

Interstar Holdings Limited

Annual report and financial statements
for the year ended 31 December 2004

Registered number: 660277



Directors' report

For the year ended 31 December 2004

The directors present their annual report together with the audited financial statements and auditors' report, for the year ended 31 December 2004.

Principal activities and review of the business

The company provides services to other group companies. The directors do not expect any changes in the company's activities in the foreseeable future.

The subsidiary undertakings held by the company are listed in note 4 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.

Results and dividends

The audited financial statements for the year ended 31 December 2004 are set out on pages 5 to 10. The company made a loss on ordinary activities after taxation for the year of £46,245 (2003 – £nil).

The company declared no dividends (2003 – £nil) in the year. The retained loss for the year transferred from reserves was £46,245 (2003 – £nil).

Directors and their interests

The directors who served throughout the year were as follows:

P.W.G. Richardson

A. Scott

C. Sweetland

None of the directors had any interest in the shares of the company. The interests of Sir M.S. Sorrell and P.W.G. Richardson in the shares of the company's ultimate holding company, WPP Group plc, and details of share options granted are shown in that company's financial statements.

Directors' report (continued)
For the year ended 31 December 2004

Directors and their interests (continued)

A. Scott and C. Sweetland held the following options over shares of WPP Group plc at 31 December 2004:

	At 1 Jan 2004 Number	Granted 2004 Number	Exercised 2004 Number	At 31 Dec 2004 Number	Commencement	Expiry	Exercise price per share
<u>A. Scott</u>	5,614	-	-	5,614	Sept. 2002	Sept. 2009	£5.700
(ADRs) 1,265 ¹	-	-	-	1,265	Sept. 2003	Sept. 2010	\$63.265
(ADRs) 4,240 ¹	-	-	-	4,240	Sept. 2004	Sept. 2011	\$35.380
22,994	-	-	-	22,994	Sept. 2005	Sept. 2011	£4.21
15,923	-	-	-	15,923	Nov. 2006	Nov. 2006	£5.595
-	14,818	-	-	14,818	Oct. 2007	Oct. 2014	£5.535
<u>C. Sweetland</u>	23,750	-	-	23,750	June 1999	June 2006	£2.140
6,861	-	-	-	6,861	Sept. 1999	Sept. 2006	£2.335
5,422	-	-	-	5,422	Sept. 2000	Sept. 2007	£2.835
5,012	-	-	-	5,012	Sept. 2001	Sept. 2008	£2.930
2,689	-	-	-	2,689	Sept. 2002	Sept. 2009	£5.700
12,070	-	-	-	12,070	Sept. 2003	Sept. 2010	£9.010
23,143	-	-	-	23,143	Sept. 2004	Sept. 2011	£4.865
25,293	-	-	-	25,293	Sept. 2005	Sept. 2012	£4.210
17,515	-	-	-	17,515	Nov. 2006	Nov. 2006	£5.595
-	16,300	-	-	16,300	Oct. 2007	Oct. 2014	£5.535

¹ Each ADR (American Depositary Receipt) represents 5 ordinary shares.

In addition, C. Sweetland had a beneficial interest in 50,761 (2003 – 47,592) shares in WPP Group plc at 31 December 2004.

The directors have no other interests in any other group company.

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

27 Farm Street
London
W1J 5RJ

By order of the Board


C. Sweetland
Director

29 July 2005

Statement of Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 Interstar Limited:

We have audited the financial statements of Interstar Limited for the year ended 31 December 2004 which comprise the profit and loss account, balance sheet and the related notes 1 to 9. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, 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 regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

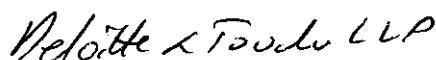
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2004 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

4 August 2005

Profit and loss account

For the year ended 31 December 2004

	Notes	2004 £	2003 £
Turnover		-	-
Operating profit		-	-
Forgiveness of amounts owed to other group companies		153,715	-
Amounts written off investments		(199,960)	-
Loss on ordinary activities before taxation	2	(46,245)	-
Tax on loss on ordinary activities	3	-	-
Loss on ordinary activities after taxation		(46,245)	-
Retained loss for the year transferred from reserves	7	(46,245)	-

All results are derived from continuing activities.

