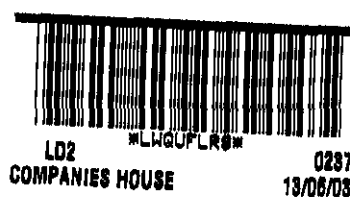


WPP Group (UK) Limited

Annual report and financial statements
for the year ended 31 December 2002

Registered number: 2670617



Directors' report

For the year ended 31 December 2002

The directors present their annual report together with the audited financial statements and auditors' report, for the year ended 31 December 2002.

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.

Details of significant events since the balance sheet date are contained in note 15 to the financial statements.

Results and dividends

The audited financial statements for the year ended 31 December 2002 are set out on pages 5 to 14. The company made a loss on ordinary activities after taxation for the year of £20,439,000 (2001 - £20,102,000).

No ordinary dividends were declared or paid throughout the year (2001 - £nil). The retained loss for the year transferred to reserves was £20,439,000 (2001 - £20,102,000).

Directors and their interests

The directors who served throughout the year were as follows:

Sir M.S. Sorrell
P.W.G. Richardson
L. Mellman
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 2002

Directors and their interests (continued)

L. Mellman, A. Scott and C. Sweetland held the following options over shares in WPP Group plc at 31 December 2002:

| | At 1 Jan 2002 Number | Granted 2002 Number | Exercised 2002 Number | At 31 Dec 2002 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 |
| <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 |
| <u>L. Mellman</u> | 6,631 | - | 2,900 | 3,731 | Sept. 2000 | Sept. 2007 | £2.835 |
| | 7,235 | - | - | 7,235 | Sept. 2001 | Sept. 2008 | £2.930 |
| | 1,965 | - | - | 1,965 | Sept. 2002 | Sept. 2009 | £5.700 |
| | 2,807 | - | - | 2,807 | Sept. 2002 | Sept. 2009 | £5.700 |
| | 3,552 | - | - | 3,552 | Sept. 2003 | Sept. 2010 | £9.010 |
| | 14,026 | - | - | 14,026 | Sept. 2004 | Sept. 2011 | £4.865 |
| | - | 22,994 | - | 22,994 | Sept. 2005 | Sept. 2012 | £4.210 |

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

In addition, C. Sweetland had a beneficial interest in 42,883 (2001 - 39,799) shares in WPP Group plc and L. Mellman had a beneficial interest in 1,380 (2001 - 1,380) shares in WPP Group plc at 31 December 2002.

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

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

27 Farm Street
London
W1J 5RJ

By order of the Board

C. Sweetland

23 May 2003

Director

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 year. 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 2002 which comprise the profit and loss account, statement of total recognised gains and losses, balance sheet and the related notes 1 to 16. 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.

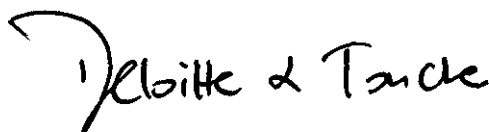
Basis of opinion

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 2002 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**

Chartered Accountants and Registered Auditors
London

23 May 2003

Profit and loss account

For the year ended 31 December 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|--|-------|---------------|---------------|
| Turnover | | - | - |
| Other operating expenses | | (1,005) | (586) |
| Other operating income | | 38 | 38 |
| Operating loss | | (967) | (548) |
| Income from shares in group undertakings | | 2,625 | 2,301 |
| Profit on sale of fixed asset investments | | - | 1,389 |
| Loss on sale of fixed asset investments | | - | (717) |
| Amounts written off investments | | (18,868) | (26,737) |
| Interest receivable and similar income | 3 | 130 | 6,115 |
| Interest payable and similar charges | 4 | (3,285) | (1,794) |
| Foreign exchange loss | | (8) | (95) |
| Loss on ordinary activities before taxation | 2 | (20,373) | (20,086) |
| Tax on loss on ordinary activities | 5 | (66) | (16) |
| Loss on ordinary activities after taxation and for the financial year | | (20,439) | (20,102) |
| Retained loss for the year transferred to reserves | 12 | (20,439) | (20,102) |

All results are derived from continuing activities.

The accompanying notes are an integral part of this profit and loss account.

