WPP 2008 Limited

Report and financial statements

31 December 2010

Registered number: 5537577

Contents

Officers and professional advisers

Directors
P. Delaney
A. Scott
C. Sweetland

Secretary
WPP Group (Nominees) Limited

Registered office
27 Farm Street
London
W1J 5RJ

Auditors
Deloitte LLP
Chartered Accountants
London

Directors' report
For the year ended 31 December 2010

The directors present their annual report on the affairs of the Group and Company, together with the audited financial statements and auditors' report for the year ended 31 December 2010.

Principal activities and business review

The Company was incorporated on 16 August 2005 as WPP 2005 plc, and was subsequently renamed WPP Group plc on 25 October 2005, under a scheme of arrangement. At this point the Company became the holding company of the WPP group of companies. The principal activity of the WPP group was, and remains, the provision of marketing and communications services.

During December 2009, a further Group reorganisation resulted in WPP 2008 Limited losing voting control of all of its subsidiaries to other WPP group companies, with the exception of WPP DAS Limited in which it still holds a 100% interest. After this reorganisation the Company retained a 15% voting interest in WPP 2005 Limited and TNS Group Holdings Limited.

With reference to the consolidated income statement on page 9, the disposal of subsidiaries as outlined above resulted in the remaining parts of the Group's operations being classified as discontinued operations in 2009. The Company remains in the WPP group and serves as a financing company.

The financial position of the Group in the consolidated balance sheet reflects the disposal of the subsidiaries during 2009 leaving the assets and liabilities of the Company only, resulting in net assets of £1,254.0 million (2009: £1,376.5 million). The Group and Company form an integral part of the larger WPP group and continues to have the support of WPP plc and its subsidiaries.

WPP 2008 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 Group, is discussed in its Annual Report which does not form part of this Report.

Results and dividends

The audited financial statements are set out on pages 9 to 54. For the year ended 31 December 2010, the consolidated loss on ordinary activities after taxation was £299.2 million (2009: profit of £2,376.7 million). The loss in 2010 includes a charge for the impairment of investments of £189.2 million. In 2009 the profit reflected the £2,475.1 million profit on disposal as a result of the group reorganisation during that year. For the year ended 31 December 2010, the parent Company loss on ordinary activities after taxation was £318.7 million (2009: £1,627.6 million). The loss in 2010 includes a charge for the impairment of investments of £nil (2009: £1,466.1 million).

Results and dividends (continued)

In regards to dividends, income access share arrangements have been put in place by WPP plc. The mechanics of the income access share arrangements mean that WPP plc share owners who hold more than 100,000 shares and who wish to receive their dividend from a UK source must make an election. Share owners who held 100,000 or fewer WPP ordinary shares on the date of admission of the WPP plc's shares to the London Stock Exchange or (if later) on the first dividend record date after they became share owners in the Company, will be automatically deemed to have elected to receive a UK-sourced dividend. All elections remain in force indefinitely unless revoked. Unless WPP plc share owners have made, or are deemed to have made, an election under the Dividend Access Plan, their dividend is paid from an Irish source outside this Group. Where dividends are paid from a UK source, they are paid by WPP DAS Limited.. During 2010 the Group paid £187.0 million (2009 - £167.5 million) in regard to WPP plc dividends under this arrangement. Following the reorganisation, no dividends were paid or declared in 2010 in regards to WPP 2008 Limited shares.

Risk management and financial instruments

The Group's principal risks and risk management policies are set out in note 19 of the financial statements. The Group's financial instruments are set out in note 20 of the financial statements.

Directors

The directors who served throughout the year were as follows:

P. Delaney
A. Scott
C. Sweetland

Supplier payment policy

The Company and Group have no trade creditors as it does not generate trading revenues. Therefore no disclosure can be made of year-end trade creditor days.

Charitable and political donations

In 2010 the Company made no charitable donations (2009: £nil). In total, the group together with the parent company made no charitable donations in 2010 (2009: £540,000). 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.

Going concern

The Group participates in further 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 Group, 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 to factor in an uncertain economic environment. The directors have concluded that the Group, 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 Group on a going concern basis.

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.

