WPP 2005 Limited

Report and financial statements
31 December 2010

Registered number: 1003653

WPP 2005 Limited

Report and financial statements 2010

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Officers and professional advisers

Directors

P. Delaney

C. Sweetland

Secretary

WPP Group (Nominees) Limited

M.W. Capes

Registered office

27 Farm Street

London

W1J 5RJ

Auditors

Deloitte LLP

Chartered Accountants and Statutory Auditors

London

Directors' report

For the year ended 31 December 2010

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 2010.

Principal activities and business review

The Company provides management services and financing to the WPP group of companies as well as acting as an intermediate holding company. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The subsidiary undertakings held by the company are listed in note 8 to the financial statements. Consolidated financial statements are not presented as the company takes advantage of the exemption afforded by s400 of the Companies Act 2006.

WPP 2005 Limited is a wholly owned subsidiary of WPP plc. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of WPP plc, which includes the Company, is discussed in its Annual Report which does not form part of this Report.

Results and dividends

The audited financial statements for the year ended 31 December 2010 are set out on pages 8 to 21. The Company made a loss on ordinary activities after tax for the year of £73.5 million (2009 - £76.5 million).

No ordinary dividends were paid during the year (2009 - £nil). The amount of unpaid cumulative preference dividends for the year ended 31 December 2010 is £6,000 (2009 - £157).

Risk management and going concern

The principal risks for WPP 2005 Limited are considered to be going concern and liquidity risk. The Company participates in Group Banking arrangements with its ultimate parent WPP plc, and related companies, and has access to a group cash management facility. In considering going concern and liquidity risk, the directors have reviewed the future cash requirements and earnings projections of the Company, along with its parent and related companies. The directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance. The directors have concluded that the Company, along with its parent and related companies, should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future and therefore believe it is appropriate to prepare the financial statements of the Company on a going concern basis.

Directors

The directors who served throughout the year were as follows:

P. Delaney

C. Sweetland

Supplier payment policy

The Company has no trade creditors because it is a holding company and does not generate trading revenues. Accordingly, no disclosure can be made of year-end trade creditor days.

Charitable and political donations

The Company made charitable donations of £284,000 (2009 - £191,000). More detailed information regarding the Company's support of charities is set out in the Group's Corporate Responsibility Report at www.wpp.com. It is the Company's policy not to make payments for political purposes.

Employees

Our non-discrimination policy commits us to select, develop and promote the best people without regard to factors such as race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability. Where existing employees become disabled, our policy is to provide continuing employment and training wherever practicable.

WPP's Code of Business Conduct contains policies on human resource issues, such as harassment and discrimination. Our people can report any concerns or suspected cases of discrimination or misconduct confidentially (and anonymously if desired) through our Right to Speak helpline.

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 s418 of the Companies Act 2006.

Auditors

The directors will propose a resolution at the AGM to re-appoint Deloitte LLP as auditors.

27 Farm Street
London
W1J 5RJ

29 June 2011

By order of the Board

C. Sweetland
Director

Directors' Responsibilities Statement

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the members of WPP 2005 Limited

We have audited the financial statements of WPP 2005 Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.

Chris Brough

Chris Brough (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
30 June 2011

Profit and loss account

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Turnover		-	-
Operating expenses	2	(39.5)	(36.7)
Operating loss		(39.5)	(36.7)
Interest receivable and similar income	5	14.0	49.6
Interest payable and similar charges	5	(54.3)	(88.8)
Loss before taxation		(79.8)	(75.9)
Taxation	6	6.3	(0.6)
Loss for the financial year	16	(73.5)	(76.5)

All results are derived from continuing activities.

There were 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 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Tangible fixed assets	7	4.5	2.5
Investments	8	4,697.2	4,697.8
		4,701.7	4,700.3
Current assets			
Debtors:			
- due within one year	9	165.0	149.4
- due after one year	9	255.7	264.3
Cash at bank and in hand		55.0	54.9
		475.7	468.6
Creditors: amounts falling due within one year	10	(3,441.3)	(3,353.0)
Net current liabilities		(2,965.6)	(2,884.4)
Total assets less current liabilities		1,736.1	1,815.9
Creditors: amounts falling due after more than one year	11	(117.3)	(129.2)
Net assets		1,618.8	1,686.7
Capital and reserves			
Called-up share capital	15	128.9	128.9
Share premium account	16	1,148.6	1,148.6
Other reserves	16	3,566.7	3,566.7
Profit and loss account	16	(3,225.4)	(3,157.5)
Shareholders' funds		1,618.8	1,686.7

The financial statements were approved by the Board of directors and authorised for issue on 29 June 2011.

