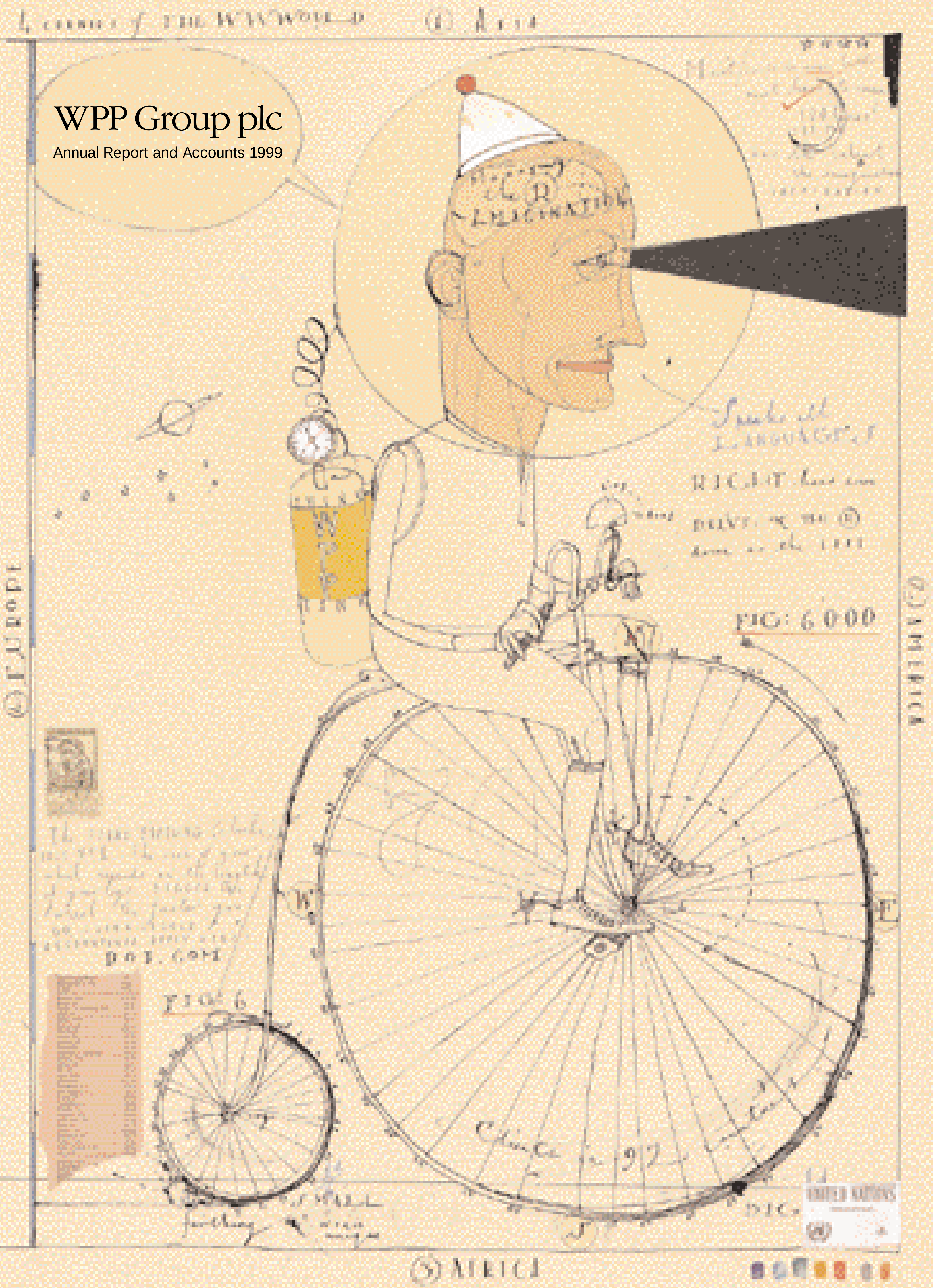
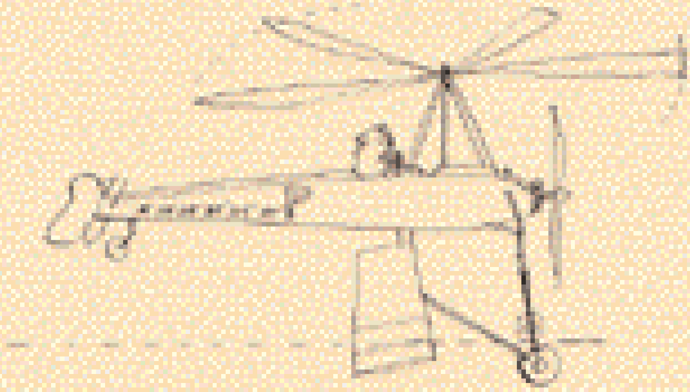
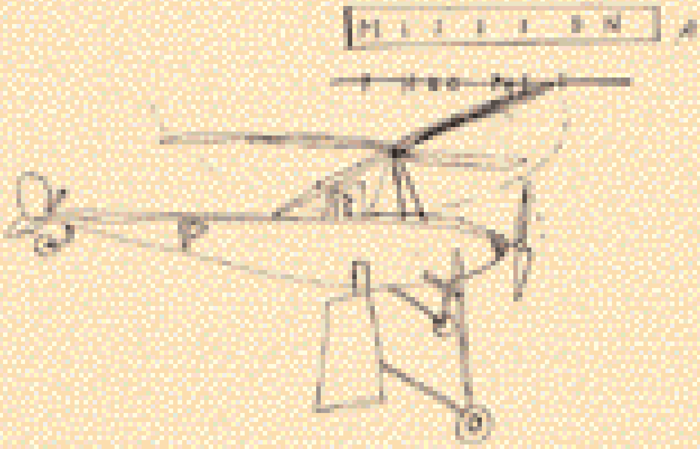
WPP Group plc

Annual Report and Accounts 1999

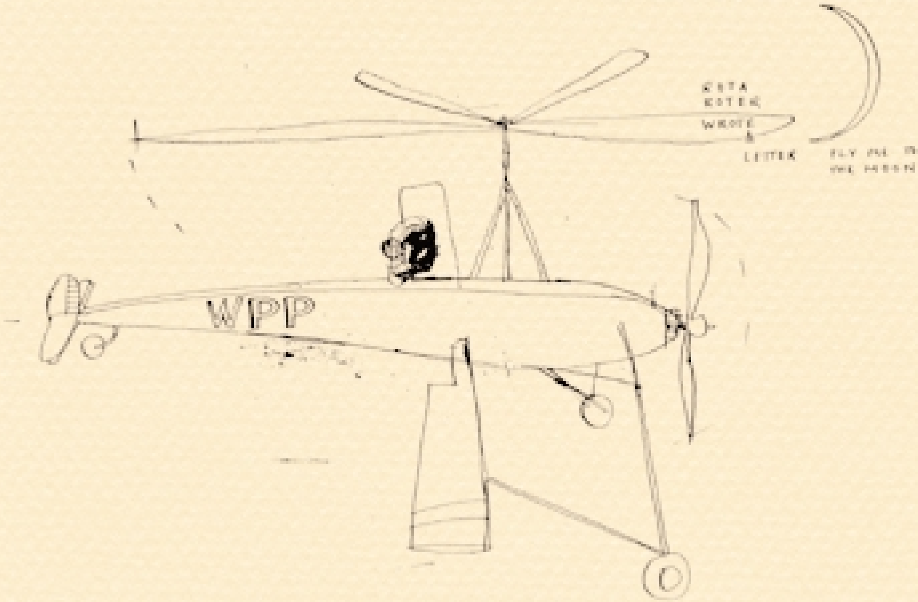






MISSION

To develop and manage talent;
to apply that talent, throughout the world,
for the benefit of clients;
to do so in partnership;
to do so with profit.



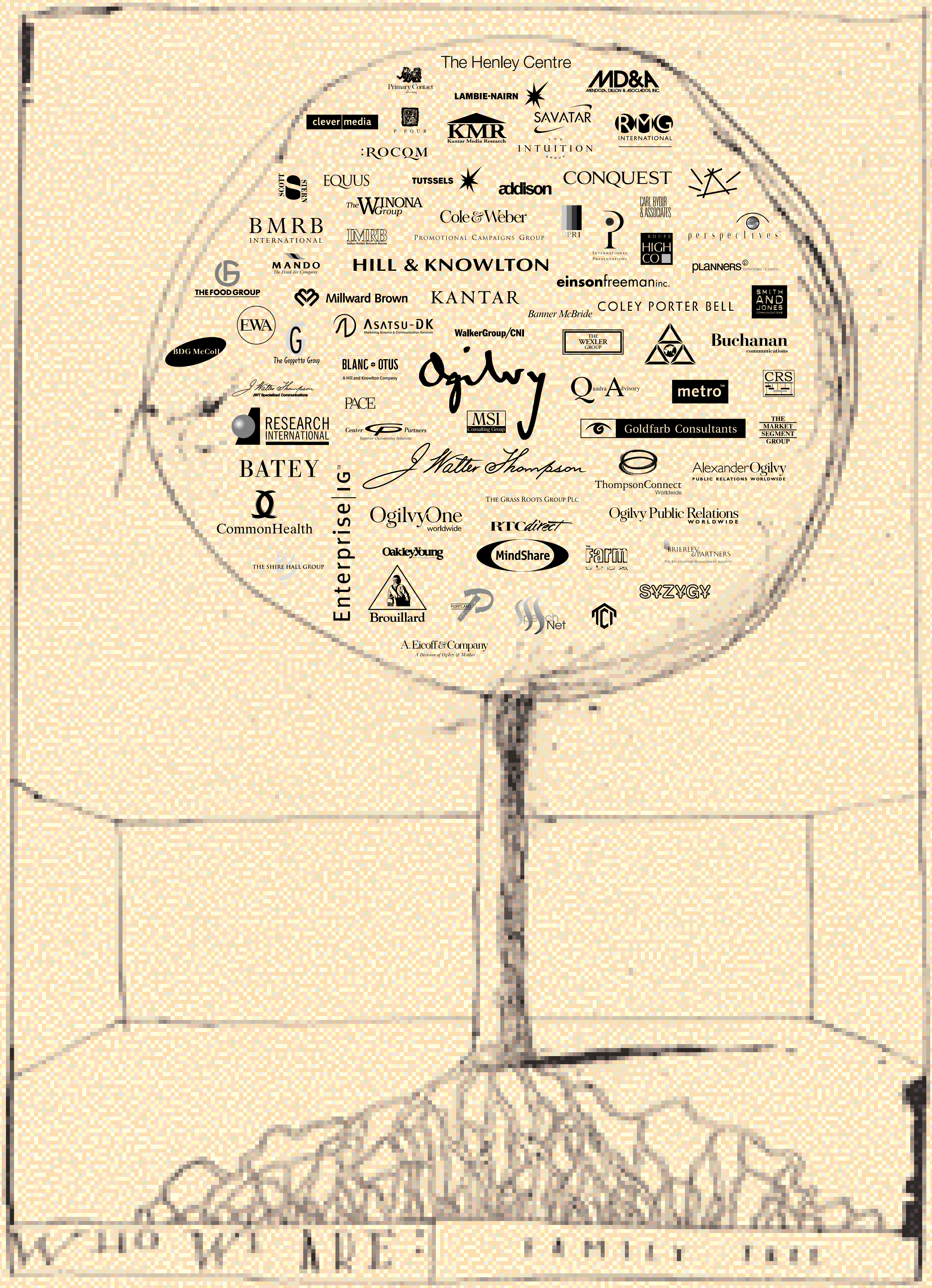
Who We Are:

WPP provides communications services to clients throughout the world, including more than 300 of the Fortune Global 500 and over one-third of the Nasdaq 100. Our 39,000* people work out of 950 offices in 92 countries.

Every WPP company is a distinctive brand in its own right: all with their own identities and own areas of expertise. That is their strength. What they have in common is that they harness intelligence, talent and experience to bring competitive advantage to their clients.

WPP, as a parent, complements the professional activities of our individual operating companies through initiatives and programmes that provide greater value to our clients, competitive advantage to our companies, opportunities and rewards for our people, and accelerate our development in new media and technology. For the full inventory of WPP initiatives visit *www.wpp.com/catalog*.

*Reflects total number of employees in wholly-owned and affiliated companies as at 10 May 2000.


The Henley Centre
Primary Contact
MD&A
MENDOZA, DILLON & ASOCIADOS, INC.
LAMBIE-NAIRN
clever media
P·FOUR
KMR
Kantar Media Research
SAVATAR
THE INTUITION GROUP
RMG INTERNATIONAL
:ROCQM
SCOTT STERN
EQUUS
TUTSSELS
addison
CONQUEST
The Winona Group
Cole & Weber
CARL BYOIR & ASSOCIATES
BMRB INTERNATIONAL
IMRB
PROMOTIONAL CAMPAIGNS GROUP
BPRI
INTERNATIONAL PRESENTATIONS
GROUPE HIGH CO
perspectives
MANDO
The Fixed Fee Company
HILL & KNOWLTON
einsonfreeman inc.
PLANNERS
THE FOOD GROUP
Millward Brown
KANTAR
Banner McBride
COLEY PORTER BELL
SMITH AND JONES
EWA
ASATSU-DK
WalkerGroup/CNI
BDG McColl
The Geppetto Group
THE WEXLER GROUP
Buchanan communications
BLANC & OTUS
A Hill and Knowlton Company
Ogilvy
Quadra Advisory
metro
CRS
JWT Specialized Communications
PACE
RESEARCH INTERNATIONAL
Center Partners
Superior Outsourcing Solutions
MSI
Consulting Group
Goldfarb Consultants
THE MARKET SEGMENT GROUP
BATEY
J. Walter Thompson
ThompsonConnect
Worldwide
Alexander Ogilvy
PUBLIC RELATIONS WORLDWIDE
Enterprise IG
CommonHealth
OgilvyOne
worldwide
THE GRASS ROOTS GROUP PLC
RTCdirect
Ogilvy Public Relations
WORLDWIDE
THE SHIRE HALL GROUP
OakleyYoung
MindShare
The Farm
BRIERLEY & PARTNERS
THE RELATIONSHIP MANAGEMENT AGENCY
SYZYGY
Brouillard
PORTLAND
SpeechNet
A.Eicoff & Company
A Division of Ogilvy & Mather

Our Companies and Associates

Through our companies and associates*, WPP offers a comprehensive and, when appropriate, integrated range of communications services to national, multinational and global clients.

Advertising

Ogilvy & Mather Worldwide
www.ogilvy.com

J. Walter Thompson Company
www.jwtworld.com

Conquest
www.conquestgroup.com

Cole & Weber

Asatsu-DK[1]
www.asatsu-dk.co.jp

Batey[1]
www.bateyads.com.sg

Chime Communications PLC[1]
www.chime-plc.co.uk

Equus[1]

SCPF[1]
www.scpf.com

Media investment management

MindShare
www.mindshareworld.com

Media Insight/Maximize

Portland Outdoor
www.portlandoutdoor.com

The Media Partnership[1]

Tempus Group PLC[2]
www.tempusgroup.com

Information & consultancy

The Kantar Group:

Research International
www.research-int.com

Millward Brown
www.millwardbrown.com

Kantar Media Research
- AGB Italia[1]
  www.agbitalia.it
- BMRB International
  www.bmrb.co.uk
- IBOPE Media Information[1]
- Symmetrical Resources[1]/Simmons[1]
  www.smrb.com

Goldfarb Consultants
www.goldfarbconsultants.com

IMRB International[1]
www.imrbint.com

Winona Group
www.winonaresearch.com

Center Partners
www.centerpartners.com

Public relations & public affairs

Hill and Knowlton
www.hillandknowlton.com

Ogilvy Public Relations Worldwide
www.ogilvypr.com

Timmons and Company

The Wexler Group
www.wexlergroup.com

Carl Byoir & Associates

Buchanan Communications
www.buchanan.uk.com

Chime Communications PLC[1]

Branding & identity, healthcare and specialist communications

Branding, identity & corporate consultancy

Addison
www.addison.co.uk

Banner McBride
www.bannermcbride.com

BDG McColl
www.bdgmccoll.com

Brouillard
www.brouillard.com

Coley Porter Bell
www.cpb.co.uk

Enterprise IG
www.enterpriseig.com
– BPRI
www.bpri.co.uk
– Clever Media
www.clever.co.uk

JWT Specialized Communications
www.jwtworks.com

Lambie-Nairn
www.lambie-nairn.com

Scott Stern
www.scottstern.co.uk

Tutssels
www.tutssels.com

Healthcare

CommonHealth
www.commonhealth.com

Shire Hall Group
www.shirehall.com

Direct, promotion & relationship marketing

A. Eicoff & Co
www.eicoff.com

Brierley & Partners[1]
www.brierley.com

Einson Freeman
www.einsonfreeman.com

EWA
www.ewa.ltd.uk

High Co[1]
www.highco.fr

Mando Marketing
www.mando.co.uk

Oakley Young
www.oakley-young.co.uk

OgilvyOne Worldwide
www.ogilvyone.com

Perspectives
www.perspectives.co.uk

Promotional Campaigns Group
www.pcguk.com

RMG International

ROCQM
www.rocqm.co.uk

RTCdirect
www.rtcdirect.com

SpeechNet
www.speechnet.co.uk

The Grass Roots Group[1]
www.grg.co.uk

ThompsonConnect Worldwide

Strategic marketing consulting

The Henley Centre
www.henleycentre.com

Management Ventures
www.mventures.com

MSI Consulting/Charles River Strategies
www.msiconsulting.com/www.crstrat.com

P·Four Consultancy
www.pfour.co.uk

Planners[1]
www.planners.es

Quadra Advisory[1]
www.quadraadvisory.com

Sector marketing

Business-to-business

Primary Contact
www.primary.co.uk

Demographic marketing

The Geppetto Group
www.geppettogroup.com

The Intuition Group

The Market Segment Group[1]
www.marketsegment.com

Mendoza Dillon & Asociados

Foodservice

The Food Group
www.thefoodgroup.com

Investor relations

International Presentations[1]
www.intpres.com

PR & sports marketing

PRISM Group
www.prismteam.com

Real estate

Pace

Retail

Walker Group/CNI
www.wgcni.com

Technology

Smith and Jones
www.smithandjones.co.uk

Media & technology services

Metro Group
www.metrobroadcast.co.uk

Savatar
www.savatar.com

The Farm[1]
www.farmpost.co.uk

New media investments

BigWords[2]
www.bigwords.com

Concept[2]
www.concept.com

Deckchair[2]
www.deckchair.com

e-Rewards[2]
www.e-rewards.com

Imagine[2]
www.imagine.com

Intraspect[2]
www.intraspect.com

Media Technology Ventures[3]
www.mtventures.com

Metapack[2]
www.metapack.com

NewsEdge Corporation[2]
www.newsedge.com

Red Sheriff[2]
www.redsheriff.com

Syzygy[1]
www.syzygy.net

TWli[2]
www.imgworld.com

Visible World[2]
www.visibleworld.net

[1] Associate investment
[2] Minority investment
[3] Venture fund
*As at 10 May 2000

1999 FINANCIAL

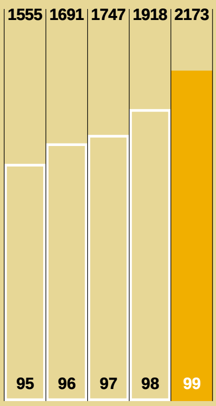
Our 1999 results reflect record profits in our fourteenth year, with continued improvement in revenues, margins and earnings per share. The gap between the very best-performing competition and ourselves continues to narrow.

	1999	1998	Change %
Turnover (gross billing)	**£9,346m**	£8,000m	+16.8
Cost of sales	**£7,173m**	£6,082m	+17.9
Revenues	**£2,173m**	£1,918m	+13.3
Earnings before interest, tax, depreciation, and amortisation	**£333m**	£279m	+19.4
Operating profit	**£264m**	£229m	+15.3
Operating margin†	**13.4%**	12.8%	+0.6
Profit before tax	**£255m**	£213m	+19.7
Diluted earnings per share	**22.5p**	18.8p	+19.7
Diluted earnings per ADR††	**$1.82**	$1.56	+16.7
Ordinary dividend per share	**3.1p**	2.56p	+21.1
Ordinary dividend per ADR††	**25.1¢**	21.2¢	+18.4
Net funds at year-end	**£92m**	£134m	–31.3
Average net debt	**£206m**	£143m	+44.1
Share price at year-end	**981.0p**	365.8p	+168.2
Market capitalisation	**£7,598m**	£2,804m	+171.0

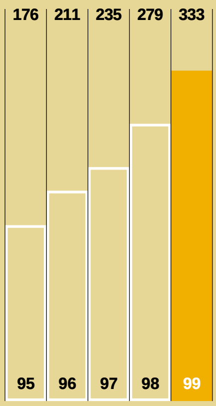
† Including income from associates
†† One American Depositary Receipt represents five ordinary shares. For convenience these sterling figures have been translated to US dollars at the average rate for the period.

SUMMARY

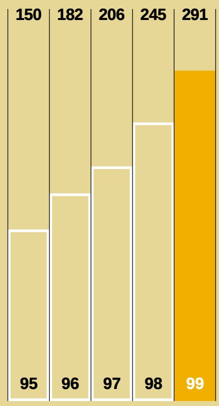
Revenue £m



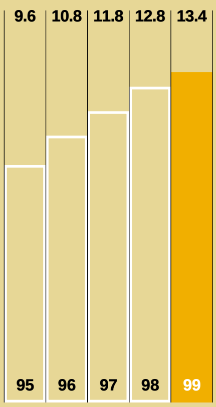
Earnings before interest, tax, depreciation and amortisation £m



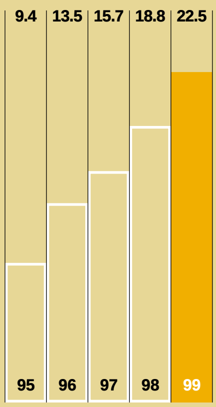
PBIT £m



PBIT margins %



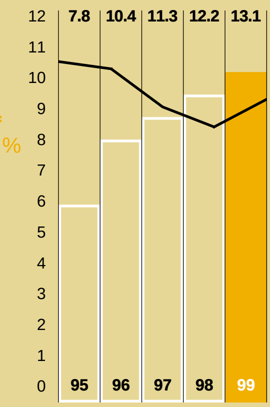
Diluted earnings per share p



After tax return on average capital employed[1] % **and weighted average cost of capital (WACC)** %

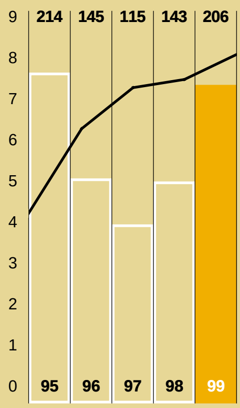
— WACC

[1] Calculated gross of goodwill, revaluation reserve and using profit after tax

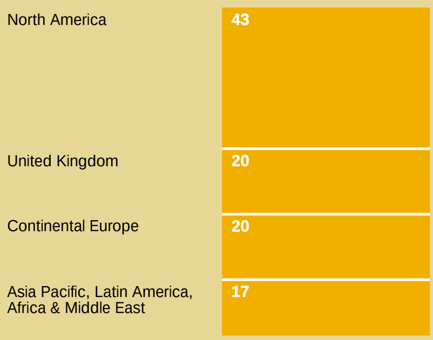


Average net debt £m **& interest cover** multiples

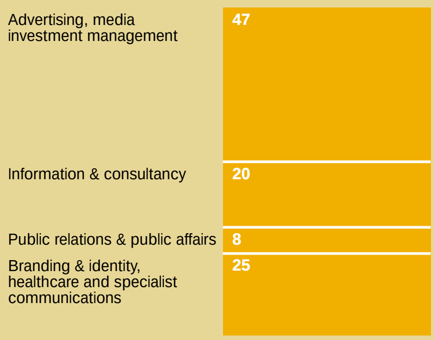
— Net interest cover



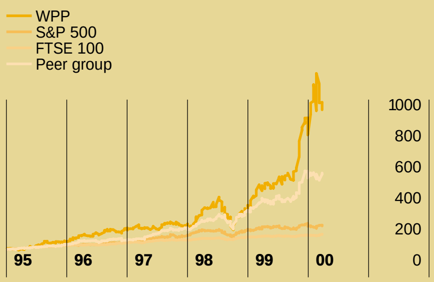
1999 revenue by geography %



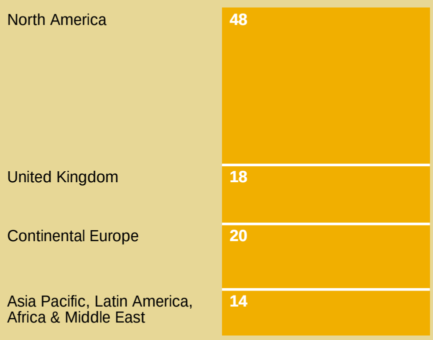
1999 revenue by sector %



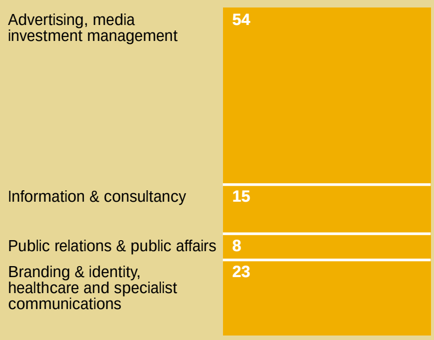
WPP total return to share owners relative to peer group rebased to 1995



1999 PBIT by geography %



1999 PBIT by sector %



Dear Share Owner

1999, our fourteenth year, was another record year.

Turnover was up almost 17% to over £9 billion, reflecting the rapid growth in our media investment management activities, and revenues grew over 13% to over £2 billion for the first time. Pre-tax profits rose by 20% to over £255 million, earnings per share by almost 20% to 22.5p and dividends by 21% to 3.1p.

The real measure of your wealth, the share price, rose by 168% during 1999.

This strong growth in the Company's share price resulted in your company being ranked in the top half of the FTSE 100 (having only entered in June 1998) and of the Eurotop 300 index. It is also ranked in the *BusinessWeek Global 1000* and if it were based in the United States it would also be a member of the *Fortune 500*, both by revenues and by market capitalisation.

The rest of this letter is based on constant currency comparisons, which are more meaningful given the continued strength of sterling in 1999. Revenues and gross profits were up 12%. All our disciplines – advertising; media investment management (our new definition of media planning, buying and research); information and consultancy; public relations and public affairs; and branding and identity, healthcare and specialist communications – grew strongly but with greater growth outside advertising, so much so that non-advertising activities now account for 53% of revenues.

The same strength was seen geographically with double-digit growth in North America, the United Kingdom and Continental Europe but slower growth due to economic problems in Asia Pacific, Latin America, Africa and the Middle East.

Operating margins were up by 0.8% in excess of our objective of 0.6%. Productivity and efficiency again increased significantly as like-for-like revenues grew by over double the like-for-like increase of staff numbers of 3.2%.

As a result profit before interest and tax grew by almost 19% to £291 million. Pre-tax profits were up even more at over 20%. We generated £171 million of free cash flow, up over 25% over last year and which was more than absorbed by acquisition payments and investments of £262 million, share repurchases and cancellations of £18 million and dividends of £21 million. As a result average net debt rose to £206 million, compared to £155 million in 1998 at 1999 exchange rates, and the historical target range of £150-200 million. Your Board is prepared to increase net debt further to the range of £200-250 million if there are sufficient small- to medium-sized cash acquisition opportunities available and there are attractive opportunities for share repurchases. Finally, earnings per share rose by almost 20%.

2000 has started very well and should see similar improvements. After three months, revenues are up over 20% against a budget of more than 7%. Operating margins are on-budget which calls for an improvement of 0.6 margin points. We continue to seek ways of unlocking added value for both clients and our people and proving that there is real value in WPP's strategy. Our goal remains to become the world's most successful and preferred provider of communications services to both multinational and national companies.

Our six objectives are as follows:

- First, to continue to raise operating margins to the level of the best performing competition, from 13.4% last year to 14% this year and to 15% by 2002. Is there life after 15%? Well, some single agencies achieve 20% and we believe there are better ways of doing things which we should explore. So there should be.
- Second, to increase the flexibility in our cost structure to cope with the recessions when they come. This flexibility should act as a 'shock absorber' to protect our margins when revenues are squeezed by an economic slowdown. Our investment in people and property accounts for approximately 60% of revenues.

Variable staff costs, including incentive compensation, freelancers and consultants, now account for almost 6% of revenues and we aim for 7-8%.

- Third, we have achieved our objective of de-leveraging the Company to average net debt of £150-200 million and interest cover of over seven times. Now we have to focus on how we can improve share owner value by maximising the return on alternative investments in capital expenditures, acquisitions and investments, dividends or share buy-backs.

Although capital expenditures have risen recently primarily reflecting Year 2000 issues and property rationalisation, they are unlikely to absorb more than 120-130% of the depreciation charge in the medium and long term.

We continue to trawl carefully for acquisition and investment opportunities and have added resources to our central acquisition team. However, we remain concerned about value in certain markets. We will therefore probably remain primarily active in acquiring strategically important, small- to medium-sized businesses of up to $300 million in value unless exceptional strategic and financial opportunities, such as Young & Rubicam Inc., arise.

Increasing dividends tends to raise the fixed charges in the business and as a result we will continue to favour share repurchases and cancellations as a use of our free cash flow. In 1999 we invested only £18 million here, but continue to be committed to a rolling annual buy-back programme of a recently increased amount of £100 million equivalent to approximately 1% of our share capital. Historical data seems to indicate that programmes on this scale have the most significant impact on share owner returns.

- Fourth, to advance further the role of the Company from that of a financial holding or investment company (concentrating solely on financial matters such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions and investor relations) to that of a parent company that adds value to our clients and our people.

We are focused on the key adding-value areas that we have identified – human resources, property management, procurement, information technology and practice development. This work is done by a limited headcount of 100 or so parent company people in London and New York, with some support in Hong Kong and Mexico City.

In the human resources area we continue to develop our short-term and long-term incentive plans, our high performer 100 and 400 Clubs and 500 High Potential Group; our Worldwide Ownership Plan, Worldwide Partnership Program and Atticus Awards – our literary Oscars; our training and knowledge-sharing programmes and specialised seminars on creativity, retailing and interactive; our Marketing Fellowship Program; our Group directory, *Navigator* and newspaper *The WIRE*.

In property management we continue to implement the WPP Space Program which seeks to improve the return on our annual investment of $300 million in our property, by improving communications, speed of response and efficiency, through new design and layout of our premises.

In procurement we continue to take initiatives in various regions of the world to improve the way we purchase goods and services and co-ordinate their buying.

In information technology we are increasingly co-ordinating our $75 million annual investment in hardware, software and information technology salaries.

Finally, in practice development we continue our 'horizontal' initiatives in 10 recently identified high growth areas across our 'vertical' operating brands – in media investment management; in healthcare; in privatisation; in new technologies; in new geographic markets; in retailing; in internal communications; in entertainment and media; in financial services; and in telecommunications and hi-tech. In addition, we are developing our direct investments in new media and our start-ups and internal strategic alliances which reinforce our practice development initiatives.

All these initiatives are designed to ensure that we, the parent company, really do (and are perceived to) inspire, motivate, coach, encourage, support and incentivise our operating companies to achieve their strategic and operational goals.

Fifth, as we move up the margin curve we are placing greater emphasis on revenue growth. A legitimate criticism of our performance against the best performers in the industry is that our internal or organic growth rate is lower. Over the last four years we have grown organically by approximately 8% per annum, against approximately 10% for the very best of the best performing competition (although their definition of organic growth is significantly less conservative than ours).

