

WPP Group (UK) Limited

Annual report and financial statements
for the year ended 31 December 2006

Registered number 2670617



Directors' report

For the year ended 31 December 2006

The directors present their annual report together with the audited financial statements and auditors' report, for the year ended 31 December 2006

This 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 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 2006 are set out on pages 7 to 16. The company made a profit on ordinary activities after taxation for the year of £12,983,000 (2005 - £125,770,000).

No dividends have been paid during the year on the company's ordinary shares (2005 - £130,349,000). The retained profit for the year transferred to reserves was £12,983,000 (2005 - loss of £4,579,000 transferred from reserves).

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 interests in the shares of the company. The interests of 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 2006

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 2006

Options

	At 1 Jan 2006 Number	Granted 2006 Number	Exercised 2006 Number	At 31 Dec 2006 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)	-	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 2013	£5 595
	16,300	-	-	16,300	Oct 2007	Oct 2014	£5 535

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

Restricted stock awards

	At 1 Jan 2006 Number	Granted 2006 Number	Vested 2006 Number	At 31 Dec 2006 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 ¹	Nov 2005	Mar 2007
	5,930	-	-	5,930	Nov 2005	Nov 2008
	-	13,103	-	13,103	Feb 2006	Mar 2008
	-	5,858	-	5,858	Oct 2006	Oct 2009
	-	8,262 ²	-	8,262	Nov 2006	Dec 2010
<u>C. Sweetland</u>	669	-	(669)	-	Feb 2004	Mar 2006
	19,262	-	-	19,262	Mar 2005	Mar 2008
	16,050	-	-	16,050 ¹	Nov 2005	Mar 2007
	8,896	-	-	8,896	Nov 2005	Nov 2008
	-	16,847	-	16,847	Feb 2006	Mar 2008
	-	7,030	-	7,030	Oct 2006	Oct 2009

¹ Vested in March 2007

² This grant was made under a plan where the performance criteria are such that the actual number of shares that will vest will only become evident at vest date. The maximum number that will vest is 41,310 shares

In addition, C Sweetland had a beneficial interest in 73,894 (2005 – 53,183) shares in WPP Group plc at 31 December 2006. The directors have no other interests in any other group company.

Directors' report (continued)

For the year ended 31 December 2006

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

27 Farm Street
London
W1J 5RJ

By order of the Board

A handwritten signature in black ink, appearing to read 'C Sweetland', written over the printed name.

C Sweetland

Director

31 July 2007

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 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 2006 which comprise of the profit and loss account, the balance sheet and the related notes 1 to 14. 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 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 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 2006 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 & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

31 July 2007

Profit and loss account
For the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Turnover		-	-
Other operating expenses		(19)	(6)
Other operating income		-	146
Operating (loss)/profit		(19)	140
Income from shares in group undertakings		30,283	65,050
Profit on sale of fixed asset investments		-	71,815
Interest receivable and similar income	3	72	87
Amounts written off investments	7	(8,077)	(7,553)
Interest payable and similar charges	4	(9,267)	(3,715)
Foreign exchange loss		(9)	(54)
Profit on ordinary activities before taxation	2	12,983	125,770
Tax on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation		12,983	125,770
Ordinary dividends proposed and paid	6	-	(130,349)
Retained profit/(loss) for the year transferred to/(from) reserves	11	12,983	(4,579)

All results are derived from continuing activities

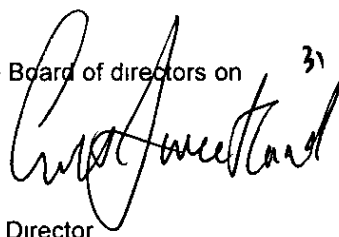
There are no recognised gains or losses in either year other than those shown above and accordingly no statement of total recognised gains and losses has been prepared

