

Millward Brown International Plc

Accounts for the year ended 31 December 1999
together with directors' and auditors' reports

Registered number: 1915514



**Millward Brown
International Plc**



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Directors' report

For the year ended 31 December 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1999.

Principal activities and business review

The principal activity of the company continues to be that of a market research agency.

Turnover for the year was £58.4m (year ended 31 December 1998: £55.6 million) on which a profit before taxation of £8.6m (1998 - £7.1 million) was recorded. The directors are confident of the prospects for the business in the forthcoming year.

The profit and loss account is set out on page 7.

Dividends

Dividends totalling £4.2m (1998 - £3.5 million) were proposed and paid in the year.

Directors and their interests

The directors who served during the year, and subsequently, were as follows:

N S Hollis

R D Meyers

M S Sorrell

S M Gardiner

A Bielli

B Jones (resigned 31 May 1999)

M Millward (resigned 29 February 2000)

R J Ware (resigned 31 March 2000)

E Campbell (appointed 16 February 2000)

M L Gettle (appointed 23 March 1999)

Directors' report (continued)

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Directors and their interests (continued)

The beneficial interests of directors, who held office at 31 December 1999, in the 10p ordinary shares and other securities of the ultimate parent company, WPP Group Plc, are set out below:

	Ordinary shares	
	31 December 1999	31 December 1998
M Millward	1,266,855	1,266,855
R D Meyers	-	3,152
N S Hollis	-	22,858
S M Gardiner	22,426	24,698

The beneficial interest of the directors who held office at 31 December 1999 in the American Depository shares of WPP Group plc are set out below:

	American Depository Shares	
	31 December 1999	31 December 1998
R D Meyers	-	227
R J Ware	852	131
M L Gettle	184	-

In addition, certain directors hold interests in restricted shares of WPP Group plc under the terms of a Long Term Incentive Plan. The directors interests in shares held under the terms of the Long Term Incentive Plan are set out below:

	Ordinary shares	
	31 December 1999	31 December 1998
N S Hollis	4,353	3,914
R D Meyers	4,908	5,278
R J Ware	4,910	4,382
M L Gettle	2,062	1,832
A Bielli	1,146	-

Directors' report (continued)

Directors and their interests (continued)

In accordance with the company's Articles of Association, M Sorrell, R Meyers and A Bielli retire by rotation and, being eligible, offer themselves for re-election. M L Gettle having been appointed as a director in the year retires, and being eligible offers himself for re-election.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of those terms and abide by the agreed terms of payment.

The company had 57 days of purchases outstanding as at 31 December 1999 based on the average daily amount invoiced by suppliers during the year ended 31 December 1999.

Disabled employees and employee consultation

It is company policy to maintain safe and healthy working conditions and to give fair consideration to the employment needs of disabled people and to comply with any current legislation relating to disabled persons. The directors recognise the importance of good communications and relations with employees and have developed employee participation practices appropriate to the company's requirements.

Year 2000

The company experienced no disruption of operations following the rollover of the computer systems to the Year 2000 date due to preventative measures taken. The costs did not materially add to general operating and capital expenditure.

Directors' report (continued)

Directors and their interests (continued)

Certain directors hold options in respect of 10p ordinary shares in WPP Group Plc under the terms of the approved WPP Executive Share Option Scheme as follows:

	Date Granted	Number	Exercisable Between	Price
N S Hollis	25 September 1995	5,170	September 2000 and September 2005	154p
	26 September 1997	10,844	September 2000 and September 2007	284p
	28 September 1998	10,023	September 2001 and September 2008	293p
R D Meyers	26 September 1997	21,688	September 2000 and September 2007	284p
	28 September 1998	50,117	September 2001 and September 2008	293p
R J Ware	26 September 1997	14,459	September 2000 and September 2007	284p
	28 September 1998	16,706	September 2001 and September 2008	293p
A Bielli	25 September 1995	5,170	September 1998 and September 2005	154p
	25 September 1995	5,170	September 2000 and September 2005	154p
	19 September 1996	13,722	September 1999 and September 2006	234p
	26 September 1997	10,844	September 2000 and September 2007	284p
	28 September 1998	10,023	September 2001 and September 2008	293p
S M Gardiner	17 March 1997	300	March 2000 and March 2007	270p
	31 March 1998	300	March 2001 and March 2008	340p
	28 September 1998	5,688	September 2001 and September 2008	293p
	24 September 1999	6,140	September 2002 and September 2009	570p

