is achieved by formal and informal meetings at the individual company level, and by distribution of the Annual Report and Accounts and a regular newsletter throughout the Group.

Senior employees of the Group are eligible to receive grants under the WPP Executive Share Option Scheme, and there is a programme of annual option grants for key Company employees and directors. At 31 December 1992, options have been granted to a total of 825 (1991: 569) employees over 7,427,903 (1991: 3,003,106) Ordinary shares of the Company.

Charitable and political contributions

The Group contributed £114,000 to UK charities in 1992. No contributions were made to political parties.

Class 4 transaction waivers

During the year the Company was granted waivers by The London Stock Exchange in respect of transactions which involved Class 4 parties, as defined in The London Stock Exchange listing rules. Details of these transactions are contained in note 26 to the accounts.

Auditors

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

By Order of the Board
D F Calow
Secretary
7 May 1993

Auditors' report

To the members of WPP Group plc:

We have audited the financial statements set out on pages 13 to 40 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1992 and of the loss and cash flows of the Group for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and Registered Auditor
London
7 May 1993

Accounting policies

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the Group's principal accounting policies, which have been applied consistently throughout the year and with the preceding year, is set out below.

1 Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of land and buildings and corporate brand names.

2 Basis of consolidation

The consolidated accounts include the results of the Company and all its subsidiary undertakings made up to the same accounting date. The results of subsidiary undertakings acquired or disposed of during the year are included or excluded from the profit and loss account from the effective date of acquisition or disposal.

The Group's share of the profits less losses of associated undertakings is included in the consolidated profit and loss account and the investments are shown in the Group balance sheet at the Group's share of the net assets of the companies less provisions for permanent diminution in value. The Group's share of the profits less losses and net assets is based on the latest audited information produced by the companies, adjusted to conform with the accounting policies of the Group.

3 Goodwill

Goodwill represents the excess of the fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the underlying net assets at the date of their acquisition. Goodwill arising on consolidation is written off against reserves in the year in which it arises. The profit or loss on the disposal or termination of a business includes goodwill previously written off to reserves.

4 Intangible fixed assets

Intangible fixed assets comprise certain acquired separable corporate brand names. These are shown at a valuation of the incremental earnings expected to arise from the ownership of brands. The valuations have been based on the present value of notional royalty savings arising from the ownership of those brands and on estimates of profits attributable to brand loyalty. The valuations are subject to annual review. No depreciation is provided since, in the opinion of the directors, the brands do not have a finite useful economic life.

5 Tangible fixed assets

Tangible fixed assets are shown at cost or valuation less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset on a straight-line basis over its estimated useful life, as follows:

Freehold buildings – 2% per annum

Leasehold land & buildings – over the term of the lease

Fixtures, fittings & equipment – 10% to 33⅓% per annum

Surpluses arising on the revaluation of tangible fixed assets are credited to a non-distributable revaluation reserve. On the disposal of a revalued fixed asset, the revaluation surplus is transferred to distributable reserves.

6 Investments

Investments in subsidiary undertakings are stated in the Company's accounts at cost less amounts written off for any permanent diminution in value.

Accounting policies

7 **Stocks and work in progress**

Work in progress is valued at cost or on a percentage of completion basis. Cost comprises outlays incurred on behalf of clients, and an appropriate proportion of direct costs and overheads on incomplete assignments. Provision is made for irrecoverable costs where appropriate. Stocks are stated at the lower of cost and net realisable value.

8 **Debtors**

Debtors are stated net of provisions for bad and doubtful debts.

9 **Taxation**

Corporate taxes are payable on taxable profits at the current rates. Deferred taxation is calculated under the liability method and provision is made for all timing differences which are expected to reverse, at the rates of tax expected to be in force at the time of the reversal.

10 **Pension costs**

Contributions to defined contribution schemes are made in accordance with the recommendations of actuaries and are charged to the profit and loss account as incurred.

The charge to the profit and loss account (the regular pension cost) in respect of defined benefit pension schemes is calculated to achieve a substantially level percentage of the current and expected future pensionable payroll. Variations from regular costs are allocated to the profit and loss account over a period approximating to the scheme members' average remaining service lives.

11 **Operating leases**

Operating lease rentals are charged to the profit and loss account on a systematic basis. Any premium or discount on the acquisition of a lease is spread over the life of the lease.

12 **Turnover and revenue**

Turnover comprises the gross amounts billed to clients in respect of commission based income together with the total of other fees earned. Revenue comprises commission and fees earned in respect of turnover. Turnover and revenue are stated exclusive of VAT, sales taxes and trade discounts.

13 **Translation of foreign currencies**

Foreign currency transactions arising from normal trading activities are recorded in local currency at current exchange rates. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated at the year-end exchange rate. Foreign currency gains and losses are credited or charged to the profit and loss account as they arise.

The profit and loss accounts of overseas subsidiary undertakings are translated into pounds sterling at average exchange rates and the year-end net investments in these companies are translated at year-end exchange rates. Exchange differences arising from the retranslation at year-end exchange rates of the opening net investments and results for the year are dealt with as movements in reserves.

Consolidated profit and loss account

For the year ended 31 December 1992

Notes		1992 £000	1991 £000	1992 $000	1991 $000
2	**Turnover (gross billings)**	**5,367,139**	5,075,283	**9,477,831**	8,975,130
	Revenue	**1,273,448**	1,204,418	**2,248,782**	2,129,893
	Gross profit	**1,069,610**	1,016,191	**1,888,824**	1,797,032
3	Other operating expenses (net)	**(981,769)**	(932,021)	**(1,733,706)**	(1,648,186)
2	**Trading profit**	**87,841**	84,170	**155,118**	148,846
	Interest receivable	**10,759**	9,429	**18,999**	16,674
4	Interest payable and similar charges	**(44,849)**	(55,236)	**(79,199)**	(97,679)
	Profit before exceptional items	**53,751**	38,363	**94,918**	67,841
3	Exceptional items	**(30,586)**	17,742	**(54,012)**	31,375
3	**Profit on ordinary activities before taxation**	**23,165**	56,105	**40,906**	99,216
6	Tax on profit on ordinary activities	**(17,233)**	(23,564)	**(30,432)**	(41,671)
	Profit on ordinary activities after taxation	**5,932**	32,541	**10,474**	57,545
	Minority interests	**(2,464)**	(1,494)	**(4,351)**	(2,642)
	Profit before extraordinary items	**3,468**	31,047	**6,123**	54,903
7	Extraordinary items	**(15,397)**	–	**(27,190)**	–
	(Loss)/profit for the financial year	**(11,929)**	31,047	**(21,067)**	54,903
8	Preference dividends	**–**	(17,640)	**–**	(31,195)
	(Loss)/profit attributable to ordinary shareholders	**(11,929)**	13,407	**(21,067)**	23,708
9	**Basic earnings per Ordinary share**	**2.7p**	27.9p	**$0.05**	$0.49
9	**Fully diluted earnings per Ordinary share**	**1.7p**	N/A	**$0.03**	N/A

The main reporting currency of the Group is the pound sterling and the accounts have been prepared on this basis. Solely for convenience, the accounts set out on pages 15 to 18 are also presented expressed in US dollars using the approximate average rate for the year for the profit and loss account (1992: $1.7659 = £1, 1991: $1.7684 = £1), the rate in effect on 31 December for the balance sheets (1992: $1.5140 = £1, 1991: $1.8710 = £1), and a combination of these for the statement of cash flows. This translation should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

The accompanying notes form an integral part of this profit and loss account. Movements in reserves are set out in note 21.

Consolidated balance sheet

As at 31 December 1992

Notes		1992 £000	1991 £000	1992 $000	1991 $000
	Fixed assets				
11	Intangible assets	**350,000**	350,000	**529,900**	654,850
12	Tangible assets	**147,627**	132,960	**223,507**	248,768
13	Investments	**19,679**	15,056	**29,794**	28,170
		517,306	498,016	**783,201**	931,788
	Current assets				
14	Stocks and work in progress	**65,777**	62,796	**99,586**	117,491
15	Debtors	**715,253**	631,245	**1,082,893**	1,181,059
16	Investments	**2,535**	1,908	**3,838**	3,570
	Cash at bank and in hand	**287,111**	205,478	**434,686**	384,449
		1,070,676	901,427	**1,621,003**	1,686,569
17	**Creditors:** amounts falling due within one year	**(1,131,540)**	(969,922)	**(1,713,152)**	(1,814,724)
	Net current liabilities	**(60,864)**	(68,495)	**(92,149)**	(128,155)
	Total assets less current liabilities	**456,442**	429,521	**691,052**	803,633
18	**Creditors:** amounts falling due after more than one year	**(579,748)**	(562,015)	**(877,737)**	(1,051,530)
19	**Provisions for liabilities and charges**	**(118,621)**	(125,602)	**(179,592)**	(235,001)
	Net liabilities	**(241,927)**	(258,096)	**(366,277)**	(482,898)
	Capital and reserves				
20	Called up share capital	**36,350**	26,860	**55,034**	50,255
21	Share premium account	**323,042**	193,904	**489,086**	362,794
21	Goodwill write off reserve	**(856,440)**	(844,969)	**(1,296,650)**	(1,580,937)
21	Other reserves	**147,717**	268,535	**223,644**	502,429
21	Profit and loss account	**96,351**	87,682	**145,875**	164,053
	Shareholders' funds	**(252,980)**	(267,988)	**(383,011)**	(501,406)
	Minority interests	**11,053**	9,892	**16,734**	18,508
	Total capital employed	**(241,927)**	(258,096)	**(366,277)**	(482,898)

Signed on behalf of the Board on 7 May 1993:
Directors:
R E Lerwill
M S Sorrell

The main reporting currency of the Group is the pound sterling and the accounts have been prepared on this basis. Solely for convenience, the accounts set out on pages 15 to 18 are also presented expressed in US dollars using the approximate average rate for the year for the profit and loss account (1992: \$1.7659 = £1, 1991: \$1.7684 = £1), the rate in effect on 31 December for the balance sheets (1992: \$1.5140 = £1, 1991: \$1.8710 = £1), and a combination of these for the statement of cash flows. This translation should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

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

Company balance sheet

As at 31 December 1992

Notes		1992 £000	1991 £000	1992 $000	1991 $000
	Fixed assets				
12	Tangible assets	**236**	236	**357**	442
13	Investments	**657,564**	536,694	**995,552**	1,004,154
		657,800	536,930	**995,909**	1,004,596
	Current assets				
15	Debtors	**166,738**	100,458	**252,441**	187,957
	Cash at bank and in hand	**2,310**	358	**3,497**	670
		169,048	100,816	**255,938**	188,627
17	**Creditors:** amounts falling due within one year	**(109,833)**	(119,442)	**(166,287)**	(223,476)
	Net current assets/(liabilities)	**59,215**	(18,626)	**89,651**	(34,849)
	Total assets less current liabilities	**717,015**	518,304	**1,085,560**	969,747
18	**Creditors:** amounts falling due after more than one year	**(54,839)**	(39,673)	**(83,026)**	(74,228)
19	**Provisions for liabilities and charges**	**–**	(20,598)	**–**	(38,539)
	Net assets	**662,176**	458,033	**1,002,534**	856,980
	Capital and reserves				
20	Called up share capital	**36,350**	26,860	**55,034**	50,255
21	Share premium account	**323,042**	193,904	**489,086**	362,794
21	Merger reserve	**285,057**	276,239	**431,576**	516,843
21	Profit and loss account	**17,727**	(38,970)	**26,838**	(72,912)
	Total capital employed	**662,176**	458,033	**1,002,534**	856,980

Signed on behalf of the Board on 7 May 1993:

Directors:

R E Lerwill

M S Sorrell

The main reporting currency of the Group is the pound sterling and the accounts have been prepared on this basis. Solely for convenience, the accounts set out on pages 15 to 18 are also presented expressed in US dollars using the approximate average rate for the year for the profit and loss account (1992: \$1.7659 = £1, 1991: \$1.7684 = £1), the rate in effect on 31 December for the balance sheets (1992: \$1.5140 = £1, 1991: \$1.8710 = £1), and a combination of these for the statement of cash flows. This translation should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

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

Consolidated cash flow statement

For the year ended 31 December 1992

	1992 £000	1991 £000	1992 $000	1991 $000
Reconciliation of trading profit to net cash inflow from operating activities:				
Trading profit	87,841	84,170	155,118	148,846
Depreciation charge	22,918	25,906	40,471	45,812
Loss/(profit) on sale of tangible fixed assets	487	(17)	860	(30)
Decrease in stocks and work in progress	6,269	3,687	11,070	6,520
Decrease in debtors	22,567	8,725	39,851	15,429
(Decrease)/increase in creditors – short term	(19,292)	(44,176)	(34,068)	(78,121)
– long term	330	(4,098)	583	(7,247)
Decrease in provisions	(6,903)	(4,419)	(12,190)	(7,815)
Share of associated companies' profits before tax	(5,230)	(3,875)	(9,236)	(6,853)
Cash impact of exceptional reorganisation and rationalisation costs	(5,309)	(4,760)	(9,375)	(8,418)
Net cash inflow from operating activities	103,678	61,143	183,084	108,123
Returns on investments and servicing of finance				
Interest received	10,589	11,382	18,699	20,128
Interest paid	(54,489)	(40,497)	(96,222)	(71,615)
Dividends received from associated undertakings	1,226	511	2,165	904
Dividends paid to minorities	(1,139)	(1,904)	(2,011)	(3,367)
Net cash outflow from returns on investments and servicing of finance	(43,813)	(30,508)	(77,369)	(53,950)
Taxation				
Corporation and overseas tax paid	(17,448)	(18,820)	(30,811)	(33,281)
Investing activities				
Purchase of investments	(294)	–	(519)	–
Purchase of tangible fixed assets	(21,148)	(21,294)	(37,345)	(37,656)
Proceeds from sale of fixed assets	2,014	4,485	3,557	7,931
Proceeds from sale of current asset investment	–	7,708	–	13,631
Proceeds from sale of subsidiaries	2,717	–	4,798	–
Earnout payments made relating to the acquisition of subsidiary undertakings in prior years	(15,358)	(14,772)	(27,121)	(26,123)
Net cash outflow from investing activities	(32,069)	(23,873)	(56,630)	(42,217)
Net cash inflow/(outflow) before financing	10,348	(12,058)	18,274	(21,325)
Financing				
Drawdown of bank loans	48,929	43,773	86,404	77,408
Repayment of bank loans	(7,412)	(12,927)	(13,089)	(22,860)
Banking syndicate and refinancing costs	(10,979)	(5,000)	(19,388)	(8,842)
Capital element of finance lease payments	(485)	(1,269)	(856)	(2,244)
Net cash inflow from financing	30,053	24,577	53,071	43,462
Increase in cash and cash equivalents excluding the effect of foreign exchange rates	40,401	12,519	71,345	22,137
Effect of foreign exchange rate changes on cash and cash equivalents	37,947	(5,999)	(14,300)	(19,730)
Balance of cash and cash equivalents at beginning of year	172,478	165,958	322,706	320,299
Balance of cash and cash equivalents at end of year	250,826	172,478	379,751	322,706

Notes to the consolidated cash flow statement

Analysis of cash and cash equivalents as shown in the consolidated balance sheet	1990 £000	Change in year £000	1991 £000	Change in year £000	**1992 £000**
Cash at bank and in hand	229,455	(23,977)	205,478	81,633	**287,111**
Bank overdrafts and short term loans	(63,497)	30,497	(33,000)	(3,285)	**(36,285)**
	165,958	6,520	172,478	78,348	**250,826**

Sale or liquidation of businesses	**1992 £000**
Net assets disposed of:	
Goodwill	**12,213**
Fixed assets	**665**
Net working capital	**4,804**
Trading losses after effective date of sale or termination	**432**
	18,114
Loss on disposal or liquidation	**(15,397)**
Proceeds from sales	**2,717**

The businesses sold or liquidated during the year absorbed £4,492,000 from the Group's net operating cash flows. They were immaterial in other respects to the Group's cash flow.

Analysis of changes in financing during 1991 and 1992	Share capital and share premium account		Loans and finance lease obligations	
	1992 £000	1991 £000	**1992 £000**	1991 £000
Beginning of year	**220,764**	219,986	**507,347**	464,439
Drawdowns of bank loans	**–**	–	**48,929**	43,773
Movements arising from capital restructuring	**143,722**	–	**(143,722)**	–
Capitalised expenditure arising from the issue of new Convertible Cumulative Redeemable Preference shares	**(6,328)**	–	**–**	–
Repayments of bank loans and finance leases	**–**	–	**(7,897)**	(14,196)
Foreign exchange movements on long term borrowings	**–**	–	**86,509**	11,988
Inception of finance lease contracts	**–**	–	**394**	1,343
Shares issued as consideration relating to the acquisition of subsidiary undertakings in prior years	**1,234**	778	**–**	–
End of year	**359,392**	220,764	**491,560**	507,347

The main reporting currency of the Group is the pound sterling and the accounts have been prepared on this basis. Solely for convenience, the accounts set out on pages 15 to 18 are also presented expressed in US dollars using the approximate average rate for the year for the profit and loss account (1992: \$1.7659 = £1, 1991: \$1.7684 = £1), the rate in effect on 31 December for the balance sheets (1992: \$1.5140 = £1, 1991: \$1.8710 = £1), and a combination of these for the statement of cash flows. This translation should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

The accompanying notes form an integral part of this statement.

Notes to the accounts

1 **Financial Reporting Standard 3**

Although the Group is not required to comply with FRS 3 for the year ended 31 December 1992, an illustrative consolidated profit and loss account for the year ended 31 December 1992 prepared in accordance with FRS 3 is set out below for information purposes.

	1992 £000	1991 £000
Turnover (gross billings)	**5,367,139**	5,075,283
Revenue	**1,273,448**	1,204,418
Gross profit	**1,069,610**	1,016,191
Other operating expenses (net)	**(998,855)**	(956,540)
Operating profit	**70,755**	59,651
Exceptional items		
Refinancing costs	**(13,500)**	(5,000)
(Loss)/profit on sale or closure	**(15,397)**	3,010
Release of excess liabilities and provisions	**–**	44,251
Total exceptional items	**(28,897)**	42,261
Profit on ordinary activities before interest	**41,858**	101,912
Interest receivable	**10,759**	9,429
Interest payable and similar charges	**(44,849)**	(55,236)
Profit on ordinary activities before taxation	**7,768**	56,105
Tax on profit on ordinary activities	**(17,233)**	(23,564)
(Loss)/profit on ordinary activities after taxation	**(9,465)**	32,541
Minority interests	**(2,464)**	(1,494)
(Loss)/profit for the financial year	**(11,929)**	31,047
Preference dividends	**–**	(17,640)
(Loss)/profit attributable to ordinary shareholders	**(11,929)**	13,407
Basic (loss)/earnings per Ordinary share (note 9)	**(9.3)p**	27.9p
Fully diluted loss per Ordinary share (note 9)	**(5.8)p**	N/A
Basic earnings/(loss) per Ordinary share excluding exceptional items (note 9)	**13.3p**	(60.1)p
Fully diluted earnings per Ordinary share excluding exceptional items (note 9)	**8.3p**	N/A

Profits, restated to comply with the requirements of FRS 3, differ from those reported in the Group's profit and loss account, principally as a result of the reclassification of losses on the sale or closure of businesses as exceptional rather than extraordinary items, and due to the reclassification of certain exceptional items, including provisions for excess property and reorganisation and rationalisation costs, into other operating expenses.

2 **Segment information**

The Group provides marketing services both on a national and multi-national basis.

Contributions by geographical area to Group turnover and trading profit were as follows:	Turnover 1992 £000	Turnover 1991 £000	Trading profit 1992 £000	Trading profit 1991 £000
United Kingdom	**769,904**	740,113	**12,049**	14,106
United States	**2,378,620**	2,319,948	**44,757**	36,665
Canada	**122,595**	155,447	**914**	2,080
Continental Europe	**1,265,031**	1,171,535	**11,512**	21,592
Rest of the World	**830,989**	688,240	**18,609**	9,727
	5,367,139	5,075,283	**87,841**	84,170

There is no significant cross border trading. Of the exceptional items, net expenses of £15,597,000 (1991: £3,931,000) arose in the United Kingdom, £7,004,000 (1991: £4,943,000) in the United States, £848,000 (1991: £372,000) in Canada, £4,748,000 (1991: £1,290,000) in Continental Europe and £2,389,000 (1991: £1,208,000) in the Rest of the World. In 1991, net income of £29,486,000 was not allocated geographically. Of the extraordinary items in 1992, £16,177,000 of expense arose in the United Kingdom and £780,000 of income in the United States.

The geographical analysis of non-interest bearing assets/(liabilities) of the Group at 31 December was as follows:	1992 £000	1991 £000
United Kingdom	**28,877**	44,424
United States	**(162,795)**	(111,338)
Canada	**13,712**	12,958
Continental Europe	**47,088**	78,744
Rest of the World	**70,962**	71,530
	(2,156)	96,318
Items not allocated in the above geographical analysis:		
Net cash and loans	**(239,771)**	(333,816)
Provision for preference dividends	**–**	(20,598)
Net liabilities in the consolidated balance sheet	**(241,927)**	(258,096)

Certain items, including the valuation of corporate brand names, have been allocated within the above analysis on the basis of the revenue of the subsidiary undertakings to which they relate.

