

**Company Registration No. 4078495**

**The Brand Union Worldwide Limited**

**Report and Financial Statements**

**31 December 2008**



# **The Brand Union Worldwide Limited**

## **Report and financial statements 2008**

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# **The Brand Union Worldwide Limited**

## **Report and financial statements 2008**

### **Officers and professional advisers**

#### **Directors**

S Bolton  
A Spark  
J Rice

#### **Secretary**

A Spark

#### **Registered Office**

11-33 St John Street  
London  
EC1M 4PJ

#### **Bankers**

HSBC Bank plc  
69 Pall Mall  
London  
United Kingdom  
SW1Y 5EY

#### **Auditors**

Deloitte LLP  
Chartered Accountants  
London

# **The Brand Union Worldwide Limited**

## **Directors' report**

The directors present their report and the audited financial statements for the year ended 31 December 2008. The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

### **Principal activities**

The company's principal activity is to provide various management and other head office functions to The Brand Union group of companies.

### **Results**

The profit and loss account is set out on page 7 and shows a profit for the period of £133,652 (2007: profit of £192,244).

### **Prospects**

The directors expect the company to continue in its principal activities for the foreseeable future and to continue to recharge its operating expenses to The Brand Union group of companies.

### **Going concern**

In preparing the financial statements, the directors have adopted the going concern basis as explained in note 1 of the accounts.

### **Foreign Currency Risk Management**

The company has transactions with customers and suppliers outside the UK and, as such is exposed to movements in exchange rates. It is the company's policy to restrict foreign transactions to Euros and US Dollars only.

### **Directors**

The directors who served throughout the year were:

A Spark

S Bolton

J Rice (appointed 27 October 2008)

### **Donations**

During the year the company made a charitable donation of £nil (2007: £1,000 for the sponsorship of the Design Foundation degree).

# **The Brand Union Worldwide Limited**

## **Directors' report (continued)**

### **Auditors**

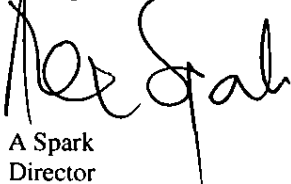
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. A resolution to re-appoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



A Spark  
Director

30 October 2009

# **The Brand Union Worldwide Limited**

## **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 of the company for that period. In preparing these 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 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 to the members of The Brand Union Worldwide Limited**

We have audited the financial statements of The Brand Union Worldwide Limited for the year ended 31 December 2008 which comprise 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 auditors' 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 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, 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 profit 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*

**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom

*30 October 2009*

# The Brand Union Worldwide Limited

## Profit and loss account Year ended 31 December 2008

	Notes	2008 £	2007 £
<b>Turnover</b>	1, 2	3,181,060	2,897,677
Administrative expenses		(2,685,346)	(2,582,256)
<b>Operating profit</b>		495,714	315,421
Interest payable and similar charges			
- Bank interest payable		(327,318)	(320,874)
- (Loss)/gain on foreign exchange		(34,744)	(12,026)
Other operating income		-	209,723
<b>Profit/(loss) on ordinary activities before taxation</b>	3	133,652	192,244
Tax on profit/(loss) on ordinary activities	6	-	-
<b>Profit/(loss) for the year</b>	13,14	133,652	192,244

The operations of the company all relate to continuing operations.

The company has no recognised gains or losses or movements in shareholders' deficit during the current or prior year other than the profit for the year and the credit to reserves associated with share-based payments. Accordingly, no statement of total recognised gains or losses has been prepared.



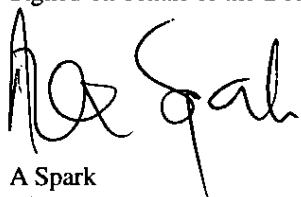
# The Brand Union Worldwide Limited

## Balance sheet At 31 December 2008

	Notes	2008 £	2007 £
<b>Fixed assets</b>			
Tangible assets	8	56,459	79,574
<b>Current assets</b>			
Debtors	9	4,321,686	4,188,121
Work in progress		81,171	158,208
Cash at bank and in hand		1,302	2,058
		4,404,159	4,348,387
<b>Creditors: amounts falling due within one year</b>	10	(6,613,321)	(6,869,413)
<b>Net current liabilities</b>		(2,209,162)	(2,521,026)
<b>Total assets less current liabilities</b>		(2,152,703)	(2,441,452)
<b>Capital and reserves</b>			
Called up share capital	12	1	1
Profit and loss account	14	(2,844,109)	(2,977,763)
Other reserves	15	691,405	536,310
<b>Total shareholders' deficit</b>	13	(2,152,703)	(2,441,452)

These financial statements of The Brand Union Worldwide Limited, registered number 04078495, were approved by the Board of Directors and authorised for issue on 30 October 2009.

