

WPP Group (UK) Limited

Annual report and financial statements
for the year ended 31 December 2005

Registered number: 2670617



Directors' report

For the year ended 31 December 2005

The directors present their annual report together with the audited financial statements and auditors' report, for the year ended 31 December 2005.

The financial statements have been prepared in accordance with Financial Reporting Standards for Smaller Entities (FRSSE).

Principal activities and review of the business

The company acts as an intermediate holding company. 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 7 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 2005 are set out on pages 6 to 15. The company made a profit on ordinary activities after taxation for the year of £125,770,000 (2004 - £96,835,000).

The company paid £130,349,000 ordinary dividends (2004 - £98,210,000) in the year. The retained loss for the year transferred from reserves was £4,579,000 (2004 - £1,375,000).

Directors and their interests

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

Sir M.S. Sorrell	(resigned on 27 February 2006)
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 2005

Directors and their interests (continued)

A. Scott and C. Sweetland held the following options and restricted stock awards over shares in WPP Group plc at 31 December 2005:

Options

	At 1 Jan 2005 Number	Granted 2005 Number	Exercised 2005 Number	At 31 Dec 2005 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. 2013	£5.595
	14,818	-	-	14,818	Oct. 2007	Oct. 2014	£5.535
<u>C. Sweetland</u>	23,750	-	-	23,750 ²	June 1999	June 2006	£2.140
	6,861	-	-	6,861 ²	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. 2013	£5.595
	16,300	-	-	16,300	Oct. 2007	Oct. 2014	£5.535

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

² These options were exercised in April 2006

Restricted stock awards

	At 1 Jan 2005 Number	Granted 2005 Number	Vested 2005 Number	At 31 Dec 2005 Number	Grant date	Vest date
<u>A. Scott</u>	436	-	-	436	Feb 2004	Mar 2006
	-	19,262	-	19,262	Mar 2005	Mar 2008
	-	15,040	-	15,040	Nov 2005	Mar 2007
	-	5,930	-	5,930	Nov 2005	Nov 2008
<u>C. Sweetland</u>	669	-	-	669	Feb 2004	Mar 2006
	-	19,262	-	19,262	Mar 2005	Mar 2008
	-	16,050	-	16,050	Nov 2005	Mar 2007
	-	8,896	-	8,896	Nov 2005	Nov 2008

In addition, C. Sweetland had a beneficial interest in 53,183 (2004 – 50,761) shares in WPP Group plc at 31 December 2005.

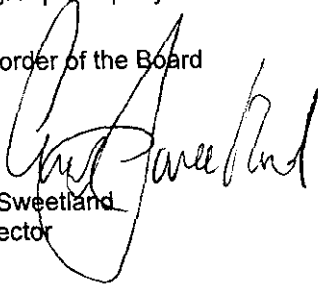
Directors' report (continued)
For the year ended 31 December 2005

Directors and their interests (continued)

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

27 Farm Street
London
W1J 5RJ

By order of the Board


C. Sweetland
Director

30 October 2006

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 WPP Group (UK) Limited

We have audited the financial statements of WPP Group (UK) Limited for the year ended 31 December 2005 which comprise of the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared in accordance with United Kingdom Financial Reporting Standards for Smaller Entities and 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 law and the Financial Reporting Standards for Smaller Entities (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities)

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions 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 or material inconsistencies with the financial statements.

Basis of audit opinion

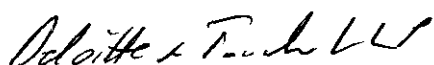
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 for Smaller Entities, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 applicable to small companies.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

30 October 2006

Profit and loss account

For the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Turnover		-	-
Other operating expenses		(6)	(23)
Other operating income		146	-
Operating profit/(loss)		140	(23)
Income from shares in group undertakings		65,050	1,776,726
Profit on sale of fixed asset investments	7	71,815	92,855
Interest receivable and similar income	3	87	3,199
Amounts written off investments	7	(7,553)	(1,772,432)
Interest payable and similar charges	4	(3,715)	(3,489)
Foreign exchange loss		(54)	(1)
Profit on ordinary activities before taxation	2	125,770	96,835
Tax on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation		125,770	96,835
Ordinary dividends proposed and paid	6	(130,349)	(98,210)
Retained loss for the year transferred from reserves	12	(4,579)	(1,375)

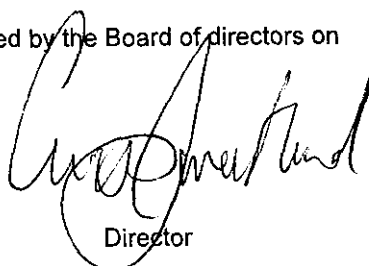
All results are derived from continuing activities.