Notes to the accounts

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):	**1992 £000**	1991 £000
Cost of sales – media payments	**4,093,691**	3,870,865
Cost of sales – direct costs	**203,838**	188,227
Administration and other operating expenses	**988,061**	937,386
Other operating income	**(1,062)**	(1,490)
Share of profits of associated undertakings before tax	**(5,230)**	(3,875)
Exceptional items (see below)	**30,586**	(17,742)

These amounts include:	**1992 £000**	1991 £000
Depreciation of and amounts written off		
– owned tangible fixed assets	**21,865**	25,224
– assets held under finance leases and hire purchase contracts	**1,053**	682
Operating lease rentals		
– plant and machinery	**16,620**	15,234
– property	**78,809**	85,925
Hire of plant and machinery	**1,039**	1,478
Auditors' remuneration	**2,574**	2,405

Amounts of £1,330,000 were charged in 1992 by the Group's auditors for non-audit services.

Exceptional items comprise:	**1992 £000**	1991 £000
Reorganisation and rationalisation costs	**15,735**	15,009
Banking syndicate expenses	**13,500**	2,500
Property – provisions for excess property	**1,351**	9,510
– release of excess property provisions	**–**	(9,765)
Release of other excess liabilities	**–**	(34,486)
Costs of refinancing in 1991	**–**	2,500
Profit on sale of assets	**–**	(3,010)
	30,586	(17,742)

The release of excess property provisions in 1991 related to provisions, established at the date of acquisition of subsidiary undertakings, which subsequently proved not to be required. The release of other excess liabilities, also in 1991, related to liabilities established in prior years, principally on acquisition, which proved not to be required; these related principally to debtors, work in progress, taxation and employment agreements.

4 **Interest payable and similar charges**

On bank loans and overdrafts, and other loans:	**1992 £000**	1991 £000
– repayable within five years, by instalments	**33,988**	687
– repayable within five years, not by instalments	**8,388**	16,309
	42,376	16,996
On all other loans	**2,473**	38,240
	44,849	55,236

5 **Emoluments of directors and employees**

Emoluments of directors and employees during the year amounted to:	**1992 £000**	1991 £000
Wages and salaries	**510,642**	510,835
Social security costs	**55,875**	50,902
Other pension costs	**22,697**	21,571
	589,214	583,308

The average weekly number of persons employed by the Group during the year was as follows:	**1992 Number**	1991 Number
United Kingdom	**3,614**	3,791
Overseas	**17,050**	17,427
	20,664	21,218

Management Incentive Plans

Key employees of each of the Group's principal operating companies participate in performance-related compensation plans under which a significant portion of their total compensation is directly related to the financial performance of their own company. This includes annual incentive plans which reward the achievement of annual operating targets.

In addition, a limited group of senior operating company executives in the Group participate in long term incentive plans, under which awards are payable in a combination of cash and an interest in WPP Group plc Ordinary shares. These payments are based on the achievement of pre-determined operating profits or cash flow and operating margin targets over rolling 3 year periods. To the extent that future payments are considered to arise as a result of 1992 activity, a charge has been made to the 1992 profit and loss account.

Payments and provisions charged to the profit and loss account in 1992 for annual and long term incentive plans totalled £24,853,000.

Directors and key management employees of the Company also participate in an annual incentive plan which ties a portion of their annual compensation to the achievement of the Group's financial targets. Discretionary bonuses amounting to £116,000 were paid to two executive directors in relation to 1992.

Notes to the accounts

5 Emoluments of directors and employees *continued*

Directors of the Company received the following remuneration:	**1992 £000**	1991 £000
Emoluments including profit related bonuses and pension contributions	**1,348**	1,093

No options were exercised in the year by directors.

Directors' emoluments include £510,000 (1991: £508,000) in respect of the highest paid director, who received no pension contributions or life and other insurance benefits, and who waived £111,000 (1991: £145,000) of contractual emoluments without affecting his contractual position. The bonus of the highest paid director is determined by the percentage increase in the Group's annual earnings per share applied to the annual remuneration due. If no bonus is payable and earnings per share are more than 20p per share, the bonus is deemed to be 10% of the annual remuneration due. No bonus was paid in relation to 1992.

No emoluments were received by Mr D Ogilvy, who retired as Chairman on 5 August 1992, in respect of his services in the United Kingdom. Mr G K G Stevens, who was appointed Chairman on 6 August 1992, received £71,000 for his services in the period from appointment to 31 December 1992.

Directors based in the United Kingdom, including the highest paid director, received emoluments (excluding pensions and pension contributions) in the following ranges:	**1992 Number**	1991 Number
£nil to £5,000	**1**	1
£5,001 to £10,000	**–**	1
£15,001 to £20,000	**1**	–
£50,001 to £55,000	**–**	1
£60,001 to £65,000	**1**	–
£70,001 to £75,000	**1**	–
£75,001 to £80,000	**–**	1
£80,001 to £85,000	**–**	1
£90,001 to £95,000	**1**	–
£185,001 to £190,000	**–**	1
£260,001 to £265,000	**1**	–
£505,001 to £510,000	**1**	1

6 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:	**1992 £000**	1991 £000
Corporation tax at 33% (1991: 33.25%)	**–**	(1,129)
Deferred taxation	**(3,228)**	7,878
Overseas taxation	**17,879**	15,221
Associated undertakings	**2,582**	1,594
	17,233	23,564

The Group's effective tax rate is greater than the United Kingdom rate of 33% for the year. This is due to a significant portion of overseas income being subject to higher levels of taxation while, in the United States, losses after interest expense are not currently fully utilised. The costs of the capital restructuring in 1992 (note 3), and the exceptional items in 1991, carry no significant tax charge or credit.

7 **Extraordinary items**

Extraordinary items relate to the sale or closure of certain subsidiaries, and include (non-cash) goodwill written-off of £12.2 million for which there is a compensating credit to reserves. The extraordinary items carry no significant tax charge or credit.

8 **Ordinary and preference dividends**

	1992 £000	1991 £000
8.25p (net) Convertible Cumulative Redeemable Preference shares of 10p each	–	17,640

Dividends charged in 1991 have been reversed to profit and loss account reserves in 1992 (note 19) following the capital restructuring completed by the Group in August 1992.

The Board has not proposed an ordinary dividend. No preference dividends in respect of 1992 are payable on the new Convertible Cumulative Redeemable Preference shares issued in the year.

9 **Earnings per Ordinary share**

a) Group earnings per share

Basic earnings per share have been calculated using earnings of £3,468,000 (1991: £13,407,000) and weighted average shares in issue during the year of 127,998,219 shares (1991: 48,021,083 shares).

Fully diluted earnings per share have been calculated on a weighted average of 205,187,977 shares. This allows for full conversion of the Group's new Convertible Cumulative Redeemable Preference shares.

Earnings per share before exceptional and extraordinary items, based on profits of £26,023,000 (1991: loss of £4,335,000) for the Group, are as follows:	**1992**	1991
Basic earnings/(loss) per share	**20.3p**	(9.0)p
Fully diluted earnings per share	**12.7p**	N/A

b) FRS 3 format earnings per share

Basic earnings per share as presented in the profit and loss account prepared in accordance with FRS 3 (note 1) have been calculated using the attributable results of the Group of £11,929,000 (1991: profit of £13,407,000) and weighted average shares in issue during the year of 127,998,219 shares (1991: 48,021,083 shares).

Fully diluted earnings per share have been calculated on a weighted average of 205,187,977 shares. This allows for full conversion of the Group's new Convertible Cumulative Redeemable Preference shares.

Basic and fully diluted earnings per share before exceptional items have also been presented on the profit and loss account prepared in accordance with FRS 3. These are based on the attributable results of the Group excluding exceptional charges of £28,897,000 (1991: credit of £42,261,000) in accordance with the "headline" earnings calculation proposed by the Institute of Investment Management and Research.

c) At 31 December 1992 there were 238,196,368 Ordinary shares in issue.

d) The Group has acquired companies in prior years on terms which may give rise to further consideration payable in the form of shares depending on their profit performance (note 23). It is not possible to estimate accurately the number of shares which may be issued and consequently no potential dilution has been taken into account in calculating the Group's fully diluted earnings per share.

Notes to the accounts

10 **Parent Company**

As provided by Section 230, Companies Act 1985, the profit and loss account for the Company alone has not been presented. Included within the consolidated loss for the financial year is a profit of £36,099,000 (1991: loss of £12,118,000) in respect of the Company.

11 **Intangible fixed assets**

	1992 £000	1991 £000
Corporate brand names	**350,000**	350,000

Corporate brand names represent the directors' valuation of the brand names J. Walter Thompson and Hill and Knowlton which were originally valued in 1988, and Ogilvy & Mather acquired in 1989 as part of The Ogilvy Group, Inc. These assets have been valued in accordance with the Group's accounting policy for intangible fixed assets. In the course of this valuation the directors, both in 1991 and 1992, consulted their advisers, Samuel Montagu & Co. Limited.

12 **Tangible fixed assets**

a) Group	Land and buildings		Fixtures, fittings &	
The movement in the year was as follows:	Freehold £000	Leasehold £000	equipment £000	Total £000
Cost or valuation:				
Beginning of year	17,311	83,726	107,336	208,373
Additions	91	3,845	17,212	21,148
Disposals	(350)	(2,996)	(6,070)	(9,416)
Write off to extraordinary items	–	(214)	(3,095)	(3,309)
Exchange adjustments	1,422	10,930	12,382	24,734
End of year	18,474	95,291	127,765	241,530
Depreciation:				
Beginning of year	1,234	21,636	52,543	75,413
Charge	377	3,895	18,646	22,918
Disposals	(63)	(2,513)	(4,484)	(7,060)
Write off to extraordinary items	–	(214)	(2,430)	(2,644)
Exchange adjustments	425	(306)	5,157	5,276
End of year	1,973	22,498	69,432	93,903
Net book value:				
31 December 1992	16,501	72,793	58,333	147,627
31 December 1991	16,077	62,090	54,793	132,960

12 **Tangible fixed assets** *continued*

Leasehold land and buildings comprises £2,950,000 (1991: £2,744,000) held on long leasehold and £69,843,000 (1991: £59,346,000) held on short leasehold. Leased assets (other than leasehold property) included above have a net book value of £2,937,000 (1991: £1,863,000).

Fixtures, fittings and equipment are shown at cost. Land and buildings include certain properties professionally revalued during 1989 by Messrs James Andrew Badger (Surveyors & Valuers) on an open market, existing use basis. Other properties are included at historic cost to the Group. The amount included in respect of revalued properties is £10,894,000 (1991: £11,776,000); the historic net book value of such land and buildings is £4,836,000 (1991: £5,839,000).

b) Company *The movement in the year was as follows:*	Short leasehold buildings £000	Fixtures, fittings & equipment £000	Total £000
Cost or valuation:			
Beginning of year	126	690	816
Additions	15	125	140
Disposals	–	(51)	(51)
End of year	141	764	905
Depreciation:			
Beginning of year	47	533	580
Charge	26	113	139
Disposals	–	(50)	(50)
End of year	73	596	669
Net book value:			
31 December 1992	68	168	236
31 December 1991	79	157	236

13 **Fixed asset investments**

	Group			Company
The following are included in the net book value of fixed asset investments:	Associated undertakings £000	Other investments £000	Total £000	Subsidiary undertakings £000
Beginning of year	13,914	1,142	15,056	536,694
Additions	167	127	294	253,801
Disposals	–	(145)	(145)	(132,931)
Share of retained profits of associated undertakings net of dividends received	1,422	–	1,422	–
Exchange adjustments	2,785	267	3,052	–
End of year	18,288	1,391	19,679	657,564

Notes to the accounts

13 **Fixed asset investments** *continued*

Included within Company additions are £106,631,000 of additional investments acquired from a subsidiary as a result of the settlement of debt in certain subsidiary undertakings following the capital restructuring completed by the Group in August 1992, £131,430,000 due to the purchase at cost of shares in a subsidiary in exchange for subsidiary undertakings previously held by the Company, and £11,741,000 due to the capitalisation of amounts owed by subsidiary undertakings.

Details concerning the Company's principal operating subsidiary undertakings, related undertakings and divisions are provided in note 24.

14 **Stocks and work in progress**

	Group	
The following are included in the net book value of stocks and work in progress:	**1992 £000**	1991 £000
Raw materials and consumables	**522**	667
Work in progress	**62,200**	59,504
Finished goods and goods for resale	**3,055**	2,625
	65,777	62,796

15 **Debtors**

	Group		Company	
The following are included in debtors:	**1992 £000**	1991 £000	**1992 £000**	1991 £000
Amounts falling due within one year:				
Trade debtors	**583,451**	517,927	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**163,015**	94,868
VAT and sales taxes recoverable	**6,186**	6,500	**559**	227
ACT recoverable	**2,581**	7,229	**954**	4,756
Corporate income taxes recoverable	**3,239**	3,473	**–**	–
Other debtors	**57,758**	39,470	**937**	277
Prepayments and accrued income	**42,951**	40,087	**341**	330
	696,166	614,686	**165,806**	100,458
Amounts falling due after more than one year:				
Other debtors	**13,537**	11,231	**932**	–
Prepayments and accrued income	**5,550**	5,328	**–**	–
	19,087	16,559	**932**	–
Total debtors	**715,253**	631,245	**166,738**	100,458

16 Current asset investments

The following are included in the net book value of current asset investments:	Group 1992 £000	Group 1991 £000
Unlisted investments, at cost	**2,535**	1,908

17 Creditors: amounts falling due within one year

The following amounts are included in creditors falling due within one year:	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Bank loans and overdrafts (note 18)	**36,285**	33,000	**–**	13,212
Unsecured loan notes	**2,054**	3,299	**72**	3,299
Trade creditors	**714,880**	599,031	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**88,573**	90,965
Taxation and social security	**55,057**	80,749	**–**	2,420
Due to vendors of acquired companies	**23,367**	10,691	**–**	–
Other creditors and accruals	**257,889**	208,577	**21,188**	9,546
Deferred income	**42,008**	34,575	**–**	–
	1,131,540	969,922	**109,833**	119,442

18 Creditors: amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Bank loans	**480,198**	494,649	**24,545**	9,000
Unsecured loan notes	**8,345**	8,345	**1,170**	1,170
Amounts due to subsidiary undertakings	**–**	–	**18,106**	14,262
Corporate income taxes payable	**42,950**	22,788	**11,018**	14,980
Due to vendors of acquired companies	**1,793**	1,665	**–**	–
Other creditors and accruals	**46,462**	34,568	**–**	261
	579,748	562,015	**54,839**	39,673

On 5 August 1992, the Group entered into a new Credit Agreement with its banking syndicate. The Group agreed to issue to the banking syndicate new dollar denominated Convertible Cumulative Redeemable Preference shares. The number of shares was subject to reduction dependent on the subscription for Ordinary shares by existing shareholders under clawback arrangements. As consideration for the issue, the banking syndicate treated as repaid $272 million (£143 million) of the Group's bank loans. In addition, they extended to the Group a $150 million short term bridge loan facility.

The reduction in bank loans as a result of the capital restructuring has been partly offset by the increase in loans due to foreign exchange rate movements, as disclosed in the Group's Balance Sheet at the year end. This reflects the significance of the Group's dollar denominated bank loans and the significant weakening of sterling against the dollar during 1992. As a significant proportion of the Group's trading activities are dollar denominated, so are most of its loan facilities and debt.

Notes to the accounts

18 **Creditors: Amounts falling due after more than one year** *continued*

Under the new Credit Agreement, the Group's syndicated term, syndicated working capital and other borrowings drawndown at 31 December 1992 totalled US$684.3 million. These were assumed primarily as a result of the acquisitions of JWT Group, Inc. and The Ogilvy Group, Inc., and are repayable in instalments of $10 million on 31 December 1995, $30 million on 30 June 1996, $35 million on 31 December 1996 and the balance on 30 June 1997. Under the previous Consolidated Credit Agreement, these loans were repayable over four years from June 1993.

The new Credit Agreement requires repayment in July 1994 of any drawdowns made against the new $150 million short term bridge loan facility provided to the Group at the time of the capital restructuring to fund the Group's working capital requirements (note 25 provides details of the rights issue announced after the year end which has been used to partially repay this loan).

Interest on the majority of the Group's borrowings is payable at a variable rate linked to US$ LIBOR and, for a significant proportion of borrowings, is capped for the next three to five years.

Borrowings under the new Credit Agreement are secured by pledges of the issued share capital of the majority of the Group's subsidiaries, and are governed by certain financial covenants based on the results and position of the Group.

The Group's unsecured loan notes are repayable during the years 1993 to 1997. Certain of the notes carry warrants to subscribe for Ordinary shares of the Company (note 20).

Note 25 contains details of the impact on the Group's debt structure of the rights issue completed by the Group in April 1993.

	Group		Company	
The following is an analysis of bank loans and unsecured loan notes by year of repayment:	**1992 £000**	1991 £000	**1992 £000**	1991 £000
Within 1-2 years	**25,474**	203,261	**1,599**	9,000
Within 2-5 years	**458,497**	245,934	**24,116**	1,107
Over 5 years – by instalments	**4,572**	53,799	**–**	–
	488,543	502,994	**25,715**	10,107

19 **Provisions for liabilities and charges**

	Group		Company	
Provisions for liabilities and charges comprise:	**1992 £000**	1991 £000	**1992 £000**	1991 £000
Deferred taxation	**35,843**	34,939	**–**	–
Property	**31,908**	29,418	**–**	–
Pension and other	**50,870**	40,647	**–**	–
Preference dividends	**–**	20,598	**–**	20,598
	118,621	125,602	**–**	20,598

Deferred tax has been provided to the extent that the directors, on the basis of reasonable assumptions and the intentions of management, have concluded that it is probable that liabilities will crystallise. There is no material unprovided deferred tax at 31 December 1992 and no provision is made for tax that would arise on the remittance of overseas earnings. At 31 December 1992, the provision for deferred taxation comprises current timing differences of £1,750,000 (1991: £20,339,000) and non-current timing differences of £34,093,000 (1991: £14,600,000).

Property provisions comprise amounts set aside in respect of certain property leases for which the Group is carrying commitments in excess of foreseeable requirements.

Pension and other provisions include £33,700,000 (1991: £23,898,000) in respect of pension obligations. The majority of these provisons arise in the United States, where unfunded pension costs are carried in the Group's Balance Sheet.

19 **Provisions for liabilities and charges** *continued*

Provision was made in 1991 for dividends on the 8.25p (net) Convertible Cumulative Redeemable Preference shares. Following the capital restructuring in August 1992 and the conversion of these Preference shares into Ordinary shares, the preference dividend provision is no longer necessary and has been released to profit and loss account reserves.

	Group				Company
The movement in the year on Group and Company provisions comprises:	Deferred taxation £000	Property £000	Pension and other £000	Preference dividends £000	Preference dividends £000
Beginning of year	34,939	29,418	40,647	20,598	20,598
Charged in the profit and loss account:					
(Credited)/charged	(3,228)	–	6,102	–	–
Charged in exceptional items	–	1,351	–	–	–
Charged in extraordinary items	–	297	–	–	–
Utilised	–	(7,219)	(6,021)	–	–
Released to profit and loss account reserves	–	–	–	(20,598)	(20,598)
Reclassification	(1,551)	–	–	–	–
Exchange adjustments	5,683	8,061	10,142	–	–
End of year	35,843	31,908	50,870	–	–

Amounts utilised include £54,363 and £2,591,879 relating to provisions established on the acquisition of JWT Group, Inc. and The Ogilvy Group, Inc. respectively.

20 **Called up share capital**

	1992 £	1991 £
Authorised:		
799,678,000 (1991: 106,000,000) Ordinary shares of 10p each	**79,967,800**	10,600,000
256,074,710 (1991: Nil) Convertible Cumulative Redeemable Preference shares of $0.10 each	**13,552,512**	–
Nil (1991: 214,000,000) 8.25p (net) Convertible Cumulative Redeemable Preference shares of 10p each	**–**	21,400,000
5,000 (1991: 5,000) "A" Ordinary Convertible shares of 10p each	**500**	500
Nil (1991: 8,000) "B" Ordinary Convertible shares of 10p each	**–**	800
	93,520,812	32,001,300

	1992 £	1991 £
Allotted, called up and fully paid:		
238,196,368 (1991: 54,763,752) Ordinary shares of 10p each	**23,819,637**	5,476,375
236,758,501 (1991: Nil) Convertible Cumulative Redeemable Preference shares of $0.10 each	**12,530,220**	–
Nil (1991: 213,825,714) 8.25p (net) Convertible Cumulative Redeemable Preference shares of 10p each	**–**	21,382,571
5,000 (1991: 5,000) "A" Ordinary Convertible shares of 10p each	**500**	500
Nil (1991: 8,000) "B" Ordinary Convertible shares of 10p each	**–**	800
	36,350,357	26,860,246

Notes to the accounts

20 **Called up share capital** *continued*

Ordinary shares

During the year the Company allotted the following Ordinary shares:

As part of the ordinary business of the Company:

- 12,344,415 Ordinary shares with an aggregate nominal value of £1,234,442 at an aggregate premium of £6,187,888 in further consideration for the acquisition of subsidiary undertakings.
- 14,763 Ordinary shares with an aggregate nominal value of £1,476 at an aggregate premium of £8,567 in respect of the conversion of Convertible Cumulative Redeemable Preference shares prior to the capital restructuring of August 1992.
- 8,002,045 Ordinary shares with an aggregate nominal value of £800,205 at par in respect of the conversion of "B" Ordinary Convertible shares.

