

WPP Finance (UK)

Annual report and financial statements
for the year ended 31 December 2007

Registered number: 5135565

Directors' report

For the year ended 31 December 2007

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditors' report for the year ended 31 December 2007.

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 business review

The company acts as a financing company. The directors do not expect any changes in the company's activities in the foreseeable future.

Results and dividends

The audited financial statements for the year ended 31 December 2007 are set out on pages 5 to 10. The company made a loss on ordinary activities after tax for the year of \$14,939,000 (2006 - \$52,344,000).

No ordinary dividends were paid during the year (2006 - \$nil). The retained loss for the year transferred from reserves was \$14,939,000 (2006 - \$52,344,000).

Directors

The directors who served throughout the year were as follows:

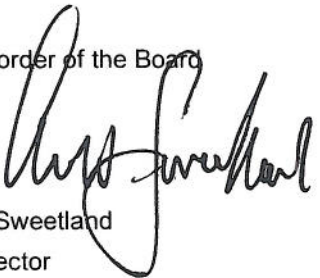
P Delaney
P.W.G. Richardson
C. Sweetland

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. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

27 Farm Street
London
W1J 5RJ

By order of the Board


C. Sweetland
Director

20 October 2008

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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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

Independent Auditors' Report to the members of WPP Finance (UK)

We have audited the financial statements of WPP Finance (UK) for the year ended 31 December 2007 which comprise 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 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 2007 and of its loss 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

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

20 October 2008

Profit and loss account

For the year ended 31 December 2007

	Notes	2007 \$'000	2006 \$'000
Turnover		-	-
Administrative expenses		(9,196)	(9,894)
Operating loss		(9,196)	(9,894)
Interest receivable and similar income	3	34,358	1,192
Interest payable and similar charges	4	(40,101)	(43,642)
Loss on ordinary activities before taxation	2	(14,939)	(52,344)
Tax on loss on ordinary activities	5	-	-
Loss on ordinary activities after taxation	10	(14,939)	(52,344)

All results are derived from continuing activities.

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

Balance sheet

At 31 December 2007

	Notes	2007 \$'000	2006 \$'000
Current assets			
Debtors	6	9,528	8,964
Cash at bank		674,726	651,795
		<u>684,254</u>	<u>660,759</u>
Creditors: amounts falling due within one year	7	<u>(39,435)</u>	<u>(1,697)</u>
Net current assets		<u>644,819</u>	<u>659,062</u>
Creditors: amounts falling due after more than one year	8	<u>(645,316)</u>	<u>(644,620)</u>
Net (liabilities)/assets		<u>(497)</u>	<u>14,442</u>
Capital and reserves			
Called-up share capital	9	-	-
Share premium	10	243,967	243,967
Profit and loss account	10	<u>(244,464)</u>	<u>(229,525)</u>
Shareholders' (deficit)/funds	11	<u>(497)</u>	<u>14,442</u>

The financial statements were approved by the Board of directors on 20 October 2008 and signed on its behalf by:



Director

C. Sweetland

Notes to financial statements

For the year ended 31 December 2007

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.

Following a group reconstruction in May 2004, WPP Finance (UK) acquired three subsidiary undertakings. For the year ended 31 December 2006 WPP Finance (UK) prepared consolidated financial statements in accordance with International Financial Reporting Standards and company only financial statements in accordance with UK GAAP. In December 2006, the three subsidiary undertakings were disposed of resulting in WPP Finance (UK) preparing company only financial statements in accordance with UK GAAP for the year ended 31 December 2007.

The company has taken advantage of the exemption from the requirement of FRS 1 (Revised) to present a cash flow statement because it is a wholly owned subsidiary of WPP Group plc which prepares consolidated financial statements which are publicly available.

b) Taxation

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

2 Loss on ordinary activities before taxation

The directors received no remuneration during the year (2006 - \$nil) for services to the company. The company had no other employees during the current and preceding year. All operating expenses, for the current and preceding year, including the auditors' remuneration of \$1,000 (2006 - \$1,000), are borne by the ultimate parent company, WPP Group plc.