Our objective is to move up to this level by better positioning our revenue portfolio in faster-growing functional areas. Perhaps the first quarter results for 2000 are indicative of some success, although one swallow does not make a summer. Our practice development initiatives are aimed at helping with this and acquisitions so far in 2000 – in strategic marketing consultancy, advertising, e-mail communications, new media, promotions and relationship marketing, e-business, healthcare, recruitment advertising, public relations, branding and identity, media research and internet communications – are also key. Information and consultancy, public relations and public affairs and specialist communications currently account for just 53% of our revenues. We would like to see them at 66⅔% in five years.

Similarly, our geographic expansion is aimed at improving our organic revenue growth rate. Despite recent difficulties we still believe that the key growth areas will be Asia Pacific, Latin America, Central and Eastern Europe, Africa and the Middle East. Currently these areas account for over 17% of our revenues, versus 13% a few years ago. We would like to see them at one-third within five years, equally balanced with North America and Europe.

To achieve this we will expand our strong institutional networks – Ogilvy & Mather Worldwide, J. Walter Thompson Company, Conquest, Batey, MindShare, Research International, Millward Brown, Hill and Knowlton, Ogilvy Public Relations Worldwide, OgilvyOne Worldwide, CommonHealth and Enterprise IG – in high growth markets or where their market share is insufficient. In 1999 we tackled Argentina, Brazil, Chile, Czech Republic, France, Germany, Israel, Mexico, Netherlands, Poland, Scandinavia, Singapore, Spain, Taiwan, the UK and US. In 2000 there is more work to do in France, for example.

We will also enhance our leadership position in information and consultancy by continuing to develop our key brands with particular emphasis on North America, Latin America and Asia Pacific. We will also reinforce our growing position in media research through Kantar Media Research. This includes our investments in television audience research through IBOPE and AGB Italia, which following even greater success in the UK and Australia, now have strong representation in 26 countries in Europe, Latin America and Asia Pacific.

In addition, we will reinforce our worldwide strength in direct and interactive marketing and research through our traditional channels such as OgilvyOne Worldwide, Digital@JWT, Alexander Ogilvy, Blanc & Otus and MB Interactive. We will also invest directly in the new channels that still excite the financial markets despite recent volatility in values.

Lastly, we will continue to develop our specialist expertise in areas such as healthcare, retail and interactive and to identify new high growth areas.

Sixth, and you will be pleased to know our final objective, is to improve still further the quality of our creative output. Of the three things we do, strategic thinking, creative execution and co-ordination, creative execution is probably the most important – but we use the phrase in its broadest sense. Clients look for creative thinking and output not just from advertising agencies, public relations and design companies, but also from our media investment management company MindShare and our research companies. Millward Brown is already arguably one of our most creative brands.

We will do this by stepping up our training and development programmes; by recruiting the finest talent from outside; by celebrating and rewarding, both tangibly and intangibly, outstanding creative success; by acquiring strong creative companies; and by encouraging, monitoring and promoting our companies' achievements in winning creative awards.

A colossal amount remains to be done – and given the pace of change that our clients face and therefore challenge us with, it seems certain that once these objectives are achieved they will be replaced by new ones.

As companies grow in size, most chairmen and CEOs become concerned that their organisations may become flabby, slow to respond, bureaucratic and sclerotic. Any sensible chairman or CEO would not want this to be the case. They would want both the benefits of size and scale with the responsiveness and energy of a smaller firm. For the first time new technologies enable this to be achieved more effectively and easily. WPP is no different. We want the scale and resources of the largest firm together with the heart and soul of a small one.

As a parent company, we are developing practical principles and policies for employee relations, charitable giving, the environment and support for communities and the arts, based on best practice guidelines.

Our activities run in parallel with our operating companies' initiatives and programmes in each of these areas. A summary of the Group's initiatives to date can be found on pages 89 and 95.

An annual report and accounts such as this, constrained as it is by laws and professional practices, can only hint at the real nature of our business.

It is, of course, an intensely personal business and an intensely creative business. Our many clients come to us for the brains and inventiveness of our people. Across all the disciplines, around the world, project by project, each assignment is individually undertaken and each solution painstakingly made-to-measure. And when all the hundreds of thousands of such assignments are totalled up, and expressed as they must be in monetary terms, they deliver the numbers reported here. But numbers alone, however good in themselves, only poorly express the creativity, the applied discipline and the infinite diversity that make up your company.

So we would ask you now, as share owners, to look behind those numbers; to remember their origin; to recognise the 39,000 people who work for WPP companies and associates around the world; and to join us in respect and admiration for their talent and gratitude for their dedication. We hope they enjoyed themselves.

It was an excellent year: and not just in the ways that can be measured. We can – so far – say the same for the year 2000.

Hamish Maxwell
Chairman

Sir Martin Sorrell
Group chief executive

His monument thrives. Ogilvy & Mather Worldwide continues to exemplify the style, standards and professionalism first established fifty-two years ago by this titan among advertising people.
As we mark his death, we celebrate his life and his achievements.

23 June 1911 – 21 July 1999

Operating and financial

Competitive, geographic and sector performance

Competitive performance

There is still a significant profit opportunity in matching the operating margins of the best-performing competition. The best-performing competitive listed holding companies, The Interpublic Group of Companies Inc. (IPG) and Omnicom Group Inc. (Omnicom) achieve 15–16% operating margins, whilst their best-performing individual agencies such as McCann-Erickson Worldwide and BBDO Worldwide are estimated to achieve operating margins of as much as 20%. This compares to a WPP parent company margin of 13.4% and combined margins at Ogilvy & Mather Worldwide and J. Walter Thompson Company brands of 16.4%. Historically, listed public relations companies showed operating margins of over 10% which have now been more than matched by our own operations. Operating management has indicated that margin performance can be improved even further.

The Group is targeting an improvement in operating margin of 0.6% in 2000 and has set a new operating margin plan to achieve a 15% operating margin by 2002, to bring us more into line with these competitors.

One of the Group's most important objectives is to increase its rate of organic revenue growth which is a key measure of the success of its value-added strategy. Excluding acquisitions, this was approximately 8% in 1999. Comparison with our competitors is difficult given that, to the best of our knowledge, they define organic growth rates differently absorbing acquisition revenues into organic growth rates more quickly. If we were to use their method of calculation, our organic growth rate would have been close to 10%. The high revenue growth areas of information and technology, telecommunications, healthcare, financial services and entertainment and media now account for almost a quarter of Group revenues. As a benchmark at the end of 1999 these sectors (excluding healthcare) accounted for approximately the same percentage of the FTSE 100 by market capitalisation.

Geographic performance

WPP derives more than 80% of revenue from outside the UK through its leading businesses in North America, Continental Europe, Asia Pacific, Latin America, Africa and the Middle East.

Currently, North America and Europe each account for roughly 40% of the Group's revenue but this share will fall over the coming years as a result of the better growth of our business elsewhere in the world.

Economic conditions in North America and Europe remain sound as long as interest rate increases remain moderate and financial markets stable. The economic difficulties in Asia Pacific have moderated and reasonable growth is being experienced in China, Taiwan, Singapore, Thailand, Malaysia, India and Australia. Japan and Indonesia remain problematic, although there are some more optimistic signals from Tokyo.

Even Latin America is improving partly as year-to-year comparisons become easier and, in our case, as significant new business wins kick in. Our budgets for 2000 indicate a like-for-like growth rate of over 10% for Asia Pacific and Latin America.

Despite the recent recession, your Board continues to believe that Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe will offer superior opportunities for growth in the medium to long term. These markets now account for over 17% of the Group's revenue as opposed to 13% in 1992 despite the recent slowdown in growth. These markets are still forecast to continue to grow at significantly faster rates than those of North America and Western Europe in the long term.

Sector performance

On the following pages the heads of our eight operating brands summarise their operational activities and highlights for 1999.

REVIEW

Competitive performance Revenue per head $000

WPP	98†	124.3
	99†	128.5
JWT/O&M	98†	105.6
	99†	108.1
Omnicom	98	130.3
	99	130.5
IPG	98	125.8
	99	122.0

†Constant currency

Geographic performance Constant currency revenue growth %

North America	98	11.1
	99	16.8
United Kingdom	98	17.7
	99	10.5
Continental Europe	98	20.9
	99	11.0
Asia Pacific, Latin America Africa & Middle East	98	5.4
	99	4.0

Sector performance Constant currency revenue growth %

Advertising, media investment management	98	8.4
	99	5.2
Information & consultancy	98	26.4
	99	13.9
Public relations & public affairs	98	20.8
	99	30.5
Branding & identity, healthcare and specialist communications	98	12.0
	99	19.2

PBIT margins %

WPP	98	12.8
	99	13.4
JWT/O&M	98	15.3
	99	15.8
Omnicom	98	16.1
	98[1]	15.3
	99	16.0
IPG[2]	98	15.8
	99	14.7

Operating margins by geography %

North America	98	14.5
	99	14.8
United Kingdom	98	10.7
	99	11.8
Continental Europe	98	13.9
	99	13.1
Asia Pacific, Latin America Africa & Middle East	98	9.7
	99	11.7

Operating margins by sector %

Advertising, media investment management	98	14.9
	99	15.4
Information & consultancy	98	10.7
	99	10.0
Public relations & public affairs	98	11.7
	99	13.3
Branding & identity, healthcare and specialist communications	98	10.5
	99	12.3

Staff cost to revenue ratio %

WPP	98	49.7
	99	50.2
JWT/O&M	98	55.9
	99	56.6
Omnicom	98	59.0
	98[1]	59.6
	99	59.5
IPG	98	56.4
	99	56.5

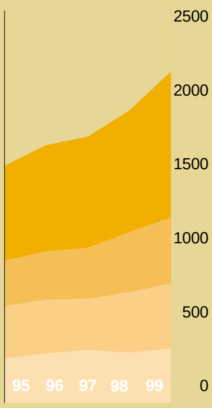
Revenue by geography £m

North America

United Kingdom

Continental Europe

Asia Pacific, Latin America Africa & Middle East



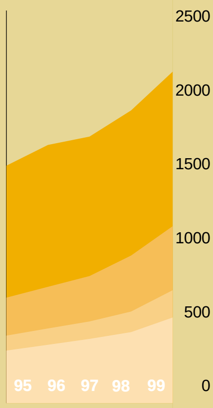
Revenue by sector £m

Advertising, media investment management

Information & consultancy

Public relations & public affairs

Branding & identity, healthcare and specialist communications



[1]Restated basis. As presented in the 1999 10-K, 1998 figures have been restated to include the acquisition of AMV on a pooling of interests basis.
[2]IPG's PBIT margin for 1999 includes a charge for restructuring costs of $84.2m. Excluding these costs, 1999 PBIT margin was 16.6%.

Operating and financial review
Reports from operating brands

Advertising and media investment management

Combined advertising and media investment management revenues at Ogilvy & Mather Worldwide, J. Walter Thompson Company and MindShare rose by 5.3%. Combined operating margins of Ogilvy & Mather Worldwide and J. Walter Thompson Company were 15.8%.

Combined operating costs rose by 5.3% and the combined staff costs-to-revenue ratio excluding incentive payments fell to 52.8% from 53.0%. Ogilvy & Mather Worldwide generated net new billings of £545 million ($899 million) and J. Walter Thompson Company £507 million ($837 million).

MindShare generated net new billings of £544 million ($897 million), an encouraging start in its first full year of European and Asia Pacific operations.

Conquest's revenues rose almost 12% and operating profits and margins were up sharply. Net new billings were £39 million ($65 million).

Ogilvy & Mather Worldwide

Last year in this space I made some predictions for Ogilvy's coming year – growth with existing and new clients, continued expansion of our offering, especially in interactive, more integration of our resources across disciplines, more great work, and above all even greater commitment to delivering 360 Degree Brand™ solutions for our clients. Happily, I have no amendments. Our predictions came to pass in a year that saw growth, profitability and tremendous momentum as we start the millennium.

Last year we added important new clients such as SAP, BP Amoco, Northwest Airlines, Miller Brewing Company, MotherNature.com, Telefonica, WebMD, and Tenneco to name a few. That success notwithstanding, it is our existing clients' belief in us that is the true measure of our value. Consider this: of the $1 billion in new business that we won in 1999, nearly 60% came from existing clients.

This is in good part due to the continued expansion of our offering. We have had substantial success in establishing new business units – in healthcare, brand consulting, rural marketing, design, technology, creative alliances and secondary networks. OgilvyOne continues to lead the way in service expansion. OgilvyInteractive saw a doubling of profits in 1999, and is now the largest interactive network in the world. Most importantly, all these units work together making our sum greater than the parts.

This is true affirmation of the mission we articulated several years ago: 'To be most valued by those who most value brands.' We have translated this ideal into a compelling business strategy that speaks directly to client need – building the brand at every point of contact with the consumer. We call this 360 Degree Branding™, and it is both a point of view and a discipline – one that requires rigorous consumer insight and in-depth analysis of the brand.

Our 360 Degree approach is changing the nature of our dialogue with clients. We have more strategic conversations. We are consulted much earlier in the planning cycle. Advertising alone rarely dominates; today it's also about service strategies, line extensions, customer acquisition and loyalty, internet applications, product design and functionality, retail initiatives, joint ventures and cross promotions, employee communications and training.

The price of entry for all this diversity is still great work; brilliant strategies demand brilliant executions. We remain as committed as ever to outstanding creative product. Our 277 major awards won over the course of last year – in virtually every category – are testimony to our sustained focus.

Even as we face a new future, we remain rooted to our past. It is fitting that in the year that David Ogilvy, the man, passed away we have embraced David Ogilvy, the founder, the leader, the humanist, the business philosopher, and creative idealist in a way that is totally fresh. We introduced a new brand identity for our company that features his signature – a potent symbol that David's guiding principles and deep convictions are shared with a new generation.

I feel tremendous momentum as we start this new century. As I look ahead I see new ideas, new ways of working, of understanding the consumer and interpreting the brand. There are great opportunities to be seized, and will be, as we become Ogilvy & Mather of the 21st Century.

Shelly Lazarus

Shelly Lazarus
Chairman and
chief executive officer
Ogilvy & Mather
Worldwide

Charlotte Beers
Chairman
J. Walter Thompson
Company

Chris Jones
Chief executive officer
J. Walter Thompson
Company

J. Walter Thompson Company

1999 was a particularly important year for J. Walter Thompson. The decisive steps we have taken to broaden our brand-building capabilities, deepen our talent pool and scale even higher creative ground accelerated our momentum across the globe. This sharper competitive edge produced one of the best new business, revenue and profit performances in JWT's 136-year history.

Commenting on our progress in North America, *Advertising Age* wrote: "In the turnaround of the decade – maybe even longer – JWT sprang back with a vengeance."

Major new business wins were topped with the multinational consolidations of Kimberly-Clark and Diageo/UDV. In North America, significant account gains included Qwest Communications International, Unilever's Salon Selectives, Bermuda Tourism, Miller Genuine Draft, Shell Oil, Pepsi Aquafina, Hefty Bags, Pacific Gas and Electric Company, Fox Home Video, Safeway and key Nestlé brands in Canada.

Europe posted dynamic growth with the wins of Coty-Rimmel, Sony, Warsteiner Beer, Unilever culinary brands and Lycos. In Latin America, JWT won Ford, TeleCentro, Unilever and Nestlé brands in Brazil; Heineken in Chile; Telecom in Colombia; Ascerca Airlines and Kraft brands in Venezuela. Asia Pacific added Ford Jaguar in Australia and in China, China Light and Power; Allergan in Japan; and the pan-regional Hewlett-Packard and Prudential Insurance accounts.

In addition, each of our core multinational clients entrusted us with important new brand and geographic assignments.

We made big steps in our capacity to meet the new needs of the changing marketing landscape. Two initiatives deserve particular comment.

We unified our digital advertising and marketing assets under the banner of Digital@JWT and integrated this powerful e-commerce resource within the framework of Thompson Total Branding. This new unit emerged as a pacesetter in attracting e-commerce clients worldwide, serving more than 50 dotcoms on an integrated basis in this burgeoning business sector. Importantly, we became a valued digital partner to existing premier roster clients such as Kraft, Ford, Unilever, Diageo/UDV, Qwest, Bosch, De Beers, Merrill Lynch, Nestlé and Shell Oil. Plans call for continued expansion of our global digital marketing network in 2000.

We also broke new ground in forging relationships between brands and consumers by tapping a prime mover of popular culture, entertainment. The newly launched ©JWT (Content at JWT) becomes the first agency-owned subsidiary designed to integrate advertising, entertainment properties and digital communications into new forms of content as media convergence becomes a reality. This exclusive alliance with Basic Entertainment and its Brillstein-Grey Management (BGM) division affords JWT and its clients broad access to Hollywood's best in television, movies, the internet and publishing.

JWT expanded its global reach and resources with acquisitions and investments in leading advertising agencies in Argentina, Israel, the Netherlands, Spain and the UK, marketing services companies in Italy and Australia and an interactive marketing company in the US. ThompsonConnect, our direct and new media company, continued its expansion worldwide. JWT's Lab, our new global intranet built in-house, links our operations online to share information, learning and news.

We raised the bar by every key measure in 1999: growth, talent, creative award achievement, global expansion and our clients' business success. The insight, innovation and imagination of thousands of our professionals around the world are leading JWT to engage, listen to and reach out to people in exciting ways that are transforming our business for a new century. We're having a lot of fun as we go.

Chris Jones

Dominique Simonin
Chairman
Conquest

Luca Lindner
Chief executive officer
Conquest

Conquest

Another year of growth for the 'Challenger Network for Challenger Brands.' Growth of billings, revenues, profits, margins, number of clients, as well as, vitally, the quantity and quality of our talent. A great result was delivered by our Senior Partners and Partners (now 20 in all), our teams all over Europe and it's fair to say with great support from the Group.

Three case histories which drive to one big business lesson:

- Ermenegildo Zegna or the challenge of openness: Conquest Milan (working with Research International and MindShare) started to work for one of the most successful Italian men's apparel and luxury goods brands in the world. From the outset, we believed it was almost impossible to progress the international development of such an exceptional brand using only traditional advertising resources and tools. So we started working with a London fashion art director and are now developing a 'luxury goods observatory' involving people from five different countries and many different disciplines (film directors, designers, luxury hotel managers, a psychologist). In this way, we are able to offer Zegna – and other luxury brands such as Maserati and Singapore Airlines – a comprehensive insight into the secrets of marketing luxury brands worldwide.
- Bank of Scotland or the challenge of integration: Conquest London shared the Bank of Scotland account with McCann-Erickson, BBH and the Leith Agency and last year all the business was offered for a pitch on a winner takes all basis. Conquest, led by Senior Partner Julian Saunders, proposed a radical solution – an integrated team of WPP specialists. OgilvyOne, Scott Stern and Conquest created a virtual agency to service the business. It defeated the conventional solutions and secured a win worth £30 million in billings for WPP Group.
- Aventis or the challenge of cultural assimilation: when Hoechst (a German company) and Rhône-Poulenc (a French one) decided to merge in order to create a world leader in Life Sciences they needed to communicate to a world audience and called for a pitch against Saatchi & Saatchi, Lintas, Havas and Lowe. Aventis chose Conquest because the tailor-made Conquest/WPP team led by Dominique Simonin developed a campaign truly reflecting the aspirations of Aventis: a global company with European roots.

The business lesson? Challenger clients are fast, flexible and creative. To paraphrase Charles Darwin, we have to adapt or die.

Luca Lindner

Irwin Gotlieb
Chairman and chief executive officer
MindShare

MindShare

In 1999, with the launch of its North American operations, MindShare became the largest media investment management company in the world with annual billings of $17 billion.

MindShare enters its third full year of operation in an environment where the need for media specialisation is reinforced by the continued acceleration in media fragmentation and complexity. Media vendors around the world are consolidating further, posing trading challenges and opportunities. Most important, the advent of convergence and interactive capability will impact both traditional and new media investment management practices.

In this context, we have only one priority: the excellence of our media product. MindShare applies all of its resources against this goal. Our focus is on attracting and retaining the best talent, and developing the best systems, tools and insights to guide our strategic, tactical, and implementation operations.

As a global company, we work hard to identify, develop and apply our best practices across our network. With our scale, we are better able to amortise the high cost of world-class systems development. Our size also allows us to apply our systems and approaches to maximise media trading effectiveness for the benefit of clients.

MindShare was very active in 1999 both in terms of geographic expansion and in winning additional business. The establishment of MindShare in North America was the logical extension of The Alliance, a joint media buying operation that was shared by O&M and JWT since 1997. With the full combination of both media departments set in motion, MindShare USA becomes an even more formidable negotiating force in the market. During 2000, the North American roll-out of MindShare will continue.

MindShare continued to expand in all other regions as well, and is already a truly global company finishing the year with operations in 39 countries and further expansion planned for 2000.

As significant as our expansion, we continue to be pleased by the number of new client assignments. These have included Unilever, Kraft, Britvic Pepsi, Nike, Telecom Italia, Sara Lee, KPN and Ford.

Along with chief operating officer Dominic Proctor and our people, I look forward to MindShare's first year as the world's leading media investment management company.
Irwin Gotlieb

Information & consultancy

The Group's information and consultancy businesses continued their strong revenue growth with gross profit rising by almost 14% but operating costs rose slightly faster and as a result margins were slightly down on the previous year. Particularly strong performances were recorded by Millward Brown in the United States, United Kingdom, Italy, Spain, Germany and Singapore; and at Kantar Media Research through BMRB and IMRB.

The Kantar Group

Last year saw the sixth straight year of global market share gain as we expanded the business organically and by acquisition. We received continued support from our loyal client base winning 20 new $1 million plus projects from existing clients and a further six $1 million projects from new clients.

Our active acquisition programme had the twin objectives of geographic and functional expansion.

Geographically, Millward Brown founded start-ups in Japan, Mexico, Brazil, Hungary, and Czech Republic. Research International acquired in Mexico, and Kantar Media Research in Poland.

Functionally, we expanded our global reach and our scope in a number of different directions.

Kantar Media Research strengthened its software division through the acquisition of SPC, an acknowledged leader in media planning and analysis software.

The Winona Group acquired Center Partners, a rapidly expanding customer handling company specialising in outsourced, high-level technical support for technology and telephony companies.

Millward Brown (MB) made three acquisitions. IntelliQuest brought to MB specialisation in technology and internet research through syndicated services, its computer media study, and its valuable panel of technology buyers and influencers. Diagnostic Research International cemented MB's position as the dominant advertising copy testing research company in the world. Precis, a public relations specialist research company, now enables MB to relate PR to brand development.

Kantar Media Research succeeded in regional launches of the Target Group Index media planning tool in Europe and South America, and AGB Italia, in which WPP holds a minority interest, won hotly contested competitions against key global competitors for the Television Audience Measurement contracts in the Philippines and Australia. All our companies continued to develop their presence and expertise in internet research and we established Kantar Interactive to service our companies' needs for web panels of consumers and business people.

Our clients' interest in the equity of their brands continued unabated and Research International launched a well received, new product, *Loyalty Driver*, which helps clients understand the mechanics of customer acquisition and retention. WPP also increased its investment through Millward Brown in the global *BRANDZ*™ study which is now by far the most comprehensive assessment of brand equity available today.

1999 was a further year of strengthening our infrastructure and product offerings. Looking forward, we expect to benefit from these investments while continuing to reshape our businesses to meet our clients' global and local needs and to grasp the new challenges and opportunities presented by the development of e-commerce and the internet.

David Jenkins

Phil Barnard
Joint chairman
The Kantar Group

Martin Goldfarb
Joint chairman
The Kantar Group

David Jenkins
Chief executive officer
The Kantar Group

Public relations & public affairs

The Group's public relations and public affairs activities continued to advance strongly.

Hill and Knowlton's revenues rose by over 17% and operating costs by almost 16%. As a result, margins increased to over 11%, ahead of previously established targets and schedules.

Ogilvy Public Relations Worldwide's revenues rose by over 79% and operating costs by approximately 71%. For the third year in a row following the change in leadership, profitability and margins improved significantly over the previous year.

Our public relations and public affairs businesses as a whole showed operating margins of over 13%, in excess of the Group's objective for 1999 and in line with the best-performing publicly listed competition. Operating management has developed new three-year plans that indicate further significant improvement in operating margins.

Howard Paster
Chairman and
chief executive officer
Hill and Knowlton
Worldwide

Bob Seltzer
Chairman and
chief executive officer
Ogilvy Public Relations
Worldwide

Hill and Knowlton

The dotcom revolution, globalisation and client demands for both more specialisation and more ability to integrate communications drove Hill and Knowlton's growth through 1999. As the second-largest public relations and public affairs consultancy in the world, we benefited from the increasing complexity in communication needs and continue to invest in supporting the emerging needs of clients everywhere.

The technology sector drove significant growth. H&K's Blanc & Otus doubled in size and expanded from three locations into five. In Europe, we acquired powerhouse Hiller Wüst & Partner in Germany, and in Latin America, acquired Premio, a leading Mexico City-based public relations firm in the technology sector.

Dotcom business exploded in all regions of the world, and with the creation of H&K DotCom, the first integrated global service for both start-ups and bricks-to-clicks internet companies, more than 100 clients already have tapped into H&K's expertise.

Marketing remained of paramount interest to clients, with companies such as Procter & Gamble significantly expanding its business lines throughout H&K's worldwide regions and practices. The health and pharmaceutical sector, including client leaders such as Johnson & Johnson, remained strong, representing 25% of our top accounts.

We deepened our offer in public affairs with a particular emphasis on international trade with an eye to further expansion in 2000. The company's approach to the growing politicisation of trade is to use a multidisciplinary, multi-country service to assist clients, combining unmatched expertise in trade policy and negotiations with public affairs and strategic communications experience.

We expanded geographically with the opening of a new operation in Guatemala City, and the acquisitions of Captiva in Chile, a new offering in Poland and Ducharme Perron in Quebec City. In Paris, meanwhile, H&K combined forces with JWT to form Thompson Corp., a joint venture that offers clients a completely integrated communications solution.

The result of these investments and growth is that H&K's clients, according to the most recent Thomas L. Harris/Impulse Research, rate H&K more highly than other PR agencies' clients rate their consultants.

The future looks strong as the firm continues to outpace the competition by exploiting emerging growth opportunities, anticipating where the relevant, new-sector growth will be and, as always, setting the standards for quality client service.

Howard Paster

Ogilvy Public Relations Worldwide

1999 was a year of solid accomplishments, award-winning programmes, extraordinary growth and overwhelming change. We finished the year:

- As the fastest-growing firm among the top 20 worldwide agencies, with a growth rate of 59%.
- As a top 10 player, now ranked ninth with revenues of more than $125 million.
- Named 'Most Improved Agency of The Year' by *Inside PR*.
- Named the number one Healthcare Agency by *Inside PR*.
- Ranked third in the size of our technology business, clearly the fastest-growing area in our field.

Our growth stemmed from expanding existing business and attracting new clients, many of them seeking regional or global support, and through several critical strategic acquisitions. These acquisitions included:

- Feinstein Kean Partners, now Feinstein Kean Healthcare, Boston-based specialists in serving biotechnology companies. FKH's client base spent the last part of 1999 undergoing the same investment boom as technology companies have been experiencing.
- B|W|R, an entertainment firm, with offices in Los Angeles and New York, positioned to be at the core of the

conversion of entertainment and technology.

- Magellan Communications, a UK-based healthcare PR firm absorbed into our London office to strengthen our European healthcare capability.
- Sector, a UK-based financial services specialist firm absorbed into our London office to bolster our corporate capabilities in this critical market.

The late 1998 acquisition of Alexander Ogilvy had a dramatic impact in 1999 on the firm's leadership position in technology PR and the new economy. To better serve our technology clients, which now represent more than 35% of our overall business we introduced Ogilvy e-brands, a suite of services to help clients build brands as well as build business in today's competitive internet environment.

Our long-term commitment to stellar client service continued unabated. We picked up numerous awards over the year, including having our Jakarta office named the best in Asia. We ended 1999 with 23 of our top 25 clients returning in 2000, for a maintenance rate of 92%.

With 44 offices in 39 markets and with opportunity knocking every day and growth abounding, Ogilvy PR faces the year 2000 determined to attract, grow and retain the best people in public relations around the globe.

Bob Seltzer

Branding and identity, healthcare and specialist communications

Branding and identity, healthcare and specialist communications revenues rose by over 19%. Gross profit rose by over 23% and operating costs by almost 21%. As a result, overall operating margins increased.

Several of our companies in this sector performed particularly well, including in promotion and direct marketing – RTCdirect, EWA, OgilvyOne, A Eicoff & Company; in branding and identity – Brouillard and Enterprise IG; in healthcare – Thomas Ferguson Associates and OZM Group and in other specialist marketing resources – The Henley Centre, JWT Specialized Communications, Management Ventures, Pace Communications Group, The Geppetto Group, Savatar and Mendoza Dillon & Asociados.

John Zweig
Chief executive officer
Branding & identity, healthcare and specialist communications

Since the formation of WPP, we have recognised the potential of specialist communication services as an expression of clients increasingly seeking better targeted and more efficient marketing approaches – but these niche businesses themselves have tended to be small, fragmented, and relatively local.

Gradually over the recent years, and clearly as of 1999, healthcare and branding/identity have emerged as two of our first business platforms with all the strategic benefits of a focused mission, yet with the potential of global scale.

This makes it all the more exciting that, in CommonHealth and Enterprise IG, WPP now has the most powerful top-ranking brands in these two important categories. Our efforts to build bridges, find common purpose, and share opportunities have resulted in businesses the size and scope of which have never before existed in either healthcare or branding and identity.

This is significant – first, because it is our aim to build leadership positions in every area where we compete. Equally important, the learning from this experience can guide the leadership of other specialist businesses, who are also striving to grow to unprecedented levels in their respective categories through the depth, range and reach of WPP's resources.

A few of the 1999 initiatives and achievements – both independent and collaborative – across the spectrum of specialist businesses include:

- With the integration of branding and identity businesses Winderlich in Germany and Brindfors in Scandinavia, and the acquisition of Springham Anderson and Horniak & Canny in Asia Pacific, we have expanded the international markets where Enterprise IG is represented from eight at the beginning of 1999… to 15 today.
- A widely publicised repositioning and branding assignment was implemented globally for Arthur Andersen. Also awarded to Enterprise, introduced by and working closely with Ogilvy, was a Ford Motor

Company corporate branding and identity project.

- New consulting and design services were acquired in the Brand Union and Lambie-Nairn, in particular, with its special expertise in broadcast identities. Additionally, the acquisition of BPRI brings to Enterprise corporate reputation research complementing the *Equitus Brand Analytics* service, which was developed jointly by Enterprise and Research International.
- The acquisition of Shire Hall Group – Europe's largest independent healthcare communications company and voted best PR and medical education agency in 1999 for the second year running – expands our healthcare reach and expertise.
- CommonHealth picked up its first global client assignments from Pharmacia & Upjohn, Procter & Gamble, and Astra Zeneca; and strengthened Quantum and RTC's position as the largest US direct-to-consumer advertising and relationship marketing resource through assignments like Schering's Claritin, a brand that has revolutionised pharmaceutical product marketing.
- Health-targeted joint ventures formed by CommonHealth and other specialist communications companies in branding identity (Enterprise Health), promotion and event marketing (Einson Health), and ethnic marketing (MDA/Salud) have already yielded pharmaceutical assignments in all three ventures.
- Einson Freeman won joint pitches with Ogilvy for Sears, where it was named exclusive sales promotion agency, and BP Amoco. Einson's Mexico City office was awarded a WPP Worldwide Partnership Award for its work with J. Walter Thompson.
- The acquisition of PRISM, an international sports marketing, events and PR firm with offices in Europe, Australia and North America brings clients such as Jaguar, the Royal College of Arts, and many worldwide divisions of Ford Motor Company.
- Perspectives, a leading UK-based promotion and marketing services company was also acquired – and the firm won two 1999 Institute of Sales Promotions Awards and a Drinks Advertising and Marketing Award for best new media campaign.
- Demonstrating the number of potential partners that can be assembled from WPP's resources, The Market Segment Group led the development of an ethnic and target marketing planning platform on behalf of IBM – collaborating with Ogilvy, Einson Freeman, Mendoza Dillon, Millward Brown and IntelliQuest.
- The Food Group won its first global promotion assignment for the Norwegian Seafood Export Council tapping into its *Creative Food Solutions* kitchens which created authentic recipes from China, Italy, France, Japan, Spain and Germany.