As part of the capital restructuring completed in August 1992:

- 160,293,963 Ordinary shares with an aggregate nominal value of £16,029,396 at an aggregate premium of £5,343,133 in respect of the conversion of the balance of Convertible Cumulative Redeemable Preference shares.
- 2,777,430 Ordinary shares with an aggregate nominal value of £277,743 at an aggregate premium of £1,388,715 in respect of the open offer to qualifying holders under the capital restructuring clawback arrangements.

Convertible Cumulative Redeemable Preference shares

The Convertible Cumulative Redeemable Preference shares of the Company in issue at 13 July 1992 were converted into Ordinary shares as part of the capital restructuring completed by the Group.

As part of the capital restructuring, the Company allotted 236,758,501 new Convertible Cumulative Redeemable Preference shares with an aggregate nominal value of £12,530,220 at an aggregate premium of £129,524,881.

At 31 December 1992, these shares were convertible at the option of the holders at any time up to and including 31 December 2001 at the rate of one Ordinary share for each Convertible Cumulative Redeemable Preference share held. Following the rights issue announced on 11 March 1993, the conversion terms of the Convertible Cumulative Redeemable Preference shares have been adjusted. The new conversion rate is 1.122 Ordinary shares for each Convertible Cumulative Redeemable Preference share held. Any Ordinary shares arising on conversion of Convertible Cumulative Redeemable Preference shares cannot be sold for one year from the date of allotment, and, in addition, between the first and second anniversaries of allotment, only a maximum of 25% can be sold.

The Company may redeem the new Convertible Cumulative Redeemable Preference shares, subject to certain conditions contained in the Company's Articles of Association, at any time up to 30 June 2007, at which date all outstanding shares will be redeemed. The premium, payable on the redemption price per share of $1.1337, amounts to five per cent in the first two years since issue, reducing by half of one per cent in each subsequent year. It is not anticipated currently that the Group will be required to redeem the shares, given the current economic outlook and share price.

The new Convertible Cumulative Redeemable Preference shares carry a dividend entitlement based on dividends paid on the Company's Ordinary shares, with a gross yield to UK tax residents of a minimum of 2% per annum and a maximum of 6% per annum of the issue price. The first dividend falls due on 1993 profits.

20 **Called up share capital** *continued*

"A" and "B" Ordinary Convertible shares

The "A" and "B" Ordinary Convertible shares were issued to the vendors of certain companies acquired during 1986 and 1987. They were convertible into Ordinary shares of the Company in accordance with the Company's Articles of Association, the number of Ordinary shares to be allotted on their conversion being based on the profits attained by the acquired companies in the period up to 31 May 1992.

The Ordinary shares allotted in the year in respect of the conversion of the "B" Ordinary Convertible shares were paid-up to the extent necessary by the capitalisation of reserves standing to the credit of the Company's share premium account (note 21). These shares were valued at £2,630,272, which sum has been credited to the merger reserve in the Company's accounts. The "B" Ordinary Convertible shares were cancelled on satisfaction of this last deferred payment to the vendors of the relevant company.

The "A" Ordinary Convertible shares were not converted in the year because appropriate profit levels were not attained by the relevant company. The Company intends to invite shareholders to approve the conversion at par of the "A" Ordinary Convertible shares into Ordinary shares at an appropriate opportunity.

Warrants

5,071,025 subscription warrants are in issue, each of which carries the right to subscribe for one Ordinary share of the Company on 30 June in each of the years 1992 to 1996 inclusive at a subscription price of 1,000p per share. Additionally, certain of the Group's unsecured loan notes carry warrants to subscribe for 875,000 Ordinary shares of the Company at a price of 890p per share.

Share options

As at 7 May 1993, options have been granted under the WPP Executive Share Option Scheme over a total of 9,912,629 (1991: 3,003,106) Ordinary shares, exercisable between 1993 and 2003 at prices per share ranging from 34.5p to 755p. Certain exercise prices and the numbers of shares under option are subject to adjustment following the rights issue completed by the Group in April 1993.

Note 25 contains details of changes in the Company's share capital as a result of the rights issue completed by the Group in April 1993.

Notes to the accounts

21 Reserves

a) Group

Movements during the year were as follows:	Share premium account £000	Goodwill write off reserve £000	Other reserves £000	Profit and loss account £000
Balance at beginning of year	193,904	(844,969)	268,535	87,682
Adjustments to reserves consequent to the capital restructuring of August 1992:				
– Share premium arising on the issue or conversion of Cumulative Convertible Redeemable Preference shares net of expenses of issue	128,548	–	–	–
– Share premium arising on shares issued in respect of the open offer	1,389	–	–	–
– Preference dividend written back to reserves	–	–	–	20,598
Capitalisation of share premium on conversion of "B" Ordinary Convertible shares (note 20)	(799)	–	–	–
Premium on shares issued or converted during the year in further consideration for the acquisition of subsidiary undertakings (note 20)	–	8,818	–	–
Write off of goodwill arising on consolidation in the year (note 22)	–	(32,502)	–	–
Write off of goodwill to extraordinary items	–	12,213	–	–
Currency translation movement	–	–	(121,053)	–
Movement on revaluation reserve in year	–	–	235	–
Retained loss for the financial year	–	–	–	(11,929)
Balance at end of year	323,042	(856,440)	147,717	96,351

Other reserves at 31 December 1992 comprise: Capital reserve £1,849,000; Currency translation deficit £35,190,000; and Revaluation reserve £181,058,000. Cumulative goodwill resulting from acquisitions which has been written off to the Goodwill write off reserve, net of goodwill relating to disposals transferred to the profit and loss account, amounts to £1,142 million.

b) Company

Movements during the year were as follows:	Share premium account £000	Merger reserve £000	Profit and loss account £000
Balance at beginning of year	193,904	276,239	(38,970)
Adjustments to reserves consequent to the capital restructuring of August 1992:			
– Share premium arising on the issue or conversion of Cumulative Convertible Redeemable Preference shares net of expenses of issue	128,548	–	–
– Share premium arising on shares issued in respect of the open offer	1,389	–	–
– Preference dividend written back to reserves	–	–	20,598
Capitalisation of share premium on conversion of "B" Ordinary Convertible shares (note 20)	(799)	–	–
Premium on shares issued or converted during the year in further consideration for the acquisition of subsidiary undertakings (note 20)	–	8,818	–
Retained profit for the financial year (note 10)	–	–	36,099
Balance at end of year	323,042	285,057	17,727

In 1987, the balance on the share premium account at that time amounting to £211,090,000 was cancelled under court sanction and transferred to a non-distributable special reserve. For convenience, this reserve has been disclosed above with the merger reserve.

22 Acquisitions

The Group did not make any material acquisitions during 1992. Further amounts paid either in cash or in share capital in respect of earlier acquisitions gave rise to goodwill of £32,502,000 (note 21).

23 Guarantees and other financial commitments

a) Capital commitments

	Group	
	1992	1991
At the end of the year, capital commitments were:	**£000**	£000
Contracted for but not provided for	**312**	4,017
Authorised but not contracted for	**368**	706
	680	4,723

b) Contingent liabilities

Acquisitions made in earlier years (excluding JWT Group, Inc. and The Ogilvy Group, Inc.) may give rise to further consideration resulting in goodwill in addition to that arising from payments to date. Any further payments will be payable in cash and Ordinary shares of the Company dependent upon the level of profitability of these acquired subsidiary undertakings over various periods up to 31 December 1996. It is not practicable to estimate with any reasonable degree of certainty the total additional consideration to be paid. However, the directors estimate that the additional payments which may be payable in respect of all such subsidiary undertakings, including amounts accrued in the balance sheet at 31 December 1992, would be:

	Payable in		**1992**	1991
	Shares	Cash	**Total**	Total
	£000	£000	**£000**	£000
Within 1 year from 31 December 1992	12,776	27,150	**39,926**	27,226
Within 2-5 years	11,359	26,704	**38,063**	42,960
	24,135	53,854	**77,989**	70,186

The above analysis is calculated at 1992 average exchange rates, and assumes that the vendors choose cash rather than shares where the option exists. The analysis also assumes that the Company issues shares where the option exists, although in many cases it has the right to settle in cash if it so wishes. Consideration received as shares must be retained by the vendors for a minimum period of three years.

In the opinion of the directors, there should be no reduction in the net assets of the Group over this period, taking into account only profits from those companies whose vendors are entitled to receive future payments. The Group's cash flow projections for these companies for the same period indicate a net cash generation after taxation considerably in excess of these maximum contingent cash payments.

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings and claims will have a material adverse effect on the Group's financial position.

23 **Guarantees and other financial commitments** *continued*

c) Operating lease commitments

The Group has entered into non-cancellable leases in respect of plant and machinery. The total annual rental for 1992 was £16,620,000 (1991: £15,234,000). The lease agreements provide that the Group will pay all insurance, maintenance and repairs.

In addition, the Group leases certain land and buildings on short term and long term leases. The annual rental on these leases for 1992 was £78,809,000 (1991: £85,925,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays for the insurance, maintenance and repair of these properties.

The minimum projected annual rentals payable in 1993 under the foregoing leases will be as follows:	Group Plant and machinery £000	Group Property £000
In respect of operating leases which expire:		
– within 1 year	4,415	8,289
– within 2-5 years	12,333	35,218
– after 5 years	122	51,986
	16,870	95,493

The minimum projected annual rentals payable in 1992 under leases in existence at 31 December 1991 were as follows:	Group Plant and machinery £000	Group Property £000
In respect of operating leases which were due to expire:		
– within 1 year	2,864	6,187
– within 2-5 years	10,073	29,354
– after 5 years	66	45,122
	13,003	80,663

23 **Guarantees and other financial commitments** *continued*

d) Pension arrangements

Companies within the Group operate a large number of pension schemes, the forms and benefits of which vary with conditions and practices in the countries concerned. The schemes are administered by trustees and, in most cases, are independent of the Group.

	Group	
The Group pension costs are analysed as follows:	**1992 £000**	1991 £000
Defined contribution schemes	**17,158**	17,261
Defined benefit schemes	**5,539**	4,310
	22,697	21,571

Where defined benefit schemes exist the pension cost is assessed in accordance with the advice of qualified actuaries using, in general, the projected unit credit method. The latest actuarial assessments of the schemes were undertaken within the last three years. The major assumptions used by the actuaries were that in general the return on plan assets would be 8%, salary increases would be between 4% and 8% and pension increases would be 4%. The market value of plan assets totalled £89m and the actuarial value of the assets was sufficient to cover approximately 117% of the benefits which had accrued to members after allowing for expected future increases in salaries.

The Group has no material non-pension post retirement benefit obligations.

24 **Principal operating subsidiary undertakings and divisions**

The Company's principal subsidiary undertakings, related undertakings and divisions at 31 December 1992 are shown below, together with a note of their principal activity and country of operation or registration. The Company directly or indirectly held 100% (except as noted) of each class of the issued shares of the subsidiaries.

Company	**Activity**	**Country**
Strategic marketing services		
The Henley Centre	*Strategic Marketing Consultancy*	England
The Futures Group (20%)	*Strategic Marketing Consultancy*	USA
Media advertising		
Cole & Weber	*Media Advertising*	USA
Conquest Europe/Lansdown Conquest	*Media Advertising*	Italy/England
J. Walter Thompson Company	*Media Advertising*	USA
Ogilvy & Mather Worldwide	*Media Advertising*	USA
Scali McCabe Sloves (80%)	*Media Advertising*	USA
Public relations		
Ogilvy Adams & Rinehart	*Public Relations*	USA
Carl Byoir & Associates	*Public Relations*	USA
Hill and Knowlton	*Public Relations*	USA
Timmons and Company	*Lobbying and Government Relations*	USA
The Wexler Group	*Lobbying and Government Relations*	USA
Market research		
Millward Brown International	*Market Research*	England
MRB Group	*Market Research*	England
Research International	*Market Research*	England

Notes to the accounts

24 **Principal operating subsidiary undertakings and divisions** *continued*

Company	Activity	Country
Non-media advertising		
Coley Porter Bell	*Brand and Corporate Identity Design*	England
Business Design Group/McColl	*Interior Design, Architecture and Graphic Design*	England
Oakley Young Associates	*Point-of-sale, Graphic and Retail Design*	England
SampsonTyrrell	*Corporate and Brand Identity Design*	England
SBG Partners	*Packaging and Corporate Identity Design*	USA
Walker Group/CNI	*Retail Architecture, Interior and Graphic Design*	USA
VAP Group	*Graphic Design*	England
P&L International Vacationers	*Incentive & Motivation*	England
The Grass Roots Group (50%)	*Incentive & Motivation*	England
Einson Freeman	*Sales Promotion*	USA
Mando Marketing	*Sales Promotion*	England
Scott Stern Associates	*Design and Marketing*	Scotland
Promotional Campaigns Worldwide	*Sales Promotion Consultancy*	England
The Marketing Consultancy	*Sales Promotion and Marketing Consultancy*	England
MetroVideo	*Audio Visual Products/Services*	England
Specialist communications		
A Eicoff & Company	*Direct Marketing*	USA
Anspach Grossman Portugal	*Corporate Identity*	USA
Brouillard Communications	*Business to Business Advertising*	USA
EWA	*Database Marketing*	England
HLS CORP	*Specialist Healthcare Advertising*	USA
J. Walter Thompson Direct	*Direct Marketing*	USA
J. Walter Thompson Healthcare	*Healthcare Advertising*	USA
Mendoza, Dillon & Asociados	*Hispanic Advertising*	USA
Ogilvy & Mather Direct	*Direct Marketing*	USA
Pace Communications Group	*Real Estate Marketing*	USA
Primary Contact	*Business, Finance and Recruitment Advertising*	England
The RTC Group	*Public Affairs*	USA
Seiniger Advertising	*Motion Picture Advertising*	USA
Ferguson Communications Group	*Specialist Healthcare Advertising*	USA
Thompson Recruitment Advertising	*Recruitment Advertising*	USA
Manufacturing		
Alton Wire Products	*Manufacture of Wire Products*	England
North Kent Plastic Cages	*Manufacture of Wire and Sheet Metal Products*	England
Staffordshire Holloware	*Manufacture of Aluminium Products*	England
Refrigeration (Bournemouth)	*Sale and Installation of Shopfitting Equipment*	England

Further information on Group companies can be obtained from the Group contacts on page 26 of the Companies section of this Report.

24 **Principal operating subsidiary undertakings and divisions** *continued*

Non-coterminous year-ends

Millward Brown International was acquired on terms whereby further consideration is payable based on the audited profits of Millward Brown International over the five years ending 31 March 1994; accordingly the financial year-end has not been changed. Japan Market Research Bureau has a year-end of 31 May for commercial reasons. The 1992 Group financial statements include accounts in respect of both companies prepared for the year ended 31 December 1992.

The Group has other subsidiary undertakings with year-ends other than 31 December. These companies perform administrative and other services or are intermediate holding companies for other Group companies and do not otherwise trade. Their year ends range from 31 March to 30 November.

25 **Rights issue**

In the circular to shareholders dated 13 July 1992, relating to the capital restructuring, the Board stated that, prior to July 1994, it would wish to raise funds either by an issue of shares or other securities, by asset disposals or by appropriate alternative means. As part of the capital restructuring, therefore, the authorised Ordinary share capital of the Company was increased and the Board sought and was given the requisite authorities by shareholders to issue additional Ordinary share capital in order to have the flexibility to raise funds at an appropriate time.

On 11 March 1993, the Group announced a rights issue of 4 new Ordinary shares for every 5 Ordinary shares previously held and 4 new Ordinary shares for every 5 warrants previously held at a price of 45p per share. This raised approximately £85 million, net of expenses, through the issue of 195,397,300 new Ordinary shares.

The majority of the proceeds of the rights issue have been used in partial repayment of amounts drawn under the $150 million short term bridge loan facility (note 18) and the balance will be used to provide additional working capital.

Had the rights issue taken place on 31 December 1992, the effect (net of expenses) would have been as follows:

	Net liabilities £000	Number of Ordinary shares	Percentage of Ordinary shares
Net liabilities at 31 December 1992	(241,927)	238,196,368	55%
Rights issue	84,908	195,397,300	45%
Proforma net liabilities at 31 December 1992	(157,019)	433,593,668	100%

Notes to the accounts

26 **Class 4 transaction waivers**

During 1992, The London Stock Exchange granted waivers from its normal Class 4 requirements in respect of transactions between the Group and Messrs Ramon Guardia and Fernando Martin, both of whom are directors of Ogilvy & Mather Direct S.A. and Ogilvy & Mather Dataconsult S.A.. The companies provide direct marketing and related consultancy services, respectively, in Spain. The transactions in question were put and call option agreements between WPP Holdings (Holland) B.V. and Messrs Guardia and Martin to acquire the latters' minority shareholdings in Ogilvy & Mather Direct S.A. and Ogilvy & Mather Dataconsult S.A.. The put options may first be exercised in the ordinary course of events on 31 March 1995 or on 31 March in any subsequent year.

At 31 December 1992, Mr Guardia's shareholding in Ogilvy & Mather Direct S.A. was 10% and in Ogilvy & Mather Dataconsult S.A., 5.9%, while Mr Martin's shareholding in the two companies was 2.25% and 11.35% respectively. The consideration payable, in cash, to Messrs Guardia and Martin upon exercise of the relevant options will be calculated by reference to a formula based on the profits after tax of the companies in question and their respective net asset values. The profits after tax for the year ended 31 December 1992 and net assets at that date of Ogilvy & Mather Direct S.A. were £308,000 and £2,475,000 respectively, and of Ogilvy & Mather Dataconsult S.A., £20,000 and £449,000 respectively. The waiver has been granted subject to the maximum consideration payable not exceeding 2% of the market capitalisation of WPP Group plc at the date of exercise.

Financial calendar

Interim Statements for half-years ending 30 June are issued in August.

Preliminary Announcements of results for financial years ending 31 December are issued in March.

Annual Reports are posted to shareholders in May.

Annual General Meetings are held in London in June.

WPP Group plc

The Group and its Companies

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The purpose of all WPP Group companies
is to add value and worth to clients' businesses through
the management of the imagination

Contents

Strategic vision

To understand and interpret the increasingly complex marketing needs of our clients at every level from local to worldwide.

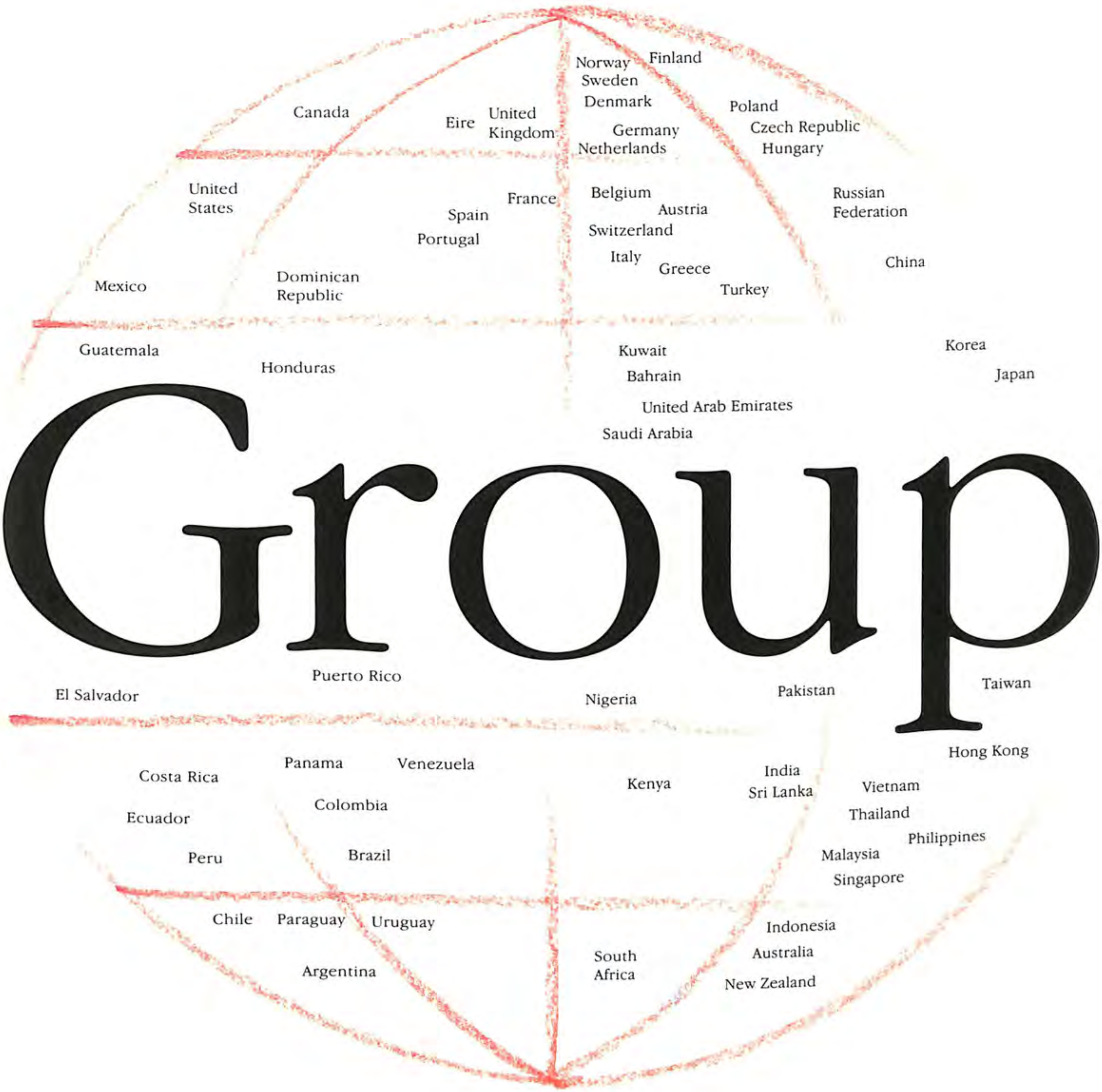
To provide clients with a comprehensive and, when appropriate, integrated range of marketing services of the highest quality: both strategically and tactically.