Balance sheet

At 31 December 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Investments	7	<u>4,351,211</u>	<u>4,320,758</u>
Current assets			
Debtors			
- due within one year	8	2,214	7,713
- due after one year	8	649	849
Cash at bank		<u>887,157</u>	<u>583</u>
		890,020	9,145
Creditors' amounts falling due within one year	9	<u>(1,048,138)</u>	<u>(149,793)</u>
Net current liabilities		<u>(158,118)</u>	<u>(140,648)</u>
Total assets less current liabilities		<u>4,193,093</u>	<u>4,180,110</u>
Net assets		<u>4,193,093</u>	<u>4,180,110</u>
Capital and reserves			
Called-up equity share capital	10	704,839	704,839
Share premium account	11	3,440,074	3,440,074
Capital reserve	11	44,840	44,840
Profit and loss account	11	<u>3,340</u>	<u>(9,643)</u>
Equity shareholders' funds	12	<u>4,193,093</u>	<u>4,180,110</u>

The financial statements were approved by the Board of directors on ³¹ July 2007 and signed on its behalf by


Director

C Sweetland

Notes to financial statements

For the year ended 31 December 2006

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.

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 2006

2 Profit on ordinary activities before taxation

The directors received no remuneration during the year (2005 - £nil) for services to the company. The company had no other employees during the current or preceding year. Administrative expenses, including the auditors' remuneration of £66,000 (2005 - £66,000), are borne by the ultimate parent company, WPP Group plc.

3 Interest receivable and similar income

	2006 £'000	2005 £'000
Bank interest receivable	56	-
Other interest receivable	16	87
	<u>72</u>	<u>87</u>

4 Interest payable and similar charges

	2006 £'000	2005 £'000
Bank loans and other borrowings	1,279	1,068
Intercompany interest payable	7,988	3,907
Other financing charges	-	(1,260)
	<u>9,267</u>	<u>3,715</u>

Included within other financing charges is interest income of £nil (2005 - £1,260,000) in relation to the discounting of deferred cash consideration in respect of future earnout payments.

5 Tax on profit on ordinary activities

The corporation tax charge of £nil (2005 - £nil) comprises

	2006 £'000	2005 £'000
Corporation tax at 30% (2005 - 30%)	2,767	1,063
Adjustment in respect of group relief	(2,767)	(1,063)
	<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% (2005 - 30%). The differences are explained below.

Notes to financial statements (continued)

For the year ended 31 December 2006

5 Tax on profit on ordinary activities (continued)

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	12,983	125,770
Tax at 30% thereon	(3,895)	(37,731)
<i>Factors affecting tax charge for the year</i>		
UK dividend income	9,085	19,515
Gain on transfer of investments within UK group	-	21,666
Loss on transfer of investments within UK group	-	(121)
Amounts written off investments	(2,423)	(2,266)
Adjustment in respect of group relief	(2,767)	(1,063)
Current tax charge for the year	-	-

The company holds a deferred tax asset of £497,000 in relation to foreign tax credits carried forward at 31 December 2006. This asset has not been recognised on the basis that there is insufficient evidence of its utilisation in future periods.

6 Dividends proposed and paid

	2006 £'000	2005 £'000
Final dividend proposed and paid £nil (2005 - £5.06p) per preferred ordinary share	-	130,349

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 2006	6,152,578	5,089	583	6,158,250
Additions	38,706	238	-	38,944
Transfers	-	-	(414)	(414)
At 31 December 2006	6,191,284	5,327	169	6,196,780
Provision for impairment				
At 1 January 2006	1,837,492	-	-	1,837,492
Written off	8,077	-	-	8,077
At 31 December 2006	1,845,569	-	-	1,845,569
Net book value at 31 December 2006	<u>4,345,715</u>	<u>5,327</u>	<u>169</u>	<u>4,351,211</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>

Notes to financial statements (continued)

For the year ended 31 December 2006

7 Fixed asset investments (continued)

Investments at 31 December 2006 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>
Antidote Limited	Great Britain	Advertising	25%
Clockwork Capital Limited	Great Britain	Lease finance for audio visual products	50%
Cockpit Two Limited	Great Britain	Intermediate Holding Company	100%
Conquest Europe (UK) Limited	Great Britain	Dormant	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	Dormant	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%
International Presentations Limited	Great Britain	Investor Relations	100%
JWT Specialized Communications Limited	Great Britain	Employment / Marketing Communications	100%
Matthew Poppy Advertising Limited	Great Britain	Healthcare advertising	100%
Maxus Communications Limited	Great Britain	Dormant	100%
Mediacom North Limited	Great Britain	Advertising	81%
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%
mOne 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%
Precis (567) Limited	Great Britain	Dormant	100%
Prism Limited	Great Britain	PR & Sports Marketing	100%