By order of the Board

C. Sweetland
Director

30 June 2011

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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company 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 accounts 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 the parent company 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.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the members of WPP 2008 Limited

We have audited the Group and parent company financial statements of WPP 2008 Limited for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Parent Company Balance Sheet and the related notes 1 to 34. The financial reporting framework that has been applied in preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 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 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 parent company 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 Group's and parent 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 Group and parent company financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practices; and
- have been prepared in accordance with the requirements of the Companies Act 2006; and as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters 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.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the group financial statements, the group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements to be audited 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.

Christopher Brough

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

30 June 2011

Consolidated income statement
For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Continuing operations			
Revenue		-	-
Direct costs		-	-
Gross profit		-	-
Operating costs	3	(170.9)	(34.6)
Operating loss		(170.9)	(34.6)
Finance income	6	69.0	136.5
Finance costs	6	(195.5)	(263.4)
Revaluation of financial instruments	6	(1.8)	(6.6)
Loss before taxation		(299.2)	(168.1)
Taxation	7	-	-
Loss for the year from continuing operations		(299.2)	(168.1)
Discontinued operations			
Profit for the year from discontinued operations	8	-	2,544.8
(Loss)/profit for the financial year		(299.2)	2,376.7

Attributable to:		
Equity holders of the parent	(299.2)	2,368.5
Non-controlling interests	-	8.2
	(299.2)	2,376.7

Note
The accompanying notes form an integral part of this consolidated income statement.

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	2010 £m	2009 £m
(Loss)/profit for the year	(299.2)	2,376.7
Exchange adjustments on foreign currency net investments	-	(69.2)
Gain on revaluation of available for sale investments	379.2	482.1
Actuarial loss on defined benefit pension plans	-	(9.4)
Other comprehensive income relating to the year	379.2	403.5
Total comprehensive income relating to the year	80.0	2,780.2
Attributable to:		
Equity holders of the parent	80.0	2,772.0
Non-controlling interests	-	8.2
	80.0	2,780.2

Note

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

Consolidated cash flow statement

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Net cash (outflow)/inflow from operating activities	11	(310.3)	181.0
Investing activities			
Disposal of subsidiaries on reorganisation	23	-	2,657.2
Acquisitions and other disposals	11	20.3	(11.7)
Purchases of property, plant and equipment		-	(16.1)
Purchases of other intangible assets (including capitalised computer software)		-	(7.3)
Proceeds on disposal of property, plant and equipment		-	3.2
Net cash (outflow)/inflow from investing activities		(290.0)	2,806.3
Financing activities			
Net decrease in borrowings	11	-	(876.3)
Financing and share issue costs		-	(18.8)
Equity dividends paid	9	(187.0)	(167.5)
Dividends paid to non-controlling interests in subsidiary undertakings		-	(5.6)
Net cash outflow from financing activities		(187.0)	(1,068.2)
Net (decrease)/increase in cash and cash equivalents		(477.0)	1,738.1
Translation differences		(36.1)	14.6
Cash and cash equivalents at beginning of year		984.5	(768.2)
Cash and cash equivalents at end of year	11	471.4	984.5
Reconciliation of net cash flow to movement in net debt:			
Net (decrease)/increase in cash and cash equivalents		(477.1)	1,738.1
Cash outflow from increase in debt financing		-	895.1
Disposal of debt		-	834.9
Other movements		13.8	(9.2)
Translation difference		(22.9)	301.4
Movement of net debt in the year		(486.2)	3,760.3
Net debt at beginning of year		(651.2)	(4,411.5)
Net debt at end of year	10	(1,137.4)	(651.2)

Note

The accompanying notes form an integral part of this consolidated cash flow statement.