There were many important accomplishments in our other specialist businesses – retail, package design, strategic marketing consulting, internal communication, media and technology services and real estate advertising. And with each came the opportunity to experience the power of both focus *and* collaboration to produce extraordinary results for our clients. Our people today are better trained, more highly motivated and more closely knit, and our unique businesses are better equipped than ever to thrive no matter where client needs will take us.

John Zweig

wpp.com

In 1999 a new media parent company, wpp.com, was formed with WPP non-executive director Esther Dyson as chairman and WPP strategy director Eric Salama as chief executive.

Like WPP itself and Kantar, wpp.com is a parent company seeking to add value in the areas of new media and technology to clients and people and accelerate the development of our interactive capabilities and revenues. wpp.com will co-ordinate our new media activities across our operating brands.

Our pure internet revenues (web-based work) for 1999 were over $100 million, while a broader definition (which, for example, would include branding work for dotcom clients) would result in revenues of approximately $500 million. Our budgets for 2000 for the narrowly based definition of interactive work show growth rates in excess of 50%. It will become increasingly difficult to accurately identify the overall impact on our revenue base given the strategic importance of the web to our largest clients (such as our three biggest – Ford, Unilever and IBM) and the increasing importance which clients are attaching to differentiating themselves against traditional and new competitors.

To date wpp.com has concentrated on strengthening our existing operations, acquiring new operations in areas which we think are critically important, investing in start-up internet companies with whom we wish to partner and spreading knowledge of these developments around our organisation.

Our most important wholly-owned internet operating companies include Ogilvy Interactive, the strongest global agency in the market, recent winner of the majority of the first Cyber Lions at Cannes, AdAge's International Interactive Agency of the Year and one of AdWeek's top ten hot interactive shops in 1999; Digital@JWT, which has recently won a series of web accounts in the US; MindShare, which in combination with Ogilvy Interactive is the largest buyer of internet media in the world; Kantar Interactive, whose constituent parts include MB Interactive (widely regarded as the most advanced internet-based research company), IntelliQuest (the leading company in market research for hi-tech clients) Lightspeed (Kantar's e-mail based internet panel), and RI Interactive (a leader in web-based focus groups); Alexander Ogilvy, Ogilvy Public Relations Worldwide, Blanc & Otus and Hill and Knowlton who between them work with over 400 dotcom clients on public relations and public affairs around the world; and Career Agent, a software tool developed by JWT Specialized Communications to help recruitment sites profile potential employees.

wpp.com also has minority stakes in internet and interactive marketing services companies such as Syzygy, UK Web Agency of the Year, United Media in Germany and Netforce in France, who have merged to create a pan-European e-services group and plan to be floated.

Major clients of our Group companies include IBM, Ford, Merrill Lynch, Sears, De Beers, Unilever, Siemens, QXL, Freeserve, Qwest, Mindspring, Nextcard, Ariba, Healtheon/WebMD, DrKoop, Chemdex, Instinet, iPlanet, idealab!, Boots, El Sitio, Medscape, Ameritrade, E·Trade, Ziff Davis and DoubleClick.

The CEOs of wholly-owned new media operating companies will continue to report into their existing management but will have a dotted line responsibility to wpp.com. wpp.com's Board includes the senior management of our major interactive operations.

Our interactive equity investments have been made indirectly, through venture funds, and directly. The aim of these indirect investments has been to keep abreast of Silicon Valley developments and identify potential client relationships – thus enhancing our core capabilities. Historically, the prime venture fund through which we have made indirect investments has been Media Technology Ventures (MTV) (www.mtventures.com) which has a West Coast US focus. MTV investments have included Medscape, Quokka Sports and Talk City – all recently floated on Nasdaq.

wpp.com has also invested money and become the preferred marketing partner to a new fund, Dawntreader Fund II, established by leading online investment banking firm, Wit Capital, and has entered into a memorandum of understanding with leading Latin American investors to establish a fund and invest jointly in that region.

wpp.com has also increased the number of direct investments it has made in B2B companies, recent examples including Intraspect (developers of knowledge management software), Concept! (the second-largest German web development company, recently floated on the German Neuer Markt), TWIi (the internet arm of IMG Group, the world's leading sports marketing company), e-Rewards (an e-mail based loyalty company), Imagine (e-CRM), Metapack (e-fulfilment), BigWords (e-commerce aimed at college students) and Visible World (software which allows the customisation of creative content on websites in real time). Past investments have included BroadVision, Peapod and HyperParallel.

The gross cost of these investments including commitments made, totals approximately $75 million. WPP does not consolidate any revenues from these investments but may realise the stakes at some stage in the future.

Group financial performance

Turnover was up 16.8% to £9.346 billion (reflecting the growth of media investment management), revenues up 13.3% to £2.173 billion and gross profit up 13.6% to £1.855 billion. On a constant currency basis, revenues were up 12% and gross profit up 12.4%. This, in part, reflected a strong fourth quarter when revenues exceeded $1 billion for the first time.

Operating profit (excluding income from associates) rose by15% to £263.5 million from £229.1 million and by over 15% in constant currencies. Profit before interest and tax was up 18.6% to £290.8 million from £245.2 million and up almost 19% in constant currencies.

The Group's tax rate on profits was 30.0%, an improvement on the previous year's 31.5%, reflecting the continuous benefit of tax reorganisations.

Diluted earnings per share rose almost 20% to 22.5p from 18.8p. In constant currency earnings per share rose by over 20%.

The Board recommends an increase of 22% in the final dividend to 2.1p per share, which will be paid in the form of an ordinary dividend, making a total of 3.1p per share for 1999, a 21% increase over 1998.

Operating margins

Reported operating margins (including income from associates) rose by 0.6% to 13.4% in line with objectives and by 0.8% on a constant currency basis. The margin gap between the very best-performing competition and ourselves continues to narrow.

Operating margins before short- and long-term incentive payments (totalling £71 million or almost 20% of operating profit before bonus and taxes) rose to 16.7% from 15.8%. Operating costs rose by over 13% and by almost 12% in constant currency.

The Group's staff cost to revenue ratio excluding incentives was almost flat at 46.9%.

Variable staff costs as a proportion of total staff costs have increased over recent years to 11.5% and as a proportion of revenues to 5.8%.

This has resulted in increased flexibility in the cost structure.

The task of eliminating surplus property costs has been achieved over the last eight years. Over 650,000 sq ft with a cash cost of approximately £14 million ($22 million) per annum has been sublet or absorbed.

Like-for-like performance

The majority of the Group's revenues, operating profits and cash flows (approximately 80-90%) are in currencies other than sterling. As there are few instances of significant cross-border trading, commercial exposures to foreign exchange fluctuations are limited.

The reported earnings of the Group, however, are affected by the value of sterling relative to overseas currencies, the most significant being the United States dollar, the euro, the Australian dollar, Hong Kong dollar, Japanese yen and Singapore dollar. The Group does not hedge reported earnings, although our predominantly dollar denominated debt is serviced primarily by dollar earnings in the US. As a result the Group analyses and reports its performance on a like-for-like basis (excluding the impact of currencies and acquisitions) wherever relevant.

On a like-for-like basis revenues rose by almost 8% and gross profit was up over 8% on 1998. Total operating and direct costs were up 7% on the previous year. Staff costs excluding incentives rose by over 8% and salaries by almost 9%.

On a constant currency basis, pre-tax profits were up almost 21% reflecting the weakening of sterling by 2% against the dollar being more than counterbalanced by its strength against Continental European currencies. If sterling had stayed at the same average levels as 1998, pre-tax profits would have been £256.4 million.

Headcount

Our staff numbers averaged 27,711 against 25,589 in 1998, up 8.3%. On a like-for-like basis average headcount was up 866 to 27,711 from 26,845, an increase of 3.2%. At the end of 1999 staff numbers were 29,168 compared with 26,184 in 1998.

Manufacturing

Revenues and operating profit were flat at the Group's manufacturing division.

Parent company initiatives

Increasingly, WPP is concentrating on its mission of the 'management of the imagination', and ensuring it is a big company with the heart and soul of a small one. To aid the achievement of this objective and to develop the benefits of membership of the Group for both clients and our people, the parent company continues to develop its activities in the areas of human resources, property, procurement, information technology and practice development. Ten practice areas which span all our brands have been developed initially in media investment management, healthcare, privatisation, new technologies, new faster-growing markets, internal communications, retailing, entertainment and media, financial services and hi-tech and telecommunications.

Innovative graduate recruitment schemes, awards and training programmes have all continued to be implemented and developed in 1999. In 1999 the parent company continued a worldwide share ownership programme for all our people with over two years' service, a partnership programme rewarding outstanding examples of collaboration across operating companies with the objective of adding value to our clients' businesses and training programmes on the new media and enhancing and stimulating creativity.

Acquisitions and start-ups

In 1999 the Group increased its equity interests in advertising and media investment management agencies in Australia, Austria, Brazil, France, Italy, the Netherlands, Portugal, Spain, Sweden, the UK and the US; in information and consultancy in Argentina, France, Germany, Mexico, Poland, the UK and the US; in public relations and public affairs in Chile, Germany, the UK and the US; and in branding and identity, healthcare and specialist communications in Brazil, the Czech Republic, France, Germany, the UK and the US.

Particularly interesting functional acquisitions and investments have been made in the world's leading loyalty marketing company (Brierley & Partners), hi-tech public relations and public affairs (Blanc & Otus, Hiller Wüst). Sports sponsorship, marketing and public relations (PRISM), corporate reputation research, branding and identity (BPRI, Brand Union, Brindfors, Windi Winderlich), multi-ethnic marketing (Market Segment Group), call centre marketing (Center Partners), digital and new media (NoHo, Mediaquest, High Co), online technology advertising (Dazai), airline marketing research (Jochems Ladendorf), television audience measurement (ILASA), outdoor advertising contracting (Portland), healthcare marketing (Shire Hall, Matthew Poppy), promotion and direct (Perspectives), specialist public relations (BWR, Feinstein Kean), financial services marketing consultancy (P·Four, International Presentations), and technology and media research (IntelliQuest, SPC, SMG, DRI).

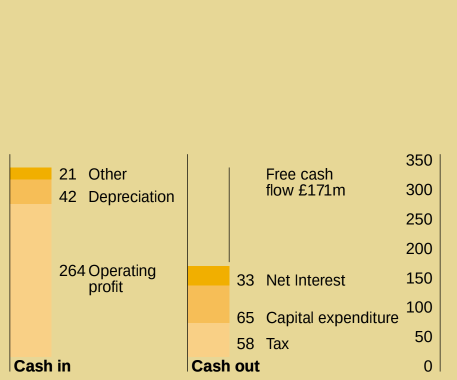
Treasury activities

Treasury activity is managed centrally, from the parent company's London, New York and Hong Kong offices, and is principally concerned with the monitoring of working capital, managing external and internal funding requirements and the monitoring and management of financial market risks, in particular interest rate and foreign exchange exposures.

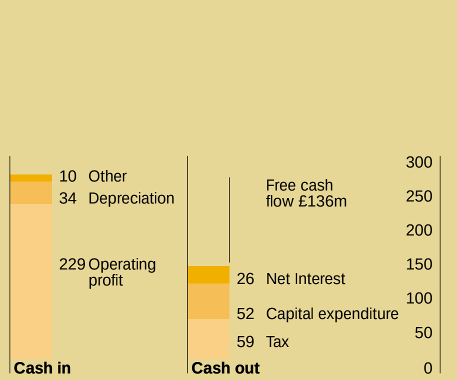
The treasury operation is not a profit centre and its activities are carried out in accordance with policies approved by the Board of Directors and subject to regular review and audit.

The Group's interest rate management policy recognises that fixing rates on all its debt eliminates

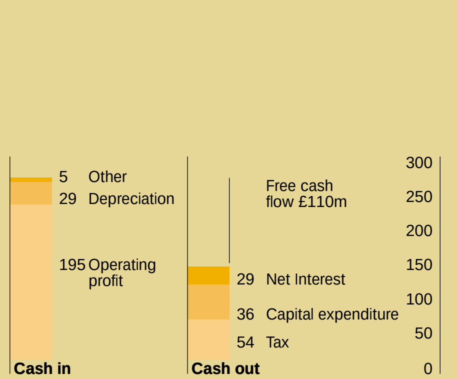
1999 Cash flow £m



1998 Cash flow £m



1997 Cash flow £m



the possibility of benefiting from rate reductions and similarly, having all its debt at floating rates unduly exposes the Group to increases in rates.
The Group therefore aims to limit the impact from increases in rates while seeking to ensure that it benefits from rate reductions by regularly reviewing its exposure profile and deciding upon the periods for fixing rates in the light of financial market expectations.
Its principal borrowing currencies are US dollars and pounds sterling. Borrowings in these two currencies, including amounts drawn under the working capital facility, represented 99% of the Group's gross indebtedness at 31 December 1999 (at US$871 million and £132 million respectively) and 98% of the Group's average debt during the course of 1999 (at US$752 million and £71 million). 75% of the year-end US$ debt is at fixed rates averaging 6.42% for an average period of 52 months. The sterling debt is all at floating rates. Other than fixed rate debt, the Group's other fixed rates are achieved through interest rate swaps with the Group's bankers. The Group also uses forward rate agreements and interest rate caps to manage exposure to interest rate changes. However, the Group did not have any contracts in these instruments at 31 December 1999. These interest rate derivatives are used only to hedge exposures to interest rate movements arising from the Group's borrowing and surplus cash balances arising from its commercial activities and are not traded independently. Payments made under these instruments are accounted for on an accruals basis. An analysis of the debt and fixed rate maturities is shown in note 8.

The Group manages liquidity risk by ensuring continuity and flexibility of funding even in difficult market conditions. Undrawn committed borrowing facilities are maintained in excess of average gross borrowing levels and debt maturities are closely monitored.

Targets for average net debt are set on an annual basis, and to assist in meeting this, working capital targets are set for all the Group's major operations. Over the last three years, improvements in working capital have made a significant contribution to Group liquidity.

The Group's significant overseas operations give rise to an exposure to changes in foreign exchange rates. The Group seeks to mitigate the effect of these structural currency exposures by borrowing in the same currencies as the operating (or 'functional') currencies of its main operating units. The majority of the Group's debt is therefore denominated in US dollars, as this is the predominant currency of revenues.

Significant cross-border trading exposures are hedged by the use of forward foreign exchange contracts. There were no such material contracts in place at 31 December 1999. No speculative foreign exchange trading is undertaken.

Cash flow

As at 31 December 1999, the Group was cash positive with net cash of £92 million compared with £134 million at 31 December 1998 (1998: £124 million on the basis of 1999 year-end exchange rates), despite cash expenditure of £262 million on acquisitions and £18 million on share repurchases. As usual, this was primarily due to the seasonally strong fourth quarter and management efforts to improve working capital.

Net debt averaged £206 million in 1999, up £63 million against £143 million in 1998 (up £51 million against £155 million in 1998 at 1999 exchange rates). These net debt figures compare with a current equity market capitalisation of approximately £6.4 billion giving a total enterprise value of approximately £6.6 billion. Cash flow continued to improve as a result of improved profitability and management of working capital.
In 1999, operating profit was £264 million, capital expenditure £65 million, depreciation £42 million, tax paid £58 million, interest and

similar charges paid £33 million and other net cash inflows of £21 million. Free cash flow available for debt repayment, acquisitions, share buy-backs and dividends was therefore £171 million. This free cash flow was more than absorbed by acquisition payments and investments of £262 million (offset by £52 million of cash acquired), share repurchases and cancellations of £18 million and dividends of £21 million.

Your Board continues to examine ways of deploying its substantial cash flow of over £220 million per annum to enhance share owner value. As necessary capital expenditure normally approximates to 1-1.5 times the depreciation charge, the Company has concentrated on examining possible acquisitions or returning excess capital to share owners in the form of dividends or share buy-backs.

As noted earlier, your Board has decided to increase the final dividend by 22% to 2.1p per share, taking the full year dividend to 3.1p per share which is over seven times covered.

In addition, as current opportunities for cash acquisitions at sensible prices are limited particularly in the US, the Company has increased the target amount available for share buy-backs in the open market to £100 million, when market conditions are appropriate. Such annual rolling share repurchases will represent approximately 1% of the Company's share capital which seems to have a more significant impact in improving share owner value. If sufficient small- to medium-sized cash acquisition opportunities are available and there are attractive opportunities for share repurchases, your Board is prepared to increase net debt further to the range of £200-250 million in comparison with the historical target range of £150-200 million. This level of debt would still represent only 2-3% of the Company's market value.

In the first three months of 2000, the period for which information is available prior to printing, net debt averaged £230 million versus £126 million for the same period last year (1999: £138 million at 2000 exchange rates).

Net balance sheet assets

No hedging is undertaken in relation to the accounting translation of overseas balance sheets. In 1999 this resulted in a decrease of £31 million (1998: increase of £4 million) in the sterling value of share owners' funds due to movements in exchange rates.

In 1999, net assets of £327 million compared with £196 million in 1998.

2000 outlook

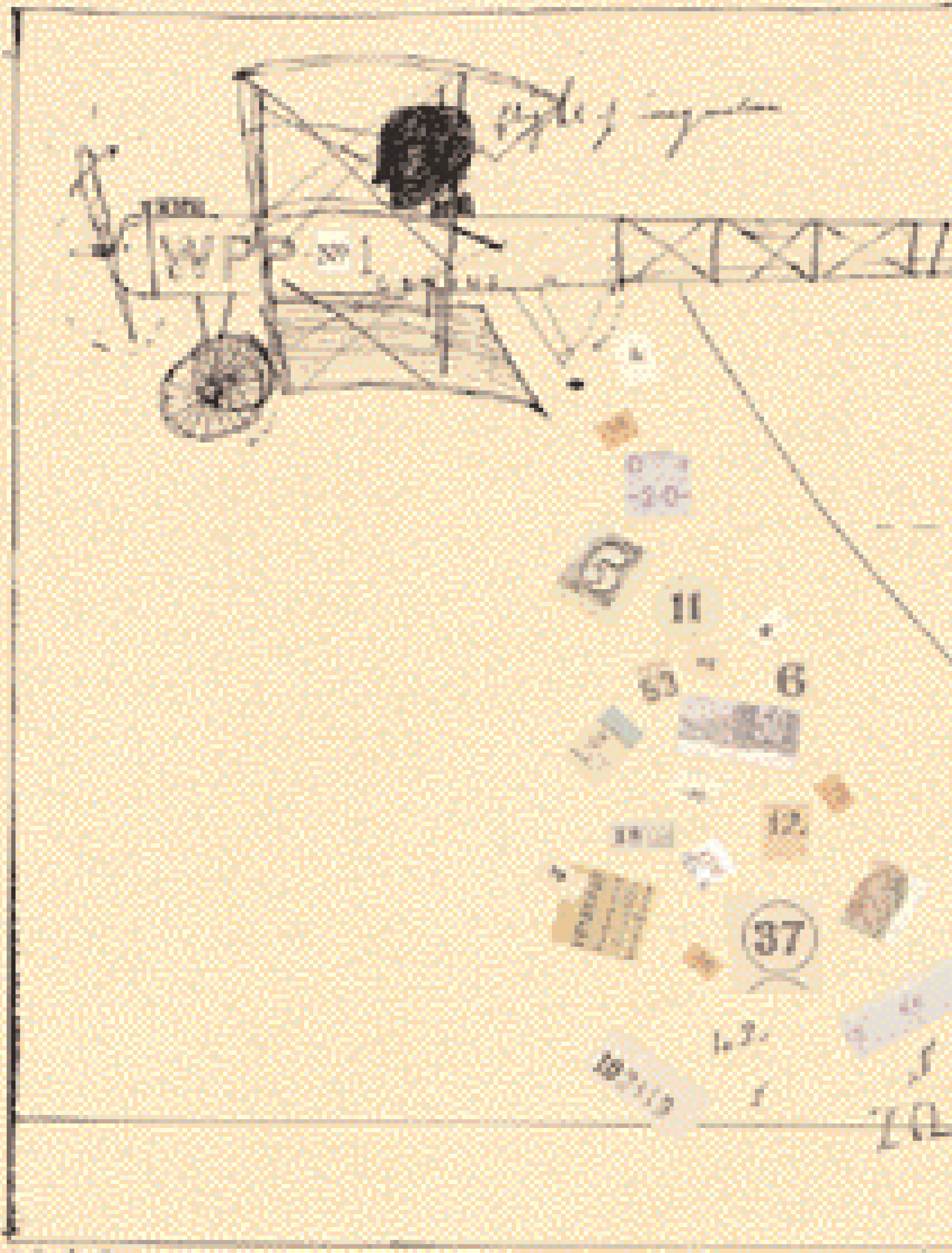
As usual, our budgets for 2000 have been prepared on a conservative basis. They predict like-for-like revenue increases of over 7% in comparison to 1999. This compares with budgeted growth of 6% in 1998 against an actual outcome of almost 8% and budgeted growth of over 4% and actual growth of almost 8% in 1999. In the first three months of 2000 we are showing an increase of almost 20% with last year's acquisitions accounting for approximately one-third of this growth. At current exchange rates, sterling has strengthened against the Group's key trading currencies by less than 1% on a weighted average basis when compared with the average for 1999, with strength against the Euro being mainly offset by weakness against the US dollar.

As a result of improved profitability and cash flow, it is not anticipated that a continuation of first quarter exchange rates will significantly affect the achievement of the Group's 2000 results.

In these circumstances there is no reason to believe that the Group cannot achieve the objective set in 1998 of further improving margins by another 0.6% in 2000. Your Board does not believe that there is any functional, geographic, account concentration or structural reason that should prevent the Group achieving operating margins of 14% by 2000. After all the two best listed performers in the industry are at 15-16% and that is where we would want to be. Neither is there any reason why operating margins could not be improved beyond this level by continued focus on revenue growth and careful husbandry of costs.

2000, WPP's fifteenth year, should be another good year given the quadrennial boost of the US Presidential Election, the Sydney Olympics and the Millennium celebrations themselves. Early indications are that the worldwide growth rate of advertising will be stronger than 1999 at approximately 6-7% with marketing services growing at 8-9%. As long as financial markets remain stable and governments do not overdo deflationary correction, the worldwide economic environment should be good for growth in communications services expenditure as a whole. Although 2001 is further afield, it should see continued growth, perhaps a percentage point or so lower reflecting a possible Millennium hangover but the overall environment is favourable.

Paul Richardson
Group finance director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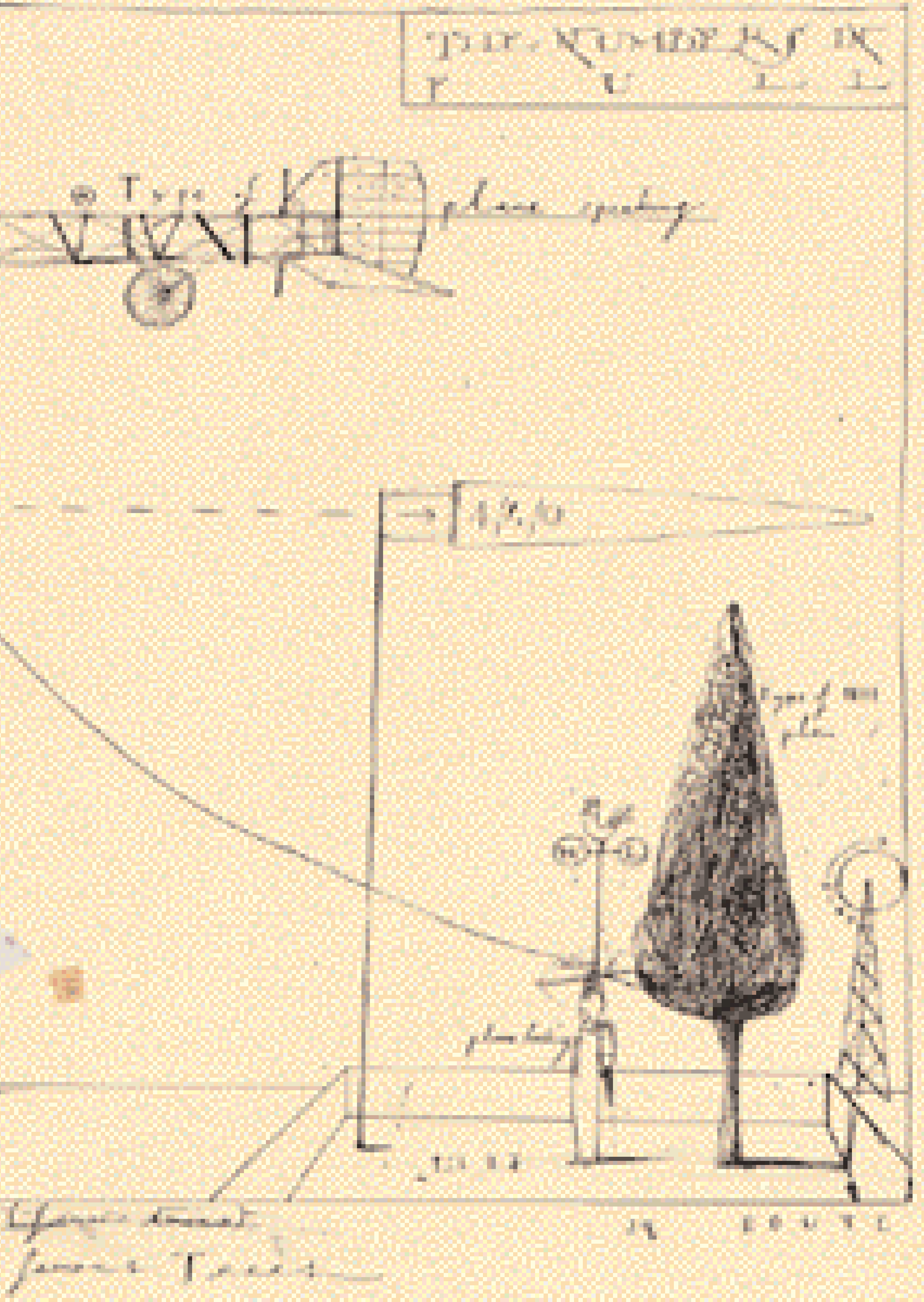


ACCOUNTING POLICIES

The financial statements 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 the preceding year (except as disclosed in accounting policy 14), is set out below.

1 Basis of accounting and presentation of financial statements

The financial statements are prepared under the historical cost convention.

2 Basis of consolidation

The consolidated financial statements 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.

3 Goodwill and intangible fixed assets

Intangible fixed assets comprise goodwill and certain acquired separable corporate brand names.

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. In accordance with FRS 10, for acquisitions made on or after 1 January 1998 goodwill has been capitalised as an intangible asset. Goodwill arising on acquisitions prior to that date was written off to reserves in accordance with the accounting standard then in force. On disposal or closure of a business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

The directors are of the opinion that the goodwill and intangible assets of the Group have an infinite economic life because of the institutional nature of the corporate brand names, their proven ability to maintain market leadership and profitable operations over long periods of time and WPP's commitment to develop and enhance their value. The carrying value of intangible assets will continue to be reviewed annually for impairment and adjusted to the recoverable amount if required.

The financial statements depart from the specific requirement of companies legislation to amortise goodwill over a finite period in order to give a true and fair view. The directors consider this to be necessary for the reasons given above. Because of the infinite life of these intangible assets, it is not possible to quantify its impact.

4 Tangible fixed assets

Tangible fixed assets are shown at cost 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 and buildings – over the term of the lease
Fixtures, fittings and equipment – 10%-33% per annum
Computer equipment – 33% per annum

5 Investments

Except as stated below, fixed asset investments are shown at cost less provision for diminution in value.

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. The Group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the Group.

6 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.

7 Debtors

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

8 Taxation

Corporate taxes are payable on taxable profits at 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.

9 Incentive plans
The Group's share based incentive plans are accounted for in accordance with Urgent Issues Task Force ('UITF') Abstract 17 'Employee Share Schemes'. The cost of shares acquired by the Group's ESOP trusts or the fair market value of the shares at the date of the grant, less any consideration to be received from the employee, is charged to the Group's profit and loss account over the period to which the employee's performance relates. Where awards are contingent upon future events (other than continued employment) an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and an appropriate accrual made.

10 Pension costs
The charge to the profit and loss account in respect of defined benefit pension schemes is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost 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. For defined contribution schemes, contributions are charged to the profit and loss account as incurred.

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, cost of sales and revenue
Turnover comprises the gross amounts billed to clients in respect of commission-based income together with the total of other fees earned. Cost of sales comprises media payments and production costs. 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 retranslation at year-end exchange rates of the opening net investments and results for the year are dealt with as movements in reserves.

14 Changes in accounting policies
The Group adopted FRS 12 (Provisions, Contingent Liabilities and Contingent Assets) and FRS 13 (Derivatives and Other Financial Instruments) during the year. There has been no material impact on the financial statements as a result of the adoption of these new standards.