Certain directors hold options in respect of American Depository shares in WPP Group plc under the terms of the approved WPP Executive Share Option Scheme as follows:

	Date Granted	Number	Exercisable Between	Price
N S Hollis	24 September 1999	1,074	September 2002 and September 2009	285p
R D Meyers	24 September 1999	5,594	September 2002 and September 2009	285p
R J Ware	24 September 1999	2,688	September 2002 and September 2009	285p
A Bielli	24 September 1999	1,074	September 2002 and September 2009	285p
M L Gettle	24 September 1999	1,074	September 2002 and September 2009	285p

Three directors exercised share options during the year.

M S Sorrell is a director of WPP Group Plc and accordingly his interests in its shares and securities are disclosed in its accounts.

Directors' report (continued)

Charitable contributions

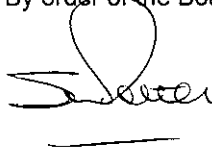
During the year charitable contributions amounted to £18,971 (year ended 31 December 1998: £8,076).

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Olympus Avenue
Tachbrook Park
Warwick
CV34 6RJ

By order of the Board,



S L Potter

Company Secretary

30 April 2000

To the Shareholders of Millward Brown International Plc:

We have audited the accounts on pages 7 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described in the Directors' report, the Company's directors are responsible for the preparation of 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 and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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, 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 at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Victoria Square
Birmingham
B1 1BD

30 April 2000

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £'000	1998 £'000
Turnover	1	58,397	55,621
Cost of sales		(29,749)	(29,150)
Gross profit		28,648	26,471
Administrative expenses		(21,257)	(20,482)
Operating profit		7,391	5,989
Interest receivable	2	862	754
Investment income	3	310	325
Profit on ordinary activities before taxation	4	8,563	7,068
Tax on profit on ordinary activities	7	(2,649)	(548)
Profit for the financial year		5,914	6,520
Dividend paid	8	(4,150)	(3,500)
Retained profit for the year transferred to reserves		1,764	3,020
Retained profit, beginning of year		7,593	4,573
Retained profit, end of year		9,357	7,593

All of the company's turnover and operating profit was derived from its continuing operations, calculated on a historical cost basis.

The accompanying notes form an integral part of this profit and loss account.

There are no recognised gains or losses for either year other than the retained profit for the year.

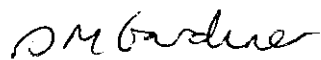
Balance sheet
31 December 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	9	2,309	2,440
Investments	10	823	823
		<u>3,132</u>	<u>3,263</u>
Current assets			
Work in progress	11	1,342	878
Debtors	12	14,664	16,679
Cash at bank and in hand		13,560	6,086
		<u>29,566</u>	<u>23,643</u>
Creditors: Amounts falling due within one year	13	<u>(19,805)</u>	<u>(15,777)</u>
Net current assets		<u>9,761</u>	<u>7,866</u>
Net assets		<u>12,893</u>	<u>11,129</u>
Capital and reserves			
Called-up share capital	14	716	716
Share premium account		1,545	1,545
Merger reserve		1,275	1,275
Profit and loss account		9,357	7,593
		<u>12,893</u>	<u>11,129</u>
Shareholders' funds, all equity	15	<u>12,893</u>	<u>11,129</u>

Signed on behalf of the Board

S M Gardiner

Director



30 April 2000

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

Notes to accounts

For the year ended 31 December 1999

Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Tangible fixed assets

Tangible fixed assets are shown at cost, less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Short leasehold improvements	-	over the term of the lease.
Freehold and long leasehold buildings	-	2% per annum.
Fixtures, fittings, equipment and vehicles	-	10% to 50% per annum.

c) Investments

Fixed asset investments are shown at cost less provision for impairment. Dividends receivable are recorded in the accounts of the year in which they are declared.

Under the provisions of the Companies Act 1985 the company is not required to prepare group accounts, being a wholly owned subsidiary undertaking of WPP Group Plc. The results of the associated undertakings have therefore not been accounted for under the equity method.

Associated undertakings are entities in which the company has a participating interest and over whose operating and financial policy it exercises a significant influence.

d) Work in progress

Work in progress is stated at the lower of cost and net realisable value.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rates prevailing. The company is part of a UK group and accordingly may take advantage of the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other companies in the group. The group's policy is that no payment will be made for tax losses surrendered under the group relief provisions.