Consolidated balance sheet

At 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Other investments	12	4,056.6	3,883.6
Trade and other receivables	13	97.2	92.3
		4,153.8	3,975.9
Current assets			
Trade and other receivables	13	581.1	609.7
Cash and short-term deposits		848.5	1,241.9
		1,429.6	1,851.6
Current liabilities			
Trade and other payables	14	(2,282.7)	(2,508.6)
Bank overdrafts and loans	16	(377.1)	(257.4)
		(2,659.8)	(2,766.0)
Net current liabilities		(1,230.2)	(914.4)
Total assets less current liabilities		2,923.6	3,061.5
Non-current liabilities			
Bonds and bank loans	16	(1,608.8)	(1,635.7)
Trade and other payables	15	(60.8)	(49.3)
		(1,669.6)	(1,685.0)
Net assets		1,254.0	1,376.5
Equity			
Called-up share capital	21	125.5	125.5
Share premium account		371.1	371.1
Other reserves	22	405.1	41.4
Retained earnings		352.3	838.5
Equity share owners' funds		1,254.0	1,376.5
Total equity		1,254.0	1,376.5

Note

The accompanying notes form an integral part of this consolidated balance sheet.

The financial statements were approved by the Board of directors and authorised for issue on 30 June 2011.

Signed on behalf of the Board:

C. Sweetland Director

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Called-up share capital	Share premium account	Other reserves[1]	Retained earnings	Total equity share owners' funds	Non-controlling interest	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2009	125.5	371.1	290.9	(1,368.2)	(580.7)	19.2	(561.5)
Exchange adjustments on foreign currency net investments	-	-	(69.2)	-	(69.2)	(0.4)	(69.6)
Cumulative exchange differences over foreign currency assets disposed of in the year	-	-	(181.0)	-	(181.0)	-	(181.0)
Net profit for the year	-	-	-	2,368.5	2,368.5	8.2	2,376.7
Dividends paid	-	-	-	(167.5)	(167.5)	(5.6)	(173.1)
Non-cash share-based incentive plans (including stock options)	-	-	-	15.1	15.1	-	15.1
Actuarial loss on defined benefit plans	-	-	-	(9.4)	(9.4)	-	(9.4)
Revaluation of other investments	-	-	482.1	-	482.1	-	482.1
Recognition/remeasurement of financial instruments	-	-	0.7	-	0.7	-	0.7
Impact of Group reorganisation	-	-	(482.1)	-	(482.1)	-	(482.1)
Acquisition of subsidiaries	-	-	-	-	-	(21.4)	(21.4)
Balance at 31 December 2009	125.5	371.1	41.4	838.5	1,376.5	-	1,376.5
Net loss for the year	-	-	-	(299.2)	(299.2)	-	(299.2)
Dividends paid	-	-	-	(187.0)	(187.0)	-	(187.0)
Revaluation of other investments	-	-	379.2	-	379.2	-	379.2
Recognition/remeasurement of financial instruments	-	-	(15.5)	-	(15.5)	-	(15.5)
Balance at 31 December 2010	125.5	371.1	405.1	352.3	1,254.0	-	1,254.0

Note

The accompanying notes form an integral part of this consolidated statement of change in equity.

[1] Other reserves are analysed in note 22.

Total comprehensive income relating to the year ended 31 December 2010 was £80.0 million (2009: £2,780.2 million).

1 Accounting policies

The consolidated financial statements of WPP 2008 Limited and its subsidiary (the Group) for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2010.

The Group's financial statements are also consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The principal accounting policies are set out on the following pages.

Basis of consolidation

The consolidated financial statements include the results of WPP 2008 Limited and all its subsidiary undertakings made up to the same accounting date. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation. The results of subsidiary undertakings acquired or disposed of during the period are included or excluded from the income statement from the effective date of acquisition or disposal. In accordance with the requirements of IFRS 5, the results of the operations disposed of during 2009 have been presented as discontinued operations on the face of the income statement.

Other investments

Other investments are designated as 'available for sale' and are shown at fair value with any movements in fair value taken to equity.

On disposal the cumulative gain or loss previously recognised in equity is included in the profit or loss for the year. Impairment losses recognised in profit or loss for equity investments classified as 'available for sale' are not subsequently reversed through profit or loss.

Foreign currency and interest rate hedging

The Group's policy on interest rate and foreign exchange rate management sets out the instruments and methods available to hedge interest and currency risk exposures and the control procedures in place to ensure effectiveness. The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Foreign currency and interest rate hedging (continued)

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 20 contains details of the fair values of the derivative instruments used for hedging purposes.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow or net investment hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Derecognition of financial liabilities

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, a financial liability of the Group is only released to the income statement when the underlying legal obligation is extinguished.