Consolidated profit and loss account

For the year ended 31 December 1999

	Notes	1999 £m	1998 £m	1997 £m	1999 $m	1998 $m	1997 $m
Turnover (gross billings)	1	**9,345.9**	8,000.1	7,287.3	**15,119.8**	13,259.4	11,937.3
Cost of sales		**(7,173.3)**	(6,081.7)	(5,540.6)	**(11.605.0)**	(10,079.8)	(9,076.1)
Revenue	1	**2,172.6**	1,918.4	1,746.7	**3,514.8**	3,179.6	2,861.2
Direct costs		**(317.3)**	(285.9)	(278.0)	**(513.3)**	(473.9)	(455.4)
Gross profit		**1,855.3**	1,632.5	1,468.7	**3,001.5**	2,705.7	2,405.8
Operating costs	2	**(1,591.8)**	(1,403.4)	(1,273.8)	**(2,575.2)**	(2,326.0)	(2,086.6)
Operating profit		**263.5**	229.1	194.9	**426.3**	379.7	319.2
Income from associates		**27.3**	16.1	10.6	**44.2**	26.7	17.4
Profit on ordinary activities before interest and taxation	1	**290.8**	245.2	205.5	**470.5**	406.4	336.6
Net interest payable and similar charges	4	**(35.4)**	(32.4)	(28.1)	**(57.3)**	(53.7)	(46.0)
Profit on ordinary activities before taxation		**255.4**	212.8	177.4	**413.2**	352.7	290.6
Taxation on profit on ordinary activities	5	**(76.6)**	(67.0)	(56.7)	**(123.9)**	(111.0)	(92.9)
Profit on ordinary activities after taxation		**178.8**	145.8	120.7	**289.3**	241.7	197.7
Minority interests		**(6.0)**	(5.5)	(4.7)	**(9.7)**	(9.1)	(7.7)
Profit attributable to ordinary share owners		**172.8**	140.3	116.0	**279.6**	232.6	190.0
Ordinary dividends	6	**(24.0)**	(19.6)	(15.7)	**(38.8)**	(32.5)	(25.7)
Retained profit for the year		**148.8**	120.7	100.3	**240.8**	200.1	164.3
Earnings per share (net basis)	7						
Basic earnings per ordinary share		**22.9p**	19.1p	15.8p	**37.0¢**	31.7¢	25.9¢
Diluted earnings per ordinary share		**22.5p**	18.8p	15.7p	**36.4¢**	31.2¢	25.7¢
Ordinary dividend per share	6						
Interim dividend		**1.0p**	0.84p	0.7p	**1.62¢**	1.39¢	1.14¢
Final dividend		**2.1p**	1.72p	1.43p	**3.40¢**	2.85¢	2.35¢
Earnings per ADR (net basis)							
Basic earnings per ADR		**114.5p**	95.5p	79.0p	**$1.85**	$1.58	$1.30
Diluted earnings per ADR		**112.5p**	94.0p	78.5p	**$1.82**	$1.56	$1.29
Ordinary dividend per ADR (net)							
Interim		**5.0p**	4.2p	3.5p	**8.1¢**	7.0¢	5.7¢
Final		**10.5p**	8.6p	7.2p	**17.0¢**	14.3¢	11.8¢

The accompanying notes form an integral part of this profit and loss account.
The main reporting currency of the Group is the pound sterling and the financial statements have been prepared on this basis. Solely for convenience, the financial statements set out on pages 58 and 60 are also expressed in US dollars using the approximate average rate for the year for the profit and loss account (1999: $1.6178 = £1, 1998: $1.6574 = £1, 1997: $1.6381 = £1) and the rate in effect on 31 December for the balance sheet (1999: $1.6182 = £1, 1998: $1.6638 = £1, 1997: $1.6454 = £1).
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.
No operations with a material impact on the Group's results were acquired or discontinued. There is no material difference between the results disclosed in the profit and loss account and the historical cost profit as defined by FRS 3. Movements in share owners' funds are set out in note 23.
Comparative figures in the profit and loss account have been restated following a change in the ratio of ordinary shares per ADR from 10 ordinary shares per ADR to five ordinary shares per ADR.

Consolidated cash flow statement

For the year ended 31 December 1999

	Notes	1999 £m	1998 £m	1997 £m
Net cash inflow from operating activities	9	**348.5**	256.0	283.0
Dividends received from associates		**4.3**	3.4	2.8
Return on investments and servicing of finance	10	**(37.1)**	(28.7)	(30.5)
United Kingdom and overseas tax paid		**(58.4)**	(59.0)	(54.0)
Capital expenditure and financial investment	10	**(80.5)**	(82.1)	(45.8)
Acquisition payments	10	**(202.2)**	(115.5)	(68.5)
Equity dividends paid		**(21.1)**	(16.6)	(13.5)
Net cash (outflow)/inflow before financing		**(46.5)**	(42.5)	73.5
Net cash inflow/(outflow) from financing	10	**270.0**	78.1	(142.3)
Increase/(decrease) in cash and overdrafts for the year		**223.5**	35.6	(68.8)
Translation difference		**(0.6)**	0.9	(13.8)
Balance of cash and overdrafts at beginning of year		**328.5**	292.0	374.6
Balance of cash and overdrafts at end of year		**551.4**	328.5	292.0

Reconciliation of net cash flow to movement in net funds:				
Increase/(decrease) in cash and overdrafts for the year		**223.5**	35.6	(68.8)
Cash (inflow)/outflow from (increase)/decrease in debt financing		**(258.0)**	(95.2)	126.1
Other movements		**(1.7)**	(0.9)	(1.0)
Translation difference		**(6.2)**	0.1	(20.8)
Movement in net funds in the year		**(42.4)**	(60.4)	35.5
Net funds at beginning of year	8	**134.3**	194.7	159.2
Net funds at end of year	8	**91.9**	134.3	194.7

The accompanying notes form an integral part of this cash flow statement.

Consolidated statement of total recognised gains and losses

For the year ended 31 December 1999

	Notes	1999 £m	1998 £m	1997 £m
Profit for the financial year		**172.8**	140.3	116.0
Exchange adjustments on foreign currency net investments	23	**(31.2)**	4.0	(40.1)
Total recognised gains and losses relating to the year		**141.6**	144.3	75.9

The accompanying note forms an integral part of this statement of total recognised gains and losses.

Consolidated balance sheet

As at 31 December 1999

	Notes	1999 £m	1998 £m	1997 £m	1999 $m	1998 $m	1997 $m
Fixed assets							
Intangible assets							
Corporate brands	12	**350.0**	350.0	350.0	**566.4**	582.3	575.9
Goodwill	12	**410.3**	158.0	–	**663.9**	262.9	–
Tangible assets	13	**196.7**	166.7	143.5	**318.3**	277.4	236.1
Investments	14	**356.9**	268.2	70.5	**577.6**	446.2	116.0
		1,313.9	942.9	564.0	**2,126.2**	1,568.8	928.0
Current assets							
Stocks and work in progress	15	**113.5**	107.3	99.7	**183.7**	178.5	164.0
Debtors	16	**1,040.4**	893.1	827.6	**1,683.6**	1,485.9	1,361.7
Debtors within working capital facility:	17						
Gross debts		**345.7**	294.5	335.2	**559.4**	490.0	551.5
Non-returnable proceeds		**(214.1)**	(209.2)	(211.7)	**(346.4)**	(348.1)	(348.3)
		131.6	85.3	123.5	**213.0**	141.9	203.2
Cash at bank and in hand		**607.0**	423.9	364.5	**982.1**	705.3	599.7
		1,892.5	1,509.6	1,415.3	**3,062.4**	2,511.6	2,328.6
Creditors: amounts falling due within one year	18	**(2,148.0)**	(1,777.3)	(1,701.6)	**(3,475.9)**	(2,957.1)	(2,799.8)
Net current liabilities		**(255.5)**	(267.7)	(286.3)	**(413.5)**	(445.5)	(471.2)
Total assets less current liabilities		**1,058.4**	675.2	277.7	**1,712.7**	1,123.3	456.8
Creditors: amounts falling due after more than one year	19	**(652.5)**	(401.5)	(221.5)	**(1,055.8)**	(668.0)	(364.5)
Provisions for liabilities and charges	20	**(79.2)**	(77.9)	(74.5)	**(128.2)**	(129.6)	(122.6)
Net assets/(liabilities)		**326.7**	195.8	(18.3)	**528.7**	325.7	(30.3)
Capital and reserves							
Called up share capital	22,23	**77.5**	76.6	73.6	**125.4**	127.4	121.1
Share premium account	23	**602.9**	562.9	421.6	**975.6**	936.5	693.7
Goodwill write-off reserve	23	**–**	–	(1,160.4)	**–**	–	(1,909.3)
Other reserves	23	**(1.9)**	28.5	78.4	**(3.1)**	47.4	129.0
Profit and loss account	23	**(360.3)**	(480.3)	561.6	**(583.0)**	(799.1)	924.0
Equity share owners' funds		**318.2**	187.7	(25.2)	**514.9**	312.2	(41.5)
Minority interests		**8.5**	8.1	6.9	**13.8**	13.5	11.2
Total capital employed		**326.7**	195.8	(18.3)	**528.7**	325.7	(30.3)

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

Signed on behalf of the Board on 10 May 2000:
Sir Martin Sorrell
Group chief executive

P W G Richardson
Group finance director

Notes to the consolidated profit and loss account

1 Segment information

The Group is the leading worldwide communications services organisation offering national and multinational clients a comprehensive range of communications services. These services include advertising and media investment management, information and consultancy, public relations and public affairs, and branding and identity, healthcare and specialist communications. The Group derives a substantial proportion of its revenue and operating income from North America, the United Kingdom and Continental Europe and the Group's performance has historically been linked with the economic performance of these regions.

Contributions by geographical area were as follows:

	1999 £m	Change %	1998 £m	Change %	1997 £m
Turnover					
United Kingdom	**1,133.7**	25.7	902.1	11.5	809.0
United States	**4,021.3**	13.8	3,534.9	11.9	3,159.7
Continental Europe	**2,230.2**	21.1	1,841.2	19.6	1,539.0
Canada, Asia Pacific, Latin America, Africa & Middle East	**1,960.7**	13.9	1,721.9	(3.2)	1,779.6
	9,345.9	16.8	8,000.1	9.8	7,287.3
Revenue					
United Kingdom	**434.7**	10.5	393.5	17.8	334.0
United States	**915.2**	19.7	764.4	9.1	700.8
Continental Europe	**426.2**	7.6	396.0	17.8	336.2
Canada, Asia Pacific, Latin America, Africa & Middle East	**396.5**	8.8	364.5	(3.0)	375.7
	2,172.6	13.3	1,918.4	9.8	1,746.7
PBIT[1]					
United Kingdom	**51.5**	22.0	42.2	27.9	33.0
United States	**139.0**	24.6	111.6	26.2	88.4
Continental Europe	**55.8**	1.5	55.0	37.2	40.1
Canada, Asia Pacific, Latin America, Africa & Middle East	**44.5**	22.3	36.4	(17.3)	44.0
	290.8	18.6	245.2	19.3	205.5

There is no significant cross-border trading.

Contributions by operating sector were as follows:

	1999 £m	Change %	1998 £m	Change %	1997 £m
Turnover					
Advertising, media investment management	**7,690.1**	16.8	6,582.5	7.6	6,115.8
Information & consultancy	**425.5**	8.6	391.9	31.6	297.7
Public relations & public affairs	**199.1**	20.9	164.7	44.0	114.4
Branding & identity, healthcare and specialist communications	**1,031.2**	19.8	861.0	13.4	759.4
	9,345.9	16.8	8,000.1	9.8	7,287.3
Revenue					
Advertising, media investment management	**1,013.1**	6.5	951.3	4.1	914.1
Information & consultancy	**419.7**	14.3	367.2	23.3	297.7
Public relations & public affairs	**178.9**	32.7	134.8	17.8	114.4
Branding & identity, healthcare and specialist communications	**560.9**	20.6	465.1	10.6	420.5
	2,172.6	13.3	1,918.4	9.8	1,746.7
PBIT[1]					
Advertising, media investment management	**155.9**	10.3	141.3	7.1	131.9
Information & consultancy	**42.1**	7.1	39.3	51.7	25.9
Public relations & public affairs	**23.9**	52.2	15.7	70.7	9.2
Branding & identity, healthcare and specialist communications	**68.9**	40.9	48.9	27.0	38.5
	290.8	18.6	245.2	19.3	205.5

[1]PBIT: Profit on ordinary activities before interest and taxation.

2 Operating costs	**1999 £m**	1998 £m	1997 £m
Total staff costs (note 3)	**1,091.3**	952.9	877.8
Establishment costs	**158.3**	142.4	133.9
Other operating expenses (net)	**341.3**	307.2	262.0
Loss on sale of tangible fixed assets	**0.9**	0.9	0.1
	1,591.8	1,403.4	1,273.8
Operating expenses include:			
Depreciation	**42.2**	33.7	29.1
Operating lease rentals:			
Property (excluding real estate taxes)	**83.1**	72.5	71.9
Plant and machinery	**19.6**	16.4	15.0
	102.7	88.9	86.9
Auditors' remuneration: Audit fees			
– Arthur Andersen	**2.4**	2.0	1.8
– other	**0.3**	0.3	0.2
	2.7	2.3	2.0
Fees in respect of other advisory work	**3.7**	2.8	2.4

Fees paid to the auditors in respect of other advisory work include advice to the Group on taxation, acquisitions and, in 1999, on the implementation and structuring of 'LEAP' ('Leadership Equity Acquisition Plan').

Minimum committed annual rentals

Amounts payable (net of taxes) in 2000 under the foregoing leases will be as follows:

	Plant and machinery			Property		
	2000 £m	1999 £m	1998 £m	**2000 £m**	1999 £m	1998 £m
In respect of operating leases which expire:						
– within one year	**4.7**	5.1	3.9	**4.8**	7.0	6.5
– within two to five years	**15.9**	13.2	10.9	**24.7**	20.4	15.0
– after five years	**1.5**	0.2	0.6	**65.8**	49.2	49.8
	22.1	18.5	15.4	**95.3**	76.6	71.3

Future minimum annual amounts payable (net of taxes) under lease commitments in existence at 31 December 1999 are as follows:

	Minimum rental payments £m	Less sub-let rentals £m	Net payment £m
Year ended 31 December			
2000	117.4	(8.6)	108.8
2001	107.9	(6.9)	101.0
2002	100.3	(6.5)	93.8
2003	88.2	(6.1)	82.1
2004	83.1	(6.0)	77.1
Later years (to 2010)	290.1	(21.0)	269.1
	787.0	(55.1)	731.9

Notes to the consolidated profit and loss account continued

3 Our people
Our staff numbers averaged 27,711 against 25,589 in 1998, up 8.3%, including acquisitions. Their geographical distribution was as follows:

	1999 Number	1998 Number	1997 Number
United Kingdom	**4,439**	3,973	3,625
United States	**8,033**	7,082	6,571
Continental Europe	**5,650**	4,922	4,291
Canada, Asia Pacific, Latin America, Africa & Middle East	**9,589**	9,612	8,422
	27,711	25,589	22,909

At the end of 1999 staff numbers were 29,168 compared with 26,184 in 1998.

Total staff costs were made up as follows:

	1999 £m	1998 £m	1997 £m
Wages and salaries	**763.6**	666.4	615.4
Payments and provisions charged under short- and long-term incentive plans	**71.3**	58.6	56.8
Social security costs	**86.3**	76.7	70.4
Other pension costs	**27.7**	20.7	20.2
Other staff costs	**142.4**	130.5	115.0
	1,091.3	952.9	877.8
Staff cost to revenue ratio	**50.2%**	49.7%	50.3%

Directors' emoluments are disclosed on page 84.

4 Net interest payable and similar charges

	1999 £m	1998 £m	1997 £m
On bank loans and overdrafts, and other loans			
– repayable within five years, by instalments	**3.7**	2.0	1.2
– repayable within five years, not by instalments	**16.0**	21.1	23.8
– on all other loans (including corporate bond)	**14.1**	6.9	1.4
Interest payable	**33.8**	30.0	26.4
Interest receivable	**(10.4)**	(10.8)	(10.3)
Net interest payable	**23.4**	19.2	16.1
Charges in respect of working capital facilities	**12.0**	13.2	12.0
	35.4	32.4	28.1

Net interest payable increased to £23.4 million from £19.2 million, reflecting the increased level of acquisitions and share repurchases during the year.

Interest on the majority of the Group's borrowings, other than the USA bond, is payable at a margin of between 0.20% and 0.55% over relevant LIBOR depending on certain covenant conditions being met and, for a significant proportion of borrowings, is hedged to January 2003 at US dollar LIBOR rates of 6.25% or less (excluding margin costs).

The majority of the Group's long-term debt is represented by $300 million of USA bonds at a weighted average interest rate of 6.71%. Average borrowings under the $500 million Syndicated Revolving Credit Facility amounted to $228 million at an average interest rate of 6.1% (1998: 5.7%, 1997: 6.2%) inclusive of margin.

Derivative financial instruments
The Group entered into various types of US dollar interest rate contracts in managing its interest rate risk, as below. The rates below exclude margin costs.

Swaps	**1999**	1998	1997
Notional principal amount	**$350m**	$350m	$350m
Average pay rate	**6.17%**	5.84%	5.84%
Average receive rate	**LIBOR**	LIBOR	LIBOR
Average term	**5 mnths**	6 mnths	6 mnths
Latest maturity date	**Jan 2003**	Jan 2003	Jan 2003

The Group enters into interest rate swap agreements to reduce the impact of changes in interest rates on its floating rate debt. Under the swap agreements the Group agrees with other parties to exchange, at specified intervals, the difference between the fixed strike rate and prevailing relevant floating US dollar LIBOR calculated by reference to the agreed notional principal amount.

The differential paid or received by the Group on the swap agreements is charged/(credited) to interest expense in the year to which it relates.

The term of such instruments is not greater than the term of the debt being hedged and any anticipated refinancing or extension of the debt.

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given the Group's policy of selecting only counterparties with high credit ratings.

Other than the above, the Group has no significant utilisation of derivative financial instruments.

The fair value of derivatives is disclosed in note 21. The Group's policy on derivatives and financial instruments is discussed in the Operating and financial review on pages 25 and 26.

5 Tax on profit on ordinary activities
The tax charge is based on the profit for the year and comprises:

	1999 £m	1998 £m	1997 £m
Corporation tax at 30.25% (1998: 31.0%, 1997: 31.5%)	**12.4**	12.9	6.1
Deferred taxation	**(0.7)**	–	(2.6)
Overseas taxation	**56.5**	51.4	52.0
Tax on profits of associate companies	**8.1**	6.8	3.9
Write-back of previously written-off ACT	**–**	(4.1)	(2.7)
Advance corporation tax written off	**0.3**	–	–
	76.6	67.0	56.7
Effective tax rate on profit before tax	**30.0%**	31.5%	32.0%

Reconciliation of the Group's tax to the United Kingdom statutory tax rate:

	1999 £m	1998 £m	1997 £m
Tax on pre-tax income at statutory rates of 30.25% (1998 31.0% and 1997: 31.5%)	**77.3**	66.0	55.9
Effects of:			
Permanent differences between expenditures charged in arriving at income and expenditures allowed for tax purposes	**(3.4)**	4.3	2.6
Utilisation of tax losses brought forward	**(4.7)**	(5.6)	(4.1)
Unused tax losses carried forward	**6.3**	4.6	3.8
Differences between UK and overseas statutory standard tax rates	**0.8**	1.8	1.2
Write-back of previously written-off ACT	**–**	(4.1)	(2.7)
Advance corporation tax written off	**0.3**	–	–
Tax on profit on ordinary activities	**76.6**	67.0	56.7

6 Ordinary dividends

	1999	1998	1997	**1999**	1998	1997
	Pence per share			**£m**	£m	£m
Interim dividend paid	**1.0p**	0.84p	0.70p	**7.8**	6.2	5.2
Final dividend proposed	**2.1p**	1.72p	1.43p	**16.2**	13.4	10.5
	3.1p	2.56p	2.13p	**24.0**	19.6	15.7

No ACT is payable in respect of the 1998 final dividend and the 1999 dividends, owing to the abolition of ACT with effect from April 1999.

7 Earnings per ordinary share
Basic and diluted earnings per share have been calculated in accordance with FRS 14 'Earnings per Share'.

Basic earnings per share have been calculated using earnings of £172.8 million (1998: £140.3 million, 1997: £116.0 million) and weighted average shares in issue during the year of 753,324,054 shares (1998: 735,700,122 shares, 1997: 732,426,990 shares).

Diluted earnings per share have been calculated using earnings of £172.8 million (1998: £140.3 million, 1997: £116.0 million) on a weighted average of 768,691,993 shares (1998: 746,939,733 shares, 1997: 738,922,627 shares). This takes into account the exercise of employee share options where these are expected to dilute earnings.

Basic and diluted earnings per ADR have been calculated using the same method as for earnings per share, multiplied by a factor of five. The comparative figures have been restated following a change in the ratio of ordinary shares per ADR from 10 ordinary shares per ADR to five ordinary shares per ADR.

Notes to the consolidated cash flow statement

8 Sources of finance

The following table is a supplementary disclosure to the consolidated cash flow statement, summarising the equity and debt financing of the Group, and changes during the year:

	1999 Shares £m	1999 Debt £m	1998 Shares £m	1998 Debt £m	1997 Shares £m	1997 Debt £m
Analysis of changes in financing						
Beginning of year	**639.5**	**194.2**	495.2	97.3	490.6	215.4
Shares issued in respect of acquisitions	**–**	**–**	132.7	–	–	–
Other issues of share capital	**40.9**	**–**	12.2	–	5.3	–
Shares bought back and cancelled	**–**	**–**	(0.6)	–	(0.7)	–
Repayment of bank loans	**–**	**–**	–	–	–	(18.5)
Increase/(reduction) in drawings on bank loans	**–**	**258.0**	–	97.3	–	(106.4)
Amortisation/(payment) of financing costs included in net debt	**–**	**1.7**	–	(1.2)	–	(0.2)
Exchange adjustments on long-term borrowings	**–**	**5.6**	–	0.8	–	7.0
End of year	**680.4**	**459.5**	639.5	194.2	495.2	97.3

The above table excludes bank overdrafts which fall within cash for the purposes of the consolidated cash flow statement.

Shares

At 31 December 1999, the Company's share base was entirely composed of ordinary equity share capital and share premium of £680.4 million (1998: £639.5 million, 1997: £495.2 million), further details of which are disclosed in notes 22 and 23.

Debt

USA bond The Group has in issue US$200 million of 6.625% Notes due 2005 and US$100 million of 6.875% Notes due 2008.

Revolving Credit Facility The Group's debt is also funded by a $500 million syndicated Revolving Credit Facility dated July 1998. The facility is due to expire in July 2002. The Group's syndicated borrowings drawn down under the agreement averaged $228 million during the year.

Revolving Facility Agreement During the year, the Group entered into a further Revolving Facility Agreement for US$150 million. This facility has a 365-day maturity.

Borrowings under the Revolving Credit Facility and the Revolving Facility Agreement are governed by certain financial covenants based on the results and financial position of the Group.

The following table is an analysis of net funds with debt analysed by year of repayment:

	1999 £m	Change in year £m	1998 £m	Change in year £m	1997 £m
Debt					
Within one year	**(92.7)**	**(92.7)**	–	9.3	(9.3)
Between one and two years	**–**	**–**	–	–	–
Between two and five years	**(183.1)**	**(168.0)**	(15.1)	71.9	(87.0)
Over five years – by instalments	**(183.7)**	**(4.6)**	(179.1)	(178.1)	(1.0)
Debt financing under the Credit Facility Agreement and from unsecured loan notes	**(459.5)**	**(265.3)**	(194.2)	(96.9)	(97.3)
Short-term overdrafts – within one year	**(55.6)**	**39.8**	(95.4)	(22.9)	(72.5)
Cash at bank and in hand	**607.0**	**183.1**	423.9	59.4	364.5
Net funds	**91.9**	**(42.4)**	134.3	(60.4)	194.7

Analysis of fixed and floating rate debt by currency:

Currency	£m	Fixed rate[1]	Floating basis	Period (months)[1]
US$	401.7[2]	6.42%	n/a	52
US$	136.6	n/a	LIBOR	n/a
£	132.0	n/a	LIBOR	n/a
Other	3.3	n/a	various	n/a
	673.6			

[1]Weighted average.
[2]Including drawings on working capital facility as described in note 17.

9 Reconciliation of operating profit to net cash inflow from operating activities	1999 £m	1998 £m	1997 £m
Operating profit	**263.5**	229.1	194.9
Depreciation charge (note 13)	**42.2**	33.7	29.1
Decrease/(increase) in working capital and provisions	**41.9**	(7.7)	58.9
Loss on sale of tangible fixed assets	**0.9**	0.9	0.1
Net cash inflow from operating activities	**348.5**	256.0	283.0

The following table analyses the changes in working capital and provisions that have contributed to the net cash inflow from operating activities in the consolidated cash flow statement:

	1999 £m	1998 £m	1997 £m
Changes in working capital and provisions			
(Increase)/decrease in stocks and work in progress	**(1.5)**	0.2	(2.5)
(Increase)/decrease in debtors	**(165.3)**	23.9	(66.3)
Increase/(decrease) in creditors – short term	**155.4**	(29.2)	120.0
– long term	**43.2**	(7.9)	6.9
Increase in provisions	**10.1**	5.3	0.8
Decrease/(increase) in working capital and provisions	**41.9**	(7.7)	58.9

10 Analysis of non-operating cash flows

The following tables analyse the items included within the main cash flow headings on page 59:

	1999 £m	1998 £m	1997 £m
Returns on investments and servicing of finance			
Interest and similar charges paid	**(42.0)**	(36.8)	(39.9)
Interest received	**9.3**	10.6	10.6
Dividends paid to minorities	**(4.4)**	(2.5)	(1.2)
Net cash outflow	**(37.1)**	(28.7)	(30.5)
Capital expenditure and financial investment			
Purchase of tangible fixed assets (note 13)	**(64.6)**	(51.6)	(36.3)
Purchase of own shares by ESOP trust (note 14)	**(17.9)**	(33.3)	(12.7)
Proceeds from sale of tangible fixed assets	**2.0**	2.8	3.2
Net cash outflow	**(80.5)**	(82.1)	(45.8)
Acquisition payments			
Cash consideration for acquisitions	**(242.2)**	(111.8)	(51.3)
Less cash acquired	**51.8**	6.1	0.1
Net purchase of other investments	**(11.8)**	(9.8)	(17.3)
	(202.2)	(115.5)	(68.5)
Financing activities			
Net repayment of bank loans	**–**	–	(18.5)
Increase/(reduction) in drawings on bank loans	**258.0**	(81.4)	(106.4)
Share buy-backs	**–**	(21.3)	(18.5)
Financing costs	**–**	(2.3)	(1.3)
Proceeds from issue of shares	**12.0**	4.3	2.4
Proceeds from issue of bond	**–**	178.8	–
Net cash inflow/(outflow)	**270.0**	78.1	(142.3)

Notes to the consolidated balance sheet

11 Segment information

Assets by geographical area were as follows:

	Total assets employed			Non-interest bearing assets/(liabilities)		
	1999 £m	1998 £m	1997 £m	**1999 £m**	1998 £m	1997 £m
United Kingdom	**624.6**	436.9	356.0	**143.2**	54.0	31.2
United States	**962.4**	623.4	515.8	**(324.0)**	(359.9)	(420.5)
Continental Europe	**714.7**	621.2	489.0	**144.4**	95.6	61.9
Canada, Asia Pacific, Latin America, Africa & Middle East	**904.7**	771.0	618.5	**271.2**	271.8	114.4
	3,206.4	2,452.5	1,979.3	**234.8**	61.5	(213.0)
Net interest bearing funds				**91.9**	134.3	194.7
Net assets/(liabilities) in the consolidated balance sheet				**326.7**	195.8	(18.3)

Assets by operating sector were as follows:

	Total assets employed			Non-interest bearing assets/(liabilities)		
	1999 £m	1998 £m	1997 £m	**1999 £m**	1998 £m	1997 £m
Advertising, media investment management	**1,850.8**	1,616.0	1,461.7	**(259.3)**	(139.2)	(212.2)
Information & consultancy	**455.0**	294.8	157.7	**173.5**	71.8	(11.3)
Public relations & public affairs	**247.7**	167.8	81.4	**121.4**	68.3	11.7
Branding & identity, healthcare and specialist communications	**652.9**	373.9	278.5	**199.2**	60.6	(1.2)
	3,206.4	2,452.5	1,979.3	**234.8**	61.5	(213.0)
Net interest bearing funds				**91.9**	134.3	194.7
Net assets/(liabilities) in the consolidated balance sheet				**326.7**	195.8	(18.3)

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

12 Intangible fixed assets

	1999 £m	1998 £m	1997 £m
Corporate brand names	**350.0**	350.0	350.0

Corporate brand names represent J. Walter Thompson, Hill and Knowlton and Ogilvy & Mather Worldwide. These assets are carried at historical cost in accordance with the Group's accounting policy for intangible fixed assets as stated on page 56.

Goodwill	£m
1 January 1998	–
Additions	158.0
31 December 1998	158.0
Additions	252.3
31 December 1999	**410.3**

Additions represent goodwill arising on the acquisition of subsidiary undertakings. Goodwill arising on the acquisition of associate undertakings is shown within fixed asset investments in note 14.

13 Tangible fixed assets

The movements in 1999 and 1998 were as follows:

	Land and buildings				
Cost:	Freehold £m	Short leasehold £m	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
1 January 1998	12.0	113.1	82.5	107.9	315.5
Additions	0.1	13.3	13.4	24.8	51.6
New acquisitions	0.1	2.4	5.5	4.3	12.3
Disposals	(0.6)	(2.6)	(2.6)	(6.3)	(12.1)
Exchange adjustments	–	(1.3)	(0.5)	0.9	(0.9)
31 December 1998	11.6	124.9	98.3	131.6	366.4
Additions	0.3	13.0	15.3	36.0	64.6
New acquisitions	0.4	5.0	7.7	5.3	18.4
Disposals	–	(2.8)	(3.0)	(7.7)	(13.5)
Exchange adjustments	0.1	1.5	0.6	(1.0)	1.2
31 December 1999	**12.4**	**141.6**	**118.9**	**164.2**	**437.1**
Depreciation:					
1 January 1998	2.4	45.8	51.6	72.2	172.0
New acquisitions	–	1.7	0.5	0.4	2.6
Charge	0.7	5.1	11.4	16.5	33.7
Disposals	–	(1.5)	(1.6)	(5.3)	(8.4)
Exchange adjustments	(0.3)	(0.2)	–	0.3	(0.2)
31 December 1998	2.8	50.9	61.9	84.1	199.7
New acquisitions	0.1	2.2	3.5	2.4	8.2
Charge	0.3	8.7	11.8	21.4	42.2
Disposals	–	(1.9)	(2.0)	(6.7)	(10.6)
Exchange adjustments	0.1	1.0	0.4	(0.6)	0.9
31 December 1999	**3.3**	**60.9**	**75.6**	**100.6**	**240.4**
Net book value:					
31 December 1999	**9.1**	**80.7**	**43.3**	**63.6**	**196.7**
31 December 1998	8.8	74.0	36.4	47.5	166.7
1 January 1998	9.6	67.3	30.9	35.7	143.5

Leased assets (other than leasehold property) included above have a net book value of £3.1 million (1998: £2.3 million, 1997: £1.8 million).

At the end of the year, capital commitments contracted, but not provided for were:

	1999 £m	1998 £m	1997 £m
Capital commitments	**1.4**	0.6	2.2

14 Fixed asset investments
The following are included in the net book value of fixed asset investments:

	Associate undertakings £m	Goodwill on associate undertakings £m	Own shares £m	Other investments £m	Total £m
1 January 1998	22.7	–	27.0	20.8	70.5
Additions	52.4	–	33.3	13.7	99.4
Goodwill arising on acquisition of new associates	–	90.6	–	–	90.6
Share of profits after tax of associate undertakings	9.3	–	–	–	9.3
Dividends and other movements	(8.0)	–	–	2.5	(5.5)
Exchange adjustments	10.0	–	–	–	10.0
Disposals	–	–	(2.2)	(3.9)	(6.1)
31 December 1998	86.4	90.6	58.1	33.1	268.2
Additions	2.6	–	17.9	19.2	39.7
Goodwill arising on acquisition of new associates	–	40.5	–	–	40.5
Share of profits after tax of associate undertakings	19.2	–	–	–	19.2
Dividends and other movements	(6.3)	–	–	(1.5)	(7.8)
Exchange adjustments	7.6	–	–	–	7.6
Disposals	(2.3)	–	(4.7)	(3.5)	(10.5)
31 December 1999	**107.2**	**131.1**	**71.3**	**47.3**	**356.9**

The Group's principal associate undertakings include:

	% controlled	Country of incorporation
Asatsu-DK	20.0	Japan
Batey Ads (Pte) Limited	30.0	Singapore
Chime Communications PLC	29.9	United Kingdom
High Co S.A.[1]	30.0	France
IBOPE Group	31.0	Brazil
Ogilvy & Mather Rightford Pty Limited	40.0	South Africa
Singleton, Ogilvy & Mather (Holdings) Pty Limited	40.7	Australia

[1]acquired in 1999

The Company's holdings of own shares are stated at cost and represent purchases by the Employee Share Option Plan ('ESOP') trust of shares in WPP Group plc for the purpose of funding certain of the Group's long-term incentive plan liabilities, details of which are disclosed in the Compensation committee report on pages 90 to 95.

