

**WPP 2005 Limited**

**Report and financial statements**  
**31 December 2008**

Registered number: 1003653

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# WPP 2005 Limited

## Report and financial statements 2008

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## **WPP 2005 Limited**

### **Report and financial statements 2008**

#### **Officers and professional advisers**

##### **Directors**

P. Delaney	(appointed 5 August 2008)
M.J. Read	(resigned 12 January 2009)
P.W.G. Richardson	(resigned 20 October 2008)
M.S. Sorrell	(resigned 12 January 2009)
C. Sweetland	

##### **Secretary**

WPP Group (Nominees) Limited (appointed 12 January 2009)  
M.W. Capes

##### **Registered office**

27 Farm Street  
London  
W1J 5RJ

##### **Auditors**

Deloitte LLP  
Chartered Accountants  
London

## **Directors' report**

For the year ended 31 December 2008

The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditors' report for the year ended 31 December 2008.

### **Principal activities and business review**

The Company provides management services and financing to the WPP group of companies as well as acting as an intermediate holding company. During the year the WPP group underwent a reorganisation whereby a number of subsidiaries under the Company's indirect chain of ownership were disposed of to other companies within the WPP group.

The subsidiary undertakings held by the company are listed in note 8 to the financial statements. Consolidated financial statements are not presented as the company takes advantage of the exemption afforded by Section 228 of the Companies Act 1985.

WPP 2005 Limited is a wholly owned subsidiary of WPP plc. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of WPP plc, which includes the Group, is discussed in its Annual Report which does not form part of this Report.

### **Results and dividends**

The audited financial statements for the year ended 31 December 2008 are set out on pages 9 to 23. The Company made a loss on ordinary activities after tax for the year of £2,792.7 million (2007: £195.5 million). This loss reflected a £2,584.0 million impairment charge (2007: £9.0 million) which resulted from the Group reorganisation discussed above.

No ordinary dividends were paid during the year (2007 - £nil).

### **Risk management and going concern**

The principal risks for WPP 2005 Limited are considered to be going concern and liquidity risk. The Company participates in further Group Banking arrangements with its ultimate parent WPP plc, and related companies, and has access to a group cash management facility. In considering going concern and liquidity risk, the directors have reviewed the future cash requirements and earnings projections of the Company, along with its parent and related companies. The directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance. The directors have concluded that the Company, along with its parent and related companies, should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future and therefore believe it is appropriate to prepare the financial statements of the Company on a going concern basis.

## Directors' report (continued)

For the year ended 31 December 2008

### Directors

The directors who served throughout the year, except as noted, were as follows:

P. Delaney	(appointed 5 August 2008)
M.J. Read	(resigned 12 January 2009)
P.W.G. Richardson	(resigned 20 October 2008)
M.S. Sorrell	(resigned 12 January 2009)
C. Sweetland	

### Supplier payment policy

The Company has no trade creditors because it is a holding company and does not generate trading revenues. Accordingly, no disclosure can be made of year-end trade creditor days.

### Charitable and political donations

The Company made charitable donations of £194,000 (2007: £218,000). It is the Company's policy not to make payments for political purposes.

### Employees

Our non-discrimination policy commits us to select, develop and promote the best people without regard to factors such as race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability. Where existing employees become disabled, our policy is to provide continuing employment and training wherever practicable.

WPP's Code of Business Conduct contains policies on human resource issues, such as harassment and discrimination. Our people can report any concerns or suspected cases of discrimination or misconduct confidentially (and anonymously if desired) through our Right to Speak helpline.

## Directors' report (continued)

For the year ended 31 December 2008

### Statement of disclosure of information to auditors

So far as the directors currently in office are aware, there is no relevant audit information of which the company's auditors are unaware; and the directors have taken all the steps that ought to have been taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with S234ZA of the Companies Act 1985.

### Auditors

The directors will propose a resolution at the AGM to re-appoint Deloitte LLP as auditors.

27 Farm Street  
London  
W1J 5RJ

By order of the Board



C. Sweetland  
Director

30 October 2009

## Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## Independent Auditors' Report

### Independent Auditors' Report to the members of WPP 2005 Limited

We have audited the financial statements of WPP 2005 Limited for the year ended 31 December 2008 which comprise of the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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



## Independent auditors' report (continued)

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements



**Deloitte LLP**

Chartered Accountants and Registered Auditors  
London, United Kingdom

30 October 2009

## Profit and loss account

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
<b>Turnover</b>		-	-
Operating expenses	2	(2,665.6)	(72.5)
<b>Operating loss</b>		(2,665.6)	(72.5)
Interest receivable and similar income	5	46.8	57.5
Interest payable and similar charges	5	(175.5)	(185.3)
<b>Loss before taxation</b>		(2,794.3)	(200.3)
Taxation	6	1.6	4.8
<b>Loss for the year</b>	15	(2,792.7)	(195.5)

All results are derived from continuing activities.