Bank borrowings

Other interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Borrowing costs

Finance costs of borrowing are recognised in the income statement over the term of those borrowings.

Taxation

Corporate taxes are payable on taxable profits at current rates. The tax expense represents the sum of the tax currently payable and deferred tax.

The tax laws that apply to the Group's subsidiaries may be amended by the relevant tax authorities. Such potential amendments are regularly monitored and adjustments are made to the Group's tax liabilities and deferred tax assets and liabilities where necessary.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Retirement benefit costs

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

For defined benefit plans the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown within finance costs and finance income respectively. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Where defined benefit plans are funded, the assets of the plan are held separately from those of the Group, in separate trustee-administered funds. Pension plan assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Recognition of a surplus in a defined benefit plan is limited based on the economic gain the company is expected to benefit from in the future by means of a refund or reduction in future contributions to the plan, in accordance with IAS 19 Employee Benefits.

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 normal trading activities are recorded at the rates in effect 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. Foreign currency gains and losses are credited or charged to the income statement as they arise.

The income statements of overseas subsidiary undertakings are translated into pounds sterling at average exchange rates and the year-end net assets of these companies are translated at year-end exchange rates.

Exchange differences arising from retranslation of the opening net assets and on foreign currency borrowings (to the extent that they hedge the Group's investment in such operations) are reported in the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Share-based payments

The Group issues equity-settled share-based payments (including share options) to certain employees and accounts for these awards in accordance with IFRS 2 (Share-based payments). Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant.

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

New IFRS accounting pronouncements

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRIC 14 (amended)/IAS 19 (amended): The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments;
- IFRS 7 (amended): Financial Instruments: Disclosure;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Ventures;
- IFRS 12 Disclosure of Involvement with other entities;
- IAS 1 (amended): Presentation of Financial Statements;
- IAS 12 (amended): Income Taxes;
- IAS 24 (revised): Related Party Transactions;
- IAS 32 (amended): Classification of Rights Issues.

New IFRS accounting pronouncements (continued)

The Group does not consider that these Standards and Interpretations will have a significant impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect for periods commencing on or after 1 January 2011.

In the current year IFRS 2 (amended) Share-Based payment became effective. The adoption of this Standard has not led to any changes in the Group's accounting policies.

The Group adopted IFRS 3 (revised) Business Combinations and IAS 27 (revised) Consolidated and Separate Financial Statements during the year. The revisions to these standards applied to business combinations completed after 1 January 2010. The main impact of these revised standards was as follows:

- In the year to 31 December 2010, all acquisition-related costs have been recognised as an operating cost in the income statement whereas previously they were capitalised. Prior periods have not been restated as this change in accounting is required to be applied prospectively from 1 January 2010;
- The term "minority interest" has been changed to "non-controlling interest";
- Equity interests held prior to control being obtained are re-measured to fair value at the acquisition date, with any resulting gain or loss recognised in the income statement. The Group excludes such gains or losses from headline profits;
- Changes in ownership interest in a subsidiary that does not result in a change of control are treated as transactions among equity holders and are reported within equity shareowners' funds. No gain or loss is recognised on such transactions and goodwill is not re-measured; and
- Cash consideration for non-controlling interests is classified as a financing activity rather than an investing activity in the cash flow statement. Prior periods have been restated accordingly as this change in disclosure is required to be applied retrospectively.

Critical judgements in applying accounting policies

Management is required to make key decisions and judgements in the process of applying the Group's accounting policies. The most significant area where such judgements has been necessary is the valuation of investments. Where judgement has been applied, the key factors taken into consideration are disclosed in the accounting policies and the appropriate note in these financial statements.

2 Segment information

The continuing operations of the group represent the activities of the Company only. The Company's operations form a single reportable segment, namely acting as a finance company for the WPP group. All activities are principally undertaken in the United Kingdom.