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 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Investments	7	<u>4,320,758</u>	<u>4,212,329</u>
Current assets			
Debtors:			
- due within one year	8	7,713	758
- due after one year	8	849	1,049
Cash at bank		<u>583</u>	<u>-</u>
		9,145	1,807
Creditors: amounts falling due within one year	9	<u>(149,793)</u>	<u>(25,647)</u>
Net current liabilities		<u>(140,648)</u>	<u>(23,840)</u>
Total assets less current liabilities		<u>4,180,110</u>	<u>4,188,489</u>
Creditors: amounts falling due after more than one year	10	<u>-</u>	<u>(3,800)</u>
Net assets		<u>4,180,110</u>	<u>4,184,689</u>
Capital and reserves			
Called-up equity share capital	11	704,839	704,839
Share premium account	12	3,440,074	3,440,074
Capital reserve	12	44,840	44,840
Profit and loss account	12	<u>(9,643)</u>	<u>(5,064)</u>
Equity shareholders' funds	13	<u>4,180,110</u>	<u>4,184,689</u>

The financial statements were approved by the Board of directors on 30 October 2006 and signed on its behalf by:



C. Sweetland

Director

Notes to financial statements

For the year ended 31 December 2005

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 financial statements have been prepared in accordance with Financial Reporting Standards for Smaller Entities (FRSSE).

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.

Future anticipated payments to vendors in respect of earnouts are based on the directors' best estimates of future obligations, which are dependent on the future performance of the interests acquired and assume the operating companies improve profits in line with directors' estimates. When earnouts are to be settled by cash consideration, the fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future.

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 2005

2 Profit on ordinary activities before taxation

The directors received no remuneration during the year (2004 – £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 Interest receivable and similar income

	2005 £'000	2004 £'000
Bank interest receivable	-	3,101
Other interest receivable	87	98
	<u>87</u>	<u>3,199</u>

4 Interest payable and similar charges

	2005 £'000	2004 £'000
Bank loans and other borrowings	1,068	392
Intercompany interest payable	3,907	2,798
Other financing charges	(1,260)	299
	<u>3,715</u>	<u>3,489</u>

Included within other financing charges is interest income of £1,260,000 (2004 – expense of £299,000) in relation to the discounting of deferred cash consideration in respect of future earnout payments.

Notes to financial statements (continued)

For the year ended 31 December 2005

5 Taxation

The corporation tax charge of £nil (2004 - £nil) comprises:

	2005 £'000	2004 £'000
Corporation tax at 30% (2004 - 30%)	1,063	88
Adjustment in respect of group relief	(1,063)	(88)
	<u>-</u>	<u>-</u>

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2004 - 30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	125,770	96,835
Tax at 30% thereon	(37,731)	(29,050)
<i>Factors affecting tax charge for the year:</i>		
Expenses not deductible for tax purposes	-	(7)
UK dividend income	19,515	533,018
Gain on transfer of investments within UK group	21,666	27,857
Loss on transfer of investments within UK group	(121)	-
Amounts written off investments	(2,266)	(531,730)
Adjustment in respect of group relief	(1,063)	(88)
Current tax charge for the year	<u>-</u>	<u>-</u>

6 Dividends proposed and paid

	2005 £'000	2004 £'000
Final dividend proposed and paid £5.06p (2004 - £3.81) per preferred ordinary share	<u>130,349</u>	<u>98,210</u>

Notes to financial statements (continued)