To ensure that each service provided returns added value to every client.

WPP

- The WPP Group is made up of the world's leading marketing services companies, serving over 300 of the Fortune 500 companies.
- We have 20,717 people working in 660 offices in 70 countries around the world.
- We work with 155 clients in five or more countries.
- In 1992, Group companies won 973 major creative and business effectiveness awards.

Group


Norway
Finland
Sweden
Denmark
Canada
Eire
United Kingdom
Poland
Czech Republic
Hungary
Germany
Netherlands
United States
France
Belgium
Austria
Russian Federation
Spain
Portugal
Switzerland
Italy
Greece
Turkey
China
Mexico
Dominican Republic
Guatemala
Honduras
Kuwait
Bahrain
United Arab Emirates
Saudi Arabia
Korea
Japan
El Salvador
Puerto Rico
Nigeria
Pakistan
Taiwan
Hong Kong
Costa Rica
Panama
Venezuela
Kenya
India
Sri Lanka
Vietnam
Ecuador
Colombia
Thailand
Philippines
Peru
Brazil
Malaysia
Singapore
Chile
Paraguay
Uruguay
Indonesia
South Africa
Australia
Argentina
New Zealand

The Group's service sectors

Strategic vision

To grow and maintain companies of such excellence that they provide the most stimulating career opportunities for talented professionals in all disciplines.

To provide those professionals with rewards and incentives which encourage the greatest number to a sense of ownership.

*To be **the** major multi national marketing services company.*

WPP

- We work for 868 major national or international clients in two or more service sectors.
- 330 of our clients use three or more service sectors.
- 18% of new business assignments comes from business opportunities brought from one Group company to another.

The WPP Group companies

The next 19 pages briefly describe our main operating companies, by service sector.

Strategic marketing services

Social, economic and market forecasting; development of corporate strategy; econometric modelling; environmental changes tracked through regular surveys.

Public relations

National and international corporate, financial and marketing communications; crisis management; public affairs and management counselling.

Media advertising

The planning, production and placing of advertising for multi-national and national advertisers in all categories.

Group

Market research

Consumer, media, corporate communication and policy research; advertising research, pre-testing, tracking and evaluation; design and management of international market studies; new product development and testing.

Specialist communications

Ethnic, business-to-business, corporate, entertainment, pharmaceutical, travel, recruitment, retail advertising; direct mail and direct marketing; investor communications; corporate identity.

Non-media advertising

Identity, design and architecture

Architectural services; exhibitions; furniture, industrial, product, environmental, point-of-sale and retail design; packaging; corporate identity; marketing and corporate literature.

Sales promotion

Consumer and trade promotions; point-of-sale; on-pack offers.

Incentive & motivation

Business seminars and entertainment; incentive strategies and programmes; conference and travel management.

Audio visual communications

Corporate and training videos; exhibitions and conferences; equipment installation, servicing and hire; presentations, product launches and trade shows; production, editing and transfer.

Strategic marketing services

The Futures Group

The Futures Group continues to help clients better understand, change and more effectively cope with uncertainties that shape the future. We help senior management teams capitalize on emerging opportunities and avoid serious problems in an increasingly challenging global business and political environment.

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Peru *Lima*
Zimbabwe *Harare*
Niger *Niamy*
Ghana *Accra*

The Henley Centre

We are an ideas-based consultancy who help our clients identify and anticipate change, working with them to devise appropriate strategies to g profitable solutions.

Uniquely we combine rigorous and innovative research with current and practical analysis of the total business environment – understanding the impact of hard (eg economic) and soft (eg lifestyle) factors on a client's business and how they can be exploited.

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AT&T
Bahlsen
BBC
BP
British Airways
British Telecom
Glaxo
Heineken
Midland Bank
Nestlé
Nike
Norwich Union
Rover
Scottish & Newcastle
Time-Warner
Unilever
United Distillers
Whirlpool
Whitbread

J. Walter Thompson Company

1992 was a strong year for J. Walter Thompson worldwide. In a rapidly changing environment, we helped many of our clients build their brands and market share, and as a result we grew significantly in revenues and operating profit. Further affirmation of that performance was the high number of new assignments that our major multinational clients awarded us. We are now billing $5.7 billion, with over 6,000 employees in 206 offices worldwide.

We serve 1,450 multinational, regional and local advertisers – with over 6,000 individual assignments. As the world's first advertising agency, founded in 1864, the first full-service agency, and the first global agency, in a very true sense, JWT 'wrote the book on advertising'. Fundamental to that record is that we treat change as an opportunity to innovate and lead. The results of 1992 were a good example of our commitment to basic principles and leadership through innovation. *Burt Manning, Chairman & CEO*

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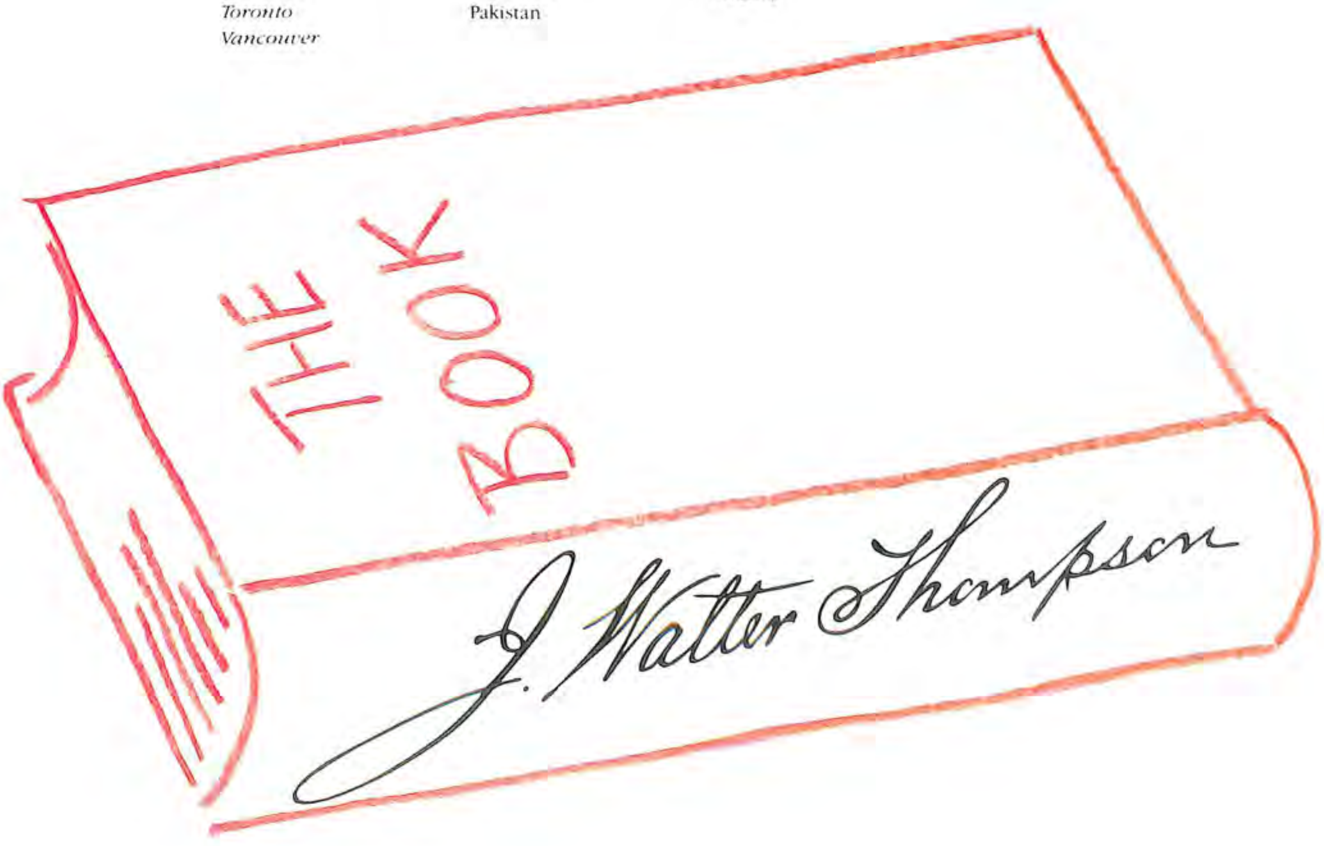
Ireland
Italy
Netherlands
Portugal
South Africa
Spain
Sweden
Switzerland
Turkey
United Kingdom

Affiliates:
Czech Republic,
Hungary, Norway
Poland

Tihama International (TMI):
Egypt, Kuwait
Lebanon, Morocco
Saudi Arabia, UAE



Media advertising

Ogilvy & Mather Worldwide

OMW's primary mission is to generate sales results for its clients – WE SELL OR ELSE. This commitment is particularly significant as nothing is of more importance to our clients today than hard sales results. The agency has always been well placed to achieve this mission on a global scale because we have an enviable 40 year history of creating advertising that sells, in productive combination with the world's largest direct marketing company. OMW has 250 offices in 57 countries offering advertising, direct marketing, public relations, sales promotion and related services.

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Contact:
Rod Wright
Chairman

N

W Ogilvy & Mather Worldwide E

S

Cole & Weber

Cole & Weber is 119 people who practice the familiar and separate disciplines of the agency business, but who subscribe to one, powerful goal: advertising that breaks through the clutter to linger in the mind. It's a goal that brings all 119 people of Cole & Weber into the creative process. The advertising we produce in the service of 29 clients appears in 133 countries, 25 languages.

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President
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Vice President/ Managing Director
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Partial client list:
Boeing
Bonneville Power Administration
Nike i.e. and Tensile Air
Northwest Ford Dealers Assoc.
Oregon State Lottery
Oregonian Publishing Co.
SAFECO
Salishan Lodge, Inc.
Stimson Lane Wineries
Westin Hotels & Resorts
Weyerhaeuser

Cole & Weber
Bright & Clever

Conquest Europe

CONQUEST EUROPE

From logic to magic. It's a journey back and forth which we do every single day. With determination and fantasy. A journey without frontiers and limits, except for those that respond to the needs of our partners. A journey in which we are driven by discipline and imagination, by analysis and hunch, by professionalism and enthusiasm. But, principally, it's a journey that crosses the whole of Europe with the same force. Because a big idea is able to deal with different people. And can be born in diverse countries, under the same sun. That is the talent.

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Fax (39 11) 5629716

Contact:
Dominique Simonin
Managing Partner Europe

Partial client list:
Agip
Alfa Romeo
Bordeaux Wines
Candy
Erg
Kodak
Mateus
Nashua
Platinum Guild
Polarcup
Rothmans Tobacco

Offices:
Amsterdam
Athens
Brussels
Copenhagen
Frankfurt
Lisbon
London
Madrid
Milan
New York
Paris
Prague
Stockholm
Turin (HQ)
Vienna
Zurich

Lansdown Conquest

A full-service agency – and more. Our business rests on one principle: if our clients are successful, we succeed. The creation of effective brand communications, for national and international clients, provides the evidence. A hands-on, hierarchy-free style supports the argument. Years of consistent, profitable growth clinch the case. 1993 sees us with a new name and widening horizons, in full partnership with Conquest Europe.

Abbey House
215-229 Baker Street
London NW1 6YA
United Kingdom
Tel (071) 486 7111
Fax (071) 486 5310

Contacts:
Tony Abraham
Chairman
Chris Carroll
Managing Director

Services:
Full Service Advertising
Lansdown Design
EA Media

Partial client list:
Aldi Stores
Alfa Romeo
Allied Maples
Arthur Andersen
Bordeaux Wines
British Gas Eastern
Entertainment Group
Ryvita
Parker Pen
Yardley Lentheric

LANSDOWN | CONQUEST

Scali, McCabe, Sloves

The mission of Scali, McCabe, Sloves, Inc. is very simple ... to create great advertising, hire professional people who love the advertising business and, after all is said and done, to have treated our employees and clients with dignity and pride.

SCALI, MCABE, SLOVES, INCREDIBLY
GOOD
ADVERTISING

800 Third Avenue
New York
NY 10022
USA
Tel (212) 735 8000
Fax (212) 735 8418

Contact:
Marvin Sloves
Chairman/ Chief Executive Officer

Other offices:
Amsterdam
Dusseldorf
London
Madrid
Mexico City
Minneapolis
Paris
Richmond
Rio de Janeiro
Sao Paulo
Toronto
Vancouver

Public relations

Hill and Knowlton

Hill and Knowlton is a global public relations/public affairs firm, providing clients with a full range of strategic and programmatic communications services, including corporate and financial public relations, marketing communications, crisis communications, and public affairs counselling. Operating from 59 offices in 27 countries, the firm's hallmark is "Total Client Service".

420 Lexington Avenue
New York
NY 10017
USA
Tel (212) 697 5600
Fax (212) 210 8868

Contact:
Thomas E Eidson
President & CEO

Other contacts and offices:

Myron A Hartwig
Executive Vice President
Practices Worldwide
5900 Wilshire Boulevard
Los Angeles CA 90036
USA
Tel (213) 937 7460

Thomas W Hoog
Chairman
Public Affairs Worldwide
901 31st Street, NW
Washington DC 20007
USA
Tel (202) 333 7400

Clifton Kawaga
President & CEO
Asia Pacific
820 Mililani St.
Honolulu HI 96813
USA
Tel (808) 521 5391

David B MacNaughton
President & CEO
North America
1 Eglinton Avenue
Toronto
Ontario M4P 3A1
Canada
Tel (416) 483 1511

David Wynne-Morgan
President & CEO
Europe, Africa &
Middle East
5-11 Theobalds Road
London WC1X 8SH
United Kingdom
Tel (071) 413 3000

Ronald J Yoo
Chief Financial Officer
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New York NY 10017
USA
Tel (212) 697 5600

Harlan L P Wendell
Executive Vice President
Total Client Service
Tel (415) 854 9293

Marilyn Castaldi
Practice Director
Healthcare
Tel (212) 697 5600

Nancy Glick
Practice Director
Food and Nutrition
Tel (202) 333 7400

Bruce LeBoss
Practice Director
Advanced Technology
Tel (408) 496 6511

John Wilson
Practice Director
Environmental
Tel (202) 333 7400

Michel Ogrizek
President
Eurosciences (France)
Tel (331) 42 56 41 97

Carl Byoir & Associates

Carl Byoir offers a full range of public relations services including corporate communications, financial relations, public affairs, crisis counselling, marketing, economic development, and issues management.

40 Lexington Avenue
8th floor
New York NY 10017
USA
Tel (212) 210 6000
Fax (212) 210 6099

Contacts:
Joseph M Howell III
President & CEO
Keith F Anderson
Executive VP & Chief Operating Officer

Other offices:
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5900 Wilshire Boulevard
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USA
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Fax (213) 954 5897

Contact:
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Executive VP

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6-7 Grosvenor Place
London SW1X 7SH
United Kingdom
Tel (071) 235 3853
Fax (071) 235 3868

Contact:
Lisa ter Haar
Head of Operations
United Kingdom

Ogilvy Adams & Rinehart

Ogilvy Adams & Rinehart is a leading public relations firm specialising in six areas of practice: corporate public relations, financial communications, health and medical communications, public affairs, strategic marketing and special situations. The firm has offices in key financial, governmental and media centres as well as relationships with affiliates worldwide.

708 Third Avenue
New York
NY 10017
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& (212) 557 0100
Fax (212) 370 4636
& (212) 370 4456

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Chairman & CEO
John Margaritis
President & COO

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OA&R Chicago
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Sixth Floor
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Tel (312) 988 2684

Mark Grody
OA&R Los Angeles
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Los Angeles CA 90048
Tel (213) 966 5700

Marcia Silverman
OA&R Washington
1901 L Street NW
Suite 300
Washington DC 20036
Tel (202) 466 7590

Luc Rivet
OA&R Brussels
Rue du Chatelain 25
1050 Brussels
Belgium
Tel (322) 640 0170

OA&R London
33 St John Street
London EC1M 4AA
United Kingdom
Tel (071) 253 5757

Partial client list:
Banco Santander
Borden
British Library
Burroughs Wellcome
Chemical Banking Corporation
Dun & Bradstreet
Duracell
Honeywell
ICI
Marks & Spencer
National Semiconductor
NYNEX
Parcelforce
Polish Ministry of Finance
Snap-On Tools
US Centers for Disease Control

Timmons and Company

Timmons and Company, Inc., organised in 1975, represents major American businesses in their federal government relations. The company provides a full range of professional services to select clients.

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Fax (202) 822 9376

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Tom C Korologos
President

Officers:
William E Timmons
Chairman Executive Committee
Tom C Korologos
President
Vice Presidents
William H Cable
Mary A Sidley
Bryce L Harlow
John S Orlando
Michael J Bates
Ellen Boyle

Partial client list:
Amoco Corporation
Anheuser-Busch Companies, Inc
Capital Cities ABC, Inc
Chrysler Corporation
H.J. Heinz Company
Major League Baseball
Northern Telecom, Inc
Northrop Corporation
G.D. Searle & Co
Southern California Edison Company

Millward Brown International

Millward Brown is a quality international research agency with a particular expertise in advertising research. The company popularised the systematic tracking of advertising campaigns, and it is able to offer sophisticated interpretation based on extensive learning about how advertising really works in the consumer's mind. The learning is now incorporated in the "Link" pre-tests, which predict accurately how ads will communicate in real life.

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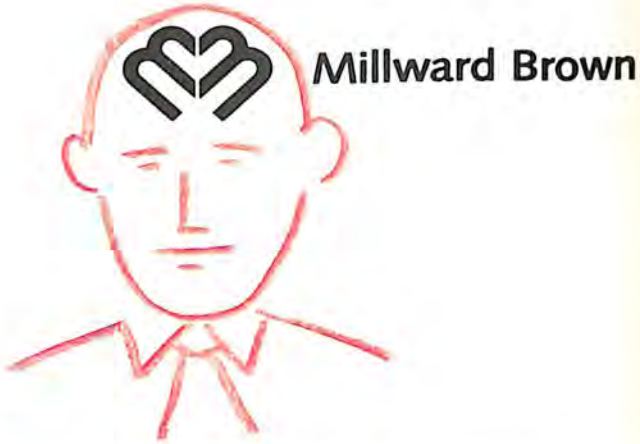
Warwick
CV34 6RJ
United Kingdom
Tel (0926) 452233
Fax (0926) 833600

Contacts:
Rosi Ware
Managing Director (United Kingdom)
Tony Copeland
Managing Director (International)

Other offices:
Barcelona
Chicago
Connecticut
Frankfurt
Madrid
Paris
Rome
Toronto

Partial client list:
American Express
Cadbury
Gillette
Guinness
Halifax Building Society
Kellogg
Kimberly-Clark
Kraft General Foods
Peugeot Talbot
S C Johnson
Tesco
Unilever
United Distillers



MRB Group

MRB Group is an international market research company, with offices in the United Kingdom, USA, Germany, Japan and Australia, and affiliated companies in many other countries. In addition to its work in individual national markets, it is also a leading supplier of multi-country research programmes. Specialisations include media planning databases, social and government research, consumer brand positioning and performance forecasting, pricing research, advertising tracking and customer satisfaction research. MRB Group's purpose is to help clients grow their businesses by providing accurate information on their customers and potential customers.