3 Operating costs

Operating costs over continuing operations include:

	Notes	2010 £m	2009 £m
Total staff costs	4	-	-
Investment write-downs		189.2	-
Other operating costs (net)		(18.3)	34.6
Total operating costs		170.9	34.6
Operating costs include:			
Net foreign exchange (gains)/losses		(16.1)	29.8

Auditors' remuneration:

	2010 £m	2009 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	-	0.1
The audit of the Company's subsidiaries pursuant to legislation	-	4.8
	-	4.9
Fees payable to the auditors pursuant to legislation	-	4.9
Tax advisory services	-	0.5
	-	0.5
Corporate finance services	-	0.2
Other services	-	1.6
Total non-audit fees	-	2.3
Total fees	-	7.2

In 2010 the auditors' remuneration of £15,000 was borne by WPP 2005 Limited, a fellow WPP group company. In 2009, other than the fees payable to the Company's auditors for the audit of the Company's annual accounts, all amounts relate to discontinued operations.

4 Our people

Our staff numbers averaged nil in 2010 against 19,320 in 2009, including acquisitions. The decrease in staff numbers represents the Group reorganisation undertaken in December 2009. Their geographical distribution was as follows:

	2010	2009
UK	-	7,439
Continental Europe	-	4,037
Rest of the World	-	7,844
	-	19,320

Their operating sector distribution was as follows:

	2010	2009
Advertising and Media Investment Management	-	3,131
Consumer Insight	-	13,107
Public Relations & Public Affairs	-	638
Branding & Identity, Healthcare and Specialist Communications	-	2,444
	-	19,320

At the end of 2010 and 2009, excluding directors, there were no employees. This represents the continuing operations of the Company only.

Total staff costs were made up as follows:

	Notes	2010 £m	2009 £m
Staff costs for continuing operations	4	-	-
Staff costs for discontinued operations		-	805.4
Total staff costs		-	805.4

Included above are charges of £nil (2009: £6.1 million) for share-based incentive plans in respect of key management personnel (who comprise the directors of the WPP Group).

5 Remuneration of the directors

The directors received no remuneration during the year for services to the Company. Remuneration of the directors who were directors during the year ended 31 December 2009 is set out in the table below. All amounts shown constitute the total amounts which the respective director received during 2009 and for the annual bonus and awards of ESAs in respect of 2009 but received in 2010. No compensation payments for loss of office have been made during 2009 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
	2009	2009	2009	2009	2009	2009
	£'000	£'000	£'000	£'000	£'000	£'000
Total remuneration	705	65	168	140	1,078	97
Highest paid director[3]	275	22	69	61	427	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	3	3
Directors who are members of a defined benefit pension plan	-	-
Directors who exercised options over shares in the company	-	-
Directors who had awards receivable in the form of shares under long-term incentive Scheme	3	3

6 Finance income, finance costs and revaluation of financial instruments

Finance income over continuing operations includes:

	2010	2009
	£m	£m
Income from available for sale investments	25.2	0.2
Interest income	43.8	136.3
	69.0	136.5

Finance costs over continuing operations include:

	2010	2009
	£m	£m
Interest payable and similar charges[1]	195.5	263.4
	195.5	263.4

Revaluation of financial instruments over continuing operations include:

	2010	2009
	£m	£m
Movements in fair value of treasury instruments	(1.8)	(6.6)
	(1.8)	(6.6)

Note

[1] Interest payable and similar charges are payable on bank overdrafts, bonds and bank loans held at amortised cost.

The majority of the Group's long-term debt is represented by €1,350 million of Eurobonds at an average of 5.63% (prior to any interest rate or currency swaps) and £400 million of sterling bonds at 6.00%.