For the year ended 31 December 2005

7 Fixed asset investments

	<u>Subsidiary undertakings</u> £'000	<u>Associated undertakings</u> £'000	<u>Other</u> £'000	<u>Total</u> £'000
Cost				
At 1 January 2005	6,037,668	4,431	169	6,042,268
Additions	221,778	658	414	222,850
Disposals	(106,868)	-	-	(106,868)
At 31 December 2005	<u>6,152,578</u>	<u>5,089</u>	<u>583</u>	<u>6,158,250</u>
Provision for impairment				
At 1 January 2005	1,829,939	-	-	1,829,939
Written off	7,553	-	-	7,553
At 31 December 2005	<u>1,837,492</u>	<u>-</u>	<u>-</u>	<u>1,837,492</u>
Net book value at 31 December 2005	<u>4,315,086</u>	<u>5,089</u>	<u>583</u>	<u>4,320,758</u>
Net book value at 31 December 2004	<u>4,207,729</u>	<u>4,431</u>	<u>169</u>	<u>4,212,329</u>

Investments at 31 December 2005 represent interests in the ordinary share capital of the following companies:

<u>Company</u>	<u>Country of incorporation</u>	<u>Activity</u>	<u>Holding</u>
Banner McBride Limited	Great Britain	Corporate Identity	100%
Clockwork Capital Limited	Great Britain	Lease finance for audio visual products	50%
Cockpit Two Limited	Great Britain	Intermediate Holding Company	100%
Dialogue Marketing Partnership Limited	Great Britain	Marketing Consultants	100%
Digit London Limited	Great Britain	Communications	51%
Enduring Organisation	Great Britain	Intermediate Holding Company	62%
Enduring Organisation Two	Great Britain	Intermediate Holding Company	91%
EWA Limited	Great Britain	Database marketing	100%
Fitch: Qatar Limited	Great Britain	Provision of design services	1%
Flamingo Perspectives Limited	Great Britain	Intermediate Holding company	100%
Flexible Organisation	Great Britain	Intermediate Holding Company	100%
Goldfarb Focus Limited	Great Britain	Market Research	100%
Headlight Vision Limited	Great Britain	Advertising	100%
Hill & Knowlton CIS Limited	Great Britain	Public relations consulting services	70%
Icomms MediaGroup Limited	Great Britain	Communications	100%
Information Design Unit Limited	Great Britain	Specialist Communications	100%

Notes to financial statements (continued)

For the year ended 31 December 2005

7 Fixed asset investments (continued)

International Presentations Limited	Great Britain	Investor Relations	100%
JWT Specialist Communications	Great Britain	Employment / Marketing	
UK Limited		Communications	100%
Mathew Poppy Advertising Limited	Great Britain	Healthcare advertising	100%
Media Insight Limited	Great Britain	Dormant	100%
Millward Brown Precise Limited	Great Britain	Media evaluation	100%
Mindshare Media UK Limited	Great Britain	Media-buying	100%
Mindshare Media Worldwide Limited	Great Britain	Dormant	100%
Newcrosse Limited	Great Britain	Intermediate holding company	100%
P-Four Consultancy Limited	Great Britain	Management consulting	100%
Permanent Organisation	Great Britain	Intermediate Holding Company	100%
Permanent Organisation Two	Great Britain	Intermediate Holding Company	2.4%
POA (Holdings) Limited	Great Britain	Outdoor advertising	100%
Principals Group Limited	Great Britain	Corporate identity and design	100%
Prism Limited	Great Britain	PR & Sports Marketing	100%
Rodney Fitch International Design	Great Britain	Design Consultants	100%
Consultants Limited			
ROCQM Limited	Great Britain	Dormant	100%
Shine M Limited	Great Britain	Media Buying	50%
Syzygy AG	Germany	Interactive	40.5%
TBU Holdings Limited	Great Britain	Branding & Identity	100%
Tempest Online Marketing Limited	Great Britain	Media Planning	100%
The Farm Post Production Limited	Great Britain	Post production	100%
The Marketing Consultancy	Great Britain	Sales promotion & marketing	100%
United London Communications	Great Britain	Advertising	49%
Limited			
Warwicks UK Limited	Great Britain	Branding & Identity	100%
WPP 1177	Great Britain	Intermediate holding company	100%
WPP Consulting Limited	Great Britain	Intermediate Holding Company	100%
WPP (Isle of Man) 2 LLC	Great Britain	Intermediate Holding Company	100%
WPP Group (Nominees) Limited	Great Britain	Intermediate holding company	100%
WPP Group Nominees One Limited	Great Britain	Dormant	100%
WPP Group Nominees Two Limited	Great Britain	Dormant	100%
WPP Group Nominees Three Limited	Great Britain	Dormant	100%
WPP Group Nominees Four Limited	Great Britain	Dormant	100%
WPP Group Nominees Five Limited	Great Britain	Dormant	100%
WPP Group Nominees Six Limited	Great Britain	Dormant	100%
WPP India Limited	Great Britain	Intermediate holding company	100%
WPP Investments Limited	Great Britain	Intermediate holding company	100%
WPP Sparky Limited	Great Britain	Intermediate holding company	41%
WPP Spike Limited	Great Britain	Intermediate holding company	100%