Notes to financial statements (continued)

For the year ended 31 December 2006

7 Fixed asset investments (continued)

Rodney Fitch International Design Consultants Limited	Great Britain	Design Consultants	100%
ROCQM Limited	Great Britain	Dormant	100%
RMS Instore Limited	Great Britain	Information, Insight & Consultancy	100%
Shine M Limited	Great Britain	Media Buying	50%
Spafax Airline Network Limited	Great Britain	Specialist Communications	100%
Sparklab Limited	Great Britain	Dormant	100%
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%
The Store Consulting Limited	Great Britain	Dormant	100%
Transact Communications Limited	Great Britain	Dormant	100%
United London Communications Limited	Great Britain	Advertising	49%
Warwicks UK Limited	Great Britain	Branding & Identity	100%
WPP 1177	Great Britain	Intermediate holding company	100%
WPP 2828 Ltd	Great Britain	Dormant	100%
WPP AMC Holdings	Great Britain	Intermediate holding company	11%
wpp com Limited	Great Britain	Dormant	100%
WPP Consulting Limited	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 GUSA UK	Great Britain	Intermediate holding company	46%
WPP India Limited	Great Britain	Dormant	100%
WPP Investments Limited	Great Britain	Intermediate holding company	100%
WPP Razor UK	Great Britain	Intermediate holding company	2%
WPP Sparky Limited	Great Britain	Intermediate holding company	41%
WPP Spike Limited	Great Britain	Intermediate holding company	100%

During the year, the company made further investments in existing undertakings and new investments in Antidote Limited, Enduring Organisation Two, Mediacom North Limited, Spafax Airline Network Limited, WPP AMC Holdings, WPP GUSA UK and WPP Razor UK, for cash consideration

Notes to financial statements (continued)

For the year ended 31 December 2006

7 Fixed asset investments (continued)

In accordance with the company's accounting policy, the company annually tests the carrying value of investments for impairment. The 2006 impairment review was undertaken as at 31 December 2006. 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

	2006 £'000	2005 £'000
<i>Amounts falling due within one year</i>		
Amounts owed by other group undertakings	250	7,585
Amounts owed by associated undertakings	139	128
Accrued interest receivable	1,825	-
	<u>2,214</u>	<u>7,713</u>
<i>Amounts falling due after more than one year</i>		
Amounts owed by associated undertakings	649	849
	<u>2,863</u>	<u>8,562</u>

9 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Bank overdraft	-	41,918
Amounts owed to other group undertakings	1,045,765	107,452
Payments due to vendors	2,373	275
Accrued interest payable	-	148
	<u>1,048,138</u>	<u>149,793</u>

Notes to financial statements (continued)

For the year ended 31 December 2006

10 Called-up equity share capital

	2006 £	2005 £
<i>Authorised</i>		
1,974,240,525 (2005 - 1,974,240,525) ordinary shares of £1 each	1,974,240,525	1,974,240,525
25,759,475 (2005 - 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 (2005 - 679,079,608) ordinary shares of £1 each	679,079,608	679,079,608
25,759,475 (2005 - 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

11 Reserves

	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2006	3,440,074	44,840	(9,643)	3,475,271
Retained profit for the year	-	-	12,983	12,983
At 31 December 2006	<u>3,440,074</u>	<u>44,840</u>	<u>3,340</u>	<u>3,488,254</u>

12 Reconciliation of movements in equity shareholders' funds

	2006 £'000	2005 £'000
Profit/(loss) for the financial year	12,983	(4,579)
Net addition/(reduction) to equity shareholders' funds	12,983	(4,579)
Opening equity shareholders' funds	4,180,110	4,184,689
Closing equity shareholders' funds	<u>4,193,093</u>	<u>4,180,110</u>

13 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 2006

14 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