Signed on behalf of the Board:

C. Sweetland Director

Notes to the financial statements
For the year ended 31 December 2010

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 3.

As at 31 December 2010 the current liabilities of the company exceeded its current assets by £2,965.6m (2009 - £2,884.4m). The company is a subsidiary of WPP plc and is therefore subject to the overall WPP Group financing arrangements.

The Company meets its day to day working capital requirements through participating in group banking arrangements with its ultimate parent, WPP plc, and has access to a group cash management facility.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

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 s400 of the Companies Act 2006 because it is a wholly owned subsidiary of Lexington International B.V. which prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from the requirement of FRS 1 (Revised) to present a cash flow statement.

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.

Investments

Fixed asset investments are stated at cost less provision for impairment.

Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life, as follows:

- Leasehold land and buildings – over the term of the lease or life of the asset, if shorter.
- Fixtures, fittings and equipment – 3-10 years.
- Computer equipment – 3-5 years.

Retirement benefit costs

For defined contribution schemes, contributions are charged to the income statement as payable in respect of the accounting period.

Operating leases

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

Translation of foreign currencies

Foreign currency transactions arising from operating activities are translated from local currency into pounds sterling at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are translated at the period-end exchange rate. Foreign currency gains or losses are credited or charged to the profit and loss account as they arise.

Share-based payments

The company has applied the requirements of FRS 20 to all unvested share-based payments. Certain employees of the company benefit from equity-settled share-based payments through participation in stock option and restricted stock incentive schemes. Such awards are satisfied by the delivery of shares in WPP plc, the ultimate parent undertaking.

Equity-settled share-based payments are measured at fair value (excluding the impact of non market-based vesting conditions) at the date of grant. Fair value is determined by the market price on that date or the application of a Black Scholes model, depending on the characteristics of the scheme concerned. For the years presented, the majority of the charge to the profit and loss account related to schemes where fair value equalled market price since the equity instrument had no restrictions that impact valuation. Market price on any given day is obtained from external, publicly available sources.

The fair value determined at the grant date is recognised in the profit and loss account as an expense on a straight-line basis over the relevant vesting period, based on the company's estimate of the number of shares that will ultimately vest and adjusted for the effect of any other non-market based vesting conditions.

2 Operating costs

Operating costs include:

	2010 £m	2009 £m
Operating costs include:		
Operating lease rentals	6.2	6.4
Auditors' remuneration		
– fees payable for the audit of the annual accounts	0.3	0.4
Charitable donations	0.3	0.2
Investment write-downs	0.6	0.6
Depreciation of property, plant and equipment	1.9	3.7
Net foreign exchange (gains)/losses	(14.6)	(12.2)

Minimum committed annual rentals

Amounts payable in 2011 under the foregoing leases will be as follows:

	Land and buildings	
	2011 £m	2010 £m
In respect of operating leases which expire:		
- within one year	0.1	0.1
- within two to five years	0.3	1.2
- after five years	6.3	4.0
	6.7	5.3

Future minimum annual amounts payable under all lease commitments in existence at 31 December 2010 are as follows:

	Minimum rental payments £m	Less sub-let rentals £m	Net payment £m
Year ending 31 December			
2011	6.7	(5.6)	1.1
2012	6.6	(4.2)	2.4
2013	6.3	(4.0)	2.3
2014	6.3	(4.0)	2.3
2015	6.3	(4.0)	2.3
Later years	22.1	(2.7)	19.4
	54.3	(24.5)	29.8

3 Staff costs

Staff numbers averaged 201 against 191 in 2009. At 31 December 2010 staff numbers were 208 (2009: 183).