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Chief Executive

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Fax (081) 579 9208
John Samuels
Managing Director

Simmons MRB (USA)
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Fax (212) 916 8918
Ellen Cohen
Chief Executive Officer

Winona MRB (USA)
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Fax (612) 881 0763
Adam Phillips
Chief Executive Officer

JMRB (Japan)
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Fax (3) 3442 2559
Yasuo Miki
President

Basisresearch (Germany)
Tel (69) 75 80 81 0
Fax (69) 73 40 73
Helmut Jung
Managing Director

YCHW (Australia)
Sydney
Tel (2) 953 4444
Fax (2) 953 9035
Tony Wheeler *Director*

Melbourne
Tel (3) 537 2255
Fax (3) 534 4373
Alastair Campbell
Director

Research International

World's largest ad hoc/custom research organisation. 120 countries researched; offices in 40. 1500 clients; 200 multinationals (= 65% revenues; 20% international studies). Services include – MicroTest℠: sales volume prediction; PriceSolve℠/BPTO℠: price elasticity; Options: price feature optimisation; PubliTest℠: ad testing; CRA℠: communications effectiveness; Locator℠: brand positioning; BRAVE℠: brand relationships; Natural Grouping: market structuring; SMART℠: prioritises customer satisfaction improvements; Tracking Services: ad. effectiveness/brand equity/customer satisfaction/service delivery; RI Qualitatif; The Concept Factory: includes Interactive Innovation, Video Clinics; CommonHealth; RI Observer: global trends (100 focus groups, 30 countries); Frontiers (with Henley Centre): Euro-consumer change (6500 interviews, 6 countries).

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Group Chairman & CEO
Jon Wilkinson
International Marketing Director
Martine Thiesse
Director RI Qualitatif Paris, see France for contact numbers

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Contacts:
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Chairman & CEO
Mike Roe
Business Development Director

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RI Associates
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Fax (081) 878 8972
Roger Cormack
Director

United Kingdom divisions:
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RI NPD
Julian Bond
Managing Director

RI Product & Communication
Jon Wilkinson
Chairman

RI Qualitative
Finola Gowers
Jane Gwilliam
Julia Kaye
Directors

Research Resources
David Cahn
Chairman

RI Retail
Maureen Johnson
Managing Director

RI Specialist Units
Susan Blackall
Managing Director

RI Technical Systems
Rory Morgan
Managing Director

RI World Service
Michel Olszewski
Managing Director

USA:
205 Lexington Avenue
New York NY 10016
Tel (212) 679 2500
Fax (212) 679 0616
Simon Chadwick
Chairman CEO

New York divisions:
RI Customer Research
Roger Banks
President

RI Product & Communication
Max Blackston
President

RI World Service
Daphne Chandler
President

Cambridge unit:
Cambridge Reports/RI
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Fax (617) 661 3575
Ted Byers
President CEO

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Tel (612) 922 5622
Fax (612) 922 6255
Pete Evans
Managing Director

Belgium *Brussels*
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Fax (322) 736 6317
George Assenheim
Managing Director

Brazil *Sao Paulo*
Tel (55 11) 280 0811
Fax (55 11) 280 0330
Nelsom Marangoni
Managing Director

France *Paris*
Tel (33 1) 4584 3434
Fax (33 1) 4585 6518
Laurent Guillaume
Chairman

Germany *Hamburg*
Tel (49 40) 441190
Fax (49 40) 4411 9130
Arthur Juchems
Chairman

Italy *Milan*
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Fax (39 2) 655 2252
Vincenzo Zucchi
Managing Director

Kenya *Nairobi*
Tel (254 2) 558825
Fax (254 2) 558502
Mike Jewell
Managing Director

Netherlands *Rotterdam*
Tel (31 10) 433 0222
Fax (31 10) 433 2482
Lex Olivier
Managing Director

New Zealand *Wellington*
Tel (64 4) 569 5093
Fax (64 4) 569 3671
Peter Glen
Managing Director

Singapore (RI Asia)
Tel (65) 291 7003
Fax (65) 291 7486
David Aldridge
Director

Spain *Madrid*
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Fax (34 1) 576 3387
Enrique Matesanz
Managing Director

Associate members:
Argentina
Austria
Canada
Chile
Colombia
Czech Republic
Denmark
Ecuador
Finland
Greece
Hong Kong
Hungary
India
Japan
Mexico
Nigeria
Norway
Philippines
Singapore
Poland
Portugal
Puerto Rico
Russia
South Africa
Sweden
Thailand
Uruguay
USA

RESEARCH INTERNATIONAL

Non-media advertising: sales promotion

Einson Freeman

Einson Freeman ranks among America's premier sales promotion/ marketing agencies, with an international network via sister company Promotional Campaigns Worldwide. Adding to its core specialities of consumer and trade promotion, Einson operates a point-of-purchase merchandising group (EF Display) and a separate, promotional advertising agency.

Major techniques include sweepstakes, incentives, events, tie-ins, couponing and sampling. Services range from research (pre-testing) and strategic planning through creative, media, production and promotion fulfilment.

305 Route 17
Paramus
NJ 07652
USA
Tel (201) 262 7200
Fax (201) 262 4062

Contact:
Jeffrey K McElnea
President & CEO

Partial client list:
Amtrak
AT&T
Bell Atlantic
Benetton
CBS Television
Del Monte
Microsoft
Nabisco
Reynolds Metals
Schering-Plough
Warner-Lambert

Display division:
General Cigar
Nabisco
Warner Publisher Services
Western Union

Mando Marketing

Mando specialises in sales promotion support packages: from response to the brief, through premium selection and sourcing, storage, handling, promotional fulfilment to full data capture and customer service facilities, all within an agreed fixed fee package. Most importantly, Mando underwrites redemption-based activity, giving a full guarantee to honour all premium applications within a one-time fee, regardless of final redemption levels.

As below-the-line budgets become greater and more demanding, the financial control offered by Mando's fixed fee system gives increasing benefit to all those involved in cost-effective promotions.

27 Faraday Road
Aylesbury
Bucks HP19 3RY
United Kingdom
Tel (0296) 397077
Fax (0296) 394273

Customer services:
Tel (0296) 397078

Contacts:
Alan Selby
Cliff Ash
Joint Chief Executives

The Marketing Consultancy

Tactical retail promotions, marketing to kids, plus car, cereals and charity promotions – the keys to TMC's placing in the UK's Top 20 of sales promotion agencies.

This success derives from INFORMED CREATIVE THINKING and SHEER INDUSTRY in transforming those thoughts into marketing initiatives which work.

Through our modern, superbly equipped Genesis Studios, high quality design and artwork enhance the creative development.

TMC House
22 Reading Road
Henley-on-Thames
Oxfordshire
RG9 1AG
United Kingdom
Tel (0491) 410011
Fax (0491) 574316

Contacts:
Philip Dexter
Chairman
Roger Williams
Managing Director

Other Office:
Genesis Studios
Tel (0491) 410020

Contact:
Richard Norman
Managing Director

Promotional Campaigns Worldwide

Promotional Campaigns pioneered the campaign approach to branded sales promotion in the UK 22 years ago. Now from its base in sales promotion, trade marketing, direct marketing and advertising, Promotional Campaigns Worldwide is a marketing communications agency that produces ideas that sell from 15 offices around the world.

Forest Lodge
Westerham Road
Keston
Kent BR2 6HE
United Kingdom
Tel (0689) 853344
Fax (0689) 860614

Contact:
Keith Bantick
Chairman

Worldwide offices:
Amsterdam
Bangalore
Barcelona
Bombay
Brussels
Cape Town
Frankfurt
Johannesburg
Milan
Montevideo
New York
Paris
Singapore
Toronto

Partial client list:
Barclays Bank
BP Oil International
B&Q
Bradford & Bingley Building Society
Carlsberg-Tetley Brewing
CPC
Elida Gibbs
Financial Times
Ford of Europe
Gallaher
Gillette
HP Foods
Kraft General Foods
Mattel
MD Foods
Perfect Pizza
Philips Consumer Electronics
SC Johnson
Sun-Diamond Growers of California
Thomas Cook
Unilever

MetroVideo

MetroVideo specialises in visual communications. Whether you need a videowall in Moscow, a videoconference with New York or a projector in Covent Garden, we can sell it, hire it or ship it.

The Old Bacon Factory
57-59 Great Suffolk Street
London SE1 0BS
United Kingdom
Tel (071) 928 2088
Fax (071) 261 0685

Contact:
David Pacy
Chairman

Other offices:
Metro Anglia
Unit 5, Nuffield Close
Cambridge CB4 1SS
United Kingdom
Tel (0223) 42446
Fax (0233) 424396

Contact:
Peter Noble
Managing Director

Partial client list:
Arthur Andersen
BBC
British Gas
BT
Shell International
Texaco
Touche Ross

Also offices in *Soho, Croydon, Kidlington, Frankfurt*

P·L·I·V

Conference and Special Events

WORLDWIDE

P&L International Vacationers

PLIV Conferences and Incentives will arrange any corporate event anywhere in the world. We will undertake to ensure that accommodation, transportation, communication, nourishment, entertainment and every minute detail of every event is meticulously planned and executed to our client's complete satisfaction.

1 Sherwood Street
Piccadilly Circus
London W1V 7RA
United Kingdom
Tel (071) 437 9915
Fax (071) 437 7124

Contacts:
Philip J Christey
Chairman
Laura A Morgan
Managing Director

Non-media advertising: identity and design

Anspach Grossman Portugal

Anspach Grossman Portugal Inc, founded in 1969, is a leading identity management consulting firm that has helped well over 300 corporations around the world in developing identity systems to support corporate, retail and brand strategies.

711 Third Avenue
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USA
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Contact:
Barry Green
Principal

Other office:
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San Francisco CA 94108
USA
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Fax (415) 781 7346

Partial client list:
American Express
Ameritech
BOC Health Care
Gillette
Hewlett-Packard
Hospital for Special Surgery
Interbrew
Korea Explosives Company
Mitsubishi Bank
National Australia Bank
Pfizer
Raytheon
Republic Bank of New York
Sanyo
Supervalu
Texaco
Tropicana Products
Unisys
UPS
USF&G

Anspach Grossman Portugal Inc TM

Coley Porter Bell

STRATEGIC
COLEY PORTER BELL
DESIGN

Coley Porter Bell is recognised as one of Europe's leading consultancies in the creation of innovative design solutions.We are experts in developing strong and distinctive identities for both companies and brands. We approach each project in a focused, professional and creative manner. Coley Porter Bell's success is based on our reputation,which has been earned by working closely and effectively with a wide range of major clients on national, pan-European and global projects.

4 Flitcroft Street
London WC2H 8DJ
United Kingdom
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Fax (071) 379 5164

Contacts:
Jan Hall
Chairman and Chief Executive
Helena Rees
Director: corporate identity, business development
Amanda Connolly
Director: brand identity, business development

Partial client list:
Ahlstrom (Finland)
A&P (USA)
Bass
Cadbury
Duracell
Gaymer Group
ICI
J Sainsbury
Kimberly-Clark
Lego
Nestlé
NPI
Pitman-Moore
Shell
SmithKline Beecham
The Economist Group
Unilever
United Biscuits Group
Wedgwood
Wellcome

SampsonTyrrell

SampsonTyrrell is a leading international identity consultancy. With a 16 year track record in helping clients achieve the right corporate and product branding strategy for their business objectives, the company's Visual Management℠ service has proven a valuable business tool. The consultancy's sphere of expertise extends from international corporate identity programmes to product and service branding and corporate literature.

6 Mercer Street
Covent Garden
London WC2H 9QA
United Kingdom
Tel (071) 379 7124
Fax (071) 836 1930

Contacts:
David Mace
Director, Business Development
Dave Allen
Managing Director

Partial client list:
Arthur Andersen
British Airways
Cadbury Schweppes
Digital Equipment
Dun & Bradstreet
Electrolux
Eurotunnel
Fiat
Hutchison Telecom
James Capel
Ladbroke Group
Loctite
Lyonnaise des Eaux Dumez
Marks & Spencer
MoDo Merchants
Northumbrian Water Group
Prudential Corporation
Royal Mail
Scholl
Shell
Toshiba
TSB Bank

SBG Partners

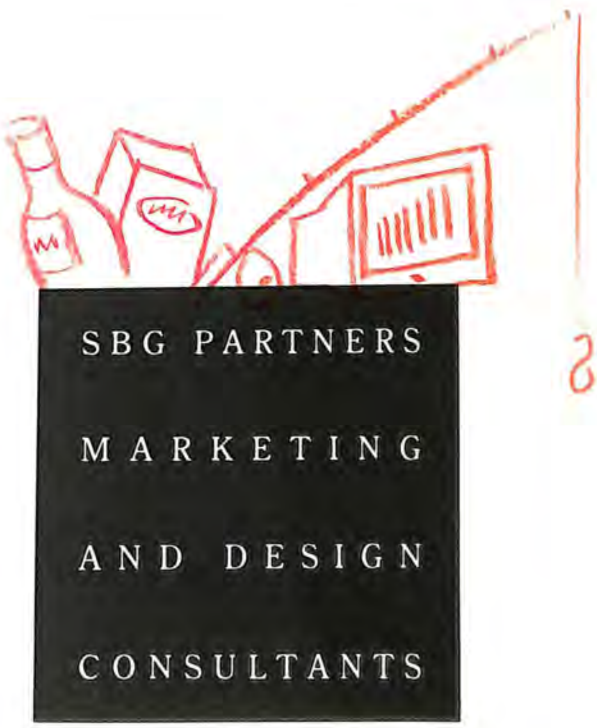
SBG Partners is a 12 year old, San Francisco-based packaging design firm with 50 marketing, graphic and production professionals on staff. Our clients in the food, high-tech, health and beauty, automotive and hardware industries enjoy exceptional success from our "Shelf Media" programs.

1725 Montgomery Street
San Francisco
CA 94111
USA
Tel (415) 391 9070
Fax (415) 391 4080

Contacts:
Flavio Gomez
Managing Partner
David Canaan
Partner

Other information:
Experts in package design, naming, nomenclature systems, brand and corporate identity development, structural design, NLEA compliance and "green" packaging

Partial client list:
Chevron USA
Del Monte
Frito-Lay
Hunt-Wesson
Intel
Kodak
Kraft General Foods
Levi Strauss & Co.
Mitsubishi Estate Ltd
Nabisco Brands, Inc.
Nestlé Beverage Company
Novell Inc
Planters LifeSavers
SmithKline Beecham
Sun Microsystems
3M
Welch's Foods
Xerox



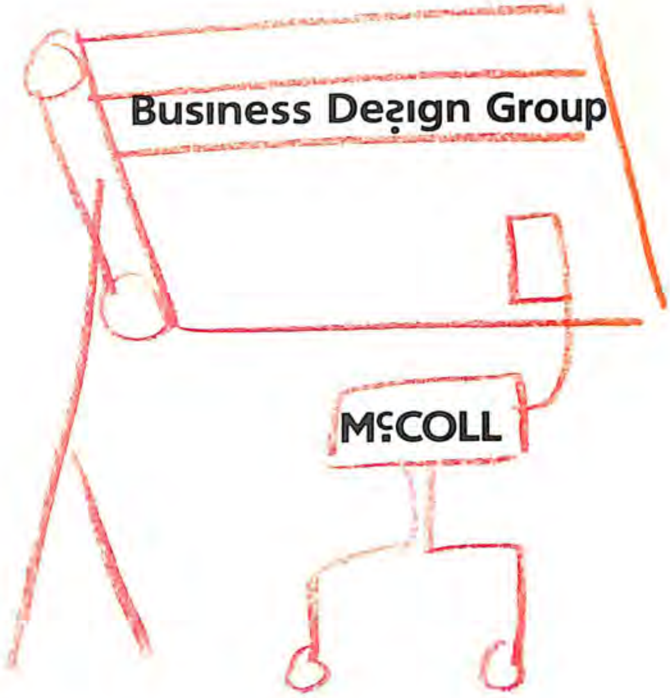
Non-media advertising: identity and design

Business Design Group/McColl

Business Design Group specialises in office planning and design, offering clients a complete service from the initial choice of a building through to the planning, design, construction and furnishing of working environments. The Group employs over 200 professionals in ergonomics, space analysis and planning, interior design, graphic design, project management, engineering design, furniture procurement and installation services.

McColl is one of the best known brands in retail design and architecture with expertise in master planning for major developments, retail concept design and the design and implementation of stores and shopping centres throughout Europe. McColl has specialist expertise in retail planning for transportation hubs, including airports, railway stations, motorway centres and sea ports.

Both groups work together to provide graphic design services, including annual reports, literature, employee communications and signage projects as well as product design and specialist property marketing consultancy.



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Stephen Todd
Managing Director

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Bristol: John Covell
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Budapest:
Malcolm Fudge
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Edinburgh:
Nick Kemp
Tel (031) 220 3322
Frankfurt:
Guy Pritchard-Davies
Tel (49) 69 743 6240
Manchester:
Malcolm Somerfield
Tel (061) 61 834 6655
Reading: Nick Fletcher
Tel (0734) 509896

Partial client list:
Allen & Overy
American Express
Arthur Andersen
AT&T
BAA
Black & Decker
Colgate-Palmolive
Courtaulds
Deutsche Bank
Dun & Bradstreet
Magyar Posta
Mitsui
Mobil Oil
Motorola
National Power
Price Waterhouse
SmithKline Beecham
Sogo

Walker Group/CNI

Walker Group/CNI (wa'ker group• c n i) *n.* **1.** A retail resource which combines sound business strategy with innovative design to create *branded* environments for retailers around the world. 2. Defines performance in terms of assisting retailers in establishing distinctive identities which achieve targeted returns. 3. An added value consultancy offering retailers a wide variety of services, including Positioning Strategy, Merchandise Mix Assortment Planning, Visual Merchandising, Architectural and Interior Design, Corporate Identity and Graphics Programs.

320 West 13th Street
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NY 10014
USA
Tel (212) 206 0444
Fax (212) 645 0461

Contacts:
Mark E Pucci
CEO, President

Other offices:
Los Angeles
Singapore
Tokyo

Partial client list:
Bally of Switzerland
Bank of New Zealand
Bloomingdale's
Circuit City
Citibank NA
Duty Free Shoppers
FAO Schwarz
Galeries Lafayette
House of Fraser
Hugo Boss
Isetan
Lane Crawford
Le Bon Marche
Migros
Neiman Marcus
Robinson Department Store
Saks Fifth Avenue
Shoemart Group of Cos.
Spiegel
Union Bank of Switzerland
Universal Studios
Woodward & Lothrop

Oakley Young 4th Dimension

Specialist design expertise in point of sale and retail graphic design. Supported by a development and manufacturing capability. On site installation and support services.

Whiteacres
Whetstone
Business Park
Whetstone
Leicester
LE8 3ZG
United Kingdom
Tel (0533) 750040
Fax (0533) 841015

Contacts:
Robin Spence
Chief Executive
Richard Ash
Sales Director

Partial client list:
Boots
Children's World
Homebase
Sanderson
Sharp
Speedo
Sony
Swatch
Yardley

Scott Stern Associates

Scotland's largest design and marketing services company with the UK's finest computer graphics set-up including Apple Macs, Business Graphics, Quantel Paintbox and Wavefront 3D helping create the very best in packaging, exhibitions, sales promotion, corporate design, annual reports and corporate brochures.

The Design House
8 Minerva Way
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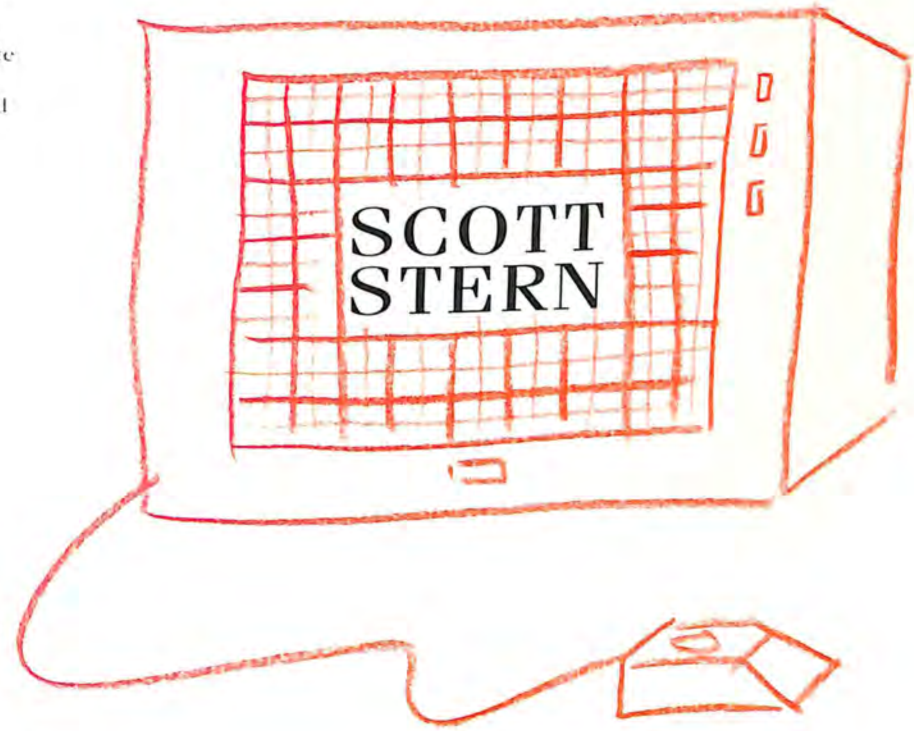
Contacts:
Harry Scott
Raymond Stern
Joint Managing Directors

Partial client list:
Allied Distillers
Bass PLC
Baxters of Speyside
Bell Ingram Chartered Surveyors
Britannia Life
British Aerospace
BT
Daily Record/ Sunday Mail
Glasgow Airport
Glasgow Development Agency
H M Customs & Excise
IBM UK Ltd
Martin Currie Financial Management
Morrison Bowmore
Reid Furniture PLC
Renfrewshire Enterprise
Scottish Enterprise
Scottish Homes
Scottish Nuclear
Scottish Power PLC
Standard Life Assurance Co.
Tennent Caledonian Breweries
United Distillers PLC



PMS 5415
PMS 485

VAP Group

VAP is a design communications consultancy incorporating an in-house print production facility, ensuring an integrated service on all aspects of publishing, technical, marketing and corporate literature.