Signed on behalf of the Board of Directors



A Spark  
Director

# The Brand Union Worldwide Limited

## Notes to the financial statements Year ended 31 December 2008

### 1. Accounting policies

The principal accounting policies adopted by the directors are described below. They have all been applied consistently throughout the current year and the prior year.

#### Accounting convention

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) under the historical cost convention.

The company has taken advantage of the exemption per FRS 1 (revised) from preparing a cash flow statement because it is a wholly owned subsidiary of WPP plc, which prepares consolidated accounts which are publicly available.

#### Basis of accounting

The company's business activities are set out in the directors' report on page 2.

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 reasonable 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 annual report and accounts.

#### Share-based payments

The Company adopted FRS 20 (Share-based payments) in the period ended 31 December 2006. The financial effects of the adoption of FRS 20 are disclosed in the notes to the financial statements (note 7).

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 Group 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.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, over their expected useful lives. It is calculated at the following rates:

Leasehold Improvements	-	over the period of the lease
Computer equipment	-	33% per annum
Fixtures, fittings and equipment	-	25% per annum

#### Work in progress

Work in progress is stated at the lower of cost and net realisable value. Work in progress includes specific costs incurred on behalf of The Brand Union Worldwide group of companies which will be recharged to those companies. Cost is equal to the value of third party invoices.

# The Brand Union Worldwide Limited

## Notes to the financial statements Year ended 31 December 2008

### 1. Accounting policies (continued)

#### Taxation

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

#### Deferred taxation

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 laws. 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 are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis.

#### Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction, or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date, or, if appropriate, at the forward contract rate. Differences arising from movements in rates of exchange are dealt with in the profit and loss account.

#### Turnover and revenue recognition

Revenue comprises the amounts billed to fellow group companies (excluding VAT and similar taxes). Revenue is recognised when the service is performed in accordance with the terms of the contractual arrangement. Excess billings and pre-payments are included in creditors as deferred income.

### 2. Turnover

All revenue arose from the principal activity in the UK. Turnover by destination was as follows:

	2008 £	2007 £
UK	1,035,060	1,096,152
Rest of Europe	1,055,221	931,993
Rest of world	1,090,779	869,532
	<u>3,181,060</u>	<u>2,897,677</u>

# The Brand Union Worldwide Limited

## Notes to the financial statements Year ended 31 December 2008

### 3. Profit/(loss) on ordinary activities before taxation

This is arrived at after taking into account:

	2008 £	2007 £
Depreciation – owned assets	40,030	113,579
Operating lease rentals – plant and machinery	9,532	8,822
Fees payable to company's auditors for the audit of the company's annual accounts	14,600	14,639
	<u>64,162</u>	<u>136,040</u>

### 4. Employees

	2008 £	2007 £
Staff costs (including executive directors) consist of:		
Wages and salaries	934,684	843,231
FRS 20 charge	155,095	98,936
Social security costs	166,637	147,941
Short-Term Incentive Plan	406,600	260,680
Staff pension costs	37,785	48,248
	<u>1,700,801</u>	<u>1,399,036</u>

The average monthly number of employees during the year, including executive directors, all employed in administration, was 9 (2007: 9).

### 5. Directors' remuneration

The remuneration of the directors was as follows:

	2008 £	2007 £
Emoluments	604,810	740,237
Amounts receivable under long-term incentive schemes	103,405	82,398
Company contributions to money purchase pension schemes	23,463	24,916
	<u>731,678</u>	<u>847,551</u>

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. The number of directors who exercised share options during the year was two (2007: two). The number of directors receiving restricted stock under long-term incentive schemes is three (2007: two).