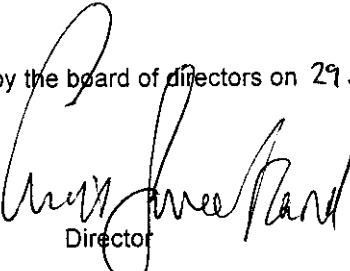
There are no recognised gains or losses in either year other than those shown above and accordingly no statement of total recognised gains and losses has been prepared.

Balance sheet
At 31 December 2004

	Notes	2004 £	2003 £
Fixed assets			
Investments	4	-	199,962
Creditors: amounts falling due within one year	5	-	(153,717)
Total assets less current liabilities		-	46,245
Net assets		-	46,245
Capital and reserves			
Called-up equity share capital	6	50,000	50,000
Profit and loss account	7	(50,000)	(3,755)
Equity shareholders' funds	8	-	46,245

The financial statements were approved by the board of directors on 29 July 2005 and signed on its behalf by:

C. Sweetland


Director

Notes to financial statements

For the year ended 31 December 2004

1 Accounting policies

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

a) 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 preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of WPP Group plc which prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from the requirement of FRS 1 to present a cash flow statement.

b) Investments

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

c) 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.

d) Translation of foreign currency

Foreign currency transactions arising from operating activities are translated from local currency to sterling at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the year end exchange rate.

Notes to financial statements (continued)

For the year ended 31 December 2004

2 Loss on ordinary activities before taxation

The directors received no remuneration during the year (2003 – £nil) for services to the company. The company had no other employees during the current or preceding year. Administrative expenses, including the auditors remuneration, are borne by the ultimate parent company, WPP Group plc.

3 Taxation

The corporation tax charge of £nil (2003 - £nil) comprises:

	2004 £	2003 £
Corporation tax at 30% (2003: 30%)	-	-

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	2004 £	2003 £
Loss on ordinary activities before tax	(46,245)	-
Tax at 30% thereon	13,874	-
<i>Factors affecting tax charge for the period:</i>		
Expenses not deductible for tax purposes	(59,988)	-
Write off of intercompany loans	46,114	-
Current tax charge for the year	-	-

Notes to financial statements (continued)

For the year ended 31 December 2004

4 Fixed asset investments

The investment represents 40% of the issued share capital of Softmedia Limited, an intermediate holding company incorporated in England and Wales. Interstar Holdings Limited also controls the remaining 60%.

	£'000
Cost	
At 1 January and 31 December 2004	<u>199,962</u>
Provision for impairment	
At 1 January 2004	-
Written off	<u>199,962</u>
At 31 December 2004	<u>199,962</u>
Net book value at 31 December 2004	<u>-</u>
Net book value at 31 December 2003	<u>199,962</u>

In accordance with the company's accounting policy, the company annually tests the carrying value of investments for impairment. The 2004 impairment review was undertaken as at 31 December 2004. The review assessed whether the carrying value of investments was supported by the net present value of future cash flows derived from assets using the cash flow projections of up to five years for each subsidiary entity. Post the forecast period, growth rates of nominal GDP have been assumed for each subsidiary entity. The discount rate used was the Group's weighted average cost of capital, of 8.5%.

5 Creditors: Amounts falling due within one year

	2004 £	2003 £
Amounts owed to other group undertakings	<u>-</u>	<u>153,517</u>

6 Called-up equity share capital

	2004 £	2003 £
<i>Authorised, allotted, called-up and fully-paid</i>		
50,000 (2003 – 50,000) ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Notes to financial statements (continued)

For the year ended 31 December 2004

7 Reserves

	Profit and loss account £
At 1 January 2004	(3,755)
Retained loss for the year	(46,245)
At 31 December 2004	<u>(50,000)</u>

8 Reconciliation of movements in equity shareholders' funds

	2004 £	2003 £
Loss for the financial year	(46,245)	-
Net reduction to equity shareholders' funds	<u>(46,245)</u>	-
Opening equity shareholders' funds	46,245	46,245
Closing equity shareholders' funds	<u>-</u>	<u>46,245</u>

9 Ultimate controlling party

The directors regard Cordiant Communications Group Limited, a company incorporated in Great Britain, as the immediate parent company and WPP Group plc, a company incorporated in Great Britain, as the ultimate parent company and the ultimate controlling party.

The only group in which the results of Interstar Holdings Limited are consolidated is that headed by WPP Group plc. Copies of the consolidated financial statements of WPP Group plc can be obtained from WPP Group plc, 27 Farm Street, London W1J 5RJ.

As a subsidiary of WPP Group 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 Group plc.