Total staff costs were made up as follows:

	2010	2009
	£m	£m
Wages and salaries	14.4	14.3
Cash-based incentive plans	8.0	2.0
Share-based incentive plans	5.6	5.0
Social security costs	1.8	2.0
Other pension costs	1.4	1.4
Other staff costs	3.8	3.2
Total staff costs	35.0	27.9

4 Remuneration of the directors

Remuneration of the directors who were directors during the year ended 31 December 2010 is set out in the table below. All amounts shown constitute the total amounts which the respective director received during 2010 and for the annual bonus and awards of Executive Share Awards (ESAs) in respect of 2010 but received in 2011. No compensation payments for loss of office have been made during 2010 to any individuals who have been directors of the Company.

	Salary and fees		Other benefits[1]		Short-term incentive plans (annual bonus)[2]		Value of ESA		Total annual remuneration		Pension contributions	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total remuneration	465	455	44	44	320	105	233	85	1062	689	72	72
Highest paid director[3]	277	275	22	22	214	69	153	61	666	427	45	45

Notes

[1] Other benefits include items such as healthcare, life assurance, and allowances for cars and housing.

[2] Bonus entitlement for the year (paid in the following year).

[3] The highest paid director did not exercise any share options in the year.

	2010 Number of directors	2009 Number of directors
Directors who are members of a money purchase pension scheme	2	2
Directors who are members of a defined benefit pension scheme	-	-
Directors who exercised options over shares in the company	-	-
Directors who had awards receivable in the form of shares under long-term incentive Scheme	2	2

5 Interest receivable and interest payable

Interest receivable and similar income includes:

	2010 £m	2009 £m
Interest receivable from other group undertakings	7.6	47.1
Bank interest receivable	2.5	0.1
Interest receivable on financial instruments	3.9	2.4
	14.0	49.6

Interest payable and similar charges includes:

	2010 £m	2009 £m
Bank loans and other borrowings	49.7	45.0
Interest payable to other group undertakings	4.6	43.8
Interest payable on financial instruments	-	-
	54.3	88.8

6 Taxation

The corporation tax credit of £6.3m (2009 – £0.6m) comprises:

	2010 £m	2009 £m
Corporation tax at the current rate of 28% (2009 – 28%)	21.9	31.3
Adjustment in respect of group relief for nil consideration/losses carried forward	(21.9)	(31.3)
Consortium relief	0.9	0.5
Prior year adjustment	5.4	(1.1)
	6.3	(0.6)

6 Taxation (continued)

The tax assessed for the year differs from that resulting from applying the current rate of corporation tax in the UK of 28% (2009 – 28%). The differences are explained below:

	2010 £m	2009 £m
Loss on ordinary activities before tax	(79.8)	(75.9)
Tax at the current rate of 28% (2009 – 28%) thereon	22.3	21.3
Factors affecting tax credit for the year:		
Non-deductible expenditure	(0.4)	10.1
Amounts written off investments	(0.2)	(0.2)
Non-taxable dividend income	0.2	0.1
Adjustment in respect of group relief for nil consideration	-	(31.3)
Utilised losses carried forward	(21.9)	-
Consortium relief	0.9	0.5
Prior year adjustment	5.4	(1.1)
Current tax (charge)/credit for the year	6.3	(0.6)

A deferred tax asset of £136.6m (2009: £153.0m) in relation to tax losses has not been recognised. The asset will be recovered if the company makes sufficient profits in the future.

7 Tangible fixed assets

	Leasehold buildings £m	Fixtures, fittings & equipment £m	Computer equipment £m	Total £m
Cost:				
At 1 January 2010	1.5	0.6	42.1	44.2
Additions	0.3	0.1	3.5	3.9
At 31 December 2010	1.8	0.7	45.6	48.1
Depreciation:				
At 1 January 2010	1.5	0.3	39.9	41.7
Charge for the year	0.1	0.1	1.7	1.9
At 31 December 2010	1.6	0.4	41.6	43.6
Net book value:				
At 31 December 2010	0.2	0.3	4.0	4.5
At 1 January 2010	-	0.3	2.2	2.5

8 Fixed asset investments

	Subsidiary undertakings £m	Associated undertakings £m	Other £m	Total £m
Cost:				
At 1 January 2010	8,225.4	10.6	1.3	8,237.3
At 31 December 2010	8,225.4	10.6	1.3	8,237.3
Provision for impairment:				
At 1 January 2010	3,539.5	-	-	3,539.5
Written off	0.6	-	-	0.6
At 31 December 2010	3,540.1	-	-	3,540.1
Net book value:				
At 31 December 2010	4,685.3	10.6	1.3	4,697.2
At 1 January 2010	4,685.9	10.6	1.3	4,697.8

In accordance with the company's accounting policy, the company annually tests the carrying value of investments for impairment. The 2010 impairment review was undertaken as at 31 December 2010. 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 9.58% has been assumed.