There were no recognised gains or losses in either year other than those shown above and accordingly no statement of total recognised gains and losses has been prepared.

# Balance sheet

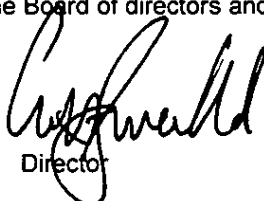
At 31 December 2008

	Notes	2008 £m	2007 £m
<b>Fixed assets</b>			
Tangible fixed assets	7	4.1	8.8
Investments	8	4,695.5	7,267.6
		<u>4,699.6</u>	<u>7,276.4</u>
<b>Current assets</b>			
Debtors (including amounts due after more than one year)	9	669.8	588.6
Cash at bank and in hand		0.6	1.3
		<u>670.4</u>	<u>589.9</u>
<b>Creditors: amounts falling due within one year</b>	10	(2,731.8)	(2,712.6)
<b>Net current liabilities</b>		<u>(2,061.4)</u>	<u>(2,122.7)</u>
<b>Total assets less current liabilities</b>		<u>2,638.2</u>	<u>5,153.7</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(880.1)	(613.6)
<b>Net assets</b>		<u>1,758.1</u>	<u>4,540.1</u>
<b>Capital and reserves</b>			
Called-up share capital	14	128.8	128.6
Share premium account	15	1,148.6	1,141.3
Shares to be issued	15	-	0.9
Other reserves	15	3,566.7	3,566.9
Profit and loss account	15	(3,086.0)	(297.6)
<b>Shareholders' funds</b>		<u>1,758.1</u>	<u>4,540.1</u>

The financial statements were approved by the Board of directors and authorised for issue on 30 October 2009.

Signed on behalf of the Board:

C. Sweetland



Director

## Notes to the financial statements

As at 31 December 2008

### 1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 3.

The Company meets its day to day working capital requirements through participating in group banking arrangements with its ultimate parent, WPP plc, and has access to a group cash management facility.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

#### Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law.

The company has taken advantage of the exemption from the requirement of FRS 1 (Revised) to present a cash flow statement because it is a wholly owned subsidiary of WPP plc which prepares consolidated financial statements that are publicly available.

#### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

#### Investments

Fixed asset investments are stated at cost less provision for impairment.

#### Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life, as follows:

- Leasehold land and buildings – over the term of the lease or life of the asset, if shorter.
- Fixtures, fittings and equipment – 3-10 years.
- Computer equipment – 3-5 years.

## Notes to the financial statements

As at 31 December 2008

### Retirement benefit costs

For defined contribution schemes, contributions are charged to the income statement as payable in respect of the accounting period.

### Operating leases

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

### Translation of foreign currencies

Foreign currency transactions arising from operating activities are translated from local currency into pounds sterling at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are translated at the period-end exchange rate. Foreign currency gains or losses are credited or charged to the profit and loss account as they arise.

### Share-based payments

The company has applied the requirements of FRS 20 to all unvested share-based payments. Certain employees of the company benefit from equity-settled share-based payments through participation in stock option and restricted stock incentive schemes. Such awards are satisfied by the delivery of shares in WPP plc, the ultimate parent undertaking.

Equity-settled share-based payments are measured at fair value (excluding the impact of non market-based vesting conditions) at the date of grant. Fair value is determined by the market price on that date or the application of a Black Scholes model, depending on the characteristics of the scheme concerned. For the years presented, the majority of the charge to the profit and loss account related to schemes where fair value equalled market price since the equity instrument had no restrictions that impact valuation. Market price on any given day is obtained from external, publicly available sources.

The fair value determined at the grant date is recognised in the profit and loss account as an expense on a straight-line basis over the relevant vesting period, based on the company's estimate of the number of shares that will ultimately vest and adjusted for the effect of any other non-market based vesting conditions.