Statement of total recognised gains and losses

For the year ended 31 December 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|---|-------|---------------|---------------|
| Loss for the financial year | | (20,439) | (20,102) |
| Gain on foreign currency translation of investment | | - | 15,195 |
| Loss on foreign currency borrowings translation | | - | (15,195) |
| Total recognised gains and losses relating to the year | 13 | (20,439) | (20,102) |

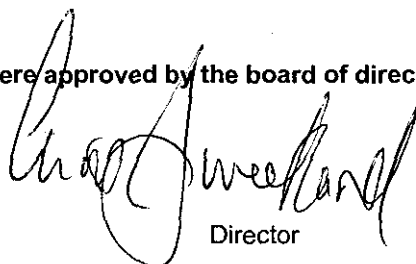
The accompanying notes are an integral part of this statement of total recognised gains and losses.

Balance sheet
At 31 December 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|--|-------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 6 | 970 | 991 |
| Investments | 7 | 2,746,727 | 2,732,448 |
| | | <u>2,747,697</u> | <u>2,733,439</u> |
| Current assets | | | |
| Debtors: | | | |
| - due within one year | 8 | 713,116 | 720,194 |
| - due after one year | 8 | 132,824 | 133,207 |
| Cash at bank and in hand | | 29 | 3 |
| | | <u>845,969</u> | <u>853,404</u> |
| Creditors: amounts falling due within one year | 9 | (699,196) | (687,430) |
| Net current assets | | <u>146,773</u> | <u>165,974</u> |
| Total assets less current liabilities | | <u>2,894,470</u> | <u>2,899,413</u> |
| Creditors: amounts falling due after more than one year | 10 | (24,420) | (12,204) |
| Net assets | | <u>2,870,050</u> | <u>2,887,209</u> |
| Capital and reserves | | | |
| Called-up equity share capital | 11 | 109,817 | 106,537 |
| Share premium account | 12 | 2,720,647 | 2,720,647 |
| Capital reserve | 12 | 44,840 | 44,840 |
| Profit and loss account | 12 | (5,254) | 15,185 |
| Equity shareholders' funds | 13 | <u>2,870,050</u> | <u>2,887,209</u> |

The accompanying notes are an integral part of this balance sheet.

The financial statements were approved by the board of directors on 23 May 2003 and signed on its behalf by:



C. Sweetland

Director

Notes to financial statements

For the year ended 31 December 2002

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.

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.

Exchange differences arising on translation of the opening net assets and on foreign currency borrowings, to the extent that they hedge the group's investments in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are reported in the profit and loss account.

Notes to financial statements (continued)

For the year ended 31 December 2002

1 Accounting policies (continued)

e) *Tangible fixed assets*

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets (other than freehold land), less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The annual rate used for this purpose is:

| | |
|--------------------|----|
| Freehold buildings | 2% |
|--------------------|----|

2 Loss on ordinary activities before taxation

The directors received no remuneration during the year (2001 – £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

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Interest receivable from group companies | - | 5,786 |
| Other interest receivable and similar income | 130 | 329 |
| | <u>130</u> | <u>6,115</u> |

4 Interest payable and similar charges

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Bank loans and other borrowings | 3,285 | 1,791 |
| Interest payable to group undertakings | - | 3 |
| | <u>3,285</u> | <u>1,794</u> |

Included within interest on bank loans and other borrowings is £425,000 of interest 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 2002

5 Taxation

The corporation tax charge of £66,000 (2001 - £16,000) comprises:

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Corporation tax at 30% (2001: 30%) | 1,201 | (1,103) |
| Adjustment in respect of group relief | (1,201) | 1,103 |
| Adjustment in respect of prior periods | (66) | (16) |
| | <u>(66)</u> | <u>(16)</u> |

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

| | 2002 £'000 | 2001 £'000 |
|---|---------------|---------------|
| Loss on ordinary activities before tax | (20,373) | (20,086) |
| Tax at 30% thereon | 6,112 | 6,026 |
| <i>Factors affecting tax charge for the period:</i> | | |
| Expenses not deductible for tax purposes | (5,661) | (8,021) |
| UK dividend income | 788 | 690 |
| Gain on transfer of investments within UK group | - | 202 |
| Adjustment in respect of group relief | (1,239) | 1,103 |
| Adjustment in respect of prior periods | (66) | (16) |
| Current tax charge for the year | <u>(66)</u> | <u>(16)</u> |