Notes to accounts (continued)

Accounting policies (continued)

e) *Taxation (continued)*

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, at the rates of tax expected to be in force at the time of the reversal.

f) *Leases*

The company enters into operating leases under which rentals are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

g) *Foreign currency*

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date, or, if appropriate, at the forward contract rate.

h) *Cash flow statement*

Under the provisions of Financial Reporting Standard 1 (revised) the company has not prepared a cash flow statement because its immediate parent company, WPP Group Plc, which is registered in England and Wales has prepared consolidated accounts which include the accounts of the company for the year ended 31 December 1999 and which contain a cash flow statement.

1 Turnover

Turnover, which arose wholly as a result of the company's principal activity, is the amount chargeable for services, excluding VAT. The analysis of turnover by geographical areas is as follows:

	1999 £'000	1998 £'000
United Kingdom	42,919	41,460
Other EU countries	9,401	8,277
United States of America	5,352	3,629
Other	725	2,255
	<u>58,397</u>	<u>55,621</u>

Notes to accounts (continued)

2 Interest receivable

	1999 £'000	1998 £'000
Interest on bank deposits	427	225
Interest on loan to parent undertaking	435	529
	<u>862</u>	<u>754</u>

3 Investment income

	1999 £'000	1998 £'000
Income from associated undertakings	<u>310</u>	<u>325</u>

4 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	1999 £'000	1998 £'000
Depreciation of tangible fixed assets	1,071	908
Operating lease rentals		
- plant and machinery	128	162
- other	1,205	1,139
Auditors' remuneration		
- audit fees	38	30
- other	67	63
Staff costs	<u>25,106</u>	<u>24,665</u>

5 Staff costs

The average monthly number of employees, including directors and part-time freelance market research interviewers, was:

	1999 Number	1998 Number
Management and administration	98	109
Client service	249	253
Operations	<u>2,296</u>	<u>2,198</u>
	<u>2,643</u>	<u>2,560</u>

Notes to accounts (continued)

5 Staff costs (continued)

Their aggregate remuneration comprised:

	1999 £'000	1998 £'000
Wages and salaries	22,952	22,479
Social security costs	1,694	1,642
Other pension costs	460	544
	<u>25,106</u>	<u>24,665</u>

6 Directors' remuneration

Remuneration

The remuneration of the directors was as follows:

	1999 £'000	1998 £'000
Emoluments	211	356
Amounts receivable under long-term incentive schemes	-	39
Company contributions to money purchase pension schemes	15	65
Compensation for loss of office	-	50
	<u>226</u>	<u>510</u>

Only two of the directors were remunerated by the company. Other directors were employed and remunerated by other companies within the WPP Group plc.

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes. None of the UK directors exercised share options in either period. Details of share options are given in the Directors' report.

Pensions

The number of directors who were members of company pension schemes was as follows:

	1999 Number	1998 Number
Money purchase schemes	<u>2</u>	<u>3</u>

Notes to accounts (continued)

6 Directors' remuneration (continued)

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	1999 £'000	1998 £'000
Emoluments and long term incentive schemes	145	154
Company contributions to money purchase schemes	11	11
	<u>156</u>	<u>165</u>

The highest paid director exercised no share options and was awarded 6,140 share options under the WPP share option scheme during the year.

7 Tax on profit on ordinary activities

The tax charge is based on the profit for the period and comprises:

	1999 £'000	1998 £'000
Corporation tax on profit for the year at 30.25% (1998 – 31%)	2,649	2,244
Adjustment in respect of prior years	-	(1,696)
	<u>2,649</u>	<u>548</u>

The adjustment in respect of prior years for 1998 relates to a group decision regarding group relief. During that year the company was surrendered losses from another group company under the group relief provisions, without having to make a corresponding payment.

The company had no liability to deferred taxation at either year end.