## Notes to the financial statements

As at 31 December 2008

### 2 Operating costs

Operating costs include:

	2008	2007
	£m	£m
<b>Operating costs include:</b>		
Operating lease rentals	5.2	5.2
Auditors' remuneration	0.2	0.1
Charitable donations	0.2	0.2
Investment write-downs	2,584.0	9.0
Depreciation of property, plant and equipment	6.8	3.3
Net foreign exchange losses/(gains)	13.4	(0.1)

#### Minimum committed annual rentals

Amounts payable in 2009 under the foregoing leases will be as follows:

	Land and buildings	
	2009	2008
	£m	£m
In respect of operating leases which expire:		
- within one year	0.2	-
- within two to five years	-	0.2
- after five years	4.0	4.0
	4.2	4.2

Future minimum annual amounts payable under all lease commitments in existence at 31 December 2008 are as follows:

	Minimum rental payments £m	Less sub-let rentals £m	Net payment £m
Year ending 31 December			
2009	4.2	(0.2)	4.0
2010	4.0	(0.2)	3.8
2011	4.0	(0.2)	3.8
2012	4.0	(0.2)	3.8
2013	4.0	(0.1)	3.9
Later years	11.0	(0.1)	10.9
	31.2	(1.0)	30.2

## Notes to the financial statements

As at 31 December 2008

### 3 Staff costs

Staff numbers averaged 184 against 177 in 2007. At 31 December 2008 staff numbers were 189 (2007: 180).

Total staff costs were made up as follows:

	2008	2007
	£m	£m
Wages and salaries	14.8	14.1
Cash-based incentive plans	3.4	6.1
Share-based incentive plans	4.3	3.9
Social security costs	1.8	1.8
Other pension costs	1.6	1.4
Other staff costs	2.1	1.9
Total staff costs	<u>28.0</u>	<u>29.2</u>

## Notes to the financial statements

As at 31 December 2008

### 4 Remuneration of the directors

Remuneration of the directors who were directors during the year ended 31 December 2008 is set out in the table below. All amounts shown constitute the total amounts which the respective director received during 2008 and for the annual bonus and awards of ESAs in respect of 2008 but received in 2009. No compensation payments for loss of office have been made during 2008 to any individuals who have been directors of the Company.

	Salary and fees		Other benefits <sup>1</sup>		Short-term incentive plans (annual bonus) <sup>2</sup>		Value of ESA		Total annual remuneration		Pension contributions	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total remuneration <sup>3</sup>	2,081	1,935	226	134	1,976	2,422	1,548	1,790	5,831	6,281	623	553
Highest paid director <sup>3,4,5,6,7</sup>	1,033	1,003	110	35	1,250	1,650	753	885	3,146	3,573	398	400

#### Notes

<sup>1</sup> Other benefits include items such as healthcare, life assurance, and allowances for cars and housing.

<sup>2</sup> Bonus entitlement for the year (paid in the following year).

<sup>3</sup> For 2008 all amounts payable in US dollars have been converted into pounds sterling at \$1.8524 to £1 (\$2.0019 for 2007). Certain amounts paid to the directors were paid part in US dollars and part in pounds sterling.

<sup>4</sup> During 2008 an amount of approximately £7,000 was paid to the highest paid director in respect of tax liabilities incurred by him on expenditure on various items considered by the UK Tax authorities as benefits in kind but which the committee consider to be essential to his ability to deliver his services successfully to the Group (£6,000 in 2007).

<sup>5</sup> Payments of amounts equal to the dividends that would be payable (totalling £859,981) were made to the highest paid director in respect of the shares reflected in the UK and US Deferred Stock Units Awards Agreements (which are the agreements that now comprise the awards granted under the Capital Investment Plan in 1995) during 2008 (£731,806 during 2007).

<sup>6</sup> The Company has agreed to contribute to the expenses of maintaining an apartment in New York recently purchased by the highest paid director, in lieu of his contractual right to be provided with accommodation whilst working there, as he is required to spend a considerable amount of time in New York due to the size of the Company's business in the US. The Company did not make any such payments in 2008, although it could have been required to do so.

<sup>7</sup> The highest paid director did not exercise any share options in the year.