Notes to financial statements (continued)

For the year ended 31 December 2002

6 Tangible fixed assets

| | Freehold land and buildings £'000 |
|--|---|
| Cost | |
| At 1 January 2002 and 31 December 2002 | 1,141 |
| Depreciation | |
| At 1 January 2002 | 150 |
| Charge for the year | 21 |
| At 31 December 2002 | 171 |
| Net book value | |
| At 31 December 2002 | 970 |
| At 31 December 2001 | 991 |

7 Fixed asset investments

| | <u>Subsidiary undertakings</u> Share capital £'000 | <u>Subsidiary undertakings</u> Loans £'000 | <u>Associated undertakings</u> Share capital £'000 | <u>Other Share capital £'000</u> | Total £'000 |
|---|---|--|---|--|----------------|
| Cost | | | | | |
| At 1 January 2002 | 2,740,274 | 11,228 | 7,683 | - | 2,759,185 |
| Additions | 36,465 | - | 4 | 20,352 | 56,821 |
| Reclassification | 14,059 | (11,228) | (2,831) | - | - |
| Disposals | (23,674) | - | - | - | (23,674) |
| At 31 December 2002 | 2,767,124 | - | 4,856 | 20,352 | 2,792,332 |
| Provision for impairment | | | | | |
| At 1 January 2002 | 25,241 | - | 1,496 | - | 26,737 |
| Reclassification | 1,496 | - | (1,496) | - | - |
| Written off | 18,868 | - | - | - | 18,868 |
| At 31 December 2002 | 45,605 | - | - | - | 45,605 |
| Net book value at 31 December 2002 | 2,721,519 | - | 4,856 | 20,352 | 2,746,727 |
| Net book value at 31 December 2001 | 2,715,033 | 11,228 | 6,187 | - | 2,732,448 |

Notes to financial statements (continued)

For the year ended 31 December 2002

7 Fixed asset investments (continued)

Investments at 31 December 2002 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% |
| Digireels Limited | Great Britain | Advertising library | 100% |
| Enduring Organisation Two | Great Britain | Intermediate Holding Company | 7.2% |
| EWA Limited | Great Britain | Database marketing | 100% |
| Flamingo Perspectives Limited | 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% |
| Information Design Unit Limited | Great Britain | Specialist Communications | 100% |
| International Presentations Limited | Great Britain | Investor Relations | 100% |
| JWT Specialist Communications UK Limited | Great Britain | Employment / Marketing 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% |
| No Ho Digital Limited | Great Britain | New media | 100% |
| P-Four Consultancy Limited | Great Britain | Management consulting | 100% |
| POA (Holdings) Limited | Great Britain | Outdoor advertising | 65% |
| Principals Group Limited | Great Britain | Corporate identity and design | 100% |

Notes to financial statements (continued)

For the year ended 31 December 2002

7 Fixed asset investments (continued)

| <u>Company</u> | <u>Country of registration</u> | <u>Activity</u> | <u>Holding</u> |
|----------------------------------|--------------------------------|------------------------------|----------------|
| Prism Limited | Great Britain | PR & Sports Marketing | 100% |
| ROCQM Limited | Great Britain | Dormant | 100% |
| Shine M Limited | Great Britain | Media Buying | 50% |
| Spafax Airline Network Limited | Great Britain | Media & Technology Services | 80% |
| Syzygy AG | Germany | Interactive | 40.5% |
| Tempest Online Marketing | Great Britain | Media Planning | 100% |
| The Brand Union Limited | Great Britain | Branding & Identity | 100% |
| The Farm Post Production Limited | Great Britain | Post production | 49% |
| The Marketing Consultancy | Great Britain | Sales promotion & marketing | 100% |
| Thistleclub Limited | Great Britain | Intermediate holding company | 100% |
| Ultimate Square | Great Britain | Intermediate holding company | 99% |
| Warwicks UK Limited | Great Britain | Branding & Identity | 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% |

During the year the company made additional investments in existing undertakings and new investments in Cockpit Two Limited, Enduring Organisation Two, Shine M Limited, WPP Consulting Limited and Headlight Vision Limited. In addition, the company transferred its investment in WPP North Atlantic Limited to another group company for cash at cost and disposed of part of its investment in WPP (Isle of Man) 2 LLC by way of a return of capital. Disposals also includes a decrease of £5,766,000 as a result of a change in estimates of future anticipated payments to vendors, based on the directors' best estimates of future obligations, which are dependent on future performances of the interests acquired.