Langford Lane
Kidlington
Oxfordshire
OX5 1LL
United Kingdom
Tel (0865) 842800
Fax (0865) 841678

Contact:
Trevor Jones
CEO

Partial client list:
Atomic Energy Authority
Avery Dennison
BBC World Service
Heinemann Publishing Group
Hella
Intercity
Medicine Group UK
Oxford Instruments Group
Oxford University Press
Rank Xerox
Rover Group
Royal Ordnance
TWR Jaguar
Unipart

Specialist communications

Brouillard Communications

Brouillard is the premier corporate communications agency in the US.
We've SPECIALIZED in corporate communications.
We're INTEGRATED. Advertising, public relations, direct response and collateral in one agency.
We're STRATEGIC. We practice a disciplined approach to campaigns.
We won six accounts in 1992 and lost none.

420 Lexington Avenue
New York
NY 10170
USA
Tel (212) 867 8300
Fax (212) 210 8511

Contact:
James H Foster
President and CEO
Direct lines:
Tel (212) 210 8555
Fax (212) 210 8607

Partial client list:
American Gas
Australian Beef
Eaton
Glaxo
Goodyear
MBIA
Morgan Stanley
New York Telephone
Textron

BrouillardCommunications

A. Eicoff & Company

on
A. Eicoff & Company

A television commercial is only creative when it sells. A. Eicoff & Company translates this philosophy into Television Advertising for Immediate, Measurable Results. Our resources include trade support advertising, cable expertise and a range of direct response strategies.

401 N Michigan Avenue
Chicago
IL 60611
USA
Tel 312 527 7100
Fax 312 527 7192

Contact:
Ron Bliwas
President/CEO

Partial client list:
American Express Travel Division
AT&T
Beltone Electronics
Campbell Soup Company
Duracell
Lens Express
Rodale Press
Sears, Roebuck and Company
Time-Life Books
Time-Warner, Inc

EWA

The UK's No. 1 Database Management Agency, the UK's 10th largest Direct Marketing Agency. We are looking for accolades in our other principles including Telemarketing and Marketing Services. Our consolidated approach works, our expanding client list proves it. *Eric Wright, Chairman*

St Mary's Green
Chelmsford
Essex CM1 3TU
United Kingdom
Tel (0245) 492828
Fax (0245) 492514

Contact:
Michael Hill
Sales and Marketing Director

Other offices:
Melbourne Australia
Amsterdam Holland
Antwerp Belgium

Partial client list:
Andry Montgomery
Cadbury
Ford Motor Company
Guardian Royal Exchange
Jaguar Cars Limited
National Westminster Bank
PHH
United Parcel Service

1 EWA 0%

Ferguson Communications Group

FERGUSON
COMMUNICATIONS
GROUP

Ferguson Communications Group provides clients access to **EVERY** healthcare audience, through **ANY** communications vehicle, in support of **ALL** products delivering health-related benefits.

30 Lanidex Plaza West
Parsippany
NJ 07054
USA
Tel (201) 884 2200
Fax (201) 884 2487

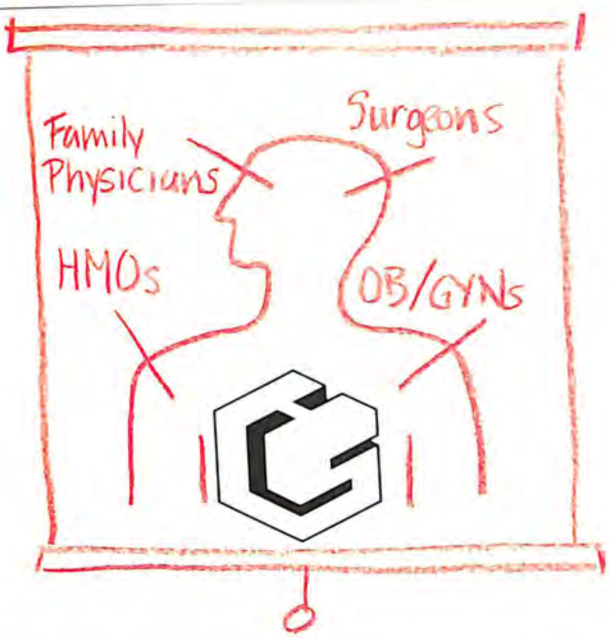
Contact:
Thomas G Ferguson
Chairman & CEO
John F Zweig
President & COO

Other offices:
Ferguson 2000
Tel (201) 785 2000
Robert P Muratore

Pro/Com International
David Chapman
Tel (201) 884 2200

Ferguson Direct
John P Szlasa
Tel (201) 884 2200

Partial client list:
Abbott Laboratories
Boots Pharmaceuticals
Janssen Pharmaceutica
Mead Johnson Nutritionals
Ortho Biotech
Parke-Davis Group
Rhone-Poulenc Rorer
Sandoz Pharmaceuticals
Schering-Plough Corp.
The Upjohn Company
Warner-Lambert Co.



HLS CORP

HLS CORP is a specialized health care communications company with three operating business units. HEALTH LEARNING SYSTEMS develops and produces strategic medical education and communication programs. HLS CLINICAL SYSTEMS conducts Phase IV product utilization studies that clarify the therapeutic value, safety, efficacy, pharmacoeconomic assessment, and other distinguishing characteristics of pharmaceuticals and other health care products. HLS MANAGEMENT SYSTEMS creates informational, educational and communication programs that address contemporary health care needs of hospitals, group medical practices, managed care organizations and employers.

150 Clove Road
Little Falls
NJ 07424
USA
Tel (201) 785 8500
Fax (201) 785 4457/9250

Contact:
Theodore A Maurer
President
Chief Executive Officer

Partial client list:
Ethicon Inc.
Glaxo Pharmaceuticals
Janssen Pharmaceutica Inc.
Marion Laboratories Inc.
Merck Sharp & Dohme
Ortho-McNeil Pharmaceutical Corporation
Parke Davis
Sanofi Winthrop
SmithKline Beecham
Syntex Laboratories Inc.

J. Walter Thompson Direct

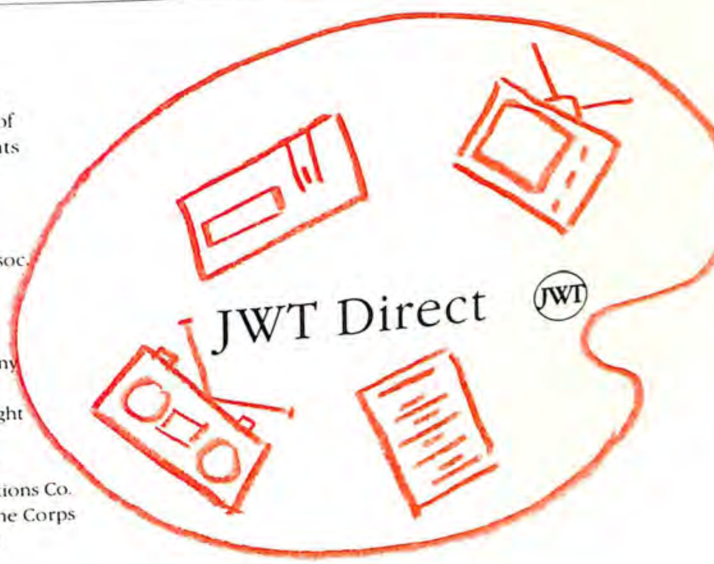
JWT Direct International is the direct-marketing resource of JWT. Its purpose is primarily to serve JWT advertising clients who could benefit from direct marketing and database-driven programs as a component of their communications solution, and secondarily to serve external clients for whom direct marketing is the entire solution.

466 Lexington Avenue
New York
NY 10017
USA
Tel (212) 210 7070
Fax (212) 210 7770

Contact:
Mitchell A Orfuss
President USA
Tel (212) 210 7818

Other contacts:
J Michael Hawkins
Executive Vice President
Executive Creative Director
Tel (212) 210 7799
Elizabeth T Gildersleeve
Senior Vice President
Director of Client Services
Tel (212) 210 7786

Partial client list:
Bell Atlantic
Dale Carnegie & Assoc.
Eastman Kodak
Elizabeth Arden
FTD Direct Access
Ford Motor Company
Jenny Craig International Weight Loss Centers
Northern Telecom
Sprint Communications Co.
United States Marine Corps
Wall Street Journal



J. Walter Thompson Healthcare Group

Compound over 25 years of full service healthcare marketing experience with heavy doses of medical advertising, market research, and meeting and symposia planning – that's J. Walter Thompson Healthcare Group's prescription for success. We dispense advertising, sales promotion, medical education programs, customized market research, electronic imaging and prepress print production, and full range product and service promotion to all members of the healthcare community, from hospital administrators to physicians to patients.

420 Lexington Avenue
New York
NY 10017
USA
Tel (212) 210 8090
Fax (212) 210 8284

Contact:
Jack Stevens
Chairman

Partial client list:
Eastman Kodak Company
Eli Lilly and Company
Elizabeth Arden
Miles, Inc.
Nabisco
Vestar, Inc.

Specialist communications

Mendoza, Dillon & Asociados

Mendoza, Dillon & Asociados is the leading Hispanic advertising agency in the US. The agency provides a full service marketing consulting capability to all of its clients including advertising, promotions, and comprehensive marketing plan development.

4100 Newport Place
Suite 600
Newport Beach
CA 92660
USA
Tel (714) 851 1811
Fax (714) 851 2491

Contacts:
Richard E Dillon
Chairman
Robert L Howells
Chief Executive Officer
Deborah Gagné
Executive Vice President, Finance

Partial client list:
Church & Dwight
DowBrands
Ford Motor Company
Kraft General Foods
Kraft USA
Johnson & Johnson
Levi Strauss & Co
McNeil Consumer Products
Sprint
Sears, Roebuck & Co.
Valvoline

MENDOZA, DILLON & ASOCIADOS, INC.

Ogilvy & Mather Direct

Ogilvy & Mather Direct is the world's leading direct marketing agency, with 47 offices in 34 countries and 1992 worldwide billings of $840 million.

309 West 49th Street
New York
NY 10019-7399
USA
Tel (212) 237 6000
Fax (212) 237 5123

Contact:
Jerome W Pickholz
Chairman & CEO

Ogilvy & Mather Direct

Other offices:
Argentina:
Buenos Aires
Australia:
Sydney
Austria:
Vienna
Belgium:
*Brussels**
Brussels (MDM)
Brazil:
Rio de Janeiro
Sao Paulo
Canada:
Calgary
Montreal (Academy-Ogilvy)
*Toronto**
Colombia:
Cali
Denmark:
Copenhagen
Ecuador:
Guayaquil
Finland:
Helsinki
France:
*Paris**
Germany:
*Frankfurt**
Rogdau (TAS Telemarketing)
Greece:
Athens
Hong Kong
India:
Bangalore
Indonesia:
Jakarta
Italy:
Milan
Malaysia:
Kuala Lumpur
Mexico:
Mexico City
Netherlands:
*Amsterdam**†
New Zealand:
*Auckland**
Wellington
Norway:
Oslo
Portugal:
Lisbon
Singapore:
*Singapore**
South Africa:
Cape Town
Johannesburg
Spain:
*Barcelona**
Madrid
Sweden:
Stockholm
Malmö
Angelholm
Switzerland:
Zurich
Taiwan:
Taipei
Thailand:
Bangkok
Turkey:
Istanbul
United Kingdom:
*London**†
United States:
*Buffalo**
Chicago
Chicago (Eicoff & Company)
Coral Gables
Los Angeles
*New York**
New York (Electronic Marketing Division)
New York (Yellow Pages)
Portland
San Francisco
Seattle

* *Includes Direct and Dataconsult offices*
† *Includes Teleservices*

PACE

Pace Communications Group

Pace is a full-service advertising, marketing and public relations agency serving the real estate, hospitality, travel, cosmetics, health and beauty aids and financial services industries.

485 Fifth Avenue
New York
NY 10017
USA
Tel (212) 818 0100
Fax (212) 818 9320

Contact:
Milton F Bagley
Chairman & CEO

Other contacts:
Richard Nulman
President & COO
Sean Grimes
Executive Vice President
Steve Erenberg
Senior Vice President/ Creative Director
Fred Rosenberg
Director of PR
Joel Cantos
CFO

Partial client list:
Trump Organization
K Hovnanian Cos.
Hyatt Resorts
Citibank Real Estate
Saratoga Springs Mineral Water Co.
Coldwell Banker – Schlott Realtors
The Long Term Credit Bank of Japan
The Helmstar Group
Gilman & Ciocia

Primary Contact

Many advertisers ignore the power of the business buyer. This is true of brands in markets as diverse as travel, entertainment and insurance. To reach and influence the business buyer, you need a thorough understanding of the buying process. And this demands the expertise of a business to business specialist.

Porters Place
33 St John Street
London EC1M 4AA
United Kingdom
Tel (071) 253 2800
Fax (071) 490 3101

Contact:
John Armitage
Chairman

Other information:
The company operates internationally.
Divisions:
Business-to-Business
Financial & Corporate
Specialist Consumer
Recruitment

Partial client list:
Acorn Computers
Bollinger Champagne
Continental Tyres
Cyprus Trade Centre
De Beers
Hitachi
Philips
Price Waterhouse
Racal-Datacom
Unilever

Primary Contact
Advertising

Nuts about business advertising

The RTC Group

The RTC Group is a full service direct response advertising agency that focuses on strategic communications in two distinct areas – commercial marketing and public policy.

3050 K Street NW
Suite 200
Washington DC
20007
USA
Tel (202) 625 2111
Fax (202) 424 7900

Contact:
Michael N Graham
President & CEO

Partial client list:
American Express
Bristol Myers Squibb
MCI
Miller Brewing Company
Philip Morris
Ritz Carlton Hotels
United States Mint
USAir

The RTC *Group*
STRATEGIC COMMUNICATIONS

Thompson Recruitment Advertising

Thompson Recruitment Advertising specializes in the field of employment communications. We create ideas that help our clients hire, retain, motivate and educate their employees.

6500 Wilshire Boulevard
21st Floor
Los Angeles
CA 90048
USA
Tel (213) 655 4262
Fax (213) 655 9285

Contact:
Kim P Macalister
President & CEO

Regional offices:
Atlanta
Boston
Chicago
Cleveland
Dallas
Denver
Detroit
Houston
Kansas City
Milwaukee
New York
Orlando
Philadelphia
Phoenix
Portland
St Louis
San Francisco
Seattle
Washington DC

Thompson Recruitment Advertising (JWT)

Group initiatives

It remains WPP's policy to encourage its operating companies to practise and develop their own individual specialist skills.

There are times, however, when it becomes of clear benefit to clients for group companies, with shared experience in a given field, to form strategic alliances.

Two such opportunities have so far presented themselves: in healthcare marketing and communications; and in media buying.

These two initiatives are briefly described below.

The CommonHealth

The CommonHealth is a strategic alliance between WPP Group companies. It was launched in 1992 to offer clients a comprehensive range of specialist skills in healthcare marketing and communication, on a co-ordinated basis, across the major marketplaces of the world.

The CommonHealth enables clients to access the Group's collective expertise in this specialised field drawing on a choice of communications – advertising, public relations, research, education, promotion, direct marketing or other specialist skills – and harnessing them to develop and implement tailored marketing programmes on a national and international scale.

The CommonHealth

Global Healthcare Marketing and Communications

THE MEDIA PARTNERSHIP

The Media Partnership

The Media Partnership was formed more than four years ago to enable agencies within the WPP Group (J. Walter Thompson Company; Ogilvy & Mather Worldwide and Conquest Europe) and Omnicom Group (BBDO Worldwide and DDB Needham Worldwide) to provide superior media services at a time when the media landscape was changing radically. TMP is currently the largest media buying company in Europe under advertising agency ownership and services clients in most EC countries.

The Media Partnership offers clients the joint benefits of volume negotiations, strategic media planning and research – through the advertising agencies themselves and The Media Partnership Research unit. Together with a sound knowledge of clients' products and services and operating within a strict code of client confidentiality, TMP aims to offer clients of WPP and Omnicom agencies the most effective media services.

Watch this space...

For further information about these two organisations please contact

Michel Richardot

Worldwide Co-ordinator

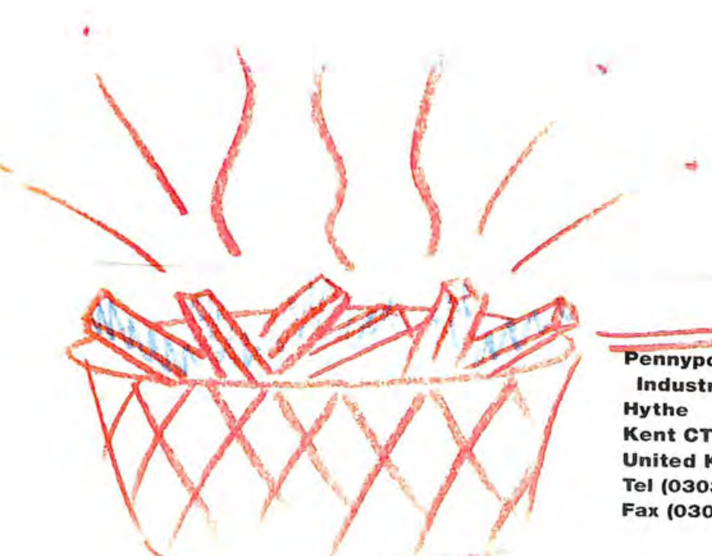
The CommonHealth

Chairman

The Media Partnership

WPP Europe, 36 rue Brunel, 75017 Paris, France

Tel (331) 457 235 65 Fax (331) 457 204 82



Manufacturing

Wire & Plastic Products

Pennypot
Industrial Estate
Hythe
Kent CT21 6PE
United Kingdom
Tel (0303) 266061
Fax (0303) 261080

Contact:
Gordon Sampson
Chief Executive

Our manufacturing company continues to trade profitably. Its four divisions supply plastic coated wire goods, cookware and tableware, laboratory equipment, and leased refrigeration and shopfitting equipment to a substantial number of blue-chip clients.

WPP Group plc

WPP Group contacts

United Kingdom

WPP Group plc
27 Farm Street
London W1X 6RD
United Kingdom
Tel (071) 408 2204
Fax (071) 493 6819

Contacts:
Jeremy Bullmore
Director
Feona McEwan
Communications Director
Martin Sampson
Co-ordinator Design Businesses

Continental Europe

WPP Europe
36 rue Brunel
75017 Paris
France
Tel (331) 457 235 65
Fax (331) 457 204 82

Contact:
Michel Richardot
Director
WPP Europe

WPP Europe
4 Flitcroft Street
London WC2H 8DJ
United Kingdom
Tel (071) 379 4355
Fax (071) 379 5164

Contact:
Jan Hall
European Business Development Director

United States

WPP USA, Inc
466 Lexington Avenue
New York
NY 10017
USA
Tel (212) 210 6991
Fax (212) 210 7979

Contact:
Grace D'Alessio
Information Executive

Asia Pacific

WPP Asia Pacific
3rd Floor
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong
Tel (852) 584 4628
Fax (852) 824 0823

Contact:
Simon Lewis
Business Co-ordination Manager

WPP Group plc

Marketing Services

Marketing Services: What they are and where they're going

Marketing services

All companies competing for business within their given markets employ many skills and disciplines to help them – in the main, from outside suppliers.

It is these skills and disciplines we call Marketing Services. They include:

Advertising
Audio-visual production and presentation
Business-to-business communications
Conferences and exhibitions
Corporate and brand identity
Database marketing
Direct marketing
Incentives and motivation
Market research
Market forecasting
Office interiors
Packaging design
Point-of-sale
Product design
Printing and publications
Public affairs
Public relations
Recruitment
Retail design and architecture
Sales promotion
Sponsorship
Strategic counselling

"America's larger service businesses are growing more and more impersonal. Anyone who can put the human touch back into mass service marketing will succeed brilliantly."

Steve Erenberg, Pace Communications Group

Marketing services

Our clients are primarily the world's national and multi-national consumer goods companies. In order to understand their present and potential need for our services, it is helpful first to understand their own objectives and competitive constraints.