Fixed asset investments at 31 December 2010 represent interests in the share capital of the following companies:

Company	Country of incorporation	Activity	Holding	Type
Enduring Organisation	England and Wales	Intermediate holding company	27.7%	Ordinary
WPP AMC Holdings	England and Wales	Intermediate holding company	17.9%	Ordinary
WPP Beans Limited	England and Wales	Intermediate holding company	96.4%	'A' preference
WPP Group (UK) Limited	England and Wales	Intermediate holding company	100%	Preferred ordinary
WPP GUSA UK	England and Wales	Intermediate holding company	53.9%	Ordinary
WPP LN Limited	England and Wales	Intermediate holding company	100%	Ordinary
Syzygy AG	Germany	Interactive marketing	4.8%	Ordinary

9 Debtors

The following are included in debtors:

	2010	2009
	£m	£m
Amounts due from group undertakings	382.4	369.7
VAT	-	1.2
Corporation tax	-	-
Other debtors	38.3	42.8
	420.7	413.7

Included within amounts due from group undertakings are amounts totalling £255.7 million (2009: £264.3 million) which fall due for repayment after more than one year.

10 Creditors: amounts falling due within one year

The following are included in creditors falling due within one year:

	2010	2009
	£m	£m
Bank overdrafts and loans	3,365.8	3,284.4
Amounts due to group undertakings	40.8	46.4
Other taxation and social security	0.7	1.5
VAT	3.4	-
Other creditors and accruals	30.6	20.7
	3,441.3	3,353.0

11 Creditors: amounts falling due after more than one year

The following are included in creditors falling due after more than one year:

	2010	2009
	£m	£m
Amounts due to group undertakings	100.8	100.7
Other creditors and accruals	16.5	28.5
	117.3	129.2

12 Share-based payments

The Company charged £5.6m to the profit and loss account in the year ended 31 December 2010 (2009: £5.0m) in relation to equity-settled share-based payments.

Stock option plans

There are two stock option plans in which certain employees participate. The Worldwide Share Ownership Programme is open to employees with at least two years' employment in a company owned by WPP plc. The vesting period for each grant is three years and there are no performance conditions other than continued employment with a WPP company.

The Executive Stock Option Plan has historically been open for participation to WPP Leaders, Partners and High Potential Group. The vesting period is three years and performance conditions include achievement of various TSR (Total Shareowner Return) and EPS (Earnings per share) objectives by WPP plc, as well as continued employment with a WPP company.

Stock options have a life of ten years, including the vesting period. The terms of stock options with performance conditions are such that, if after nine years and eight months, the performance conditions have not been met, then the stock option will vest automatically. Stock options are satisfied out of newly issued shares in WPP plc.

Since 2005, the Company has moved away from the issuance of stock options, making grants of restricted stock instead. The number of options granted in 2010 and 2009 was not material.

Restricted stock schemes

Certain employees participate in restricted stock schemes, which are in most cases satisfied by the delivery of stock from one of the WPP plc ESOP Trusts. The most significant schemes are:

Executive Share Awards (ESA)

Grants of stock under ESA are dependent upon annual performance targets, typically based on one or more of: consolidated Group operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement, and vest two years after grant date provided the individual concerned is continually employed by a WPP company throughout this time.

Leaders, Partners and High Potential Group

Since 2005, restricted stock grants under this plan have effectively replaced executive stock options. Performance conditions include continued employment over a three-year vesting period.

Special Share Awards

From time to time, one-off awards are made to individuals in the form of restricted stock. Performance conditions include continued employment over the vesting period. As these are one-off awards the vesting period will differ for each award granted.

Renewed LEAP and LEAP III

Under Renewed LEAP and Leap III, the most senior executives of the Group, including certain executive directors, commit WPP shares ('investment shares') in order to have the opportunity to earn additional WPP shares ('matching shares'). The number of matching shares which a participant can receive at the end of the fixed performance of five years is dependent on the performance (based on the Total Share Owner Return (TSR)) of the Company over that period against a comparator group of other listed communications services companies. The maximum possible number of matching shares for each of the 2010, 2009, 2008, 2007 and 2006 grants is five shares for each investment share. The 2006 Renewed LEAP plan vested in March 2011 at a match of 4.14 shares for each investment share.