Notes to financial statements (continued)

For the year ended 31 December 2005

7 Fixed asset investments (continued)

During the year, the company made further investments in existing undertakings and new investments in Enduring Organisation, Enduring Organisation Two, Permanent Organisation Two, Syzygy AG, WPP Sparkle Limited and WPP Spike Limited.

In addition, the company disposed of investments in WPP Sparkle Limited, WPP Sparky Limited and United London Communications Limited realising a total gain of £71,815,000.

In accordance with the company's accounting policy, the company annually tests the carrying value of investments for impairment. The 2005 impairment review was undertaken as at 31 December 2005. 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 11.9% has been assumed.

8 Debtors

	2005 £'000	2004 £'000
<i>Amounts falling due within one year:</i>		
Amounts owed by other group undertakings	7,585	646
Amounts owed by associated undertakings	128	112
	<u>7,713</u>	<u>758</u>
<i>Amounts falling due after more than one year:</i>		
Amounts owed by associated undertakings	849	1,049
	<u>8,562</u>	<u>1,807</u>

9 Creditors: Amounts falling due within one year

	2005 £'000	2004 £'000
Bank overdraft	41,918	14,242
Amounts owed to other group undertakings	107,452	9,813
Payments due to vendors	275	1,524
Accrued interest payable	148	68
	<u>149,793</u>	<u>25,647</u>

10 Creditors: Amounts falling due after more than one year

	2005 £'000	2004 £'000
Payments due to vendors	-	3,800

Notes to financial statements (continued)

For the year ended 31 December 2005

11 Called-up equity share capital

	2005 £	2004 £
<i>Authorised</i>		
1,974,240,525 (2004 - 1,974,240,525) ordinary shares of £1 each	1,974,240,525	1,974,240,525
25,759,475 (2004 - 25,759,475) preferred ordinary shares of £1 each	25,759,475	25,759,475
	<u>2,000,000,000</u>	<u>2,000,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
679,079,608 (2004 - 679,079,608) ordinary shares of £1 each	679,079,608	679,079,608
25,759,475 (2004 - 25,759,475) preferred ordinary shares of £1 each	25,759,475	25,759,475
	<u>704,839,083</u>	<u>704,839,083</u>

The preferred ordinary shares do not carry voting rights, but rank *pari passu* with the ordinary shares with regard to rights on a return of capital on liquidation or otherwise, and any right to participate in the profits of the Company.

12 Reserves

	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2005	3,440,074	44,840	(5,064)	3,479,850
Retained profit for the year	-	-	(4,579)	(4,579)
At 31 December 2005	<u>3,440,074</u>	<u>44,840</u>	<u>(9,643)</u>	<u>3,475,271</u>

13 Reconciliation of movements in equity shareholders' funds

	2005 £'000	2004 £'000
Profit/(loss) for the financial year	(4,579)	(1,375)
Issue of ordinary shares	-	561,866
Net addition to equity shareholders' funds	(4,579)	560,491
Opening equity shareholders' funds	4,184,689	3,624,198
Closing equity shareholders' funds	<u>4,180,110</u>	<u>4,184,689</u>

14 Guarantees and other financial commitments

The company participates in group banking arrangements with its parent, WPP Group plc, and has access to a group cash management facility. The company guarantees the facility to the extent of its cash deposited in the UK with its clearing bank.

Notes to financial statements (continued)

For the year ended 31 December 2005

15 Ultimate controlling party

The directors regard WPP LN 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 WPP Group (UK) 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.