# The Brand Union Worldwide Limited

## Notes to the financial statements Year ended 31 December 2008

### 5. Directors' remuneration (continued)

#### Pensions

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

	2008 No.	2007 No.
Money purchase schemes	<u>3</u>	<u>2</u>

#### Highest paid director

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

	2008 £	2007 £
Emoluments	426,154	577,296
Amounts receivable under long-term incentive schemes	102,781	82,398
Company contributions to money purchase pension schemes	<u>11,000</u>	<u>11,917</u>
	<u>539,935</u>	<u>671,611</u>

### 6. Tax on profit/(loss) on ordinary activities

A deferred tax asset of £207,689 (2007: 201,410) has not been recognised in respect of fixed asset timing differences and unexercised share options as it is unlikely that there will be sufficient taxable profits against which the assets will reverse in the foreseeable future.

	2008 £	2007 £
Current tax	<u>-</u>	<u>-</u>
Total tax charge	<u>-</u>	<u>-</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

#### Factors affecting tax charge for current period

	2008 £	2007 £
Profit/(loss) on ordinary activities before taxation	<u>133,652</u>	<u>192,244</u>
UK Corporation tax at 28.5% (2007: 30%)	<u>(38,091)</u>	<u>(57,673)</u>
Effects of:		
Depreciation in excess of capital allowances	(10,889)	(34,074)
Expenses not deductible for tax purposes	(5,832)	(9,188)
Employee share acquisition relief	-	37,499
Impact of share options	(44,202)	(29,681)
Group relief claimed for no consideration	<u>99,014</u>	<u>93,117</u>
	<u>-</u>	<u>-</u>

# The Brand Union Worldwide Limited

## Notes to the financial statements Year ended 31 December 2008

### 7. Share-based payments

The Company charged the following amounts to the profit and loss account in 2008 and 2007 in relation to equity-settled share based payments.

	2008 £	2007 £
Share Options		
WPP Worldwide Share Ownership Plan	116	565
WPP Executive Share Option Plan	247	15,683
Restricted Stock		
WPP Performance Share Awards	84,013	41,955
WPP Long Term Incentive Plans	-	-
WPP Leaders, Partners and High Potential Group	70,719	40,733
	<u>155,095</u>	<u>98,936</u>

These amounts have been credited to Equity as a Parent Company Capital contribution in accordance with UITF 44 "Group and Treasury Share Transaction" (see note 15 Other Reserves).

#### Terms of share option plans

##### *WPP Worldwide Share Ownership Plan*

The Worldwide Share Ownership Programme is open to employees with at least two years employment in a company owned by WPP plc. It is not available to those participating in other share-based incentive programmes or to executive directors. The vesting period for each grant is three years and there are no performance conditions other than continued employment with a WPP company.

##### *WPP Executive Share Option Plan*

The Executive Stock Option Plan has historically been open for participation to members of the WPP Group 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. Since 2005, the Company has moved away from the issuance of stock options under this scheme, making grants of restricted stock instead.

Stock options for both plans 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.

#### Terms of 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:

##### *Performance Share Awards (PSA)*

Grants of stock under PSA are dependent upon annual performance targets, typically based on one or more of: 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.

# The Brand Union Worldwide Limited

## Notes to the financial statements Year ended 31 December 2008

### 7. Share-based payments (continued)

#### *Long-Term Incentive Plans (LTIP)*

Prior to the introduction of PSA, certain employees participated in long-term incentive plans, based on the achievement of three-year financial performance targets. These plans operated on a rolling three-year basis. The value of payments earned by executives over each performance period was typically based on the achievement of targeted improvements in the following performance measures over the relevant three-year period:

- (i) average operating profit or profit before taxation; and
- (ii) average operating margin.