Grant details

For restricted stock awards, the number of shares granted for the most significant schemes and the weighted average fair value of these grants was as follows:

	2010	2009
ESA		
Number of shares granted	160,030	438,037
Weighted average fair value at grant date	£6.78	£3.86
Leaders, Partners and High Potential Group		
Number of shares granted	127,428	151,999
Weighted average fair value at grant date	£7.25	£5.90
Special Share Awards		
Number of shares granted	2,093	-
Weighted average fair value at grant date	£6.59	-
*Renewed LEAP/LEAP III**		
Number of shares granted	341,683	292,633
Weighted average fair value at grant date	£7.28	£6.11

* The number of shares granted represents the 'investment shares' committed by participants at grant date for the 2010 LEAP III plan in addition to the matched shares awarded on vest date for the 2005 renewed LEAP plan which vested in March 2010. The actual number of shares that vest for each Renewed LEAP/LEAP III plan is dependent on the extent to which the relevant performance criteria are satisfied.

13 Derivatives not included at fair value

The company has the following derivative assets/(liabilities) which are not included at fair value in the accounts:

	Fair value 2010 £m	Fair value 2009 £m
Interest rate swaps	12.7	9.9
Cross currency swaps	(12.9)	(20.5)

The Company uses the derivatives to hedge its exposures to changes in interest rates and foreign currency exchange rates within the WPP Group. The fair values are based on market values of equivalent instruments at the balance sheet date.

14 Pensions

The company contributes to defined contribution schemes. The pension cost for the year is £1.4m (2009: £1.4m). The assets of the schemes are held separately from those of the company in independently administered funds. There are no unpaid contributions at the year end (2009: £nil).

15 Called-up share capital

	2010 £m	2009 £m
Allotted, called-up and fully-paid		
1,287,764,269 (2009 – 1,287,764,269) ordinary shares of 10p each	128.8	128.8
1 (2009 – 1) cumulative preference share of £100,000	0.1	0.1
	128.9	128.9

The amount of unpaid cumulative preference dividends for the year ended 31 December 2010 is £6,000 (2009 - £157).

16 Reserves

The movements during 2010 were as follows:

	Share premium account £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 January 2010	1,148.6	3,566.7	(3,157.5)	1,557.8
Net loss for the year	-	-	(73.5)	(73.5)
Non-cash share-based incentive plans (including stock options)	-	-	5.6	5.6
At 31 December 2010	1,148.6	3,566.7	3,225.4	1,489.9

Other reserves comprise the following:

	Capital reserve £m	Capital redemption reserve £m	Translation reserve £m	Merger reserve £m	Total other reserves £m
At 1 January 2010	127.4	5.0	(37.2)	3,471.5	3,566.7
At 31 December 2010	127.4	5.0	(37.2)	3,471.5	3,566.7

17 Reconciliation of movements in shareholders' funds

	2010 £m	2009 £m
Loss for the financial year	(73.5)	(76.5)
Non-cash share-based incentive plans (including stock options)	5.6	5.0
New shares issued	-	0.1
Net reduction to shareholders' funds	(67.9)	(71.4)
Opening shareholders' funds	1,686.7	1,758.1
Closing shareholders' funds	1,618.8	1,686.7

18 Related party transactions

As a wholly owned subsidiary of WPP plc, the company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by WPP plc.

19 Guarantees and other financial commitments

The Company guarantees a number of Group banking arrangements and other financial commitments on behalf of certain group undertakings.

20 Ultimate parent and controlling party

The directors regard WPP Madrid Square Limited, a company incorporated in England and Wales, as the immediate parent company and WPP plc, a company incorporated in Jersey, as the ultimate parent company and the ultimate controlling party.

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is WPP plc, incorporated in Jersey. The parent undertaking of the smallest such group is Lexington International B.V., incorporated in the Netherlands.

Copies of the financial statements of WPP plc are available at www.wppinvestor.com. Copies of the financial statements of Lexington International B.V. can be obtained from Wilhelminaplein 10, 3072 DE Rotterdam, Netherlands or 27 Farm Street, London, W1J 5RJ, UK.