For all companies, national and multi-national, traditional domestic markets have become far more competitive. Inward competition, low rates of population growth, the growing power of the retailer and the ease of technology transfer have all served to limit volume and margin potential.

As a result, less mature markets, with rising populations and significant inward investments, offer increasingly attractive additional opportunities. We have already seen the scope for example in Argentina, Italy, Mexico, Spain, Taiwan and Thailand. Next in line amongst others come China, with a population of 1.2 billion; Vietnam with a population of 67 million; India with a population of 865 million; and Eastern Europe with a population of over 400 million.

Given political stability and open markets, the potential in these markets is considerable. Vietnam, for example, where constitutional changes have recently taken place, presents companies with a consuming population almost 50 per cent larger than either Spain or Thailand.

Client strategies

Most client companies set profit improvement objectives in the 5-10 per cent per annum range. To meet these objectives, they have three key strategies open to them.

First, they can seek to reduce cost and become the low-cost producer. Most client companies have eliminated certain management layers and are co-ordinating activities across geographical regions.

Within common markets such as Europe, available economies of scale in production and distribution are increasingly being exploited. When a market such as the United States, with 250 million people, can be efficiently served by only three plants it seems increasingly anachronistic that Europe, with 350 million people, should require 19 or 20.

However, major reductions in cost are most easily achieved initially and thereafter become primarily a matter of care and maintenance. Furthermore, there is of course a finite limit to the reduction of costs beyond which performance, quality and profitability become seriously affected.

The second growth strategy involves acquisition: either to increase market share or to expand into new geographical or product areas. Despite a prolonged recessionary environment, however, the cost of acquisition remains high. Packaged-goods companies, in particular, have continued to command prices over 20 times earnings – and the level of most stock markets remains historically high.

Finally, profit growth can be achieved by market share and margin gain, domestically and internationally, through organic growth in traditional sectors.

These three strategies are not, of course, mutually exclusive; but an examination of the nature of all three makes clear the way that successful marketing services companies must develop if they are to continue to meet clients' needs.

Selected acquisitions of branded goods companies

				Purchase price as a multiple of:		
Date	**Acquiror**	**Target**	**Purchase price**	**Sales**	**Operating income**	**Net income**
March 1993	**Philip Morris**	**Terry's**	\$0.3bn	1.4x	15.4x	na
November 1992	**United Biscuits**	**CCA Snacks**	\$0.3bn	1.1x	12.7x	na
September 1992	**Philip Morris**	**Freia Marabou**	\$1.5bn	1.5x	15.1x	25.9x
August 1990	**Philip Morris**	**Jacobs Suchard**	\$3.6bn	1.0x	11.5x	20.0x
November 1989	**Ford**	**Jaguar**	\$2.5bn	1.4x	na	54.5x
October 1989	**Nestlé**	**RJR Nabisco various**[1]	\$0.4bn	1.9x	19.5x	na
July 1989	**PepsiCo**	**Smiths & Walkers**	\$1.4bn	2.9x	19.9x	na
June 1989	**BSN**	**Nabisco Europe**	\$2.5bn	2.1x	18.9x	na
October 1988	**Philip Morris**	**Kraft**	\$14.0bn	1.3x	15.2x	29.5x
October 1988	**Grand Metropolitan**	**Pillsbury**	\$7.1bn	1.1x	15.2x	27.0x
April 1988	**Nestlé**	**Rowntree**	\$4.7bn	1.8x	20.0x	26.3x
March 1988	**Seagram**	**Tropicana**	\$1.2bn	1.6x	14.6x	25.2x

[1] *Butterfinger, Baby Ruth and Pearson*
Note: Purchase price adjusted for debt and cash

Source: Estimates from public announcements, company accounts and Amdata

Meeting client needs

- The long-term building and nurturing of brands will continue to be the central preoccupation of most client companies. Creative hip-shooting is a useful tactical ability to provide but will never build brands. From their principal marketing services agencies, clients will require a combination of strategic wisdom and creative flair – sustained over long periods of brand stewardship.
- This requirement will become of even greater importance, as the need to differentiate competing products and services becomes increasingly the function of communications.
- Clients' geographical expansion will require marketing service companies to provide greater co-ordination disciplines – across countries, regions and even globally. As clients strive to reduce their own management layers, they will increasingly expect their agencies to provide co-ordination services. It will be critically important that knowledge gained in one area be transferred to and utilised in others.
- As the power of the retail distributors continues to strengthen, clients will rely ever more heavily on both media and non-media advertising to retain their own consumer franchise. Where available, network television remains the single most effective consumer medium – but the declining network audience and the continued fragmentation of all media mean that other, more targeted media must also be rigorously assessed.
- The client need to buy media efficiently can only get greater. Media costs are often seven to eight times greater than the costs of remunerating creative agencies. Furthermore, the decline of media inflation has strengthened clients' bargaining position.

The agency response

To meet these client needs, the necessary agency response is clear.

- The ability to provide strategic marketing counsel must be strengthened. The understanding of the nature of the brands, and the ability to contribute to brand equity, will be essential.
- In executional terms, creative excellence will be required in order that clients' brands and services become and remain clearly differentiated.
- Strong worldwide co-ordinating networks must be established.
- As client companies expand into new territories and new product fields, client conflicts will inevitably occur more frequently. Parallel and competing agency networks become a requirement.
- Agencies must be capable of integrating and co-ordinating many different marketing services activities. The benefits of such integration can be significant, but success depends on the clients first putting into place an organisational structure with a single buying point for all activities.
- And finally, agencies must continue to develop their media buying skills so that their clients may obtain the maximum levels of discount.

"[Marketing] is certainly more than advertising to the disinterested or inattentive television viewers. [In recessionary times] hand-to-hand combat in store promotions is what builds and sustains brands."

Anthony O'Reilly, chairman H.J. Heinz, Adweek, 26 October 1992

"As always, the discriminator between equal marketing investments will be creativity. Creativity in strategy. Creativity in the core idea. Creativity in execution."

Burt Manning, J. Walter Thompson Company, 'Advertising in the 21st Century'

"In future, companies should concentrate on developing a smaller number of strong brands."

Eric Salama, Henley Centre

Whither the country manager?

"Most multinationals are at a varying stage of development around the world and they need more than one type of country manager. A European consumer goods company might appoint 'cabinet members' as country managers in an increasingly integrated Europe, but put 'traders' into Asia, where markets are growing faster and national socio-economic differences are greater. Meanwhile, the 'potentates' who run the company's operations in Latin America, where tariff barriers still limit cross-border commerce, might still remain in place."

John A Quelch, Harvard Business School

Long-term trends in worldwide marketing services

In 1992 the worldwide marketing services market grew by 4.5% to $753 billion.

Worldwide marketing services expenditure 1992 ($bn)

	USA	UK	France	Germany	Japan	Rest of World	Total
Media advertising	136.2	13.8	10.7	13.9	36.0	73.4	283.9
Public relations	12.6	2.0	0.8	0.9	3.3	1.8	21.4
Market research	2.8	1.1	0.7	0.8	0.7	2.1	8.1
Non-media advertising:							
Graphics & design	16.2	4.7	1.6	1.9	7.3	2.6	34.3
Incentive & motivation	2.7	0.7	0.3	0.5	0.9	1.5	6.6
Sales promotion	154.3	16.7	10.7	11.6	40.2	65.3	298.7
Audio visual communications	3.5	0.7	0.6	0.7	0.8	1.3	7.7
Specialist communications:							
Real estate	1.1	0.2	0.1	0.3	0.7	0.5	2.9
Financial communications	1.4	0.5	0.1	0.3	0.8	0.2	3.4
Ethnic	1.6	0.2	0.1	0.1	0.1	0.3	2.4
Public affairs	5.8	1.4	0.5	0.6	1.4	0.6	10.3
Direct mail	26.4	4.9	2.5	3.3	8.0	11.0	56.2
Recruitment	4.0	0.5	0.2	0.7	0.9	1.5	7.8
Healthcare	4.5	0.8	0.5	0.7	1.3	1.1	8.9
Total	**373.0**	**48.3**	**29.4**	**36.2**	**102.5**	**163.2**	**752.6**

Source: Industry associations; government associations; WPP estimates

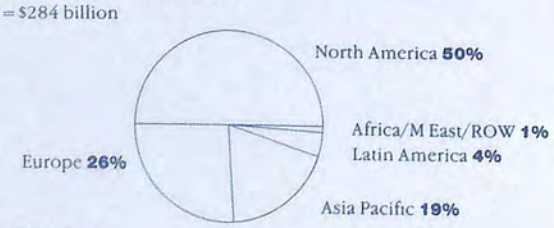
UK marketing services expenditure 1982-1993

	Media advertising		Sales promotion		Public relations		Direct marketing	
	£bn	%	£bn	%	£m	%	£m	%
*F*1993	7.97	4	9.84	5	1,228	2	929	6
1992	7.70	2	9.37	3	1,204	–1	876	3
1991	7.55	–5	9.10	2	1,210	0	851	5
1990	7.95	–1	8.88	8	1,210	9	810	10
1989	8.00	10	8.25	13	1,110	17	735	14
1988	7.26	17	7.30	12	950	16	645	12
1987	6.18	12	6.53	7	816	15	575	11
1986	5.50	24	6.10	11	708	18	517	10
1985	4.44	9	5.50	10	600	20	470	9
1984	4.06	13	5.00	25	500	16	430	6
1983	3.58	14	4.00	14	430	23	405	9
1982	3.13	11	3.50	17	350	27	370	19
10 year historic growth rate	**9.4%**		**10.4%**		**13.1%**		**9.0%**	
5 year historic growth rate	**4.5%**		**7.5%**		**8.1%**		**8.8%**	

Source: Advertising Association; Post Office; Keynote; DMPA; ISP; Hollis; IPR; PRCA, WPP estimates

World advertising markets 1992

100% = $284 billion



Source: WPP estimates

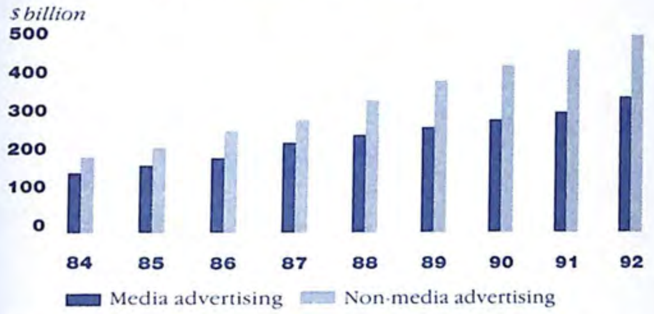
> *"Price cutting works immediately, and because the effects are so transient, they're easy to see. Creativity roots ideas in the brain so that they influence how people decide about brands in their own good time, so it has a smoother effect. When I fertilize my rose bushes, they don't grow six inches as the fertilizer hits the ground – but I'd be a fool to stop!"*
>
> *Gordon Brown, Millward Brown International*

Despite the recession which was particularly severe in Anglo-Saxon markets such as the United States, Canada, United Kingdom, Australia and New Zealand, two well-established trends continued to dominate the marketing services marketplace.

First, media advertising grew faster in non-United States markets, particularly in Latin America, Continental Europe and South-East Asia.

Secondly, non-media advertising activities (public relations, market research, design, sales promotion, audio-visual, incentives and specialist communications such as direct and healthcare) continued to grow faster than media advertising throughout the world.

Faster growth in non-media advertising



Source: WPP estimates

Key indicators (%)	1991	1992	1993*F*	1994*F*
United States				
Nominal GDP growth	2.9	5.1	6.0	6.5
Real GDP growth	−1.2	2.0	2.8	3.1
Consumer expenditure*	−0.6	2.2	2.6	2.7
Corporate profitability*	−4.3	12.2	14.7	9.1
United Kingdom				
Nominal GDP growth	3.5	2.9	3.6	7.1
Real GDP growth	−2.4	−0.8	0.9	2.4
Consumer expenditure*	−2.1	−0.3	1.0	1.9
Corporate profitability*	1.1	2.0	8.6	11.2
Continental Europe				
Nominal GDP growth:				
Germany†	3.7	1.2	−0.1	1.8
France	0.9	2.0	1.3	2.5
Spain	2.4	1.5	0.8	2.3
Latin America				
Real GDP growth:				
Chile	6.0	9.2	5.5	na
Colombia	2.3	2.0	3.5	na
Mexico	3.6	2.8	3.0	na
Asia Pacific				
Nominal GDP growth:				
Australia	−1.1	1.6	3.3	3.9
Indonesia	6.6	6.0	6.6	7.1
Japan	4.4	1.8	2.0	3.6
Malaysia	8.8	8.3	7.8	7.7
South Korea	8.4	6.4	7.0	7.3
Taiwan	7.3	6.7	6.9	6.6
Thailand	7.9	7.2	8.0	8.6

**Constant prices. Corporate profitability at trading profit level*
† West Germany only

Source: Consensus Forecasts; BZW

Short-term trends in worldwide marketing services

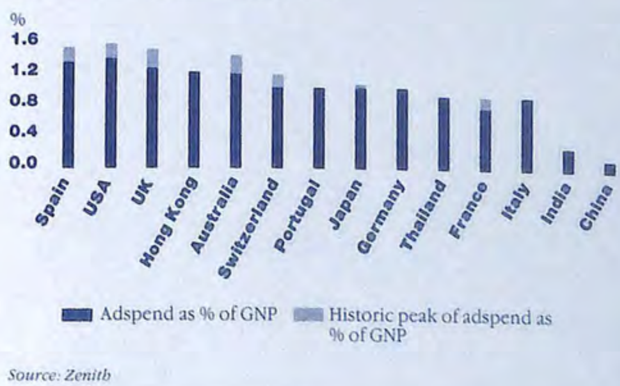
The key determinants of media advertising expenditures are consumer expenditure and corporate profitability. In 1993 and 1994 both these variables are forecast to grow at a faster rate than in 1991, as are both real and nominal GDP. As a result forecasts for growth in marketing services expenditure in the United States range from 3.9 to 6.9% in 1993 and from 4.3% to 10.2% in 1994.

Similarly in other markets of the world estimates range from 0.4% to 28% for 1993 and from 1% to 33% for 1994.

The recent recession has also resulted in a fall in adspend as a proportion of GNP in many markets. As a result there is room for adspend to re-establish itself at a faster rate of growth than GNP.

Growth potential of less mature markets

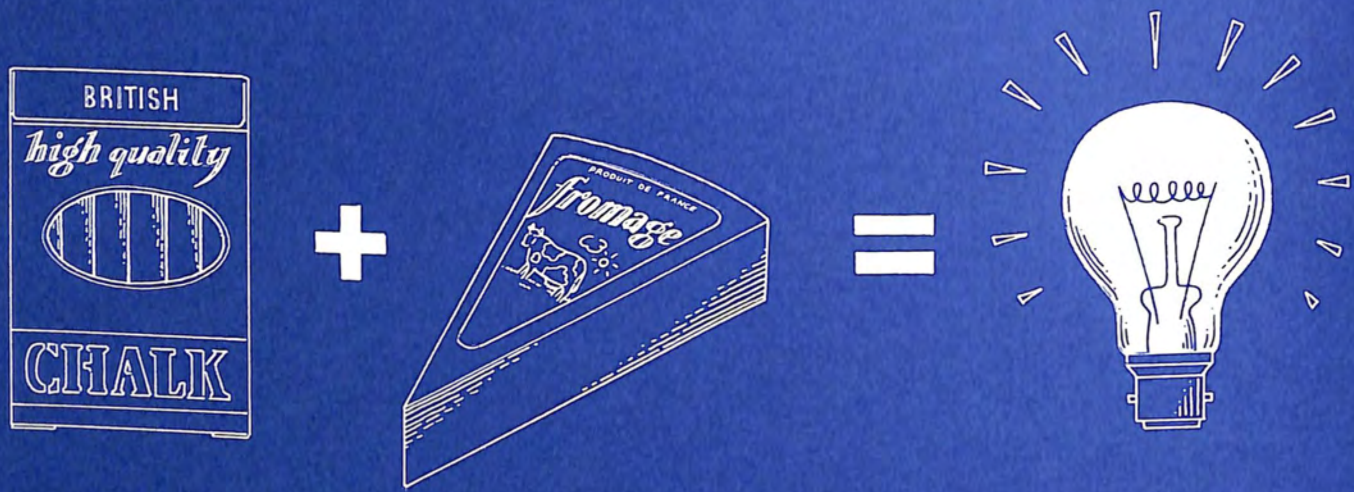
1992 advertising expenditure as % of GNP



Source: Zenith

> "A global package design for any product will only be truly effective when there are global marketing media. Until then, tailoring packages to regional needs makes better marketing sense."
> *SBG Partners*

> **"We tend to think of ad agencies as zippy. Yet many mature agencies have developed the same symptoms of advanced bureaucracy... that mark dying industrial outfits."**
> *Tom Peters, Liberation Management, Macmillan Publishers Limited*

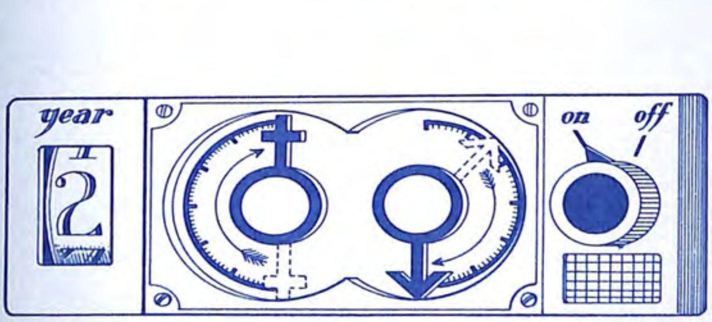


"The best ideas grow out of collaboration between different people. The more diverse their cultural backgrounds, the better the ideas will be. In Europe, the idea will be of more importance than the language in which it was born."

Dominique Simonin, Conquest Europe

"By the year 2000, six of the 10 largest cities in the world will be in Asia. The challenge for marketers is dealing with its scale and complexity."

Rod Wright, Ogilvy & Mather Worldwide, writing in O&M's Asian Viewpoint



"Between now and the year 2000, 85% of the net new entrants to the US labor force will be women, minorities and immigrants, making diversity management a major strategic imperative for business. By 2000, 47% of the workforce will be female, and only 40% will be white males."

US Bureau of Labor Statistics

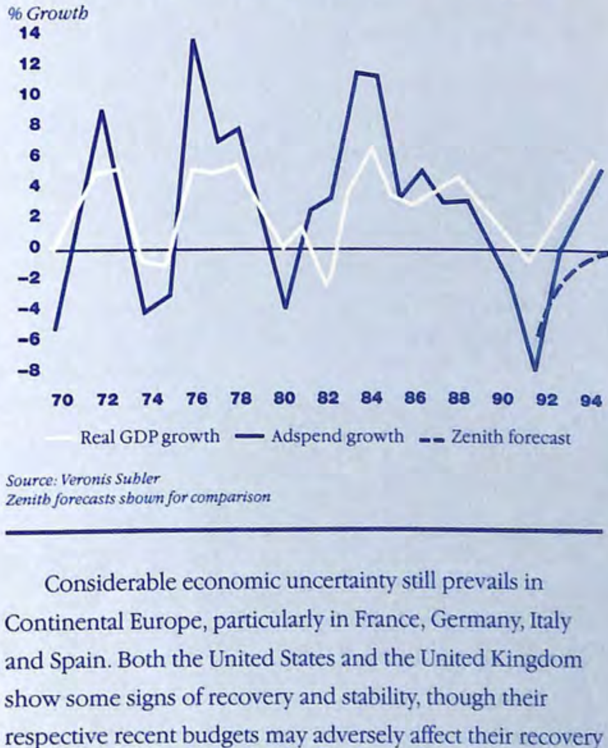
Threats and opportunities

Recovery in economic activity

Compared to the 1980s, client expenditures over the last three years have been at depressed levels. Given the low level of current economic activity and the slow recovery rate projected for the five leading countries, which between them account for nearly 75 per cent of the worldwide market, it seems probable that the recovery in marketing services expenditure will also be gradual.

Advertising expenditure, which led the economic downturn in the late 1980s, seems likely to lag the upturn in 1992 and beyond – in sharp contrast to the economic cycles of the 1970s and 1980s when advertising expenditures declined only after the downturn had started and rose in advance of the subsequent upturn.

Real US advertising expenditure growth against real GDP growth



Source: Veronis Suhler
Zenith forecasts shown for comparison

Considerable economic uncertainty still prevails in Continental Europe, particularly in France, Germany, Italy and Spain. Both the United States and the United Kingdom show some signs of recovery and stability, though their respective recent budgets may adversely affect their recovery rates: the US budget will reduce consumers' disposable income and corporate profitability, while the UK budget is in effect a delayed personal tax increase. Neither budget will therefore favour marketing services expenditures.