The trustees of the ESOP purchase the Company's ordinary shares in the open market using funds provided by the Company. The Company also has an obligation to make regular contributions to the ESOP to enable it to meet its administrative costs.

The number and market value of the ordinary shares of the Company held by the ESOP at 31 December 1999 was 27,888,766, (1998: 25,532,484, 1997: 16,456,119) and £273.6 million (1998: £93.4 million, 1997: £44.3 million) respectively.

The market value of the Group's shares in its principal listed associate undertakings at 31 December 1999 was as follows: Asatsu-DK – £419.6 million, Chime Communications PLC – £61.6 million, High Co S.A. – £28.7 million. The Group's investments in its principal associate undertakings are represented by ordinary shares.

Other investments include a UK listed investment of £24.3 million (1998: £19.9 million, 1997: £14.3 million). This represents an interest of 18.1% (1998: 17.9%, 1997: 13.7%) in the ordinary share capital of Tempus Group PLC, Europe's second largest independent media buyer.

15 Stocks and work in progress
The following are included in the net book value of stocks and work in progress:

	1999 £m	1998 £m	1997 £m
Work in progress	**110.4**	104.5	97.0
Stocks	**3.1**	2.8	2.7
	113.5	107.3	99.7

16 Debtors
The following are included in debtors:

	1999 £m	1998 £m	1997 £m
Amounts falling due within one year			
Trade debtors outside working capital facility	**770.0**	678.9	633.9
VAT and sales taxes recoverable	**13.5**	4.0	7.2
Corporate income taxes recoverable	**8.7**	9.9	6.5
Other debtors	**143.4**	126.5	103.3
Prepayments and accrued income	**64.3**	46.8	53.5
	999.9	866.1	804.4
Amounts falling due after more than one year			
Other debtors	**34.7**	20.5	18.9
Prepayments and accrued income	**5.8**	6.5	4.3
	40.5	27.0	23.2
	1,040.4	893.1	827.6

Movements on bad debt provisions were as follows:

	1999 £m	1998 £m	1997 £m
Balance at beginning of year	**16.5**	15.6	14.7
Charged/(credited):			
To costs and expenses	**4.0**	4.6	6.6
Exchange adjustments	**(0.1)**	(0.4)	(0.5)
Other	**(3.8)**	(3.3)	(5.2)
Balance at end of year	**16.6**	16.5	15.6

The allowance for doubtful debts is equivalent to 1.8% (1998: 2.1%, 1997: 2.0%) of gross trade accounts receivable.

17 Debtors within working capital facility
The following are included in debtors within the Group's working capital facilities:

	1999 £m	1998 £m	1997 £m
Gross debts	**345.7**	294.5	335.2
Non-returnable proceeds	**(214.1)**	(209.2)	(211.7)
	131.6	85.3	123.5

Within the Group's overall working capital facilities, certain trade debts have been assigned as security against the advance of cash. This security is represented by the assignment of a pool of trade debts, held by one of the Group's subsidiaries, to a trust for the benefit of the providers of this working capital facility. The financing provided against this pool takes into account, *inter alia*, the risks that may be attached to individual debtors and the expected collection period.

The Group is not obliged (and does not intend) to support any credit-related losses arising from the assigned debts against which cash has been advanced. The providers of the finance have confirmed in writing that, in the event of default in payment by a debtor, they will only seek repayment of cash advanced from the remainder of the pool of debts in which they hold an interest, and that repayment will not be sought from the Group in any other way.

Notes to the consolidated balance sheet continued

18 Creditors: amounts falling due within one year
The following are included in creditors falling due within one year:

	1999 £m	1998 £m	1997 £m
Bank loans and overdrafts (note 8)	**148.3**	95.4	81.8
Trade creditors	**1,315.0**	1,102.4	1,113.0
Corporate income taxes payable	**34.6**	50.0	49.2
Other taxation and social security	**68.9**	52.0	58.5
Dividends proposed	**16.2**	13.4	10.5
Payments due to vendors (note 24)	**41.2**	14.3	9.1
Other creditors and accruals	**398.0**	338.7	282.2
Deferred income	**125.8**	111.1	97.3
	2,148.0	1,777.3	1,701.6

Bank loans and overdrafts include overdrafts of £55.6 million (1998: £95.4 million, 1997: £72.5 million).

19 Creditors: amounts falling due after more than one year
The following are included in creditors falling due after more than one year:

	1999 £m	1998 £m	1997 £m
Bank loans (note 8)	**366.8**	194.2	88.0
Corporate income taxes payable	**122.9**	91.3	75.3
Payments due to vendors (note 24)	**131.2**	83.6	25.3
Other creditors and accruals	**31.6**	32.4	32.9
	652.5	401.5	221.5

20 Provisions for liabilities, charges and contingent liabilities
The movement in the year on provisions comprises:

	Deferred taxation £m	Pension and other £m	Long-term incentive plans £m	Total £m
1 January 1998	8.4	43.3	22.8	74.5
Charged to the profit and loss account	0.4	5.8	11.2	17.4
New acquisitions	–	0.2	–	0.2
Utilised	(0.9)	(4.0)	(12.2)	(17.1)
Transfers	0.7	1.3	–	2.0
Exchange adjustments	0.1	0.8	–	0.9
31 December 1998	8.7	47.4	21.8	77.9
(Credited)/charged to the profit and loss account	(0.7)	7.3	15.2	21.8
New acquisitions	–	0.8	–	0.8
Utilised	(0.6)	(4.4)	(14.4)	(19.4)
Transfers	(2.5)	2.6	–	0.1
Exchange adjustments	(0.2)	(1.8)	–	(2.0)
31 December 1999	**4.7**	**51.9**	**22.6**	**79.2**

20 Provisions for liabilities, charges and contingent liabilities continued

Deferred taxation
Deferred tax has been provided to the extent that the directors have concluded that it is probable that liabilities will crystallise. No provision is made for tax that would arise on the remittance of overseas earnings. There is no material unprovided deferred tax at 31 December 1999.

	1999 £m	1998 £m	1997 £m
Deferred tax assets:			
– Unutilised tax losses	**7.7**	13.3	24.6
– Deferred compensation	**32.2**	29.0	28.4
– Acquisition related provisions (principally property, working capital and staff-related liabilities)	**5.4**	8.8	9.0
– Advance corporation tax written off	**0.3**	–	4.1
– Other	**7.8**	7.6	5.3
	53.4	58.7	71.4
Less:			
– Provision against deferred tax assets	**30.8**	36.1	55.5
Deferred tax liabilities:			
– Accelerated capital allowances	**5.2**	5.6	5.5
– Interest receivable	**17.2**	16.1	10.9
– Other	**4.9**	9.6	7.9
Temporary timing differences	**27.3**	31.3	24.3
	4.7	8.7	8.4

The provision against deferred tax assets represents a provision for uncertainty as to the realisation of the Group's deferred tax assets. The net decrease in the year in the total provision was £5.3 million (1998: £19.4 million, 1997: £10.9 million).

Unutilised tax losses include tax losses arising in the US. These losses do not expire for more than 10 years. UK losses may be carried forward for an indefinite period. The life of losses carried forward in other international jurisdictions varies according to local tax laws. Deferred tax liabilities and assets attributable to different tax jurisdictions have not been offset.

Pension provisions and 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.

Pension and other provisions relate primarily to unfunded pension costs which are provided for in the Group's balance sheet, and arise mainly in the United States and Continental Europe.

The Group's pension costs are analysed as follows:

	1999 £m	1998 £m	1997 £m
Defined contribution schemes	**21.4**	14.7	13.2
Defined benefit schemes	**6.4**	5.9	7.0
	27.8	20.6	20.2

Where defined benefit schemes exist the pension cost is assessed in accordance with the advice of qualified actuaries using the projected unit credit and attained age methods. The latest actuarial assessments of the schemes were undertaken within the last three years.

Actuarial valuations in aggregate over the last three years are as follows:

	1999 per annum	1998 per annum	1997 per annum
Assumptions			
Return on plan assets	**9%**	9%	9%
Salary increases	**2–8%**	3–8%	5–8%
Pension increases	**3–6%**	3–6%	3–6%
Assessments			
Market value of plan assets at year-end	**£176m**	£129m	£128m
Value of assets to benefits ratio	**100%**	102%	100%

20 Provisions for liabilities and charges, and contingent liabilities continued

Other provisions

Long-term incentive plans are operated by certain of the Group's subsidiaries, the provision representing accrued compensation to 31 December 1999 that may become payable after more than one year, as described in the Compensation committee report on pages 90 to 95.

Contingent liabilities

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 or on the results of its operations.

21 Fair value of financial instruments

Derivative financial instruments

The fair value of derivatives, based on the amount that would be receivable or (payable) if the Group had sought to enter into such transactions, based on quoted market prices where possible, was as follows:

	31 March 2000	31 December 1999	31 December 1998
	Swaps £m	Swaps £m	Swaps £m
Fair value	**3.7**	2.1	(6.9)
Book value	**nil**	nil	nil

Non-derivative financial instruments

The Group estimates that the aggregate fair value of non-derivative financial instruments at 31 December 1999 does not differ materially from their aggregate carrying values recorded in the consolidated balance sheet.

The Group has used the methods and assumptions detailed below to estimate the fair values of the Group's financial instruments.

Cash, accounts receivable, accounts payable, overdrafts and short-term borrowings – considered to approximate to fair value because of the short maturity of such instruments.

Long-term borrowings – considered to approximate to fair value based on available market information. Considerable judgement is required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that could be realised in a current market exchange.

22 Authorised and issued share capital

	1999 Number m	**1999 £m**	1998 Number m	1998 £m	1997 Number m	1997 £m
Authorised:						
Equity ordinary shares of 10p each	**1,250**	**125.0**	1,250	125.0	1,000	100.0
Issued:						
Equity ordinary shares of 10p each	**774.5**	**77.5**	766.5	76.6	736.3	73.6

Movements in each year are shown in note 23.

22 Authorised and issued share capital continued

Share options

As at 31 December 1999, unexercised options totalling 26,647,209 have been granted under the WPP Executive Share Option Scheme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
7,012	5.430	1995 – 2000
19,549	3.970	1995 – 2000
92,751	1.330	1996 – 2001
164,339	0.560	1997 – 2002
116,052	0.295	1995 – 2002
85,387	1.020	1996 – 2003
38,657	1.150	1997 – 2004
2,203,028	1.190	1997 – 2004
1,181,193	1.080	1998 – 2005
4,471,445	1.540	1998 – 2005
1,216,829	2.140	1999 – 2006
4,441.626	2.335	1999 – 2006
37,014	2.535	2000 – 2007
5,011,830	2.835	2000 – 2007
25,110	3.030	2001 – 2008
4,904,852	2.930	2001 – 2008
51,100	3.270	2001 – 2008
430,484	5.185	2002 – 2009
2,148,951	5.700	2002 – 2009

As at 31 December 1999, unexercised options totalling 6,293,625 have been granted under the WPP Worldwide Share Ownership Programme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
1,955,925	2.695	2000 – 2007
2,498,625	3.030	2001 – 2008
1,839,075	5.315	2002 – 2009

A further grant was made on 21 March 2000 of 317,008 options at £10.77 exercisable between 2003 and 2010.

The aggregate status of the WPP Share Option Schemes during 1999 was as follows:

Movement on options granted

1 January 1999 Number	Granted Number	Exercised Number	Lapsed Number	31 December 1999 Number
37,685,730	4,452,090	8,067,860	1,129,126	32,940,834

Options outstanding

Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
0.295–5.70	2.74	89

The weighted average fair value of options granted in the year calculated using the Black-Scholes model, was as follows:

	1999	1998	1997
Fair value	**134.0p**	71.5p	64.5p
Weighted average assumptions:			
Risk-free interest rate	**5.23%**	5.84%	6.15%
Expected life (months)	**36**	36	36
Expected volatility	**28%**	25%	24%
Dividend yield	**0.6%**	0.6%	0.9%

Options are issued at an exercise price equal to market value on the date of grant.

The weighted average fair value of the awards made under the Leadership Equity Acquisition Program ('LEAP'), calculated using the Black-Scholes model, were as follows:

	1999
Fair value	233.8p
Weighted average assumptions:	
Risk-free interest rate	5.23%
Expected life (months)	60
Expected volatility	28%
Dividend yield	0.6%

LEAP awards were made at an exercise price equal to market value on the date of grant.

Notes to the consolidated balance sheet continued

23 Share owners' funds
Movements during the year were as follows:

	Ordinary share capital £m	Share premium account £m	Goodwill write-off reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Balance at 1 January 1997	**74.1**	**416.5**	**(1,068.8)**	**117.8**	**482.7**	**22.3**
1997 movements						
Ordinary shares issued	0.2	5.1	–	–	(2.9)	2.4
Write-off of goodwill arising on consolidation in the year	–	–	(91.6)	–	–	(91.6)
Currency translation movement	–	–	–	(40.1)	–	(40.1)
Retained profit for the financial year	–	–	–	–	100.3	100.3
Share buy-backs	(0.7)	–	–	0.7	(18.5)	(18.5)
Balance at 31 December 1997	**73.6**	**421.6**	**(1,160.4)**	**78.4**	**561.6**	**(25.2)**
1998 movements						
Ordinary shares issued in respect of acquisitions	3.1	129.6	–	–	(27.3)	105.4
Other ordinary shares issued	0.5	11.7	–	–	(8.1)	4.1
Transfers between reserves	–	–	1,160.4	(54.5)	(1,105.9)	–
Currency translation movement	–	–	–	4.0	–	4.0
Retained profit for the financial year	–	–	–	–	120.7	120.7
Share buy-backs	(0.6)	–	–	0.6	(21.3)	(21.3)
Balance at 31 December 1998	**76.6**	**562.9**	**–**	**28.5**	**(480.3)**	**187.7**
1999 movements						
Ordinary shares issued	**0.9**	**40.0**	**–**	**0.8**	**(28.8)**	**12.9**
Currency translation movement	**–**	**–**	**–**	**(31.2)**	**–**	**(31.2)**
Retained profit for the financial year	**–**	**–**	**–**	**–**	**148.8**	**148.8**
Balance at 31 December 1999	**77.5**	**602.9**	**–**	**(1.9)**	**(360.3)**	**318.2**

Other reserves at 31 December 1999 comprise: currency translation deficit £124.5 million (1998: £93.3 million, 1997: £97.3 million), revaluation reserve £nil (1998: £nil, 1997: £175.0 million), capital redemption reserve £1.3 million (1998: £1.3 million, 1997: £0.7 million) and merger reserve £121.3 million (1998: £120.5 million, 1997: £nil).

24 Acquisitions and disposals
Goodwill arising on acquisitions in the year was calculated as follows:

	Cash acquired £m	Book value of other assets £m	Fair value adjustments £m	Fair value £m	Cost of acquisition £m	Goodwill £m
IntelliQuest Information Group, Inc.	44.4	(3.4)	(1.6)	39.4	67.5	28.1
Other	7.4	(2.0)	(20.9)	(15.5)	249.2	264.7
	51.8	**(5.4)**	**(22.5)**	**23.9**	**316.7**	**292.8**

The Group made a number of acquisitions during 1999 across several operational sectors and geographic markets.

Total goodwill of £292.8 million arising during the year includes £252.3 million in respect of the acquisition of subsidiary undertakings and £40.5 million in respect of associate undertakings. Included in these amounts are £220.5 million of cash paid and £96.2 million of additional future anticipated payments to vendors, based on the directors' best estimates of future obligations, which are dependent on future performance of the interests acquired. Cash paid to vendors in respect of consideration accrued in prior years amounted to £21.7 million.

IntelliQuest Information Group, Inc.
During the year, the Group acquired IntelliQuest Information Group, Inc, a leading US provider of information services for technology companies. Total fair value adjustments of £1.6 million primarily related to additional tax liabilities.

Other
Fair value adjustments of £20.9 million arising on other acquisitions include £6.8 million of additional tax liabilities and £14.1 million of other liabilities.

Acquisitions during 1999 did not have a significant impact on the Group's results for the year, nor were there any material disposals.

25 Principal operating subsidiary undertakings
A list of the principal operating subsidiary undertakings is given on pages 4 and 5. The Company directly or indirectly holds controlling interests in the issued share capital of these undertakings with the exception of those specifically identified.

26 Post balance sheet event
Since 31 December 1999, the Board of WPP Group plc has entered into negotiations with Young & Rubicam Inc., to explore a potential merger of the two companies. As at the date of approval of the Group's financial statements by the Board (namely 10 May 2000), these negotiations are continuing. The Board does not consider that the continuation of these discussions has a material effect on the Group's financial statements for the year ended 31 December 1999.

Company balance sheet
As at 31 December 1999

	Notes	1999 £m	1998 £m	1997 £m
Fixed assets				
Tangible assets	27	**10.3**	5.8	2.9
Investments	28	**1,808.6**	1,661.1	1,331.7
		1,818.9	1,666.9	1,334.6
Current assets				
Debtors (including amounts falling due after more than one year)	29	**88.7**	60.4	83.7
Cash at bank and in hand		**2.4**	1.2	48.8
		91.1	61.6	132.5
Creditors: amounts falling due within one year	30	**(370.8)**	(329.6)	(296.8)
Net current liabilities		**(279.7)**	(268.0)	(164.3)
Total assets less current liabilities		**1,539.2**	1,398.9	1,170.3
Creditors: amounts falling due after more than one year	31	**(441.2)**	(346.2)	(336.4)
Net assets		**1,098.0**	1,052.7	833.9
Capital and reserves				
Called up share capital	32	**77.5**	76.6	73.6
Share premium account	32	**602.9**	562.9	421.6
Other reserves	32	**212.8**	212.0	88.0
Profit and loss account	32	**204.8**	201.2	250.7
Total equity capital employed		**1,098.0**	1052.7	833.9

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

Signed on behalf of the Board on 10 May 2000:
Sir Martin Sorrell
Group chief executive

P W G Richardson
Group finance director

As provided by Section 230, Companies Act 1985, the profit and loss account for the Company has not been presented. Included within the consolidated profit and loss account for the financial year is a profit of £27.6 million (1998: loss of £8.8 million, 1997: profit of £55.3 million) in respect of the Company.

Notes to the Company balance sheet

27 Tangible fixed assets
The movements in 1999 and 1998 were as follows:

Costs:	Short leasehold £m	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
1 January 1998	1.0	0.7	3.8	5.5
Additions	0.2	0.1	3.4	3.7
31 December 1998	1.2	0.8	7.2	9.2
Additions	0.4	–	5.4	5.8
31 December 1999	**1.6**	**0.8**	**12.6**	**15.0**
Depreciation:				
1 January 1998	0.6	0.5	1.5	2.6
Charge	0.2	0.1	0.5	0.8
31 December 1998	0.8	0.6	2.0	3.4
Charge	0.2	–	1.1	1.3
31 December 1999	**1.0**	**0.6**	**3.1**	**4.7**
Net book value:				
31 December 1999	**0.6**	**0.2**	**9.5**	**10.3**
31 December 1998	0.4	0.2	5.2	5.8
1 January 1998	0.4	0.2	2.3	2.9

28 Fixed asset investments
The following are included in the net book value of fixed asset investments:

	Subsidiary undertakings £m	Own shares £m	Total £m
1 January 1998	1,304.7	27.0	1,331.7
Additions	298.3	33.3	331.6
Disposals	–	(2.2)	(2.2)
31 December 1998	1,603.0	58.1	1,661.1
Additions	308.1	17.9	326.0
Disposals	(108.9)	(4.7)	(113.6)
Return of capital from subsidiary undertakings	(64.9)	–	(64.9)
31 December 1999	**1,737.3**	**71.3**	**1,808.6**

Further details of the Company's holdings of own shares are detailed in note 14 to the consolidated balance sheet.

29 Debtors
The following are included in debtors:

	1999 £m	1998 £m	1997 £m
Amounts owed by subsidiary undertakings	**49.7**	28.8	63.1
Other debtors	**39.0**	31.6	20.6
	88.7	60.4	83.7

Included within amounts owed by subsidiary undertakings are loans totalling £nil (1998: £5.2 million, 1997: £16.8 million) which fall due for repayment after more than one year.

30 Creditors: amounts falling due within one year
The following are included in creditors falling due within one year:

	1999 £m	1998 £m	1997 £m
Bank loans and overdrafts	**25.5**	49.1	60.9
Amounts due to subsidiary undertakings	**313.8**	245.1	214.7
Taxation and social security	**10.6**	6.9	–
Dividends proposed	**16.2**	13.3	10.6
Other creditors and accruals	**4.7**	15.2	10.6
	370.8	329.6	296.8

31 Creditors: amounts falling due after more than one year
The following are included in creditors falling due after more than one year:

	1999 £m	1998 £m	1997 £m
Bank loans	**180.3**	10.0	–
Amounts due to subsidiary undertakings	**252.0**	323.9	321.3
Other creditors and accruals	**8.9**	12.3	15.1
	441.2	346.2	336.4

The following is an analysis of all bank loans and unsecured loan notes by year of repayment:

	1999 £m	1998 £m	1997 £m
Within two to five years	**180.3**	10.0	–

The Company's bank loans and overdrafts form part of the Group's facilities under the Revolving Credit Facility (note 8).

32 Share owners' funds
Movements during the year were as follows:

	Share capital £m	Share premium account £m	Other reserves £m	Profit and loss account £m
Balance at beginning of year	76.6	562.9	212.0	201.2
Ordinary shares issued	0.9	40.0	0.8	–
Retained profit for the financial year	–	–	–	3.6
	77.5	602.9	212.8	204.8

Other reserves at 31 December 1999 comprise: Currency translation deficit £37.2 million (1998: £37.2 million, 1997: £33.2 million), capital redemption reserve £1.3 million (1998: £1.3 million, 1997: £0.7 million), merger reserve £121.3 million (1998: £120.5 million, 1997: £120.5 million) and capital reserve £127.4 million (1998: £127.4 million, 1997: £Nil).

At 31 December 1999 the Company's distributable reserves amounted to £204.8 million. Further details of the Company's movements in share capital are shown in note 23.

Reconciliation to US Accounting Principles

The following is a summary of the estimated material adjustments to profit and ordinary share owners' funds which would be required if US Generally Accepted Accounting Principles (US GAAP) had been applied:

		For the year ended 31 December		
	Notes	**1999 £m**	1998 £m	1997 £m
Net income				
Profit attributable to ordinary share owners under UK GAAP		**172.8**	140.3	116.0
US GAAP adjustments:				
Amortisation of goodwill and other intangibles	1	**(42.1)**	(38.2)	(34.1)
Executive compensation	1	**(58.4)**	(2.6)	(1.7)
Deferred tax items	1	**34.5**	–	–
		(66.0)	(40.8)	(35.8)
Net income as adjusted for US GAAP		**106.8**	99.5	80.2

Comprehensive income (total recognised gains and losses) for the year under UK GAAP was £141.6 million, (1998: £144.3 million, 1997: £75.9 million).

Basic earnings per share as adjusted for US GAAP (p)	3	**14.2**	13.5	10.9
Diluted earnings per share as adjusted for US GAAP (p)	3	**13.8**	13.2	10.8

A reconciliation from UK to US GAAP in respect of earnings per share is shown below.

The Company applies US APB Opinion 25 and related interpretations when accounting for its stock option plans. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards under those plans consistent with the method of SFAS Statement 123 'Accounting for Stock-Based Compensation', the Company's net income and earnings per share under US GAAP would have been reduced to the pro forma amounts indicated below:

	1999	1998	1997
Net income as adjusted for US GAAP:			
As reported (£m)	**106.8**	99.5	80.2
Pro forma (£m)	**102.6**	96.8	77.5
Basic earnings per share per US GAAP:			
As reported (p)	**14.2**	13.5	10.9
Pro forma (p)	**13.6**	13.2	10.6

Further details regarding stock option plans and the fair valuation of option grants can be found in note 22.

		As at 31 December		
	Notes	**1999 £m**	1998 £m	1997 £m
Share owners' funds				
Share owners' funds under UK GAAP		**318.2**	187.7	(25.2)
US GAAP adjustments:				
Capitalisation of goodwill arising on acquisition (net of accumulated amortisation and amounts capitalised under UK GAAP)	1	**685.2**	762.7	932.8
Reversal of revaluation of corporate brand names	1	**–**	–	(175.0)
Revaluation of investments marked to market		**41.2**	–	–
Shares owned by Employee Share Option Plan (ESOP)	1	**(71.3)**	(58.1)	(27.0)
Deferred tax items	1	**41.9**	7.4	7.4
Proposed final ordinary dividend, not yet declared	1	**16.2**	13.4	10.5
Other		**(3.9)**	(4.4)	(4.4)
		709.3	721.0	744.3
Share owners' funds as adjusted for US GAAP	2	**1,027.5**	908.7	719.1

Gross goodwill capitalised under US GAAP (before accumulated amortisation) amounted to £1,582.6 million (1998: £1,509.5 million, 1997: £1,211.2 million), net of disposals made. The movement in goodwill arises due to the impact of acquisitions made during the year and also its denomination in various currencies, resulting in exchange rate movements against sterling.

Notes to the Reconciliation to US Accounting Principles

1 Significant differences between UK and US Accounting Principles
The Group's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable in the UK which differ in certain significant respects from those applicable in the US. These differences relate principally to the following items:

Goodwill and US purchase accounting
Under US and UK GAAP, purchase consideration in respect of subsidiaries acquired is allocated on the basis of fair values to the various net assets, including intangible fixed assets, of the subsidiaries at the dates of acquisition and any net balance is treated as goodwill. Under UK GAAP, and in accordance with FRS 10 (Goodwill and Intangible Assets), goodwill arising on acquisitions on or after 1 January 1998 has been capitalised as an intangible asset. No amortisation has been provided against this goodwill for the reasons described in the note on accounting policies in the financial statements. Goodwill arising on acquisitions before 1 January 1998 was fully written off against share owners' equity, in accordance with the then preferred treatment under UK GAAP. Under US GAAP, goodwill in respect of business combinations accounted for as purchases would be charged against income over its estimated useful life, being not more than 40 years. Accordingly, for US GAAP purposes, the Group is amortising goodwill over 40 years. The Group evaluates the carrying value of its tangible and intangible assets whenever events or circumstances indicate their carrying value may exceed their recoverable amount. An impairment loss is recognised when the estimated future cash flows (undiscounted and without interest) expected to result from the use of an asset are less than the carrying amount of the asset. Measurement of an impairment loss is based on fair value of the asset computed using discounted cash flows if the asset is expected to be held and used.

Contingent consideration
Under UK GAAP, the Group provides for contingent consideration as a liability when it considers the likelihood of payment as probable. Under US GAAP, contingent consideration is not recognised until the liability is determined beyond reasonable doubt. At 31 December 1999, the Group's liabilities for vendor payments under UK GAAP totalled £172.4 million (1998: £97.9 million, 1997: £34.4 million). As these liabilities are represented by goodwill arising on acquisition, there is no net effect on shareholders' funds.

Corporate brand names
Under UK GAAP, the Group carries corporate brand names as intangible fixed assets in the balance sheet. The initial recognition of the J. Walter Thompson corporate brand gave rise to a credit of £175.0 million to the revaluation reserve. This was not recognised under US GAAP. Following the implementation of FRS 10 under UK GAAP, this amount was transferred to the profit and loss account reserve in 1998. Consequently, under US GAAP, the relevant reversal was netted against goodwill capitalised in the balance sheet. The Ogilvy & Mather brand name, acquired as part of The Ogilvy Group, Inc., was booked as an acquisition adjustment to balance sheet assets acquired and is amortised as part of goodwill over 40 years.

Dividends
Under UK GAAP, final ordinary dividends are provided in the financial statements on the basis of recommendation by the directors. This requires subsequent approval by the share owners to become a legal obligation of the Group. Under US GAAP, dividends are provided only when the legal obligation to pay arises.

Deferred tax
Under UK GAAP, deferred tax is accounted for to the extent that it is considered probable that a liability or asset will crystallise in the foreseeable future. Under US GAAP, deferred taxes are accounted for on all timing differences and a valuation allowance is established in respect of those deferred tax assets where it is more likely than not that some portion will remain unrealised.

Executive compensation
Under UK GAAP the part of executive compensation satisfied in stock is charged through the profit and loss account at the cost to the Group of acquiring the stock. Under US GAAP such compensation is measured at the fair value of WPP common stock at the date the performance condition is met or the award vests with the employee. Differences occur as the WPP Share Ownership Plan acquires stock before the liability to the employee arises.

Additionally, under UK GAAP stock options granted with performance criteria do not give rise to a profit and loss account charge provided that the exercise price is equal to the fair value of the stock at the date of grant. Under US GAAP stock options granted with performance criteria (other than a requirement for employment to continue) are subject to variable plan accounting under APB Opinion 25. Under variable plan accounting any appreciation in stock value from the date of grant to the date upon which the performance conditions are satisfied is charged to the profit and loss account.

Cash flows
Under UK GAAP the Group complies with the Financial Reporting Standard No. 1 Revised 'Cash Flow Statements' (FRS 1 Revised), the objective and principles of which are similar to those set out in SFAS 95 'Statement of Cash Flows' (SFAS). The principal difference between the two standards is in respect of classification. Under FRS 1 Revised, the Group presents its cash flows for (a) operating activities; (b) returns on investments and servicing of finance; (c) taxation; (d) investing activities; (e) equity dividends paid and (f) financing activities. SFAS 95 requires only three categories of cash flow activity (a) operating; (b) investing; and (c) financing. Cash flows arising from taxation and returns on investment and servicing of finance under FRS 1 Revised would be included as a financing activity under SFAS 95. Payments made against provisions set up on the acquisition of subsidiaries have been included in investing activities in the consolidated statement of cash flows. Under US GAAP these payments would be included in determining net cash provided by operating activities.

Shares owned by Employee Share Option Plan (ESOP)
Under UK GAAP, shares purchased by the ESOP are recorded as fixed asset investments at cost less amounts written off. Under US GAAP, these shares are recorded at cost and deducted from share owners' equity.

Listed investments
Under UK GAAP, the carrying value of listed investments, where these represent an interest of less than 20%, is determined as cost less any provision for diminution in value. Under US GAAP, such investments are marked to market and any resulting unrealised gain or loss is taken to share owners' funds.

2 Movement in share owners' funds under US GAAP

	1999 £m	1998 £m	1997 £m
Net income for the year under US GAAP	**106.8**	99.5	80.2
Prior year final dividend	**(13.4)**	(10.5)	(8.3)
Current year interim dividend	**(7.8)**	(6.2)	(5.2)
Retained earnings for the year	**85.6**	82.8	66.7
Ordinary shares issued in respect of acquisitions	**0.8**	105.4	–
Share options exercised	**12.1**	4.1	2.4
Shares owned by Employee Share Option Plan	**(13.2)**	(31.1)	(9.7)
Revaluation of investments marked to market	**41.2**	–	–
Share buy-backs	**–**	(21.3)	(18.5)
Exchange adjustments:			
– Revaluation of goodwill	**(34.9)**	43.1	(51.2)
– Foreign currency net investment	**(31.2)**	4.0	(40.1)
Executive compensation	**58.4**	2.6	1.7
New additions to share owners' funds	**118.8**	189.6	(48.7)
Share owners' funds at 1 January	**908.7**	719.1	767.8
Share owners' funds at 31 December	**1,027.5**	908.7	719.1

3 Earnings per share – reconciliation from UK to US GAAP
Both basic and diluted earnings per share under US GAAP have been calculated by dividing the net income as adjusted for US GAAP differences by the weighted average number of shares in issue during the year. The calculation of the weighted average number differs for UK and US GAAP purposes as follows:

	Basic earnings per share No.	Diluted earnings per share No.
Under UK GAAP	753,324,054	768,691,993
Weighted average number of share options issued with exercise criteria not yet satisfied at 31 December 1999	–	5,430,846
Under US GAAP	753,324,054	774,122,839

4 Pension schemes
A summary of the Group's defined benefit pension schemes, together with the related pension cost calculated under UK GAAP and underlying actuarial assumptions, is shown in note 20 of the financial statements. The Group does not consider there to be a material difference between the pension charge under UK GAAP and US GAAP.