8 Dividends

	1999 £'000	1998 £'000
Interim dividend paid of £0.58 (1998: £0.49) per share	<u>4,150</u>	<u>3,500</u>

Notes to accounts (continued)

9 Tangible fixed assets

	Short leasehold improvements £'000	Fixtures, fittings, equipment and vehicles £'000	Total £'000
Cost			
At 1 January 1999	821	7,660	8,481
Additions	-	940	940
Disposals	-	(196)	(196)
At 31 December 1999	<u>821</u>	<u>8,404</u>	<u>9,225</u>
Depreciation			
At 1 January 1999	235	5,806	6,041
Charged in year	153	918	1,071
Disposals	-	(196)	(196)
At 31 December 1999	<u>388</u>	<u>6,528</u>	<u>6,916</u>
Net book value			
At 31 December 1999	<u>433</u>	<u>1,876</u>	<u>2,309</u>
At 31 December 1998	<u>586</u>	<u>1,854</u>	<u>2,440</u>

10 Investments

Millward Brown International Plc has investments in the following subsidiary and associated undertakings:

	Principal activity and country of incorporation	% held	Issued capital
Subsidiary undertakings			
Millward Brown Market Research Limited	Acts as agent for the company with no trade in its own right, registered in England and Wales	100	2 ordinary shares of £1 each
Millward Brown SRL	Market research agency incorporated and operating in Italy	100	20,000 shares of Lira 1,000 each
ALEF Millward Brown SA	Market research agency incorporated and operating in Spain	50	13,426 shares of Pts. 1,000 each
Associated undertakings			
RSMB Television Research Limited	Market research agency registered and operating in England and Wales	50	4,668 ordinary shares of £1 each

Notes to accounts (continued)

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10 Investments (continued)

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

	1999 £'000	1998 £'000
Cost and net book value		
Subsidiary undertakings	821	821
Associated undertakings	2	2
	<u>823</u>	<u>823</u>

11 Work in progress

	1999 £'000	1998 £'000
Work in progress	<u>1,342</u>	<u>878</u>

12 Debtors

	1999 £'000	1998 £'000
Amounts falling due within one year:		
Trade debtors	5,671	7,164
Amounts owed by group undertakings	8,539	8,644
Amounts owed by associated undertakings	5	88
Prepayments and accrued income	449	533
ACT recoverable	-	250
	<u>14,664</u>	<u>16,679</u>

Notes to accounts (continued)

13 Creditors: Amounts falling due within one year

	1999 £'000	1998 £'000
Payments received on account	3,665	2,967
Trade creditors	2,739	2,584
Amounts owed to group undertakings	1,089	1,094
Amounts owed to associated undertakings	35	-
UK corporation tax	4,425	2,561
Other taxation and social security	1,780	1,481
Other creditors	6,072	5,090
	<u>19,805</u>	<u>15,777</u>

14 Called-up share capital

	1999 £'000	1998 £'000
<i>Authorised:</i>		
9,000,000 (1998 - 9,000,000) ordinary shares of 10p each	<u>900</u>	<u>900</u>
<i>Allotted, called-up and fully paid:</i>		
7,160,000 (1998 - 7,160,000) ordinary shares of 10p each	<u>716</u>	<u>716</u>

15 Reconciliation of movement in shareholders' funds

	1999 £'000	1998 £'000
Profit for the financial year	5,914	6,520
Dividends paid	(4,150)	(3,500)
Net increase in shareholders' funds	<u>1,764</u>	<u>3,020</u>
Opening shareholders' funds	<u>11,129</u>	<u>8,109</u>
Closing shareholders' funds	<u>12,893</u>	<u>11,129</u>

Notes to accounts (continued)

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16 Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	1999 £'000	1998 £'000
Lease of land and buildings terminating:		
- Between two and five years	48	50
- After five years	677	667
	<hr/>	<hr/>
	725	717
Other leases terminating:		
- Within one year	137	179
- Between two and five years	175	178
	<hr/>	<hr/>
	1,037	1,074
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17 Pensions

The company operates a defined contribution pension scheme whereby payments are made to insurance companies independent from the finances of the company. Contributions, £105,000 of which were outstanding at the year end, were charged against profits as and when incurred and amounted to £460,000 (1998 - £544,000).

18 Related party transactions

The company has taken advantage of the exemption granted by paragraph (3c) of Financial Reporting Standard No.8, in respect of certain transactions between itself and fellow members of the WPP Group Plc.

The company also entered into transactions with its associated undertakings, RSMB Television Research Limited.

	1999 £'000	1998 £'000
Market research sales	828	780
Management charges	250	250
	<hr/>	<hr/>

19 Ultimate parent company and controlling party

The company is a wholly owned subsidiary undertaking of WPP Group Plc, a company registered in England and Wales. WPP Group Plc is also the company's ultimate controlling party.

The results of Millward Brown International Plc are consolidated only into the accounts of its ultimate parent company, whose principal place of business is at 27 Farm Street, London W1X 6RD. The consolidated accounts are available from that address.