In accordance with the company's accounting policy, the company annually tests the carrying value of investments for impairment. The 2002 impairment review was undertaken as at 31 December 2002. 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 based on the Group's pre-tax weighted average cost of capital, which was 11.9%.

Notes to financial statements (continued)

For the year ended 31 December 2002

8 Debtors

| | 2002 £'000 | 2001 £'000 |
|--|----------------|----------------|
| <i>Amounts falling due within one year:</i> | | |
| Amounts owed by other group undertakings | 712,916 | 718,277 |
| Amounts owed by associated undertakings | 200 | 1,917 |
| | <u>713,116</u> | <u>720,194</u> |
| <i>Amounts falling due after more than one year:</i> | | |
| Amounts owed by other group undertakings | 130,468 | 133,207 |
| Amounts owed by associate undertakings | 2,356 | - |
| | <u>132,824</u> | <u>133,207</u> |
| | <u>845,940</u> | <u>853,401</u> |

9 Creditors: Amounts falling due within one year

| | 2002 £'000 | 2001 £'000 |
|--|----------------|----------------|
| Bank overdraft | - | 25,509 |
| Amounts owed to other group undertakings | 696,044 | 649,105 |
| Payments due to vendors | 3,152 | 12,816 |
| | <u>699,196</u> | <u>687,430</u> |

10 Creditors: Amounts falling due after more than one year

| | 2002 £'000 | 2001 £'000 |
|-------------------------|---------------|---------------|
| Payments due to vendors | <u>24,420</u> | <u>12,204</u> |

11 Called-up equity share capital

| | 2002 £ | 2001 £ |
|---|----------------------|----------------------|
| <i>Authorised</i> | | |
| 2,000,000,000 (2001 - 2,000,000,000) ordinary shares of £1 each | <u>2,000,000,000</u> | <u>2,000,000,000</u> |
| <i>Allotted, called-up and fully-paid</i> | | |
| 109,816,709 (2001 - 106,536,771) ordinary shares of £1 each | <u>109,816,709</u> | <u>106,536,771</u> |

During the year the company issued 3,279,938 ordinary shares of £1 each at par to purchase fixed asset investments.

Notes to financial statements (continued)

For the year ended 31 December 2002

12 Reserves

| | Share premium account £'000 | Capital reserve £'000 | Profit and loss account £'000 | Total £'000 |
|----------------------------|--------------------------------------|-----------------------------|-------------------------------------|----------------|
| At 1 January 2002 | 2,720,647 | 44,840 | 15,185 | 2,780,672 |
| Retained loss for the year | - | - | (20,439) | (20,439) |
| At 31 December 2002 | 2,720,647 | 44,840 | (5,254) | 2,760,233 |

13 Reconciliation of movements in equity shareholders' funds

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Loss for the financial year | (20,439) | (20,102) |
| Issue of ordinary shares | 3,280 | 2,071,096 |
| Net (reduction)/addition to equity shareholders' funds | (17,159) | 2,050,994 |
| Opening equity shareholders' funds | 2,887,209 | 836,215 |
| Closing equity shareholders' funds | 2,870,050 | 2,887,209 |

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.

The company has provided unsecured guarantees to third parties in respect of the lease commitments of other group undertakings. At 31 December 2002 guarantees outstanding amounted to £62,691,000 (2001: £65,887,000)

15 Subsequent events

Subsequent to the year end the company increased its investment in Enduring Organisation Two and acquired new investments in WPP Magic Limited, Enduring Organisation, HHCL Limited and Permanent Organisation for a total cash consideration of £1,096,824,000.

16 Ultimate controlling party

The directors regard 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.