5 Accounting for Derivative Instruments and Hedging Activities
In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities. The Statement establishes accounting and reporting standards in the United States requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognised currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

Statement 133 is effective for fiscal years beginning after 15 June 1999. A company may also implement the Statement as of the beginning of any fiscal quarter after issuance (that is, fiscal quarters beginning 16 June 1998 and thereafter). Statement 133 cannot be applied retroactively. Statement 133 must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts that were issued, acquired, or substantively modified after 31 December 1997.

The Group has not yet quantified the impact of adopting Statement 133 on the amounts presented under US generally accepted accounting standards. However, the Statement could increase volatility in earnings and other comprehensive income.

Five-Year Summary

	1999 £m	1998 £m	1997 £m	1996 £m	1995 £m
Profit and loss					
Turnover (gross billings)	**9,345.9**	8,000.1	7,287.3	7,084.0	6,553.1
Revenue	**2,172.6**	1,918.4	1,746.7	1,691.3	1,554.9
Operating profit	**263.5**	229.1	194.9	170.1	135.0
Profit on ordinary activities before taxation	**255.4**	212.8	177.4	153.3	113.7
Profit attributable to ordinary share owners	**172.8**	140.3	116.0	100.0	68.7
Balance sheet					
Fixed assets	**1,313.9**	942.9	564.0	534.4	524.5
Net current liabilities	**(255.5)**	(267.7)	(286.3)	(147.6)	(165.0)
Creditors: amounts falling due after more than one year	**(652.5)**	(401.5)	(221.5)	(281.7)	(328.7)
Provisions for liabilities and charges	**(79.2)**	(77.9)	(74.5)	(78.2)	(88.8)
Net assets/(liabilities)	**326.7**	195.8	(18.3)	26.9	(58.0)
Net funds	**91.9**	134.3	194.7	159.2	71.4
Average net debt	**(206.0)**	(143.0)	(115.0)	(145.0)	(214.0)

	1999	1998	1997	1996	1995
Our people					
Revenue per employee (£000)	**78.4**	75.0	76.2	79.9	77.2
Operating profit per employee (£000)	**9.5**	9.0	8.5	8.0	6.7
Average headcount	**27,711**	25,589	22,909	21,166	20,152
Share information					
Basic earnings per ordinary share (net basis)	**22.9p**	19.1p	15.8p	13.6p	9.4p
Diluted earnings per share (net basis)	**22.5p**	18.8p	15.7p	13.5p	9.4p
Dividends per share	**3.1p**	2.56p	2.13p	1.7p	1.31p
Dividend cover [(1)]	**7.3**	7.3	7.4	7.9	7.2
Share price – high	**996p**	470p	292p	254p	168p
– low	**359p**	200p	237p	157p	100p
Market capitalisation at year-end (£m)	**7,598.3**	2,803.8	1,984.4	1,883.2	1,208.7

Notes

1 Diluted earnings per share (net basis) divided by dividends per share.

Consolidated profit and loss account: euro illustration

For the year ended 31 December 1999

	1999 €m	1998 €m	1997 €m
Turnover (gross billings)	**14,207.6**	11,817.0	10,567.7
Cost of sales	**(10,904.8)**	(8,983.3)	(8,034.7)
Revenue	**3,302.8**	2,833.7	2,533.0
Direct costs	**(482.4)**	(422.3)	(403.2)
Gross profit	**2,820.4**	2,411.4	2,129.8
Operating costs	**(2,419.8)**	(2,073.0)	(1,847.2)
Operating profit	**400.6**	338.4	282.6
Income from associates	**41.5**	23.8	15.4
Profit on ordinary activities before interest and taxation	**442.1**	362.2	298.0
Net interest payable and similar charges	**(53.8)**	(47.9)	(40.7)
Profit on ordinary activities before taxation	**388.3**	314.3	257.3
Tax on profit on ordinary activities	**(116.5)**	(98.9)	(82.2)
Profit on ordinary activities after taxation	**271.8**	215.4	175.1
Minority interests	**(9.1)**	(8.1)	(6.8)
Profit attributable to ordinary share owners	**262.7**	207.3	168.3
Ordinary dividends	**(36.5)**	(29.0)	(22.8)
Retained profit for the year	**226.2**	178.3	145.5
Earnings per share (net basis)			
Basic earnings per ordinary share	**34.8¢**	28.2¢	22.9¢
Diluted earnings per ordinary share	**34.2¢**	27.8¢	22.8¢
Ordinary dividend per share			
Interim dividend	**1.52¢**	1.24¢	1.02¢
Final dividend	**3.19¢**	2.54¢	2.07¢

The consolidated profit and loss account and balance sheet have been presented in euros for illustrative purposes only using the approximate average rate for the year for the profit and loss account (1999: €1.5202 = £1, 1998: €1.4771 = £1, 1997: €1.45015 = £1) and the rate in effect on 31 December for the balance sheet (1999: €1.6056 = £1, 1998: €1.4169 = £1, 1997: €1.4948 = £1). This translation should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into euros at the rates indicated.

Consolidated balance sheet: euro illustration

As at 31 December 1999

	1999 €m	1998 €m	1997 €m
Fixed assets			
Intangible assets:			
Corporate brands	**561.9**	495.9	523.2
Goodwill	**658.8**	223.9	–
Tangible assets	**315.8**	236.2	214.5
Investments	**573.0**	380.0	105.4
	2,109.5	1,336.0	843.1
Current assets			
Stocks and work in progress	**182.2**	152.0	149.0
Debtors	**1,670.5**	1,265.4	1,237.1
Debtors within working capital facility:			
Gross debts	**555.1**	417.3	501.1
Non-returnable proceeds	**(343.8)**	(296.4)	(316.4)
	211.3	120.9	184.7
Cash at bank and in hand	**974.6**	600.6	544.9
	3,038.6	2,138.9	2,115.7
Creditors: amounts falling due within one year	**(3,448.8)**	(2,518.3)	(2,543.6)
Net current liabilities	**(410.2)**	(379.4)	(427.9)
Total assets less current liabilities	**1,699.3**	956.6	415.2
Creditors: amounts falling due after more than one year	**(1,047.7)**	(568.9)	(331.1)
Provisions for liabilities and charges	**(127.2)**	(110.4)	(111.4)
Net assets/(liabilities)	**524.4**	277.3	(27.3)

Capital and reserves			
Called up share capital	**124.4**	108.5	110.0
Share premium account	**968.0**	797.5	630.2
Goodwill write-off reserve	**–**	–	(1,734.5)
Other reserves	**(3.1)**	40.4	117.2
Profit and loss account	**(578.5)**	(680.5)	839.5
Share owners' funds	**510.8**	265.9	(37.6)
Minority interests	**13.6**	11.4	10.3
Total capital employed	**524.4**	277.3	(27.3)

FINANCIAL GLOSSARY

Term used in annual report	US equivalent or brief description
Advance corporation tax	No direct US equivalent. Tax paid on company distributions recoverable from UK taxes due on income (until 6 April 1999, when abolished)
Allotted	Issued
Called-up share capital	Ordinary shares, issued and fully paid
Capital allowances	Tax term equivalent to US tax depreciation allowances
Cash at bank and in hand	Cash
Combined Code	The ‘Principles of Good Governance’ and the provisions of the ‘Code of Best Practice’ issued by the Hampel Committee on Corporate Governance and the London Stock Exchange
Creditors	Accounts payable
Creditors: amounts falling due after more than one year	Long-term debt
Creditors: amounts falling due within one year	Current liabilities
Debtors	Accounts receivable
Finance lease	Capital lease
Freehold	Ownership with absolute rights in perpetuity
Interest receivable	Interest income
Hampel Committee	UK committee on corporate governance established in November 1995 to review the implementation of the findings of the Cadbury and Greenbury Committees
Other reserves	Additional paid-in capital or paid-in surplus (distributable in certain circumstances)
Profit	Income
Profit and loss account reserve (under ‘capital and reserves’)	Retained earnings
Profit and loss account (statement)	Income statement
Profit attributable to ordinary share owners	Net income
Proposed dividend	Dividend declared by directors but not yet approved by share owners
Provision against deferred tax assets	Valuation allowance
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Share premium account	Additional paid-in capital or paid-in surplus (not distributable)
Shares in issue	Shares outstanding
Stocks	Inventories
Tangible fixed assets	Property and equipment
Turnbull Report	Guidance issued by the Institute of Chartered Accountants in England & Wales on the implementation of the internal control requirements of the Combined Code on Corporate Governance at the request of the London Stock Exchange

Auditors' Report

Report of the auditors to the share owners of WPP Group plc

We have audited the accounts on pages 56 to 70, which have been prepared under the historical cost convention and the accounting policies set out on pages 56 and 57. We have also examined the amounts disclosed relating to the emoluments, share options, long-term incentive scheme interests and pension benefits of the directors on pages 84, 85 and 86.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 83, preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and the Group is not disclosed.

We review whether the corporate governance statement on page 82 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

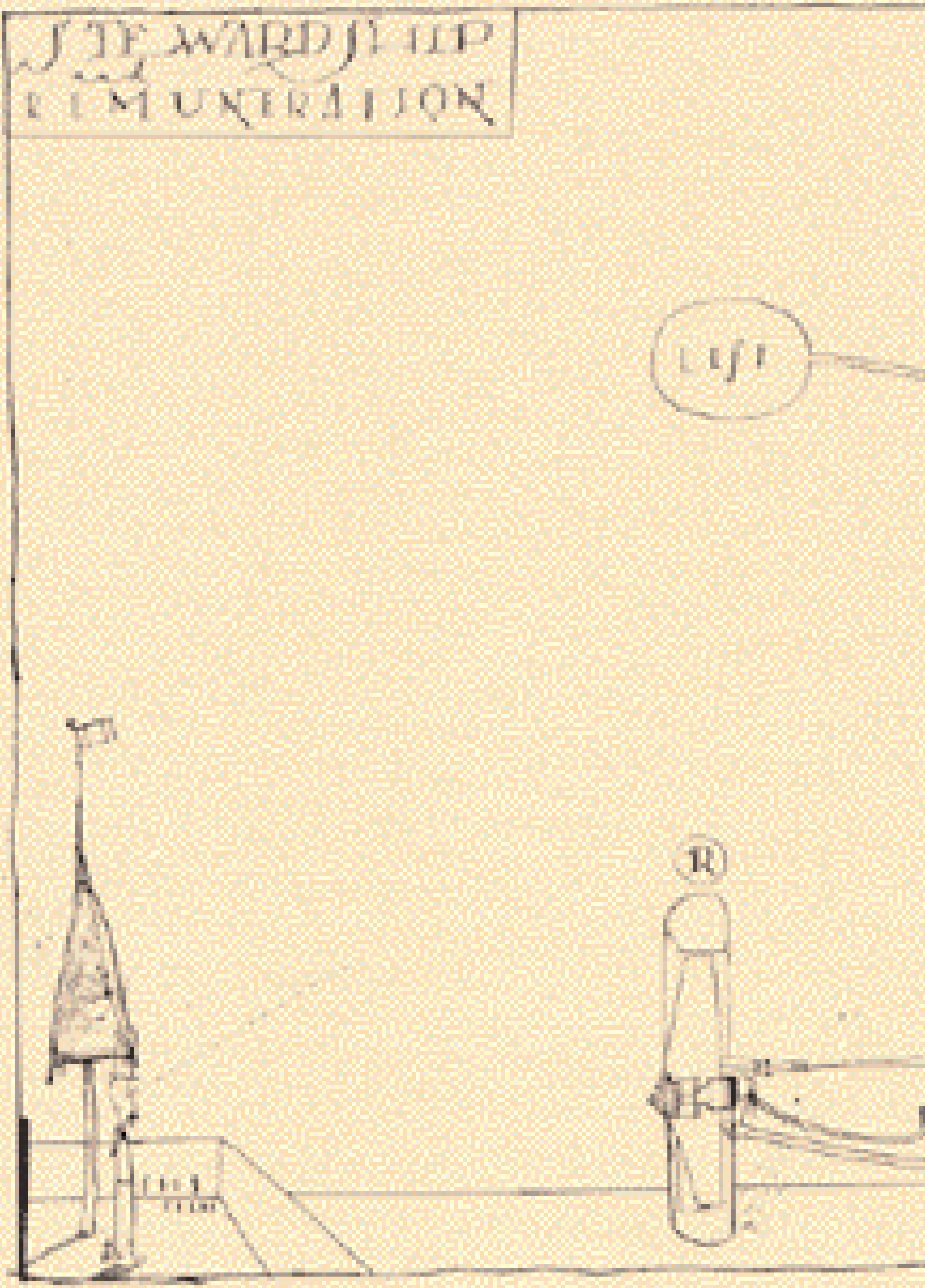
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 December 1999 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS
10 May 2000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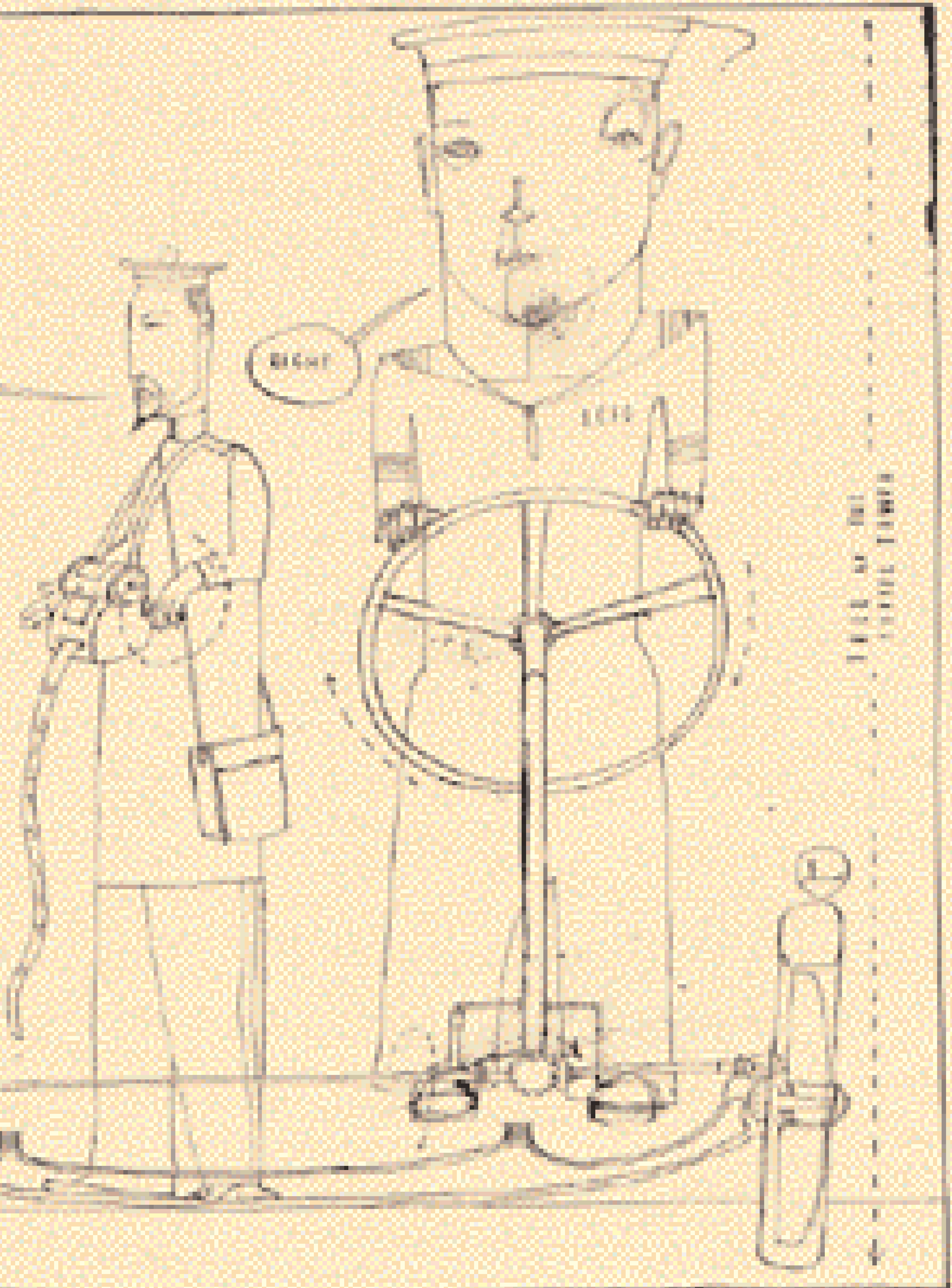


Board of Directors

Hamish Maxwell Age 73 Chairman (non-executive)
Hamish Maxwell became chairman of WPP in October 1996, after joining the Board in July 1996. Previously he had an international marketing and management career with Philip Morris Companies Inc, serving as chairman and chief executive from 1984 to 1991.
He represents successful experience in marketing, finance and the media. Under his leadership, Philip Morris underwent fundamental change involving some of the largest takeovers the consumer goods industry has known: General Foods in 1985, Kraft in 1988 and Jacobs-Suchard in 1990. He is also a non-executive director of Sola International.

Sir Martin Sorrell Age 55 Group chief executive
Martin Sorrell joined WPP in 1986 as a director, becoming Group chief executive in the same year. He is also a non-executive director of Colefax & Fowler Group plc. e-mail: msorrell@wpp.com

Paul Richardson Age 42 Group finance director
Paul Richardson became Group finance director of WPP in December 1996 after four years with the Company as director of treasury. He is responsible for the Group's worldwide finance function, including external reporting, taxation, procurement, property and treasury. Previously he spent six years with the central team of Hanson plc financing major acquisitions and disposals. He is a chartered accountant and member of the Association of Corporate Treasurers. He is a non-executive director of Chime Communications PLC and Singleton Group in Australia. e-mail: prichardson@wpp.com

Brian Brooks Age 44 Chief human resources officer
Brian Brooks joined WPP in September 1992. He is responsible for the recruitment and development of senior talent throughout the Group, as well as career and succession planning for key people. He manages WPP stock ownership plans, as well as incentive and total remuneration programmes, in partnership with each WPP company. Previously he was a partner in Towers Perrin in New York and London. He is a lawyer and is admitted to practise law.
e-mail: bbrooks@wpp.com

Eric Salama Age 39 Group director of strategy and chief executive of wpp.com
Eric Salama joined the parent company in 1994 and the Board in July 1996. He is responsible for the Group's interactive development and for developing and implementing the Group's strategy. He is an adviser to the UK Government in the fields of creative and media industries and education and a Trustee of the British Museum. Previously he was joint managing director of The Henley Centre, a WPP company.
e-mail: esalama@wpp.com

Jeremy Bullmore Age 70 Non-executive director
Jeremy Bullmore was appointed a director in 1988 after 33 years at J. Walter Thompson, London, the last 11 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 Media Group plc and president of NABS.

Esther Dyson Age 48 Non-executive director
Esther Dyson was appointed a director in June 1999. She is chairman of EDventure Holdings, the pioneering US-based information technology and new media company. She is an acknowledged luminary in the technology industry, highly influential in her field for the past 16 years, with a state-of-the-art knowledge of the emerging information technology industry worldwide and the emerging computer markets of Central and Eastern Europe. An investor as well as an observer, she sits on the boards of Medscape/MedicaLogic, Uproar.com, PRT Group, Graphisoft, Scala Business Solutions, Thinking Tools and Languageware.net.

Gordon Sampson, Founder, leaves WPP Board at 76
Gordon Sampson founded the original Wire and Plastics company in the 1950s and remains chief executive of the manufacturing division of WPP to this day. In the words of Sir Martin Sorrell: "None of us would have been here but for Gordon. He has served on the Board for 29 years, 15 of those since the Company became WPP and 11 of them as deputy chairman. We record his retirement from the parent Board with deep gratitude and affection."

Steven Heyer Age 47 Non-executive director
Steven Heyer was appointed a director in May 2000. He is president and chief operating officer for Turner Broadcasting System, Inc., a division of Time Warner, with global P&L responsibility for Turner's news, entertainment and sports program development and acquisition, operations and networks. Previously he was president and chief operating officer of Young & Rubicam Advertising Worldwide. He is chairman of the Board of Directors of the Cable Advertising Bureau and a director of the Ad Council in the US. He also sits on the boards of eHatchery and RealEstate.com, two private internet start-ups.

Masao Inagaki Age 77 Non-executive director
Masao Inagaki was appointed a director in September 1998 following WPP's equity investment in Asatsu-DK, Japan's third largest advertising and communications company. He founded Asatsu in 1956 and has been chairman and chief executive officer since 1992. He is also vice president of the Japan Advertising Agencies Association. In January 1999, Asatsu Inc., became Asatsu-DK as a result of Asatsu's merger with DIK. Masao Inagaki maintains his same positions, leading the new company.

John Jackson Age 70 Non-executive director
John Jackson was appointed a director in 1993. He is chairman of Hilton Group plc, Celltech Group plc and a number of other public companies. He is also the non-solicitor chairman of Mishcon de Reya. He has extensive experience of a broad range of businesses, including television broadcasting, high technology industries, retailing, publishing, printing, biotechnology, electronics and pharmaceuticals.

Christopher Mackenzie Age 45 Non-executive director
Christopher Mackenzie was appointed a director in March 2000. He is partner and principal at Clayton, Dubilier & Rice, the US-based private equity firm, which specialises in large management buy-outs of companies in transition. He was previously a company officer of GE, leading GE Capital's international business development. He is a non-executive director of Fairchild-Dormier GmbH, Schulte GmbH and Champagnes Jacquesson S.A.

Stanley Morten Age 56 Non-executive director
Stanley Morten was appointed a director in 1991. He is the chief operating officer of Punk, Ziegel & Company, a New York-based investment banking firm with a focus on selected emerging growth sectors in the healthcare and technology industries. Previously he was managing director of the equity division of Wertheim Schroder & Co., Inc. in New York.

John Quelch Age 48 Non-executive director
John Quelch was appointed a director in 1987. He is Professor and Dean of the London Business School and was formerly the Sebastian S. Kresge Professor of Marketing at Harvard Business School. A prolific writer on marketing and public policy issues, he is the author of 12 books on marketing management.

Joel Smilow Age 67 Non-executive director
Joel Smilow was appointed a director in 1998, having served as a special adviser to WPP since December 1995. He is a former chairman and chief executive officer of Playtex Products Inc., from which he retired in July 1995.

Senior WPP executives and advisors to the Board

Parent company senior executives

Company secretarial and legal
M W Capes (Company secretary)
D F Calow
A J Harris

Specialist communications services
J F Zweig
M E Howe
S Sampson
A S J Rhymer

Communications and investor relations
P Richardson
F McEwan

Strategic development
M A Villanueva

Financial control and management reporting
D Barker
J Drefs
N P Douglas
S Winters

Internal audit
P Stanley

International tax
D M Roberts
T O Neuman
R Garry

International treasury
P Delaney
A Koh
S Wilson

Property
A M Burkitt
E Bauchner
J Murphy

Human resources
A Jackson

Procurement
P E Williams
V Chimienti
P Gomes
K Liew
C H Vollet

Information technology
D A S Nicoll
S O'Byrne
S Harrison

Mergers and acquisitions
A G B Scott
L A Mellman
A Newman

Merchant bankers

Goldman Sachs International Ltd
Peterborough Court
133 Fleet Street
London
EC4A 2BB

HSBC Investment Bank
10 Lower Thames Street
London
EC3R 6AE

Wasserstein Perella & Co., Inc.
27th Floor
31 West 52 Street
New York
NY 10019

Merrill Lynch International
20 Farringdon Road
London
EC1M 3NH

Legal advisers

Allen & Overy
One New Change
London
EC4M 9QQ

Davis & Gilbert
1740 Broadway
New York
NY 10019

edge ellison
18/19 Southampton Place
London
WC1A 2AJ

Fried Frank
1 New York Plaza
New York
NY 10004

MacFarlanes
10 Norwich Street
London
EC4A 1BD

Stockbrokers

West LB Panmure
New Broad Street House
35 New Broad Street
London
EC2M 1NH

Merrill Lynch International Corporate Broking
20 Farringdon Road
London
EC1M 3NH

Auditors and accountancy advisers

Arthur Andersen
1 Surrey Street
London
WC2R 2PS

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London
SE1 9SY

Executive remuneration consultants

Arthur Andersen
1 Surrey Street
London
WC2R 2PS

Towers Perrin
335 Madison Avenue
New York
NY 10017-4605

SCA Consulting
152 West 57th Street
New York
NY 10019

Property advisers

Fulcrum Corporate Real Estate Limited
15-19 Great Titchfield Street
London
W1P 7FB

James Andrew International
72/75 Marylebone High Street
London
W1M 3AR

Knight Frank
Kings House
36 King Street
London
EC2V 8QQ

Directors' Responsibilities

Corporate governance provisions
The Board of Directors is accountable to the Company's share owners for good corporate governance and this statement describes how the principles identified in the Combined Code are applied by the Company. The Board confirms that the Company has complied throughout the year with the provisions set out in Section 1 of the Combined Code, except that the service contract in respect of the Group chief executive is for a period in excess of one year for the reasons explained on page 92.

The Auditors' report on this statement is included in their report to share owners, which appears on page 77.

Board of Directors
The Board of Directors is responsible for approving Group policy and strategy and is responsible to share owners for the Group's financial and operational performance. Responsibility for the development and implementation of Group policy and strategy, and for day-to-day management issues is delegated by the full Board to the executive directors.

Hamish Maxwell is non-executive Chairman of the Board. Sir Martin Sorrell as the Group chief executive is responsible for the development and implementation of policy and strategy and for the day-to-day operations of the Group. The biographies of the Board members appear on page 80.

The Company considers that its complement of non-executive directors provides an effective Board with a mix of industry-specific knowledge and broad business and commercial experience. The balance enables the Board to provide clear and effective leadership of the Company and to bring informed and independent judgement to many aspects of the Company's strategy and performance so as to ensure that the highest standards of conduct and integrity are maintained by the Company on a global basis.

All directors are kept fully informed of important developments in the various sectors in which the Group operates worldwide and they are also advised as necessary on regulatory and best practice requirements which affect the Group's businesses particularly in the US and the UK.

The Board meets at least seven times a year, and more frequently when business needs require. One meeting is devoted entirely to the development of the Company's strategy. The Board consists of ten non-executive directors and four executive directors.

In accordance with the requirements of the Combined Code, J A Quelch has been appointed as the senior independent non-executive director to be available to deal with concerns regarding the Company where it could be inappropriate for these to be dealt with by the Chairman or Group chief executive.

Whilst certain non-executive directors hold shares in the Company they do not participate in the Company's share option or other incentive schemes. However, non-executive directors may receive a part of their fees in ordinary shares, following the change to the Company's Articles of Association made at the 1998 Annual General Meeting.

The Company's Articles of Association provide that a director appointed since the last Annual General Meeting, or who has held office for more than 30 months since his appointment or re-election by the Company in general meeting shall retire from office but shall be eligible for re-election.

Since the last Annual General Meeting, Esther Dyson, Christopher Mackenzie and Steven Heyer have been appointed as non-executive directors. They will retire from office at the forthcoming Annual General Meeting, and being eligible are offering themselves for re-election.

The Company has also decided this year that those directors who are aged 70 or over on the date of the Notice of Annual General Meeting, namely Messrs Maxwell, Bullmore, Jackson and Inagaki, will also retire from office at the forthcoming Annual General Meeting, but being eligible, are all offering themselves for re-election.

Further, in accordance with the Articles of Association, Messrs Brooks, Richardson and Salama retire by rotation and offer themselves for re-election.

The Board recommends share owners to vote in favour of the Resolutions to re-elect all of these directors to be proposed at the Annual General Meeting. Details of directors' remuneration and service contracts are set out in the report of the Compensation committee on pages 90 to 95.

Board Committees
The Board has established an Audit committee, a Compensation committee and a Nominations committee.

The Audit committee meets at least three times a year and currently comprises the following non-executive directors: Messrs J B H Jackson (Chairman), J J D Bullmore and S W Morten. The director of internal audit and the Group finance director attend all meetings of the committee. The Audit committee is responsible for overseeing the involvement of the Group's auditors in the planning and review of the Group's annual report and accounts and the half year report and discussing with the auditors the findings of the audit. The independence and objectivity of the external auditors is also considered, and the committee reviews any recommendation relating to the reappointment of the auditors. The committee considers accounting and legal requirements as well as the regulations of the London Stock Exchange and the Securities Exchange Commission for proper compliance by the Company. The committee also promotes the maintenance of effective systems of internal financial control and is responsible for the scope of internal audit.

The Compensation committee reviews the remuneration policy of the Group including base remuneration, incentive plans and terms of employment of executive directors and senior executives of the Company, and directors and senior executives of operating companies. The committee approves and monitors all of the arrangements with the Group chief executive.

The committee comprises exclusively non-executive directors: Messrs S W Morten (Chairman), H Maxwell and J A Quelch. Each non-executive director is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Compensation committee regularly consults with the Group chief executive and the Group director of human resources on proposals relating to the remuneration of other executive directors and has access to professional advice inside and outside the Company, including independent executive remuneration consultants.

The Nomination committee considers appointments to the Board of Directors and makes recommendations in this respect to the Board. The committee comprises the following directors: Messrs H Maxwell (Chairman), B J Brooks, S W Morten, J A Quelch and Sir Martin Sorrell.

Internal control
The Combined Code requires that companies review all internal controls including financial, operational and compliance controls and risk management. In September 1999, the Turnbull Report was published to offer guidance to directors in complying with the internal control requirements of the Combined Code. The Company has adopted the transitional provisions allowed by the London Stock Exchange in respect of the Combined Code and continues to report solely on the Group's internal financial controls in the current year.

The Board of Directors has overall responsibility for the system of internal financial control throughout the Group. In the context of the scope and complexity of this system, it can only provide reasonable but not absolute assurance against material misstatement or loss. The Company assesses the risks facing the business on an ongoing basis and has identified a number of key areas, which are subject to regular reporting to the Board. These include such areas as client management and operational performance, treasury matters (including management of working capital), management of staff, compensation of key executives, capital expenditure and legal matters.

In response to the guidance given by the Turnbull Report, the Company is implementing further risk management procedures and formalising documentation. These include the development in 1999 of detailed risk analyses by the significant businesses in the Group, having regard to the potential financial and reputational impact of the risks and their likelihood. In the first instance, these detailed risks have been determined in workshops held for the senior management of each of the significant businesses. Procedures are also being implemented for the ongoing monitoring by the Board of the risks identified in the analyses and the businesses' responses to those risks and any new ones, thus embedding the process in the operation of the Board. This process will be formally updated annually in conjunction with internal audit and the Self-Certification Questionnaire, described below.

The above procedures are designed to enable the Company to report in next year's Annual Report on its compliance with the Combined Code in accordance with the guidance in respect of internal controls as set out in the Turnbull Report.

Internal financial control
The key elements of the system of internal financial control are set out below.