3 Interest receivable and similar income

	2007 \$'000	2006 \$'000
Bank interest receivable	34,358	1,192

4 Interest payable and similar charges

	2007 \$'000	2006 \$'000
Interest payable on corporate bonds	38,907	38,905
Interest payable to other group undertakings	1,194	4,737
	<u>40,101</u>	<u>43,642</u>

Notes to financial statements (continued)

For the year ended 31 December 2007

5 Tax on loss on ordinary activities

The corporation tax (charge)/credit of \$nil (2006 - \$nil) comprises:

	2007 \$'000	2006 \$'000
Current Tax		
UK corporation tax at 30% (2006 - 30%)	4,481	15,703
Adjustment in respect of group relief for nil consideration	<u>(4,481)</u>	<u>(15,703)</u>
	<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% (2006 - 30%). The differences are explained below:

	2007 \$'000	2006 \$'000
Loss on ordinary activities before tax	<u>(14,939)</u>	<u>(52,344)</u>
Tax at 30% thereon	4,481	15,703
<i>Factors affecting tax charge for the year:</i>		
Non-deductible expenses	(306)	(484)
Adjustment in respect of UK group relief	<u>(4,176)</u>	<u>(15,219)</u>
Current tax (charge)/credit for the year	<u>-</u>	<u>-</u>

6 Debtors

	2007 \$'000	2006 \$'000
Other debtors	<u>9,528</u>	<u>8,964</u>

On 15 December 2004, WPP Finance Co. Ltd transferred to WPP Finance (UK) a series of interest rate swaps over \$400m of the \$650m corporate bond to hedge movements in the bond's fair value. On 7 April 2005, these swaps were terminated for cash consideration of \$13,888,000. The loss realised in respect of this transaction was \$9,427,000. The Directors consider that this loss should be amortised over the life of the bond to give a true and fair representation of the transaction. The amortisation charged to the profit and loss account in 2007 in respect of this loss is \$1,019,000 (2006 - \$1,019,000). The loss carried forward in other debtors at 31 December 2007 is \$6,806,000 (2006 - \$7,825,000).

Notes to financial statements (continued)

For the year ended 31 December 2007

7 Creditors: amounts falling due within one year

	2007 \$'000	2006 \$'000
Overdraft	36,698	-
Interest payable on corporate bonds	1,697	1,697
Amounts owed to other group undertakings	1,040	-
	<u>39,435</u>	<u>1,697</u>

8 Creditors: amounts falling due after more than one year

	2007 \$'000	2006 \$'000
Corporate bonds	<u>645,316</u>	<u>644,620</u>

During 2004, the Group issued \$650 million of 5.875% corporate bonds due 2014, which are listed on the Luxembourg stock exchange. The bonds are co-guaranteed by WPP Group plc, the ultimate parent company, and WPP 2005 Limited, a fellow subsidiary undertaking in the WPP Group.

The bonds are shown net of bond issue costs of \$4,684,000 (2006 - \$5,380,000) which are being amortised over the life of the bond.

9 Called-up share capital

	2007 \$	2006 \$
<i>Authorised:</i>		
2,000,000,000 (2006 - 2,000,000,000) ordinary shares of £1 each (at exchange rate of 1.8326)	<u>3,665,200,000</u>	<u>3,665,200,000</u>
<i>Allotted, called-up and fully-paid:</i>		
3 (2006 - 3) ordinary shares of £1 each	<u>6</u>	<u>6</u>

10 Reserves

	Share premium account \$'000	Profit and loss account \$'000	Total \$'000
At 1 January 2007	243,967	(229,525)	14,442
Retained loss for the year	-	(14,939)	(14,939)
At 31 December 2007	<u>243,967</u>	<u>(244,464)</u>	<u>(497)</u>

Notes to financial statements (continued)

For the year ended 31 December 2007

11 Reconciliation of movements in shareholders' deficit

	2007 \$'000	2006 \$'000
Loss for the financial year	(14,939)	(52,344)
Issue of ordinary shares	-	243,967
Net (reduction)/addition to shareholders' funds	(14,939)	191,623
Opening shareholders' funds/(deficit)	14,442	(177,181)
Closing shareholders' (deficit)/funds	(497)	14,442

During the year to 31 December 2006, the company issued one £1 ordinary share at a premium of \$243,966,998 to another group company for cash consideration.

12 Net liabilities

As at 31 December 2007 the liabilities of the company exceeded its total assets by \$497,000 (2006 - \$nil). The company is a subsidiary of WPP Group plc and is therefore subject to the overall WPP Group financing arrangements.

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 a clearing bank.

14 Controlling parties and related party transactions

The directors regard WPP Finance Square LLC, a company incorporated in the United States, 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 Finance (UK) 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 wholly owned 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.