#### *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.

### 8. Tangible fixed assets

	Leasehold improvements £	Computer equipment £	Fixtures, fittings, and equipment £	Total £
<b>Cost</b>				
At 1 January 2008	45,251	473,297	19,116	537,664
Additions	-	16,915	-	16,915
Disposals	-	(156,909)	-	(156,909)
At 31 December 2008	45,251	333,303	19,116	397,670
<b>Accumulated depreciation</b>				
At 1 January 2008	1,388	440,969	15,733	458,090
Charge for the year	8,326	31,004	700	40,030
Disposals	-	(156,909)	-	(156,909)
At 31 December 2008	9,714	315,064	16,433	341,211
<b>Net book value</b>				
At 31 December 2008	35,537	18,239	2,683	56,459
At 31 December 2007	43,863	32,328	3,383	79,574

# The Brand Union Worldwide Limited

## Notes to the financial statements Year ended 31 December 2008

### 9. Debtors: amounts due within one year

	2008 £	2007 £
Amounts owed by group undertakings	985,911	1,193,767
Intercompany loan	-	42,054
Other debtors	138,404	1,800
Other taxation and social security	-	45,274
Prepayments and accrued revenue	3,197,371	2,905,226
	<u>4,321,686</u>	<u>4,188,121</u>

The intercompany loan bears interest at a fixed rate of 1% of net profit and additionally, in the case of the borrower obtaining a net profit, interest at a variable rate of EURIBOR plus 0.45% on the principal amount of the loan. The term of the loan is dependent of certain conditions, but shall be for an initial period of 15 years from the date of agreement being 31 December 2005. This loan was repaid in full in January 2008.

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

	2008 £	2007 £
Bank overdraft	5,787,455	5,944,360
Trade creditors	5,952	34,684
Other Creditors	35,583	9,024
Amounts owed to group undertakings	170,352	291,225
Other taxation and social security	12,103	70,443
Accruals and deferred income	601,876	519,677
	<u>6,613,321</u>	<u>6,869,413</u>

### 11. Financial commitments

At 31 December 2008, the company had annual commitments under non-cancellable operating leases expiring as follows:

	2008 £	2007 £
Operating leases which expire:		
Within one year	-	-
Between two and five years	9,532	9,532
	<u>9,532</u>	<u>9,532</u>



# The Brand Union Worldwide Limited

## Notes to the financial statements Year ended 31 December 2008

### 12. Called up equity share capital

	2008 £	2007 £
<b>Authorised:</b>		
50,000 ordinary shares of £1 each	50,000	50,000
<b>Called up, allotted and fully paid</b>		
1 ordinary share of £1	1	1

### 13. Reconciliation of movements in shareholders' deficit

	2008 £	2007 £
Profit/(loss) for the year	133,654	192,244
Net movement in shareholders' profit	133,654	192,244
Parent company capital contribution following FRS 20 adoption	155,095	203,936
Opening shareholders' deficit	(2,441,452)	(2,837,632)
Closing shareholders' deficit	(2,152,703)	(2,441,452)

### 14. Profit and Loss Account

	£
At 1 January 2008	(2,977,763)
Profit for the financial year	133,654
At 31 December 2008	(2,844,109)

### 15. Other Reserves

	£
At 1 January 2008	536,310
Parent Company Capital Contribution	155,095
At 31 December 2008	691,405

#### *UITF 44 Group and Treasury Share Transactions*

The ultimate parent company, WPP plc, has granted rights to its equity instruments to certain employees of the company. This share based compensation is accounted for as equity-settled in the consolidated financial statements of the parent. UITF 44 requires the company to record an expense for such compensation (see notes 7) in accordance with FRS 20 (Share Based payments) with a corresponding increase in equity as a contribution from the parent.

# **The Brand Union Worldwide Limited**

## **Notes to the financial statements Year ended 31 December 2008**

### **16. Financial guarantees**

The Brand Union Worldwide Limited participates in group banking arrangements with its parent company, WPP plc, and has access to a group cash management facility. The Brand Union Worldwide Limited guarantees the facility to the extent of its cash deposit in the UK with its clearing bank. The company, together with its parent, WPP plc, and certain other subsidiary undertakings, is a party to the group's syndicated banking arrangements. The Brand Union Worldwide Limited has jointly and severally guaranteed the borrowings under these arrangements. Details of these arrangements are included in the financial statements of WPP plc.

### **17. Pensions**

The company operates no pension scheme but does make direct contributions into the personal pension plans of eligible employees. The pension charge for the year for money purchase schemes was £37,785 (2007: £48,248).

### **18. Ultimate parent company**

The directors regard WPP Group (UK) Limited, a company incorporated in Great Britain, 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 Great Britain.

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.

### **19. Related party disclosures**

As a subsidiary undertaking 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.