Financial reporting
The Group has a comprehensive system for reporting financial results to the Board. Each operating unit updates a three-year strategic plan annually which incorporates financial objectives. These are reviewed by the Group's management and are agreed with the chief executive of each operating unit. In addition, towards the end of each financial year, operating units prepare detailed budgets for the following year. The Group's budget is reviewed by the Board before being adopted formally. Operating units' results are reported monthly and compared to budget and prior year, with full-year forecasts prepared quarterly throughout the year. The Company reports to share owners four times a year.

Quality and integrity of personnel
Quality and integrity of personnel is regarded as vital to the maintenance of the Group's system of internal financial control. Guidance on identified key policies is provided in the WPP Policy Book, which is regularly reviewed and which includes a Code of Business Conduct setting out the principal obligations of directors and employees. Compliance with this Code of Conduct is required to be confirmed annually by all directors and senior executives in the Group.

Operating unit controls
Each operating unit completes an annual Self-Certification Questionnaire confirming compliance with key financial controls and procedures. These questionnaires are reviewed by internal audit, the results are reported to the Audit committee and linked into the risk management procedures developed as a result of the Turnbull Report.

Review of key risk areas
As referred to above, the Company assesses the risks facing the business on an ongoing basis and has identified a number of key areas which are subject to regular reporting to the Board.

Monitoring of the system of internal financial control
Monitoring the effectiveness of the system of internal financial control is undertaken on an ongoing basis by the Audit committee, which receives regular reports from the director of internal audit and, where relevant, from external auditors.

Going concern
Under company law, the directors are required to consider whether it is appropriate to adopt the financial statements on the basis that the Company and the Group are going concerns. As part of its normal business practice the Group prepares annual and longer- term plans and in reviewing this information and in particular the 2000 three-year plan and budget the directors believe that the Company and the Group have adequate resources for the foreseeable future. Therefore the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

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 and 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;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- 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 therefore for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Share owner relations
Relations with share owners including potential share owners and investment analysts are regarded by the Group as extremely important throughout the year.

The Group has a well-developed continuous programme to address the needs of share owners, investment institutions and analysts for a regular flow of information about the Company, its strategy, performance and competitive position. Given the wide geographic distribution of the Group's current and potential share owners, this programme includes regular visits to investors, particularly by the Group chief executive and the Group finance director, in the UK, Continental Europe and the major financial centres in North America together with a more limited programme in Asia Pacific. As the US provides the single largest group of share owners, the Company provides a quarterly trading update at the end of the first and third quarters in addition to semi-annual reporting required in the UK. The Company also maintains a website providing investors with a regular source of information.

DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration

The compensation of all executive directors is determined by the Compensation committee of the Board ('the Compensation committee') which is comprised wholly of independent non-executive directors. The Compensation committee is advised by independent executive remuneration consultants on all aspects of executive compensation as well as by the director of human resources.

The compensation of the Chairman and other non-executive directors is determined by the Board, which is similarly advised by independent executive remuneration consultants and the director of human resources.

The components of executive directors' remuneration and the basis on which these are established are described in the Report of the Compensation committee on pages 90 to 95.

Remuneration of the directors was as follows:

							Long-term incentive plans		Pension contributions	
Chairman	Location	Salary and fees £000	Other benefits £000	Short-term incentive plans (annual bonus)[1] £000	1999 Total £000	1998 Total £000	1999[3] Total £000	1998[3] Total £000	1999 Total £000	1998 Total £000
H Maxwell	USA	102	–	–	102	100	–	–	–	–
Executive directors										
M S Sorrell	UK	761	23	540	1,324[2]	1,340[2]	–	–	324	315
B J Brooks	USA	176	3	88	267	269	904	188	26	21
P W G Richardson	UK	214	22	113	349	301	2,844	107	21	18
E R Salama	UK	161	21	83	265	259	1,094	126	16	15
G C Sampson [6]	UK	73	6	3	82	82	17	–	–	–
Non-executive directors [6]										
J J D Bullmore [4]	UK	71	11	–	82	95	–	–	–	–
E Dyson[5]	USA	13	–	–	13	–	–	–	–	–
M Inagaki	Japan	–	–	–	–	5	–	–	–	–
J B H Jackson	UK	25	–	–	25	20	–	–	–	–
S W Morten	USA	29	–	–	29	21	–	–	–	–
J A Quelch	UK	23	32	–	55	77	–	–	–	–
J Smilow	USA	25	–	–	25	15	–	–	–	–
Total remuneration		**1,673**	**118**	**827**	**2,618**	**2,584**	**4,859**	**421**	**387**	**369**

Notes

1 Amounts included in short-term incentive plans represent bonuses in respect of 1999 performance, paid in 2000.

2 The amount of salary and fees comprises the fees payable under the UK Agreement with JMS Financial Services Limited ('JMS') and the salary payable under the US Agreement referred to on page 92. In 1999, as in previous years, JMS discharged all relevant UK national insurance costs attributable to the provision of the services of Sir Martin Sorrell under the UK Agreement. The salary and pension contribution payable under the US Agreement has been converted into £ sterling at $1.6178 to £1. The salary and fees were increased with effect from 1 September 1999.

3 These amounts represent gains realised on the exercise of share options and, where relevant, payments under the Performance Share Plan.

4 J J D Bullmore has a consulting arrangement with the Company in addition to his fee as a non-executive director.

5 Appointed 28 June 1999.

6 C Mackenzie and S Heyer were appointed after the year end in March 2000 and in May 2000 respectively and G C Sampson retired in May 2000.

Directors' interests

Ordinary shares

Directors' interests in the Company's share capital, all of which were beneficial, were as follows:

	At 1 Jan 1999 or date of appointment if later	Shares acquired through long-term incentive plan awards in 1999[1]		Other interests as at 31 Dec 1999 inc. shares purchased in 1999[2]	At 31 Dec 1999[1]	Shares acquired through long-term incentive plan awards in 2000		Other interests acquired (disposed of) since 31 Dec 1999	At 10 May 2000
		Vested	(sold)			Vested	(sold)[1]		
B J Brooks	381,705	36,966	(22,186)	(49,697)	346,788	48,535	(33,540)	–	361,783
J J D Bullmore	20,065	–	–	–	20,065	–	–	–	20,065
E Dyson	–	–	–	–	–	–	–	–	–
M Inagaki [4]	–	–	–	–	–	–	–	–	–
J B H Jackson	12,500	–	–	–	12,500	–	–	–	12,500
C Mackenzie	–	–	–	–	–	–	–	10,000	10,000
H Maxwell	35,000	–	–	–	35,000	–	–	–	35,000
S W Morten	20,000	–	–	–	20,000	–	–	–	20,000
J A Quelch	10,000	–	–	–	10,000	–	–	–	10,000
P W G Richardson	375,644	21,086	(3,086)	(62,468)	331,176	44,047	(44,047)	–	331,176
E R Salama	483,910	24,719	(9,719)	(89,733)	409,177	40,291	(19,892)	–	429,576
G C Sampson	554,313	–	–	–	554,313	–	–	–	554,313
J E Smilow	100,000	–	–	–	100,000	–	–	–	100,000
M S Sorrell [2]	13,093,414	–	–	200,000	13,293,414	–	–	–	13,293,414

Notes

1 Further details of long-term incentive plans are given in note 1 on page 86.

2 Interests include exercisable but unexercised options. In the case of Sir Martin Sorrell interests include 1,571,190 and 577,391 unexercised phantom options granted in 1993 and 1994 respectively as referred to on page 92, 4,691,392 shares in respect of the Capital Investment Plan and 1,754,520 shares in respect of the Notional Share Award Plan.

3 Each of the executive directors has a technical interest as an employee and potential beneficiary in one of the Company's ESOPs in shares in the Company held under the relevant ESOP. At 31 December 1999, the Company's ESOPs held in total 27,888,766 shares in the Company, (1998: 25,532,484 shares).

4 Mr M Inagaki is a director and chairman of Asatsu-DK, which at 10 May 2000 was interested in 31,295,646 shares representing 4.02% of the issued share capital of the Company.

5 Save as disclosed above and in the report of the Compensation committee, no director had any interest in any contract of significance with the Group during the year.

Share Options [1]

Outstanding options granted to the directors are as follows:

	At 1 Jan 1999 Number	Granted/ (lapsed) 1999 Number	Exercised/ realised 1999 Number	Exercised/ retained 1999 Number	At 31 Dec 1999 Number	Exercised 2000 Number	At 10 May 2000 Number	Commencement	Exercise date Expiry	Exercise price per share	Market price per share on date of exercise
B J Brooks	68,967	–	(49,697)	(19,270)	–	–	–	Dec 1998	Dec 2005	158.0p	553.0
P W G Richardson	100,000	–	(30,000)	(70,000)	–	–	–	Jan 1996	Jan 2000	40.0p	760.5
	102,941	–	–	(102,941)	–	–	–	Oct 1996	Oct 2003	102.0p	750.5
	88,235	–	–	(88,235)	–	–	–	Sep 1997	Sep 2004	119.0p	750.5
	32,468	–	(32,468)	–	–	–	–	Sep 1998	Sep 2005	154.0p	760.5
	24,497	–	(24,497)	–	–	–	–	Sep 1999	Sep 2006	233.5p	760.5
E R Salama	67,227	–	(16,121)	(51,106)	–	–	–	Sep 1997	Sep 2004	119.0p	499.5
	90,909	–	(73,612)	(17,297)	–	–	–	Sep 1998	Sep 2005	154.0p	499.5
G C Sampson	4,313	–	–	(4,313)	–	–	–	Apr 1998	Apr 2005	108.0p	499.5

Notes

1 Share options were granted under the WPP Executive Share Option Plan or under an ESOP in which directors and other executives participate. These options were granted at the market price at the time of grant.

2 2,196,190 phantom options were granted to JMS in relation to 1993 at a base price of 52.5p per share, exercisable between April 1996 and April 2003 and 577,391 in relation to 1994 at a base price of 115p per share, exercisable in March 2004. In 1997, JMS exercised 625,000 phantom options granted in relation to 1993. This leaves 1,571,190 unexercised phantom options granted in relation to 1993. JMS has indicated that it does not intend to exercise the 1993 phantom options until March 2003, subject to good leaver and change of control provisions.

3 The closing share price at 31 December 1999 was 981.0p and the share price during the year ranged between 359.0p and 996.0p.

Other long-term incentive plan awards[1]

Long-term incentive plan awards granted to directors are as follows:

	Plan[1]	At 1 Jan 1999 Number	Granted/ (lapsed) 1999 Number	Vested 1999 Number	At 31 Dec 1999 Number	Granted/ (lapsed) 2000[4] Number	Vested 2000 Number	At 10 May 2000 Number	Performance period	Price per share of vested units on valuation date[2]
B J Brooks	PSP	73,933	–	(36,966)	36,967	122	(18,544)	18,545	1 Jan 1996 – 31 Dec 1998	365.8p
	PSP	60,864	–	–	60,864	(883)	(29,991)	29,990	1 Jan 1997 – 31 Dec 1999	981.0p
	PSP	46,728	–	–	46,728	–	–	46,728	1 Jan 1998 – 31 Dec 2000	n/a
	PSP	–	50,623	–	50,623	–	–	50,623	1 Jan 1999 – 31 Dec 2001	n/a
	PSP	–	–	–	–	32,185	–	32,185	1 Jan 2000 – 31 Dec 2002	n/a
	LEAP	–	272,600	–	272,600	–	–	272,600	1 Jan 1999 – 31 Dec 2003	n/a
P W G Richardson	PSP	42,172	–	(21,086)	21,086	68	(10,577)	10,577	1 Jan 1996 – 31 Dec 1998	365.8p
	PSP	67,925	–	–	67,925	(985)	(33,470)	33,470	1 Jan 1997 – 31 Dec 1999	981.0p
	PSP	55,513	–	–	55,513	–	–	55,513	1 Jan 1998 – 31 Dec 2000	n/a
	PSP	–	65,944	–	65,944	–	–	65,944	1 Jan 1999 – 31 Dec 2001	n/a
	PSP	–	–	–	–	36,765	–	36,765	1 Jan 2000 – 31 Dec 2002	n/a
	LEAP	–	299,030	–	299,030	–	–	299,030	1 Jan 1999 – 31 Dec 2003	n/a
E R Salama	PSP	49,438	–	(24,719)	24,719	80	(12,399)	12,400	1 Jan 1996 – 31 Dec 1998	365.8p
	PSP	56,604	–	–	56,604	(820)	(27,892)	27,892	1 Jan 1997 – 31 Dec 1999	981.0p
	PSP	46,261	–	–	46,261	–	–	46,261	1 Jan 1998 – 31 Dec 2000	n/a
	PSP	–	48,359	–	48,359	–	–	48,359	1 Jan 1999 – 31 Dec 2001	n/a
	PSP	–	–	–	–	26,961	–	26,961	1 Jan 2000 – 31 Dec 2002	n/a
	LEAP	–	272,645	–	272,645	–	–	272,645	1 Jan 1999 – 31 Dec 2003	n/a
M S Sorrell[3]	–	6,445,912	–	–	6,445,912	–	–	6,445,912	n/a	n/a
	PSP	–	219,812	–	219,812	–	–	219,812	1 Jan 1999 – 31 Dec 2001	n/a
	PSP	–	–	–	–	137,255	–	137,255	1 Jan 2000 – 31 Dec 2002	n/a
	LEAP	–	5,369,070	–	5,369,070	–	–	5,369,070	1 Jan 1999 – 31 Dec 2003	n/a

Notes

1 The long-term incentive plans operated by the Company consist of the Performance Share Plan (PSP) and the Leadership Equity Acquisition Plan (LEAP). Details of the PSP and LEAP can be found on page 91. The number of shares shown for LEAP represents the maximum number of Matching Shares which is capable of vesting at the end of the performance period, if the performance requirement is satisfied to the fullest extent and subject to the retention of WPP investment shares until the end of the investment period which expires in September 2004. The number of Sir Martin Sorrell's Matching Shares includes those attributable to JMS. The 6,445,912 shares referred to in note 3 are not awarded under either the PSP or LEAP.

2 Valuation date is 31 December at the end of the relevant performance period.

3 The 6,445,912 shares represent the number of shares, or cash equivalent of shares which vest, under the Capital Investment Plan (CIP) and the Notional Share Award Plan (NSAP). Details of these two plans are set out on page 92. The performance conditions were satisfied under the CIP and NSAP before these plans were due to mature in September 1999. Each plan has been extended until September 2004, subject to good leaver and change of control provisions, when the awards vest. Consequently their value cannot be established until that time.

Under arrangements made with Sir Martin Sorrell relating to the payment on his behalf of US withholding tax under the Capital Investment Plan and pension payments made under the US Agreement, WPP Group USA Inc. has made payments of which the maximum amount outstanding during the year was $552,543 and which remained outstanding at 31 December 1999.

4 Includes dividends received in respect of vested restricted stock which have been reinvested in the acquisition of further ordinary shares.

OTHER STATUTORY INFORMATION

The following information, together with the directors' responsibilities and statement of going concern, set out on page 83, the charitable donations made during the year set out on page 89 and the directors' remuneration and interests set out on pages 84 to 86 constitutes the Directors' Report.

Re-election of directors
Details of the directors who, whether under the Articles of Association of the Company or otherwise, are to retire and who offer themselves for re-election are set out in the Notice of Annual General Meeting.

Substantial share ownership
As at 10 May 2000, the Company is aware of the following interests of 3% or more in the issued ordinary share capital of the Company:

Legg Mason	5.28%
Asatsu-DK	4.02%
WPP ESOP	3.74%

The disclosed interests of all of the above refer to the respective combined holdings of those entities and to interests associated with them.

The Company has not been notified of any other holdings of ordinary share capital of 3% or more.

Profits and dividends
The profit on ordinary activities before tax for the year was £255.4 million (1998: £212.8 million). The directors recommend a final ordinary dividend of 2.1p (1998: 1.72p net) per share to be paid on 10 July 2000 to share owners on the register at 9 June 2000 which, together with the interim ordinary dividend of 1.0p (1998: 0.84p) per share paid on 22 November 1999, makes a total of 3.1p for the year (1998: 2.56p net). The retained profit for the year of £148.8 million is carried to reserves.

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

Fixed assets
The consolidated balance sheet includes a conservative estimate of certain corporate brand names. Details of this and movements in fixed assets are set out in notes 12 and 13.

Share capital
Details of share capital movements are given in note 23 on page 68.

Supplier payment policy
As the Company is a parent company, it has no trade creditors and accordingly no disclosure can be made of the year-end creditor days. However, the Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, and to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. The average trade creditors for the Group, expressed as a number of days, were 45 (1998: 47).

Year 2000 compliance
The directors confirm that an internal review of all computer systems (hardware and software) and the implementation of a millennium compliance programme were successfully completed prior to the end of December 1999. No significant problems have been encountered since 31 December 1999. However, the directors continue to monitor the position.

The costs associated with the compliance programme were:

	1997 $m	1998 $m	1999 $m	2000 $m	Total $m
Internal resource	1	3	6	0	10
External resource	0	1	2	0	3
Other costs	0	3	3	0	6
Total cost	1	7	11	0	19

Economic and monetary union in Europe – ('EMU')
The Group's European companies, including those in the UK, have been preparing for the introduction of the single currency within Europe. These preparations have principally included analysis of the impact of the single currency on the business of the Group's operating companies and the upgrading of information systems.

To date, the proportion of clients and suppliers in Europe requiring euro-denominated transactions is less than 15%. The Group's companies in Belgium adopted the euro as their functional currency on 1 January 1999. The lessons of this pilot project are being applied to similar conversion projects in the remaining EMU-based operating companies.

WPP does not expect the introduction of the euro to have a material effect on the Group's trading performance and all associated costs are being expensed as incurred.

The Group does not anticipate changing its reporting currency to the euro until the UK decides to join EMU. For information purposes, however, the Group profit and loss account and balance sheet are shown in euros on pages 74 and 75.

Auditors
The directors will propose a resolution at the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By Order of the Board
M W Capes
Secretary
10 May 2000

Corporate Citizenship

Environmental policy

As a mainly service-based company our impact on the environment is small, but the Group recognises that the pursuit of economic growth and a healthy environment are inextricably linked. WPP, as a parent company to our operating companies, upholds the principle of 'subsidiarity' and charges our companies to adhere to best practice. In our worldwide operations we endeavour to adopt good environmental practice in respect of premises, equipment and consumption of resources.

Support for the arts

WPP recognises that close connections with the arts world is a vital and liberating experience for individuals, not least for those whose business hinges on management of the imagination. We therefore encourage and foster mutually beneficial partnerships between our operating companies and arts organisations. Many WPP employees are active in their own arts communities, giving time and marketing counsel to a variety of arts-based organisations and activities around the world.

The Group is a corporate sponsor of the UK's Royal National Theatre which underpins a developing partnership of mutual opportunity and support. WPP is a also a corporate patron of the National Portrait Gallery in London and is a founder member of the innovative Creative Forum for Culture and the Economy, a 'think and action tank' founded by UK industry body Arts & Business for business leaders dedicated to developing dynamic relationships between business and the arts.

Community partnerships and charitable donations

Much of the strength of the Group springs from its significant local presence around the world. And so by far the largest component of our support for charities and local communities is determined and contributed by our operating companies at local level.

At the parent company level, WPP supports a number of community programmes including the Drugs Prevention Board, instituted by the Home Office of the UK Government. WPP is a founder member of the RSA's initiative, *Centre for Tomorrow's Company*, which advances best competitive – and ethical – business practice. As a Corporate Partner of the Media Trust – the media industry's charity which matches the skills and resources of media professionals to the communications needs of charities and community organisations – WPP supports partnerships between the media and charities across the UK.

As part of WPP's strategy of supporting young people through education, we have pledged £60,000 to London's first Arts College for the Media Arts: Charles Edward Brooke, a state secondary school for girls from multi-ethnic backgrounds. This government-backed initiative aims to equip young people with the skills needed to succeed in business and to make learning more relevant to the needs of future employers. Group companies are contributing help, counsel and equipment to the college.

For the past six years, WPP has sponsored young South Africans, enabling them to attend Cape Town's career-developing Red & Yellow School of Logic and Magic for aspiring designers and copywriters.

Operating companies are responsible for their own charitable policies which enables them to support local projects and organisations according to circumstances and employee views. Many of our operating companies, such as our advertising agencies and public relations consultancies, have highly developed programmes of charitable and pro bono activity involving their people at corporate and individual levels. They contribute to their communities and selected charities in imaginative ways: from city clean-up operations to awaydays with disadvantaged young people to taking roles as school governors.

WPP, the parent company, continues to concentrate its charitable giving in the areas of education and training of young people, with particular emphasis on those who are disadvantaged. Besides financial support, WPP encourages charitable support in kind through its operating companies providing assistance, for instance, implementing identity, public relations and advertising programmes or other marketing campaigns.

The parent company made charitable donations of £159,036 in 1999 (1998: £138,928).

It is not the Group's policy to make payments for political purposes.

Compensation committee report

This report is made by the Board. It sets out the Company's statement of how it has applied the principles of good governance set out in the Combined Code and explains any areas of non-compliance. As in previous years, additional information on executive remuneration similar to a US proxy disclosure is also included in this report.

The Compensation committee has followed the requirements set out in Schedule A of the Combined Code, when determining the remuneration packages of executive directors and has followed the provisions of Schedule B of the Combined Code when preparing the Compensation committee report.

The Report of the Auditors on the financial statements set out on page 77 confirms that the scope of their report covers the disclosures contained in or referred to in this report that are specified for their examination by the London Stock Exchange.

Details of each individual director's remuneration and of their beneficial holdings of the Company's shares and share options are set out on pages 84 to 86.

Scope of the Compensation committee

During the year, the Compensation committee was comprised exclusively of independent non-executive directors, namely:

– S W Morten; (Chairman of the committee)
– H Maxwell; and
– J A Quelch.

No member of the committee has any personal financial interest, other than as share owners, in the matters to be decided by the committee, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the Group's businesses.

The Compensation committee, which seeks the advice of independent remuneration consultants, is responsible for establishing and overseeing the implementation of remuneration policy for the Group, with specific reference to the following:

– assessment of competitive practices and determination of competitive positioning;
– base salary levels;
– annual and long-term incentive awards;
– policy and grants relating to WPP share ownership (in this report referred to as 'WPP stock'); and
– pensions and executive benefits.

The Compensation committee determines awards under annual and long-term incentive plans and awards of WPP stock under a number of plans for Group employees who are paid a base salary of $150,000 or more.

The Compensation committee determines the remuneration of the Group chief executive, a summary of which is set out on page 92, on the basis of a comparison with the chief executives of other global, multi-agency communications companies, including the Omnicom Group (Omnicom) and The Interpublic Group (IPG). The remuneration, stock incentive arrangements and benefits of the other executive directors are based on comparable positions in multinational companies of a similar size and complexity. The criteria established for each element of total remuneration are set out on the following pages.

Remuneration policy

Remuneration of executive directors and senior executives of the Group's operating companies and the parent company is reviewed each year by the committee.

The Company's remuneration policy is designed to ensure that the Group has the best possible talent applied to our client and share owner objectives.

Remuneration is also designed to be competitive in the marketplace and have a significant performance-related element, based on specific, quantifiable performance objectives which align executive rewards with increasing value for our share owners.

In addition, the total remuneration programme includes significant opportunities to acquire WPP stock consistent with the Group strategy of building a strong ownership culture.

Elements of executive remuneration

The following comprised the principal elements of executive remuneration for the period under review:

– Base salaries;
– Annual incentives;
– Long-term incentives, including stock ownership and LEAP; and
– Pensions.

Base salary levels are established by reference to the market median for similar positions in directly comparable businesses and by comprehensive market survey information. In the case of the parent company, this includes other global services companies such as IPG and Omnicom and, for J. Walter Thompson Company and Ogilvy & Mather Worldwide, the competitive market includes other major multinational advertising agencies. For each of the other operating companies in the Group, a comparable definition of business competitors is used to establish competitive median salaries. Individual salary levels are set within a range of 15% above or below the competitive median, taking a number of relevant factors into account, including individual and business unit performance, level of experience, scope of responsibility and the competitiveness of total remuneration.

Salary levels for executives are reviewed every 18, 24 or 36 months, depending on the level of base salary. Executive salary adjustments are made on the recommendation of the Group chief executive for operating company chief executives and parent company executive directors and by the chief executive officer of each operating company for all other executives.

Annual incentives are paid under plans established for each operating company and for executives of the parent company. Group-wide, there are approximately 3,000 participants in annual incentive plans, or approximately 10% of all employees. In the case of the Group chief executive and other parent company directors and executives, the total amount of annual incentive payable is based on the achievement of Group operating profit and operating cash flow targets established by the Compensation committee and approved by the Board. In the case of each operating company, operating profit targets are agreed each year.

Within the limits of available annual incentive funds, individual awards are paid on the basis of achievements against individual performance objectives, encompassing key strategic and financial performance criteria, including:

– operating profit;
– profit margin;
– staff costs to revenue;
– revenue growth and conversion;
– level of co-operation among operating companies; and
– other key strategic goals.

In each case, the annual incentive objectives relate to the participant's own operating company, division, client or functional responsibility.

Each executive's annual incentive opportunity is defined at a ‘target’ level for the full achievement of objectives. Higher awards may be paid for outstanding performance in excess of target. With effect from 1 January 2000 the target level for the Group chief executive is 100% of base fees/salary and the maximum level is 200%. For other Group executive directors the target commencing 1 January 2000 is 50% of base salary and the maximum is 75%. Long-term incentives, including option grants, comprise a significant element of total remuneration for senior executives in the parent company and each operating company. During 1999, Group-wide, approximately 900 of those executives participated in a long-term incentive plan and this number will increase in the current year.

The committee periodically reviews the operation of the Group’s long-term incentive programmes to ensure that the performance measures and levels of reward are appropriate and competitive.

Parent company

Annual grants of WPP performance shares are made to executive directors (including since 1999 to the Group chief executive). For awards currently outstanding, the value of each performance share is equivalent to one WPP share and the number of shares vesting over each three-year performance period is dependent on the growth of WPP’s total share owner return relative to the growth of total share owner return of 15 (including WPP) major publicly traded marketing services companies, namely Aegis, Cordiant, Grey Advertising, Havas Advertising, IPG, A C Nielsen, Nielsen Media Research, Omnicom, Publicis, Saatchi & Saatchi, Snyder Communications, Taylor Nelson Sofres, True North Communications and Young & Rubicam. Where the Group’s total share owner return is below the median level of the peer group, none of the performance shares vest. Currently, at median performance, 50% of the performance shares vest, with higher percentages vesting for superior performance up to 100% if WPP ranks at least equal to the second ranking peer company.

For performance periods prior to 1998-2000 the Performance Share Plan is based on WPP’s total share owner return relative to seven peer companies. The group of peer companies was expanded for later performance periods in order to be consistent with the provisions of LEAP as described below.

Over the 1997-99 performance period, WPP’s performance ranked third among the peer group companies. Contingent grants of performance shares for the 1998-2000, 1999-2001 and 2000-2002 periods range from 25% to 80% of base salary.

Operating companies

Senior executives of most Group operating companies participate in long-term incentive plans, which provide awards in cash and restricted WPP stock for the achievement of three-year financial performance targets. These plans operate on a rolling three-year basis with awards paid in March 2000 under the 1997-99 long-term incentive plans. The value of payments earned by executives over each performance period is based on the achievement of targeted improvements in the following performance measures:

– average operating profit or operating cash flow; and
– average operating margin.

For the periods 1998-2000, 1999-2001 and thereafter, the stock portion of each payment is 50%. Restrictions on the sale of this stock are lifted after one year in respect of 50% of the stock and after two years for the balance, if the executive remains employed in the Group.

In addition, some executives also receive annual grants of WPP stock options through their membership of the WPP Group ‘100 Club’ or ‘400 Club’ or ‘High Potential 500 Club’. These ‘Clubs’ recognise a participant’s contribution to the achievement of WPP’s strategic aims, including business co-operation across operating companies. All members of the ‘Clubs’, including the chief executive officer of each operating company, receive an annual grant of fair market value WPP stock options, which are exercisable three years from the grant date assuming that specific performance conditions are met. Each year the grant value (number of shares times fair market value at the grant date) of these awards ranges from approximately 15% to 100% of base salary.

Client Equity Investment Funds

To address increasing competition for talent from new sources, as well as the growth of client revenues from internet companies, the Company is establishing a fund for each major operating group through which investments will be made in the stock of pre-IPO clients. These investments will be limited to a specified portion of the fee income derived from each client, and there is an overall limit on the level of client equity investments by each operating group. These client equity investments will generally be sold as soon as possible following a public offering. Positive returns realised on client equity investments will then be used to acquire WPP shares, which will be allocated to employees in the operating companies. The WPP shares will vest in two equal instalments over a two-year period.

Leadership Equity Acquisition Plan (‘LEAP’)

In September 1999 share owners approved the introduction of LEAP to reward performance which is superior to that of WPP’s peer companies, so as to create strong shared interests with share owners through significant personal investment and ownership in stock by executives and to ensure competitive total rewards in the appropriate marketplace.

Under LEAP, participants must commit WPP shares (‘WPP shares’), valued at not less than their annual earnings, of which no more than two-thirds may be satisfied by a participant’s existing holding of WPP shares, in order to provide an opportunity to earn additional WPP shares (‘matching shares’). These investment shares must be committed to LEAP for a five-year period (‘investment period’). The number of matching shares which a participant may receive at the end of the investment period will depend on the performance of the Company measured over five financial years commencing with the financial year in which the WPP shares are committed. The number of matching shares will depend on the total shareholder return (‘TSR’) achieved by the Company relative to the 15 (including WPP) major publicly traded marketing services companies referred to above. The maximum number of matching shares is five for every investment share, for which the Company must rank first or second over the performance period. If the Company’s performance is below the median of the comparator group only half a matching share will vest for every WPP share held throughout the investment period.

On a change of control after the first anniversary of the start of the LEAP investment period, matching shares may be received only to the extent that the performance condition has been satisfied over the period from the start of the performance period to the date of the change of control. The compensation committee will also consider, in the light of exceptional financial circumstances during the performance period, whether the recorded TSR is consistent with the achievement of commensurate underlying performance.

Executive directors of the Company and senior executives throughout the Group participate in LEAP. To date, awards have been made to 15 directors and executives. Sir Martin Sorrell, the Group chief executive has, together with JMS, committed to LEAP shares worth $10 million calculated at a price of £5.685 per share of which shares worth $3 million must be purchased in the market after 16 August 1999.

It is expected that the matching shares to which participants (other than JMS) become entitled for the awards made in 1999 will be provided from one of the Company's employee share ownership plans ('ESOPs'). The ESOPs have acquired the maximum potential number of matching shares in respect of awards made in 1999 at an average cost not exceeding £3.70 per share.

Executive Stock Ownership Policy
During 1996, the Company introduced stock ownership goals for the most senior executives in the Group. These range from 50% to 400% of salary. Future stock option grants will vary depending on whether an individual achieves and maintains specified levels of WPP stock ownership.

Executive Stock Option Plan and Worldwide Ownership Plan
The 1996 Executive Stock Option Plan has been used to make option grants to members of the 100, 400 and High Potential 500 Clubs including key employees of the parent company, but excluding parent company executive directors and the Group chief executive.

In 1997 the Company broadened stock option participation by introducing the Worldwide Ownership Plan for all employees of 100%-owned Group companies with at least two years' service, in order to develop a stronger ownership culture and greater knowledge of Group resources. As at 30 April 2000 options under this Plan had been granted to more than 8,400 employees for in excess of 7.6 million ordinary shares of the Company. Grants made under this plan to approximately 5,400 employees in 1997 became exercisable in March 2000.