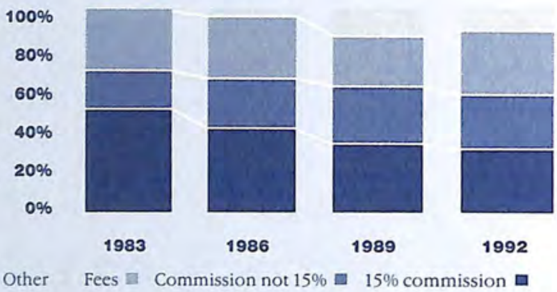
"What [advertising agencies] haven't done, with a few exceptions, is plunge into the concept of integrated marketing that their clients need to survive and thrive through these changing times. All of these various elements must be co-ordinated, and precious few large agencies are doing it. Strangely enough, many small and business-to-business agencies regularly perform this service for their clients."

Joe Cappo, senior VP publishing director Crain Communications, Inc., publisher of Advertising Age: 'Agencies: Change or Die', Advertising Age, 7 December 1992

Agency remuneration and the limited number of agency networks

Pressure on agency remuneration has continued, as clients have moved from pure commission to fees and agencies have had to bear the increased costs of multi-national co-ordination.

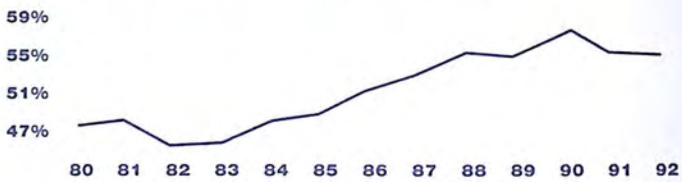
Trends in US agency remuneration



Source: Association of National Advertisers, Inc

However, in the past year at least three major multi-national packaged goods companies – Kraft General Foods, Nestlé and Unilever – have revised their remuneration arrangements and in general settled on levels equivalent to 13 per cent, with further bonuses of up to 3 per cent dependent on performance. This may be a reflection of the growing strength of a limited number of multi-national advertising agencies.

Market share of Advertising Age top 10 agencies



Source: Advertising Age

Multinational agencies

Group	Agency	No of countries	No of clients in more than 10 countries
WPP	Ogilvy & Mather	57	28
	J. Walter Thompson	48	19
Omnicom	BBDO	59	21
	DDB Needham	56	13
	DMB&B	42	7
	Leo Burnett	48	11
	FCB Publicis	51	17
	Grey	52	24
Interpublic	Lintas	46	13
	McCann-Erickson	82	33
Saatchi & Saatchi	Saatchi & Saatchi	50	18
	BSB	39	17
	Young & Rubicam	55	21

Source: Advertising Age

For clients, market pressures and worldwide expansion have further increased their requirement for agency partners able to provide strategic and creative resources internationally; yet there are only 13 agencies able to service clients in more than 40 countries.

"Scotland is a small creative country with a big future. It has produced more famous inventors, physicians, engineers and explorers than anyone else. It currently turns out more graduates per head of population than any other country in Europe. Not bad for a country where some of the men wear skirts."

Raymond Stern, Scott Stern

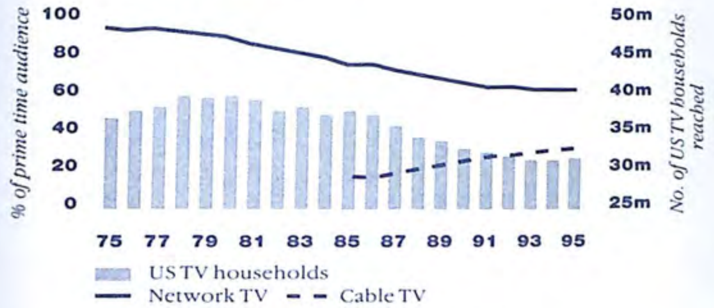
"By the turn of the century, consumers will browse the aisles, shopping list in hand but trolleyless, viewing product pack fronts or product listings and making choices via a self select smart card system ... a new challenge for manufacturers and their sales promotion agencies."

Alan Selby, Mando Marketing

Decline of network television and media inflation

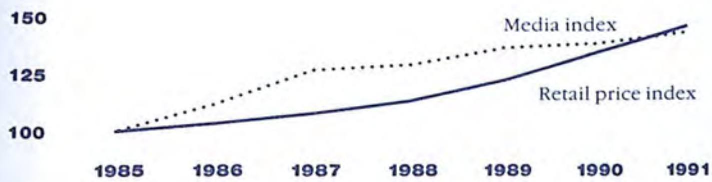
Much of the growth of marketing services during the 1970s and 1980s was fuelled both by the dominance of network television and by media inflation rates which ran significantly ahead of general price inflation.

Network television viewing
Share of prime time audience



Source: Veronis Suhler; Wilkofsky Green & Associates; A.C. Nielsen

UK media and retail price inflation
1985 = 100



Source: Advertising Association

Since then, both factors have declined in importance. As media have fragmented, and the choice of media to clients has broadened, the task of media selection has become more skilled and more complex.

Meanwhile, media continue to be concentrated in the hands of fewer owners – though they have yet to co-ordinate the offerings of their disparate networks.

Leading media conglomerates
Turnover growth

	1991/1992 £m	1987/1988 £m	CAGR[2] 1987-1992 %
Time Warner	7,401	2,232	34.9
Bertelsmann	5,802	3,817	11.0
NewsCorp	4,242	2,621	12.8
Hachette	3,262	1,715	17.4
Havas	2,842	1,366	20.1
Reed Elsevier[1]	2,455	1,578	11.7
Times Mirror	2,096	1,679	5.7

[1] *Proforma*
[2] *Compound annual growth rate*
Source: Company accounts, Valueline

Number of business & professional magazines: UK

Source: BRAD

Growth of private radio: UK

Source: AIRC

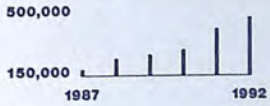
Consumer publications taking advertising listed by BRAD: UK

Source: BRAD

Number of magazines published by members of the Publishers Information Bureau: US

Source: Paul Kagan Associates, Inc.

Cable systems – number of homes connected: UK



Source: ITC

Number of satellite dishes (000): UK

Source: Continental Research

As a result, the agency media planning and buying functions have become even more important and valuable to their clients.

Media buying

The rapid growth of media buying services in the late 1980s, particularly in France, posed serious threats to the traditional full-service agency and added to the pressures on agency remuneration. However, agencies on the whole responded vigorously – and the recent passage of the Loi Sapin in France requires far greater transparency in the disclosure of media discounts. As a result, advertising agencies can now compete on equal terms with the media independents and agency groups, such as The Media Partnership, are well placed to deliver maximum discounts to their clients.

"Data overload and 'information anxiety,' caused by vastly increased computer power, will result in a plethora of data reduction consultants."

Phil Barnard, Research International

"Many products have components from many parts of the globe. Increasingly, services too will have components from abroad and ultimately 'foreign' will become less meaningful."

Charles M Perrottet, The Futures Group

"Good retail design is part reality, part illusion."

Walker Group/CNI

Increasing complexity of clients' businesses

As noted already, clients' businesses continue to expand geographically – with a consequent demand for a more structured co-ordination function from their multi-national agencies.

Top US and European advertisers
Proportion of overseas sales

	1982	1992	CAGR[3] Overseas sales 1982-1992
Procter & Gamble	30.3%	48.3%	14.6%
Unilever[1]	40.9%	41.2%	6.5%
Nestlé[1]	59.6%	51.8%*	4.7%
Philip Morris	22.2%	40.3%	24.8%
General Motors[2]	23.9%	32.4%	10.3%
Sears	2.1%	7.1%	19.3%
Pepsi	19.3%	24.7%	14.1%
Grand Metropolitan	31.7%	76.3%	17.4%
Johnson & Johnson	42.6%	49.8%	10.8%
Peugeot/Citroën	35.1%	45.1%*	10.6%

[1] *Domestic sales include European Community countries*
[2] *Excludes GMAC and other income*
[3] *Compound annual growth rate*
* *1991*

Source: Company accounts

The structures demanded, however, will differ from client to client as each client company reaches its own conclusions on the optimum balance between centralisation and decentralisation. And these conclusions, too, will change: both over time and as circumstances dictate. Many clients are complementing their country organisations by developing regional centres of innovation or excellence.

In response, agencies are developing their own co-ordination systems, frequently built around specific clients rather than regions. In future, successful agency executives may find themselves promoted to take charge of major accounts worldwide rather than of geographical regions.

Client conflicts

As the major multi-national marketing companies venture into new geographical markets and new product sectors, they inevitably invade each others' territory. Given the limited number of international agency networks, the issue of conflict has come to the fore – an issue made even more complicated by the growth, over the last few years, of strategic alliances.

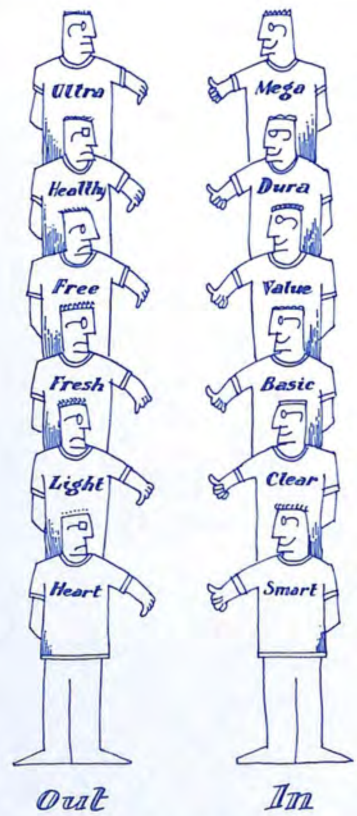
Pepsi-Cola is working with Unilever in tea, Coca-Cola with Nestlé in coffee, Nestlé with General Mills in cereals, Unilever with BSN in yoghurts: and all have chosen to make agency appointments which have caused previous conflict arrangements to be redrawn. This development, together with the emergence of third networks within agency groups, suggest that traditional, hard-and-fast client conflict policies may soon be modified.

Agency initiatives

Agencies will also encourage centres of excellence. In Europe they will be mainly concentrated in Frankfurt, London, Madrid, Milan and Paris – mirroring the United States where equivalent centres exist in Chicago, Detroit, Los Angeles and New York.

The development of international specialist activity will continue. For instance: in public relations, growth is especially strong in education, healthcare, trade, environment and crisis management. Since much of the expertise and knowledge demanded in each of these areas is universally applicable, it makes growing sense for them to be internationally co-ordinated.

Furthermore, many companies within our Group are beginning to form strategic alliances with fellow companies in order to provide a co-ordinated and multi-disciplinary service to clients in certain specialist fields. Details of two such initiatives are to be found on page 24 of the Companies Section of this Annual Report.



Next year's brand buzzwords

Source: Dechert Price & Rhoads; Annual Report on Trends in Brand Name Selection 1993, quoted in Brand Strategy, 26 February 1993.

"... measurable, results-producing television advertising is a strategy whose time has come."

Continued pressure on brands

National brands remain under pressure, not least from an intensifying concentration of retail power. The need for brands to differentiate themselves through their communications, and maintain a direct relationship with their ultimate consumers, signals a growing demand for marketing services: certainly advertising but also public relations, direct marketing and sales promotion.

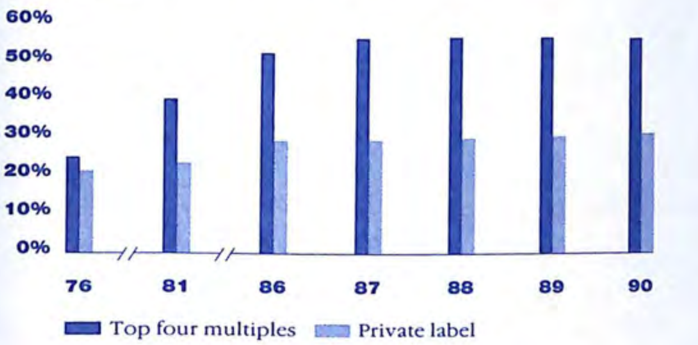
The recent decision of Philip Morris in the United States to make significant price cuts on its Marlboro brand has prompted trade press speculation that battles between brands may soon be a thing of the past and that future market competition will be based on the single dimension of price. It should be remembered, however, that tobacco manufacturers have for some time been denied access to many traditional advertising media and that heavily discounted products (some from Philip Morris itself) have been rapidly gaining market share. Marlboro continues to enjoy a premium, the envy of most of its competitors and remains a testimony to the art of brand building and maintenance.

"... the first question to be asked of any successful brand today anywhere is, will it travel? And how fast will it travel? Because you have no time to wait and see. You have no time to take this whole process slowly but surely. If you don't move that successful brand around the world rapidly you can be sure your competitor will take the idea, lift it, and move it ahead of you. Speed to market is of the essence. But the point ... central to all of this is, a global brand is simply a local brand reproduced many times."

Michael Perry, chairman Unilever PLC, Adweek, 14 December 1992

Concentration of food retailing power in the UK

Market share



Source: AGB Databank

"As companies move to diminish the price spreads, the competition will have to hinge on something else. There isn't much else besides brand awareness. We will probably see a move toward non-price-based product differentiation heralding, if not quite a Golden Age, at least better times ahead for advertising."

Alan Gottesman, PaineWebber, 8 April 1993

"... advertising remains a key and critical part of the successful marketing mix. But if advertising is to continue to serve as the anchor in the overall marketing plan, agencies must come up with more than clever messages. Agencies must help clients develop compelling advertising concepts that will serve as launching pads for the broad range of other marketing tools available. That list includes packaging, in-store promotions, direct mail, direct response, product 800 numbers, database marketing, coupon redemption programs, cable programming – to name a few."

Timm Crull, chairman-chief executive officer Nestlé USA, in a presentation to the American Association of Advertising Agencies annual meeting, reported in Advertising Age, 3 May 1993

"... the 'Toyshop Syndrome' (in Eastern Europe) whereby the wide-eyed consumer sees new desirable goods and wants them all, will be replaced by considered choices based on brand and product credentials."

Linda Caller, Ogilvy & Mather Worldwide, writing 'The Eastern Consumer Comes of Age' in Marketing Director International, Winter 1992/3

CAA (Creative Artists Agency)

A great deal of interest has been aroused by Coca-Cola's decision to appoint CAA, the leading Hollywood talent agency, to create this year's advertising for Classic Coke.

Some have speculated that this decision indicates more than a client's temporary dissatisfaction with its agency and heralds a major change in the role of agencies, with a large number of clients defecting to CAA or its competitors.

While advertising industry leaders have been quick to dismiss the competitive threat, Coca-Cola's move certainly highlights some of the challenges facing agencies.

However important international co-ordination may have become, an agency's prime and central function continues to be the provision of imaginative strategies and outstanding creative solutions.

On occasion, cumbersome client or agency structures and approval systems militate against clear and vigorous decisions. Agencies must ensure that size does not begin to impair agility.

And finally, agencies must be sure to keep in touch: both with a rapidly changing youth culture and with the talent that exists in the world of entertainment. The finest directors, musicians, editors, photographers and special effects people will never be found on the payrolls of agencies: but agencies must know where they are and be ready to marshal them on their clients' behalf.

Healthcare: an expanding category

Every decade witnesses the emergence of new product categories; or rather, product categories which for the first time become truly competitive and consumer-orientated. Companies within these categories invariably become important additional clients for marketing services companies. In the 1970s and 1980s we saw the birth and growth of retail, computers and financial services. For the 1990s, healthcare looks set to become one of the most dynamic.

In much of the world, the consumer's interest in a healthy lifestyle is having a pronounced effect on marketing programmes; while at the same time pharmaceutical companies are expanding into over-the-counter (OTC) products to complement their prescription-only business. This development will call for the employment of mass-media techniques, such as advertising and direct marketing, in contrast to the pharmaceutical sales forces used to market ethical products to the medical profession.

The two-fold effect is that specialist healthcare agencies are developing mass-media capabilities while consumer agencies are acquiring specialist knowledge in the healthcare area.

(For information on WPP's CommonHealth initiative, see page 24 of the Companies Section of this Annual Report.)

"The consumer recession should be conceived of as less of a problem of confidence and more a problem of interest. If people's imaginations were captured and they got excited about products and services in the way they did in 1984-88, confidence would automatically follow."

Bob Tyrrell, The Henley Centre

"Yesterday I saw you on television. Today I can see you via satellite. Tomorrow I will see you on the telephone. Next week ..."

Philip Christey, PLIV

"We are witnessing an Accountability Revolution: it permeates every business relationship. Communications consultants are being held accountable for results and value as never before. In effect, the economic 'food chain' has become a more fragile web of interdependent relationships. The connecting fiber is accountability."

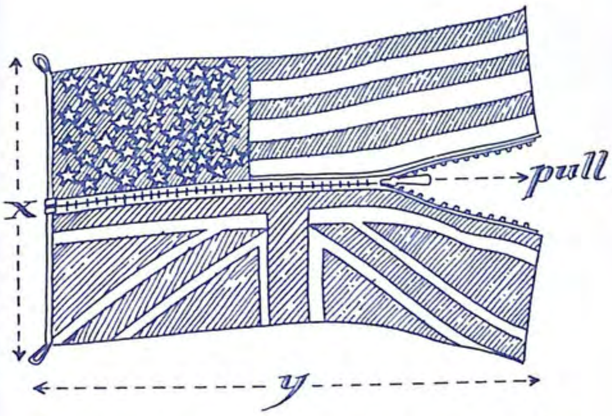
Joseph M Howell III, Carl Byoir & Associates Inc

Conclusions

In assessing the present state of the marketing services sector and its immediate future, we have briefly considered: underlying demand; costs and margins; threats and opportunities; and the economic environment.

In summary, we see every reason to believe that the strong and growing demand for the skills of our operating companies will continue – as indeed it has throughout a long and deep recession. While costs have by and large been satisfactorily contained, remuneration pressures will remain with us. There are encouraging signs, however, that the erosion of rates of commission is slowing down.

Group companies, in all sectors, are known for their professional excellence. Whenever and wherever economic upturn becomes evident, there can be no doubt that they, and therefore the Group, are exceptionally well placed to benefit.



"Looking for increased profits and expanded avenues for growth, US companies are increasingly entering into joint ventures with non-US companies. In a survey of US companies, 87 per cent have chosen one or more non-US partners."

Anspach Grossman Portugal: 'Joint Ventures: Global Pioneers of the 90s – New Challenges for Managing Image'

"Mass monologue will be left for dead by relevant dialogue."

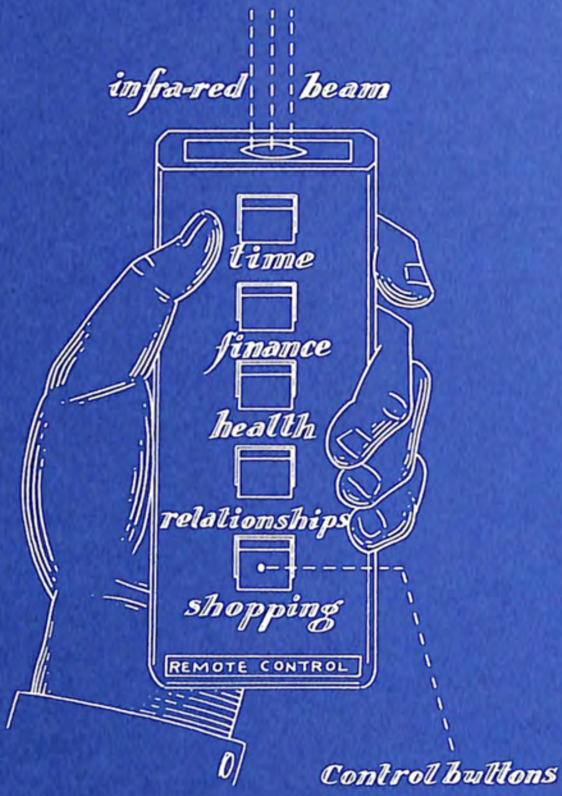
Mitchell Orfuss, JWT Direct USA, telephone (212) 210 7818

"The major assets of a consumer business, overwhelmingly, are its brands. They are of incalculable value. They are our heritage. They sustain the current business. They represent our future. Once you have understood that, you know your central task. You must invent, nurture and invest in brands. You must develop and maintain your brand equities. And when you have grasped that, you understand that advertising is at the heart of your business. New brands are brought into the world through advertising. Innovation is promoted and promulgated by advertising. Established brands are sustained by advertising. Great product concepts need great advertising to become great brands."

Michael Perry, chairman Unilever PLC, 33rd IAA World Advertising Congress, Barcelona, September 1992

"... what we have simply done is to say we aren't going to be limited in where we go for creative access ... you know, the move to Creative Artists Agency was not a cataclysmic event in the Coca-Cola Company. It was simply an effort to link up with a very bright person in [CAA chairman] Michael Ovitz and his associates, to open up a pool of creativity to put their arms around the ultimate star, which is Coca-Cola."

Donald Keough, president chief operating officer Coca-Cola Company, Advertising Age, 12 April 1993



Status symbols for consumers in the 1990s will be:

1. Control of time

2. Control of finances

3. Control of health

4. Close, personal relationships with others

5. Smart shopping

SBG Partners

WPP Group Contacts:
See page 26, Book two

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