	2008 Number of directors	2007 Number of directors
Directors who are members of a money purchase pension scheme	5	4
Directors who are members of a defined benefit pension scheme	-	-
Directors who exercised options over shares in the company	-	1
Directors who had awards receivable in the form of shares under long-term incentive Scheme	5	4



## Notes to the financial statements

As at 31 December 2008

### 5 Interest receivable and interest payable

Interest receivable and similar income includes:

	2008	2007
	£m	£m
Interest receivable from other group undertakings	46.8	54.3
Interest receivable on financial instruments	-	3.2
	<u>46.8</u>	<u>57.5</u>

Interest payable and similar charges includes:

	2008	2007
	£m	£m
Bank loans and other borrowings	115.2	161.3
Interest payable to other group undertakings	59.1	24.0
Interest payable on financial instruments	1.2	-
	<u>175.5</u>	<u>185.3</u>

### 6 Taxation

The corporation tax (charge)/credit of £nil (2007 - £nil) comprises:

	2008	2007
	£m	£m
Corporation tax at the blended rate of 28.5% (2007 - 30%)	83.3	76.4
Adjustment in respect of group relief for nil consideration	(83.3)	(76.4)
Consortium relief	1.6	4.8
	<u>1.6</u>	<u>4.8</u>

The tax assessed for the year differs from that resulting from applying the blended rate of corporation tax in the UK of 28.5% (2007 - 30%). The differences are explained below:

	2008	2007
	£m	£m
Loss on ordinary activities before tax	(2,794.3)	(200.3)
Tax at the blended rate of 28.5% (2007 - 30%) thereon	796.4	60.0
<i>Factors affecting tax charge for the year:</i>		
Non-deductible expenditure	(1.1)	0.2
Amounts written off investments	(736.5)	(2.7)
Other timing differences	24.5	18.9
Adjustment in respect of group relief for nil consideration	(83.3)	(76.4)
Consortium relief	1.6	4.8
Current tax credit for the year	<u>1.6</u>	<u>4.8</u>

## Notes to the financial statements

As at 31 December 2008

### 6 Taxation (continued)

A deferred tax asset of £70.9m (2007: £72.5m), in relation to tax losses has not been recognised. The asset will be recovered if the company makes sufficient profits in the future.

### 7 Tangible fixed assets

	Leasehold buildings £m	Fixtures, fittings & equipment £m	Computer equipment £m	Total £m
<b>Cost:</b>				
At 1 January 2008	2.7	0.3	40.1	43.1
Additions	-	0.1	2.1	2.2
Disposals	(1.2)	(0.1)	(1.9)	(3.2)
<b>At 31 December 2008</b>	<b>1.5</b>	<b>0.3</b>	<b>40.3</b>	<b>42.1</b>
<b>Depreciation:</b>				
At 1 January 2008	2.5	0.2	31.6	34.3
Charge for the year	0.1	0.1	6.6	6.8
Disposals	(1.2)	(0.1)	(1.8)	(3.1)
<b>At 31 December 2008</b>	<b>1.4</b>	<b>0.2</b>	<b>36.4</b>	<b>38.0</b>
<b>Net book value:</b>				
<b>At 31 December 2008</b>	<b>0.1</b>	<b>0.1</b>	<b>3.9</b>	<b>4.1</b>
At 1 January 2008	0.2	0.1	8.5	8.8

## Notes to the financial statements

As at 31 December 2008

### 8 Fixed asset investments

	Subsidiary undertakings £m	Associated undertakings £m	Other £m	Total £m
<b>Cost:</b>				
At 1 January 2008	8,222.5	-	-	8,222.5
Additions	12.3	-	1.3	13.6
Transfer to associates	(10.6)	10.6	-	-
Other movements	(1.7)	-	-	(1.7)
<b>At 31 December 2008</b>	<b>8,222.5</b>	<b>10.6</b>	<b>1.3</b>	<b>8,234.4</b>
<b>Provision for impairment:</b>				
At 1 January 2008	954.9	-	-	954.9
Written off	2,584.0	-	-	2,584.0
<b>At 31 December 2008</b>	<b>3,538.9</b>	<b>-</b>	<b>-</b>	<b>3,538.9</b>
<b>Net book value:</b>				
<b>At 31 December 2008</b>	<b>4,683.6</b>	<b>10.6</b>	<b>1.3</b>	<b>4,695.5</b>
At 1 January 2008	7,267.6	-	-	7,267.6

In accordance with the company's accounting policy, the company annually tests the carrying value of investments for impairment. The 2008 impairment review was undertaken as at 31 December 2008. The review assessed whether the carrying value of investments was supported by the net present value of future cash flows derived from assets using a projection period of up to five years for each subsidiary entity. After the projection period, steady or declining growths have been assumed for each subsidiary entity. An annual growth rate of 3.0% and a pre-tax discount rate of 11.5% has been assumed.