Retirement benefits
The form and level of Company-sponsored retirement programmes varies depending on historical practices and local market considerations. The level of retirement benefits is regularly considered when reviewing executive remuneration levels.

In the two markets where the Group employs the largest number of people, the US and UK, pension provision generally takes the form of defined contribution benefits, although the Group still maintains one defined benefit plan in the US and three defined benefit plans in the UK. In each case, these pension plans are provided for the benefit of employees in specific operating companies and in the case of the UK plans, are closed to new entrants. All pension coverage for the parent company's executive directors is on a defined contribution basis and only base salary is pensionable under any Company retirement plan. Details of pension contributions for the period under review in respect of parent company executive directors are set out on page 84.

Directors' service contracts and notice periods
Except for the Group chief executive, each of the parent company executive directors is employed under a contract under which the director must give the Company 12 months' notice and the Company must give the executive 12 months' notice. Mr B J Brooks is employed under a service contract dated 1 June 1993, Mr P W G Richardson is employed under a service contract dated 8 January 1997 and Mr E R Salama is employed under a service contract dated 1 April 1997.

There are no change of control provisions in the contracts for executive directors, other than in respect of the Group chief executive.

The Board unanimously consider that, given the special position of the Group chief executive and the personal investment commitment made by him in the Company, there are special circumstances for the notice period applicable to him, which is for a fixed term of three years from 1 September 1999 renewable on or before 1 September each year. The Company anticipates that the current term will be renewed in September 2000 on this basis.

The Group chief executive: Sir Martin Sorrell
Sir Martin Sorrell's services to the Group outside the USA are provided by JMS and he is directly employed by WPP Group USA, Inc. for his activities in the USA. Taken together, the agreement with JMS ('the UK Agreement') and the agreement with the Group chief executive directly ('the US Agreement') provide for the following remuneration all of which is disclosed on pages 84 to 86:

– annual salary and fees of £761,000;
– annual pension contributions of £324,000;
– short-term incentive (annual bonus);
– the Leadership Equity Acquisition Plan; and
– the Performance Share Plan.

In addition JMS is entitled to phantom options linked to the WPP share price, granted in 1993 and 1994 as disclosed on page 85. No further phantom options have been or will be granted to JMS or the Group.

JMS has stated its intention not to exercise the phantom options in respect of 1993 until March 2003 and has agreed to defer its interest in the phantom options in respect of 1994 until March 2004.

Both the UK Agreement and the US Agreement may be terminated within a period of 90 days from the change of control. In these agreements 'change of control' is as defined respectively in section 416 of the Income and Corporation Taxes Act 1988 and the Securities Exchange Act 1934.

On a termination by the Group chief executive and JMS, WPP is obliged to pay an amount equal to twice the annual fee; bonus and pension payments payable under the UK Agreement; a further amount equal to the fee payable under the UK Agreement less any amount payable in respect of the Notional Share Award Plan and also to continue certain benefits such as health insurance.

The Capital Investment Plan (CIP) and Notional Share Award Plan (NSAP)
The CIP provides the Group chief executive with a capital incentive initially over a five-year period with effect from 4 September 1994 and which matured in September 1999.

The Group chief executive has agreed to defer entitlement to the 4,691,392 Performance Shares which he would otherwise have been able to acquire in September 1999, subject to good leaver, change of control and other specified provisions, so as to correspond with the investment period under LEAP. Accordingly, subject to the provisions of the CIP, the rights to acquire the Performance Shares may be exercised in the period 30 September 2004 to 31 December 2004. These Performance Shares were acquired by an ESOP in 1994 at a total cost of approximately £5.5 million.

JMS has agreed, subject to good leaver, change of control and other specified provisions, to defer its interest under the NSAP on a similar basis to that on which the Group chief executive has agreed to defer his interest under the CIP. Accordingly, subject to the provisions of the NSAP, JMS's right to receive a sum under the NSAP may be exercised in the period 30 September 2004 to 31 December 2004 and will be calculated by reference to the average price of a WPP share for the five dealing days before JMS's right under the NSAP is exercised. The NSAP relates to 1,754,520 notional WPP shares.

Awards made to the Group chief executive or JMS under the CIP; the Notional Share Award Plan and the phantom options, become immediately exercisable on a change of control. Under these plans, 'change of control' is defined as the acquisition by a person or persons of more than 20% of the issued share capital of WPP where this is followed within 12 months by the appointment of a director with neither the Group chief executive's nor JMS's approval.

The rights of the Group chief executive and JMS respectively under the CIP and the NSAP are dependent on Sir Martin Sorrell remaining interested until September 2004 in 747,252 shares in which he invested in September 1994.

Compensation of 'executive officers'

The following tables set out compensation details for the Group chief executive and each of the other five most highly compensated executive officers in the Group as at 31 December 1999 (the 'executive officers'). As used in this statement, the 'executive officers' are deemed to include executive directors of the Company, or an executive who served as the chief executive officer of one of the Group's major operating companies.

This information covers compensation for services rendered in all capacities and paid in each of the two calendar years ended 31 December 1998 and 1999. Incentive compensation paid in 2000 for performance in 1999 and previous years, is not included in these tables, consistent with US reporting requirements.

1999 executive remuneration

						Long Term Compensation			
Name	Principal position	Year	Salary $000	Bonus[1] $000	Other annual compen -sation[2] $000	Share options SARs and phantom shares[3] Number	Restricted shares Number	LTIP payments $000	All other compensation[4] $000
M S Sorrell	Group chief executive	1999	1,231	979	37	–	–	–	524
	WPP Group	1998	1,180	1,009	38	–	–	–	523
S Lazarus	Chairman/ Chief executive officer								
	Ogilvy & Mather	1999	850	638	31	18,288[7]	215,554	263	128
	Worldwide	1998	850	638	30	170,398	316,772	254	93
C Jones	Chief executive officer								
	J. Walter Thompson	1999	750	225	18	16,138[7]	18,072	153	112
	Company	1998	750	75	13	150,351	32,644	334	80
I Gotlieb	Chairman/								
	Chief executive officer	1999	219	–	7	96,826[7]	–	–	25
	MindShare	1998	–	–	–	–	–		
H Paster	Chairman/								
	Chief executive officer	1999	550	344	17	11,834[7]	6,300	159	31
	Hill & Knowlton	1998	550	275	17	77,180	5,990	90	31
R Seltzer	Chairman/ Chief executive officer								
	Ogilvy Public	1999	423	395	25	9,682[7]	72,487	–	8
	Relations Worldwide	1998	400	200	25	80,187	96,800	–	8

Notes

1 Represents short-term incentive awards paid during calendar years 1998 and 1999 in respect of the prior year's incentive plans.

2 Includes the value of company cars, club memberships, executive health and other benefits and supplemental executive life insurance.

3 As used in this report, the term 'phantom shares' (as used in the UK) and the term 'free-standing SARs' (as used in the US) are interchangeable. Matching shares which could vest under LEAP are not included in this table, but are referred to on page 94.

4 Includes accruals during each calendar year under consideration, under defined contribution retirement and defined benefit retirement arrangements.

5 Options granted in 1999 were over ADRs (based on the ratio in existence at 31 December 1999) and in 1998 over ordinary shares.

6 Irwin Gotlieb was appointed as Chairman/Chief executive officer of MindShare in September 1999.

7 Represents grants in American Depositary Receipts (ADRs).

Options granted in 1999

	Stock options, granted (number of ADRs)	% of total options granted by Company in 1999	Exercise price ($ per share)	Expiry date	Potential realisable value at assumed annual rates of stock price appreciation for option term 0% $	5% $	10% $
M S Sorrell	–	–	–	–	–	–	–
S Lazarus	18,288	2.1	46.48	24 Sep 2009	–	534,577	1,354,723
C Jones	16,138	1.8	46.48	24 Sep 2009	–	471,730	1,195,457
I Gotlieb	96,826	10.9	46.48	24 Sep 2000	–	2,830,323	7,172,589
H Paster	11,834	1.3	46.48	24 Sep 2009	–	345,920	876,629
R Seltzer	9,682	1.1	46.48	24 Sep 2009	–	283,015	717,215

All options granted to executives in this table are exercisable three years from the grant date and expire ten years from the grant date.

Stock option, SAR and phantom stock exercises in last financial year and final year-end share option, SAR and phantom stock values

	Ordinary shares acquired on exercise	Market value at exercise date ($)	Number of ordinary shares underlying unexercised share options, SARs and phantom stocks at year-end: Exercisable	Unexercisable	Value of unexercised in-the-money stock options, SARs and phantom stocks at year-end ($)[1]: Exercisable	Unexercisable
M S Sorrell	–	–	1,571,190	577,391	23,607,109	8,091,334
S Lazarus	–	–	1,026,959	375,700	13,263,811	3,790,379
C Jones	417,303	5,235,459	–	572,627	–	6,066,005
I Gotlieb	–	–	–	484,130	–	3,219,852
H Paster	258,225	1,820,379	163,720	219,849	2,180,609	2,195,238
R Seltzer	–	–	–	215,349	–	2,193,870

[1] The value is calculated by subtracting the exercise price from the fair market value of the Company's ordinary shares on 31 December 1999, namely £9.81 and using an exchange rate of $1.6182 to £1.

Long-term incentive plan grants in 1999[1]

	Performance period	Threshold $	Target $	Maximum $
M S Sorrell[2]	1999 – 2001	n/a	n/a	n/a
S Lazarus	1999 – 2001	–	650,000	975,000
C Jones	1999 – 2001	–	600,000	900,000
I Gotlieb	1999 – 2001	–	400,000	600,000
H Paster	1999 – 2001	–	65,000	97,500
R Seltzer	1999 – 2001	–	150,000	225,000

Notes

1 This table does not include the maximum number of Matching shares which are capable of vesting under LEAP, which is described on page 91. If the performance requirement under LEAP is satisfied to the fullest possible extent and subject to the WPP investment shares being retained until the end of the investment period (September 2004), the maximum number of Matching shares which may vest in relation to the performance period ending 31 December 2003, is as follows: Sir Martin Sorrell (including those attributable to JMS) 5,369,070; S Lazarus 1,610,700; C Jones 1,610,700; H Paster 439,750 and R Seltzer 362,400.

2 An award of 137,255 units under the Performance Share Plan was made to Sir Martin Sorrell during 1999. Each unit is analogous to an ordinary share of WPP Group plc. Details of this award are referred to on page 86.

Employee relations
Success depends on the quality and performance of all of our people worldwide. The Group's employment policies are designed to attract, retain and motivate the most talented individuals and we invest significantly in communications, training and development programmes at both parent and operating company level as well as encouraging an ownership culture through WPP stock option and other incentive plans.

Equal opportunities
The Compensation committee and the Group endorses and supports the principles of Equal Employment Opportunity. It is the policy of the Group in its businesses throughout the world to provide equal employment opportunities to all appropriately qualified individuals irrespective of 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 are being considered.

Employee ownership
The Group's Worldwide Ownership Plan, introduced in 1997, has given more than 8,400 of our people a direct stake in WPP's financial success. Details of this Plan and other executive stock option plans can be found on pages 91 and 94.

People working in the Group currently own, or have interests in, in excess of 63 million shares representing over 8% of the issued share capital of the Company.

Employee communications
WPP places great importance in keeping people in our operating companies informed about the Group's progress, activities and all matters affecting them and our business. Encouraging people to expand their knowledge of the Group is achieved through a number of communications initiatives:

– formal and informal meetings at the individual company level;
– monthly reports from the Group's chief executive to all people participating in short- and long-term incentive plans;
– distribution of the annual report, the *Group Navigator*, *The Catalog*, the Atticus Journal and WPP's global newspaper – *The WIRE* – to all companies worldwide;
– a monthly online newsletter – *e.wire*; and
– regular communications on major WPP initiatives such as the Worldwide Partnership Program, *BRANDZ*™, the Atticus Awards, the WPP Fellowship Program and professional development workshops.

Professional development
The parent company runs a dynamic programme of cross-company forums, courses and workshops to inform, stimulate and inspire people in operating companies around the world. Some 3,000 Group professionals have now participated in a wide range of management, sector-specific and mind-stretching development workshops.

Most of our operating companies have well-established career development programmes, as well as regular appraisal processes such as 360 degree feedback. Research International, J. Walter Thompson and Coley Porter Bell in London were among the first in their sectors to gain the Investors In People accreditation for the training and development of their people. Many companies also offer formal student placement programmes to nurture new talent within our business.

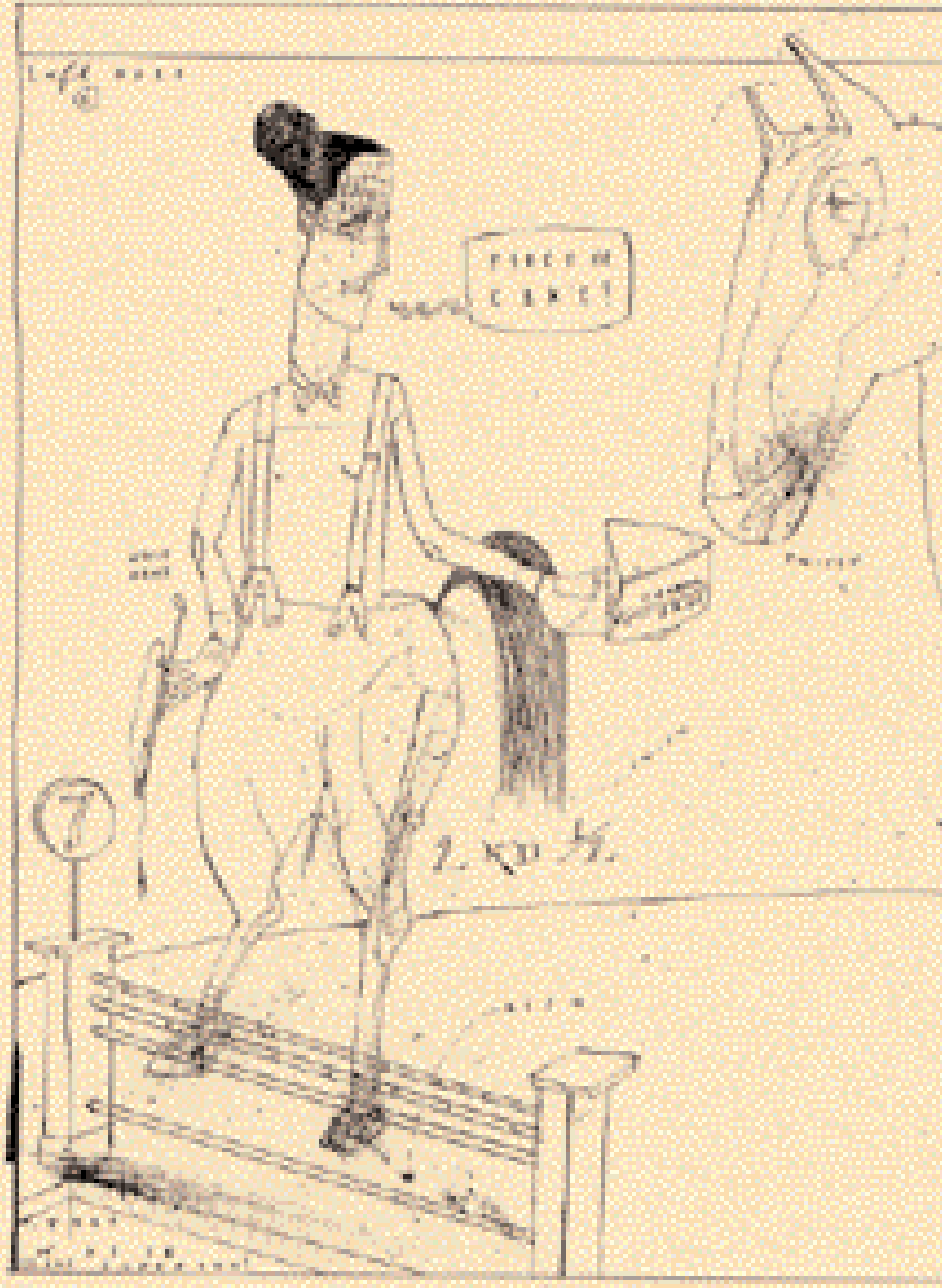
More information about our people programmes can be found on our website.

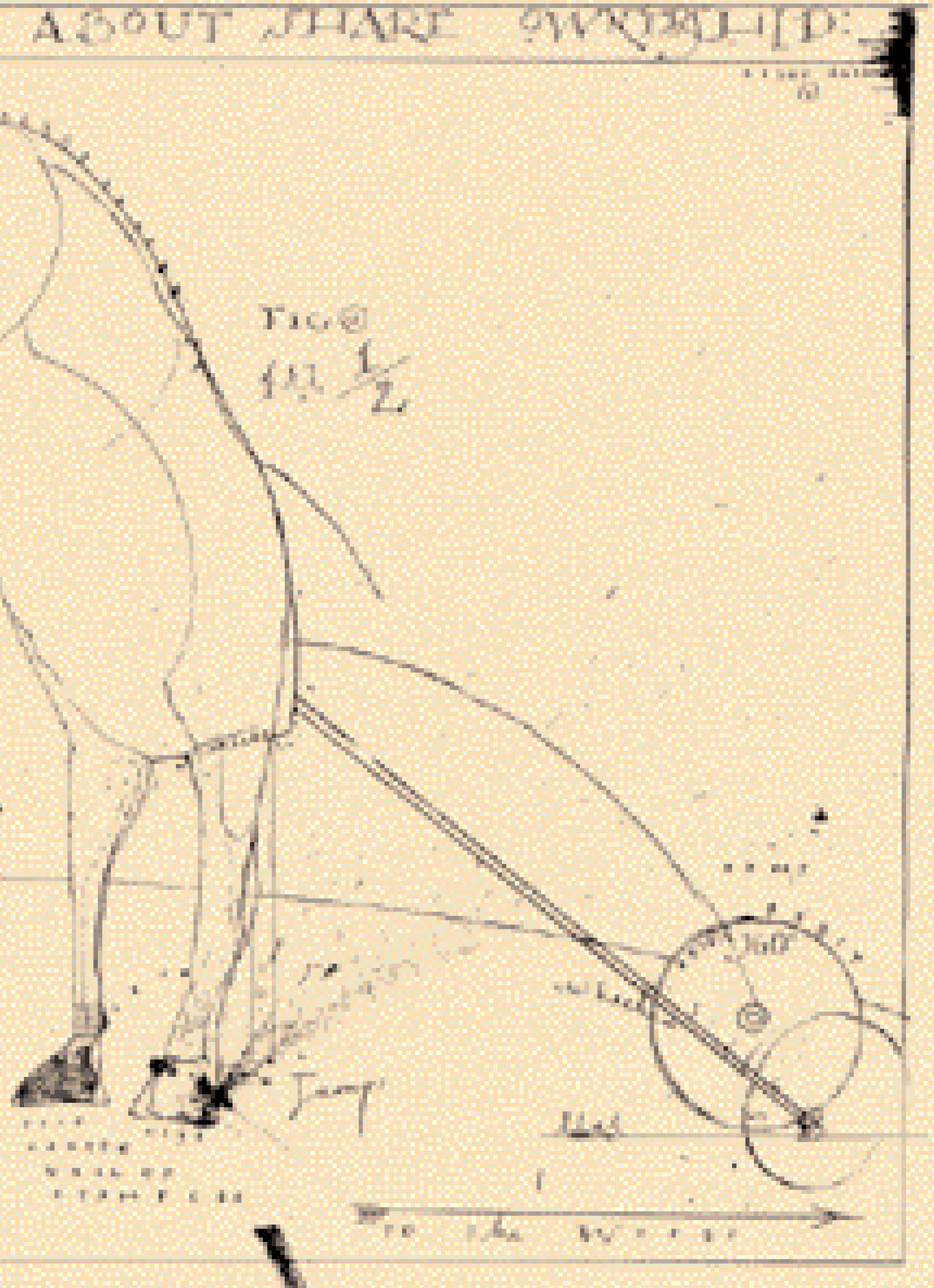
Policy on external appointments
The Company recognises that its directors and senior executives may be invited to become non-executive directors of other companies and that such exposure may be beneficial to the Company. Consequently, executives are allowed to accept non-executive appointments with non-competing companies subject to obtaining the approval of the Group chief executive in the case of senior executives and the approval of the Board in the case of executive directors. Any fees receivable out of such appointments are retained by the individuals concerned.

Non-executive directors
Remuneration for non-executive directors consists of fees for their services in connection with the Board and Board committee meetings and where appropriate, for devoting additional time and expertise for the benefit of the Group. Non-executive directors are not eligible for membership of any Company pension plans, and do not participate in any of the Group's short- or long-term incentive programmes or in any of the Group's stock plans. Non-executive directors may receive a part of their fees in ordinary shares of the Company.

The chairman, Mr H Maxwell, has a contract which is terminable by giving not less than three months' notice. All other non-executive directors have letters of appointment, which are renewable for a two-year period.

On behalf of the Board
S W Morten
Chairman of the WPP Group plc
Compensation committee
10 May 2000





Information for share owners

Share owners' register

A register of share owners' interests is kept at the Company's head office and is available for inspection on request. The register includes information on nominee accounts and their beneficial owners.

Analysis of shareholdings at 31 December 1999

Issued share capital as at 31 December 1999: 774,545,422 ordinary shares.

Number of shares held	Number of owners	%	Total of shares	%
1 – 100	944	14.02	61,918	0.01
101 – 250	606	9.00	113,815	0.01
251 – 500	752	11.17	298,703	0.04
501 – 1,000	1,041	15.46	842,250	0.11
1,001 – 5,000	1,740	25.85	4,134,904	0.53
5,001 – 10,000	368	5.47	2,699,903	0.35
10,001 – 25,000	358	5.32	5,770,672	0.75
25,001 – 50,000	212	3.15	7,710,013	1.00
50,001 – 100,000	183	2.72	13,386,565	1.73
100,001 – 500,000	346	5.14	81,003,494	10.46
500,001 – 1,000,000	73	1.08	52,853,713	6.82
1,000,001 – 2,000,000	46	0.68	64,787,459	8.36
2,000,001 – 3,000,000	21	0.31	51,714,282	6.68
3,000,001 – 4,000,000	8	0.12	28,121,960	3.63
4,000,001 and above	34	0.51	461,045,771	59.52
Total	**6,732**	**100.00**	**774,545,422**	**100.00**

Share owners by geography	%
United Kingdom	**47**
United States of America	**41**
Asia Pacific, Latin America, Africa & Middle East and Continental Europe	**12**
Total	**100**

Share owners by type	%
Institutional investors	**89**
Employees	**8**
Other individuals	**3**
Total	**100**

Dividends

Ordinary share owners have received the following dividends in respect of each financial year:

	1999	1998	1997	1996	1995
Interim dividend per ordinary share	**1.0p**	0.84p	0.70p	0.556p	0.445p
Final (1999 proposed) dividend per ordinary share	**2.1p**	1.72p	1.43p	1.144p	0.865p
Total	**3.1p**	2.56p	2.13p	1.700p	1.310p

American Depositary Receipts (ADRs)

Each ADR represents 5 ordinary shares.

ADR holders receive the annual and interim reports issued by WPP Group plc.

WPP Group plc is subject to the informational requirements of the US securities laws applicable to foreign companies and files an annual report on Form 20-F and other information with the US Securities and Exchange Commission. Form 20-F is also available from our Investor Relations departments in London or New York.

ADR dividends

ADR holders are eligible for all stock dividends or other entitlements accruing on the underlying WPP Group plc shares and receive all cash dividends in US dollars. These are normally paid twice a year.

Dividend cheques are mailed directly to the ADR holder on the payment date if ADRs are registered with WPP's US depositary. Dividends on ADRs that are registered with brokers are sent to the brokers, who forward them to ADR holders. WPP's US depositary is Citibank N.A. (address on page 100).

Dividends per ADR, including UK tax refunds but before US tax credits, in respect of each financial year are set out below.

	1999	1998[2]	1997[2]	1996[2]	1995[2]
In sterling					
Interim	**5.0p**	4.2p	3.50p	2.78p	2.23p
Final (1999 proposed)	**10.5p**	8.6p	7.15p	5.72p	4.33p
Total	**15.5p**	12.8p	10.65p	8.50p	6.55p
In dollars [1]					
Interim	**8.1¢**	6.95¢	5.70¢	4.34¢	3.51¢
Final (1999 proposed)	**17.0¢**	14.25¢	11.75¢	8.93¢	6.83¢
Total	**25.1¢**	21.21¢	17.45¢	13.27¢	10.34¢

Notes

1 The ADR dividends represent a sterling liability, but for convenience have been translated to US dollars at the average rate for the relevant year.

2 These amounts have been restated to reflect the current value of one ADR to 5 ordinary shares (prior to 16 November 1999 one ADR represented 10 ordinary shares).

For dividends paid on or after 6 April 1999, ADR holders are no longer able to reclaim any part of the UK tax credit related to dividends. Under the terms of the US treaty, dividend payments will be reduced by a maximum withholding tax amount of 15% of the total of the dividend and the accompanying tax credit. The tax credit may not be reclaimed but the excess of the withholding tax (15% of the total dividend and the accompanying tax credit) over the tax credit (one-ninth of the dividend) is not collected and does not reduce the dividend payable.

The aggregate of the dividend and the tax credit will be treated as a dividend for US tax credit purposes. Any US taxation liability can be reduced by a claim for credit for the UK withholding tax actually suffered.

Dollar amounts paid to ADR holders depend on the sterling/dollar exchange rate at the time of payment.

Financial calendar

- The 1999 final dividend will be paid on 10 July 2000 to share owners on the register at 9 June 2000.
- Interim statements for the half-year ending 30 June are issued in August. Quarterly trading announcements are issued in April and October.
- Interim dividends are paid in November.
- Preliminary announcements of results for the financial year ending 31 December are issued in February.
- Annual reports are posted to share owners in May.
- Annual general meetings are held in London in June.

Share price

The mid-market price of the shares at 31 December was as follows:

	1999	1998	1997
Ordinary 10p shares	**981.0p**	365.8p	269.5p

Within the UK, the latest ordinary share price information is available on Ceefax and Teletext and also the Cityline service operated by the *Financial Times* (telephone 0891 434544 or 0336 434544; calls charged at 50p per minute at all times).

Access numbers

	NASDAQ	**Reuters 2000**	**Topic**
Ordinary shares		WPPL.L	52945
American Depositary Receipts	WPPGY		

Information for share owners continued

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Computershare Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

American Depositary Receipts (ADRs)
Citibank N.A.
111 Wall Street
5th Floor
New York
NY 10043

WPP registered office
Pennypot Industrial Estate
Hythe
Kent CT21 6PE
The Company's registered number is 1003653.

Reclaiming income tax on dividends
For dividends paid on or after 6 April 1999, the tax credit available to individual share owners resident in the UK is reduced by 1/9th of the dividend, and tax credits are no longer repayable to UK holders with no tax liability. Also with effect from 6 April 1999, individuals whose income is within the lower or basic tax rate bands are liable to tax at 10% on the dividend income and the tax credit will continue to satisfy their income tax liability on UK dividends. The higher rate of tax on dividend income was also reduced to 32.5% from 6 April 1999, which is intended to leave higher rate tax payers the same amount of after tax income as they would have received prior to the changes.

Capital gains tax
The market value of an ordinary share at 31 March 1982 was 39p. Since that date rights issues have occurred in September 1986, August 1987 and April 1993. For capital gains tax purposes the acquisition cost of ordinary shares is adjusted to take account of such rights issues. Since any adjustments will depend on individual circumstances, share owners are advised to consult their professional advisers.

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Recognition for last year's annual report
1999 ProShare Award for best Annual Report and Accounts in a FTSE 100 Company, for the second year in a row.

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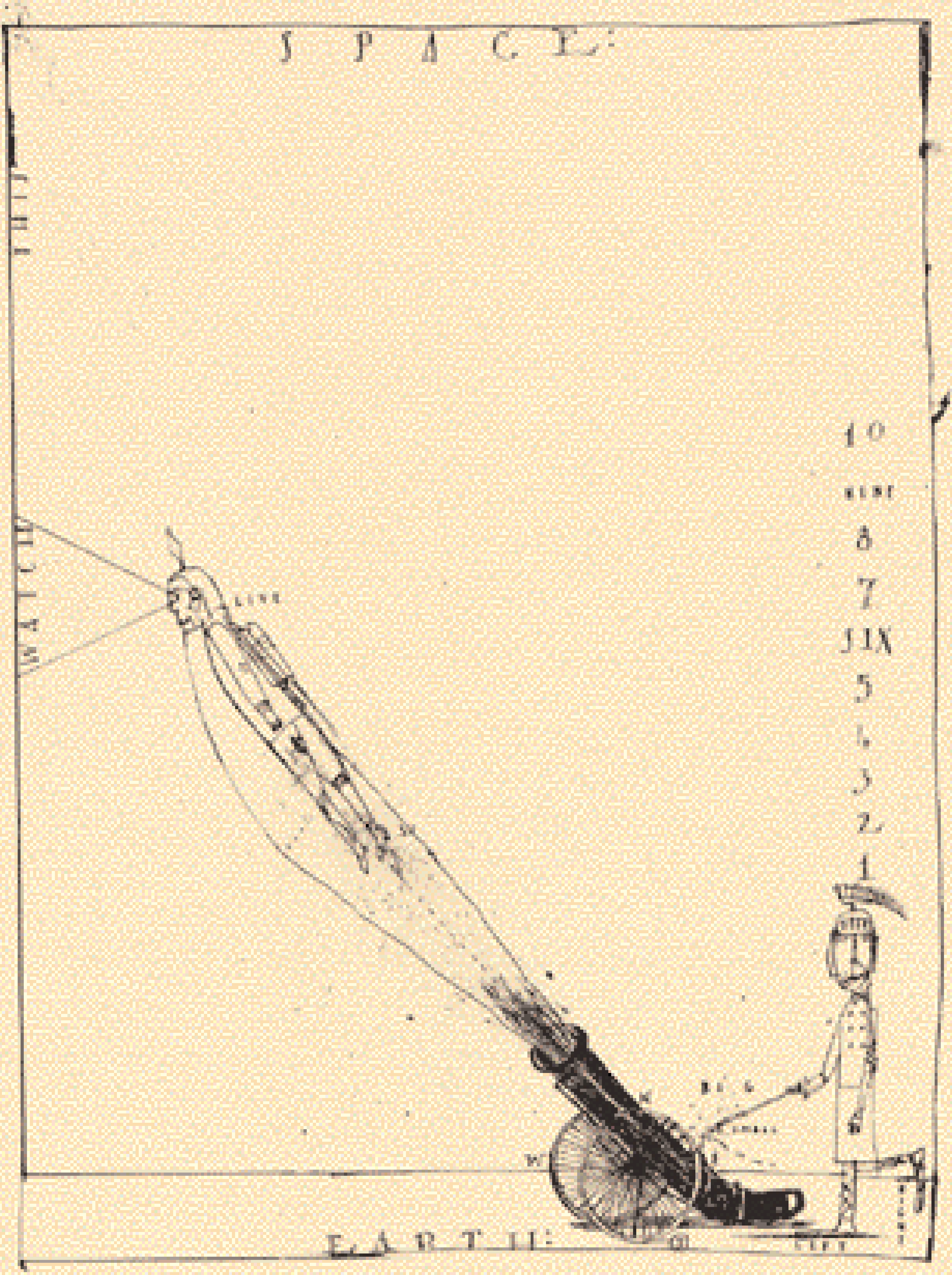

WPP Group plc

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