Fixed asset investments at 31 December 2008 represent interests in the share capital of the following companies:

Company	Country of incorporation	Activity	Holding	Type
Enduring Organisation	Great Britain	Intermediate holding company	27.7%	Ordinary
WPP AMC Holdings	Great Britain	Intermediate holding company	17.9%	Ordinary
WPP Beans Limited	Great Britain	Intermediate holding company	96.4%	'A' preference
WPP Group (UK) Limited	Great Britain	Intermediate holding company	100%	Preferred ordinary
WPP GUSA UK	Great Britain	Intermediate holding company	53.9%	Ordinary
WPP LN Limited	Great Britain	Intermediate holding company	100%	Ordinary
Syzygy AG	Germany	Interactive marketing	4.8%	Ordinary

## Notes to the financial statements

As at 31 December 2008

### 9 Debtors

The following are included in debtors:

	2008	2007
	£m	£m
Amounts due from group undertakings	616.0	546.0
Taxation and social security	6.2	5.4
Other debtors	47.6	37.2
	<u>669.8</u>	<u>588.6</u>

Included within amounts due from group undertakings are amounts totalling £506.4 million (2007: £413.4 million) which fall due for repayment after more than one year.

### 10 Creditors: amounts falling due within one year

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

	2008	2007
	£m	£m
Bank overdrafts and loans	2,592.7	2,305.4
Amounts due to group undertakings	90.0	360.8
Taxation and social security	0.8	0.5
Other creditors and accruals	48.3	45.9
	<u>2,731.8</u>	<u>2,712.6</u>

During the year, the Company repaid €650 million of 6.0% bonds on their due date of June 2008.

### 11 Creditors: amounts falling due after more than one year

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

	2008	2007
	£m	£m
Amounts due to group undertakings	853.6	586.3
Other creditors and accruals	26.5	27.3
	<u>880.1</u>	<u>613.6</u>

## Notes to the financial statements

As at 31 December 2008

### 12 Share-based payments

The Company charged £4.3m to the profit and loss account in the year ended 31 December 2008 (2007: £4.0m) in relation to equity-settled share-based payments.

#### Stock option plans

There are two stock option plans in which certain employees participate. The Worldwide Share Ownership Programme is open to employees with at least two years' employment in a company owned by WPP plc. The vesting period for each grant is three years and there are no performance conditions other than continued employment with a WPP company.

The Executive Stock Option Plan has historically been open for participation to WPP Leaders, Partners and High Potential Group. The vesting period is three years and performance conditions include achievement of various TSR (Total Shareowner Return) and EPS (Earnings per share) objectives by WPP plc, as well as continued employment with a WPP company.

Stock options have a life of ten years, including the vesting period. The terms of stock options with performance conditions are such that, if after nine years and eight months, the performance conditions have not been met, then the stock option will vest automatically. Stock options are satisfied out of newly issued shares in WPP plc.

Since 2005, the Company has moved away from the issuance of stock options, making grants of restricted stock instead. The number of options granted in 2008 and 2007 was not material.

#### Restricted stock schemes

Certain employees participate in restricted stock schemes, which are in most cases satisfied by the delivery of stock from one of the WPP plc ESOP Trusts. The most significant schemes are:

##### Executive Share Awards (ESA)

Grants of stock under ESA are dependent upon annual performance targets, typically based on one or more of: consolidated Group operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement, and will vest two years after grant provided the individual concerned is continually employed by a WPP company throughout this time.

##### Leaders, Partners and High Potential Group

Since 2005, restricted stock grants under this plan have effectively replaced executive stock options. Performance conditions include continued employment over a three-year vesting period.

##### Special Share Awards

From time to time, one-off awards are made to individuals in the form of restricted stock. Performance conditions include continued employment over the vesting period. As these are one-off awards the vesting period will differ for each award granted.

## Notes to the financial statements

As at 31 December 2008

### Renewed LEAP

Under Renewed LEAP, the most senior executives of the Group, including certain executive directors, commit WPP shares ('investment shares') in order to have the opportunity to earn additional WPP shares ('matching shares'). The number of matching shares which a participant can receive at the end of the fixed performance period (five years in the case of the 2005, 2006, 2007 and 2008 grants; four years for the 2004 grant) is dependent on the performance (based on the Total Share Owner Return (TSR)) of the Company over that period against a comparator group of other listed communications services companies. The maximum possible number of matching shares for each of the 2008, 2007, 2006 and 2005 grants is five shares for each investment share. The 2004 Renewed LEAP plan vested in March 2008 at a match of 2.6 shares for each investment share.

### **Grant details**

For restricted stock awards, the number of shares granted for the most significant schemes and the weighted average fair value of these grants was as follows:

	2008	2007
<u>ESA</u>		
Number of shares granted	425,004	296,956
Weighted average fair value at grant date	£3.84	£5.85
<u>Leaders, Partners and High Potential Group</u>		
Number of shares granted	189,261	99,929
Weighted average fair value at grant date	£3.75	£6.48
<u>Special Share Awards</u>		
Number of shares granted	26,675	25,114
Weighted average fair value at grant date	£3.75	£7.05
<u>Renewed LEAP*</u>		
Number of shares granted	185,805	126,430
Weighted average fair value at grant date	£3.75	£6.23

\* The number of shares granted represents the 'investment shares' committed by participants at grant date for the Renewed LEAP plan. The actual number of shares that vest for each Renewed LEAP plan is dependent on the extent to which the relevant performance criteria are satisfied.

### **13 Derivatives not included at fair value**

The company has the following derivative assets/(liabilities) which are not included at fair value in the accounts:

	Fair value 2008 £m	Fair value 2007 £m
Interest rate swaps	23.2	13.0
Cross currency swaps	(35.1)	(31.3)

The Company uses the derivatives to hedge its exposures to changes in interest rates and foreign currency exchange rates within the WPP Group. The fair values are based on market values of equivalent instruments at the balance sheet date.

# Notes to the financial statements

As at 31 December 2008

## 14 Authorised and issued share capital

	2008 £m	2007 £m
<i>Authorised</i>		
1,750,000,000 (2007 - 1,750,000,000) ordinary shares of 10p each	<u>175.0</u>	<u>175.0</u>
<i>Allotted, called-up and fully-paid</i>		
1,287,764,269 (2007 - 1,285,991,620) ordinary shares of 10p each	<u>128.8</u>	<u>128.6</u>

## 15 Reserves

The movements during 2008 and 2007 were as follows:

	Share premium account £m	Shares to be issued £m	Other reserves £m	Retained earnings £m
At 1 January 2008	1,141.3	0.9	3,566.9	(297.6)
Ordinary shares issued	7.3	(0.9)	(0.2)	-
Net loss for the year	-	-	-	(2,792.7)
Non-cash share-based incentive plans (including stock options)	-	-	-	4.3
<b>At 31 December 2008</b>	<u>1,148.6</u>	<u>-</u>	<u>3,566.7</u>	<u>(3,086.0)</u>

Other reserves comprise the following:

	Capital reserve £m	Capital redemption reserve £m	Translation reserve £m	Merger reserve £m	Total other reserves £m
At 1 January 2008	127.4	5.0	(37.2)	3,471.7	3,566.9
Ordinary shares issued	-	-	-	(0.2)	(0.2)
<b>At 31 December 2008</b>	<u>127.4</u>	<u>5.0</u>	<u>(37.2)</u>	<u>3,471.5</u>	<u>3,566.7</u>

## 16 Reconciliation of movements in shareholders' funds

	2008 £m	2007 £m
Loss for the financial year	(2,792.7)	(195.5)
Non-cash share-based incentive plans (including stock options)	4.3	3.9
Ordinary shares issued	6.4	27.3
<b>Net reduction to shareholders' funds</b>	<u>(2,782.0)</u>	<u>(164.3)</u>
Opening shareholders' funds	4,540.1	4,704.4
<b>Closing shareholders' funds</b>	<u>1,758.1</u>	<u>4,540.1</u>

## Notes to the financial statements

As at 31 December 2008

### 17 Related party transactions

As a wholly owned subsidiary of WPP plc, the company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by WPP plc.

In the year ended 31 December 2008, the Company paid costs of £nil (2007: £0.5 million) in connection with an action for the misuse of private information and an action for libel, in which Sir Martin Sorrell was a claimant. These costs were authorised by the Board as an integral part of broader legal actions to protect the commercial interests of the WPP group.

### 18 Guarantees and other financial commitments

The Company guarantees a number of Group banking arrangements and other financial commitments on behalf of certain group undertakings.

### 19 Ultimate parent and controlling party

The directors regard WPP 2008 Limited, a company incorporated in England and Wales, as the immediate parent company and WPP plc, a company incorporated in Jersey, as the ultimate parent company and the ultimate controlling party.

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is WPP plc, incorporated in Jersey. The parent undertaking of the smallest such group is WPP 2008 Limited, incorporated in England and Wales.

Copies of the financial statements of WPP plc are available at [www.wpp.com](http://www.wpp.com). Copies of the financial statements of WPP 2008 Limited can be obtained from 27 Farm Street, London, W1J 5RJ.