7 Taxation

The taxation charge/(credit) is based on the profit/(loss) for the year and comprises:

	2010 £m	2009 £m
Tax charge/(credit)		
Continuing operations	-	-
Discontinued operations	-	(4.2)
	-	(4.2)
Corporation tax		
Current year	-	25.5
Prior years	-	(6.4)
	-	19.1
Deferred tax		
Current year	-	(0.2)
Net credit in relation to the amortisation of acquired intangible assets and other goodwill items	-	(24.1)
	-	(24.3)
Prior years	-	1.0
	-	(23.3)
Tax charge/(credit)	-	(4.2)

The tax charge for the year can be reconciled to profit before taxation in the income statement as follows:

	2010 £m	2009 £m
Loss before taxation from continuing operations	(299.2)	(168.1)
Profit before taxation from discontinued operations	-	65.5
Loss before taxation	(299.2)	(102.6)
Tax at the UK corporation tax rate of 28.0% (2009: 28.0%)	(83.8)	(28.7)
Tax effect of share of results of associates	-	(8.1)
Tax effect of items that are not tax deductible/(taxable)	39.2	(6.5)
Group relief for nil consideration	44.6	31.0
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	10.8
Unused tax losses carried forward	-	2.7
Prior period adjustments	-	(5.4)
Tax charge/(credit)	-	(4.2)

7 Taxation (continued)

In 2009 the Group was subject to corporate taxes in a number of different jurisdictions and judgement was required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances the Group recognised liabilities for anticipated taxes based on the best information available and where the anticipated liability was both probable and estimable. Where the final outcome of such matters differed from the amount recorded, any differences may have impacted the income tax and deferred tax provisions in the period in which the final determination was made.

The tax laws that apply to the Group's subsidiaries may be amended by the relevant tax authorities. Such potential amendments are regularly monitored and adjustments are made to the Group's tax liabilities and deferred tax assets and liabilities where necessary.

8 Discontinued operations

The results of the discontinued operations, which were included in the consolidated income statement in 2009 were as follows:

	2009 £m
Revenue	1,471.5
Operating profit	8.6
Share of results of associates	19.6
Profit before interest and taxation	28.2
Net finance income/(costs)	37.3
Profit before taxation	65.5
Taxation	4.2
Profit for the year	69.7
Profit on disposal of discontinued operations (note 23)	2,475.1
Profit for the year from discontinued operations	2,544.8

9 Ordinary dividends

Income access share arrangements have been put in place by WPP plc. The mechanics of the income access share arrangements mean that WPP plc share owners who hold more than 100,000 shares and who wish to receive their dividend from a UK source must make an election. Share owners who held 100,000 or fewer WPP ordinary shares on the date of admission of the WPP plc's shares to the London Stock Exchange or (if later) on the first dividend record date after they became share owners in the Company, will be automatically deemed to have elected to receive a UK-sourced dividend. All elections remain in force indefinitely unless revoked. Unless WPP plc share owners have made, or are deemed to have made, an election under the Dividend Access Plan, their dividend is paid from an Irish source outside this Group. Where dividends are paid from a UK source, they are paid by WPP DAS Limited. During 2010 the Group paid £187.0 million (2009 - £167.5 million) in regard to WPP plc dividends under this arrangement. Following the reorganisation, no dividends were paid or declared in 2010 in regards to WPP 2008 Limited shares.

10 Sources of finance

The following table summarises the equity and debt financing of the Group, and changes during the year:

	Shares		Debt	
	2010	2009	2010	2009
	£m	£m	£m	£m
Analysis of changes in financing				
Beginning of year	496.6	496.6	1,635.7	3,643.3
Net increase in drawings on bank loans, corporate bonds and convertible bonds	-	-	-	(876.3)
Disposals	-	-	-	(834.9)
Net amortisation of financing costs included in net debt	-	-	-	(9.1)
Other movements	-	-	13.8	(0.5)
Exchange adjustments	-	-	(40.7)	(286.8)
End of year	496.6	496.6	1,608.8	1,635.7

Shares

At 31 December 2010, the Company's share base was entirely composed of ordinary equity share capital and share premium of £496.6 million (2009: £496.6 million), further details of which are disclosed in note 21.

Debt

Eurobonds The Group has in issue €750 million of 6.625% bonds due May 2016 and €600 million of 4.375% bonds due December 2013.

Sterling bonds The Group has in issue £400 million of 6.00% bonds due April 2017.

Revolving Credit Facilities The Group has access to a WPP Group $1.6 billion seven-year Revolving Credit Facility due August 2012. The Group did not have any borrowings under these facilities in 2010. The WPP Group had available undrawn committed credit facilities of £1,145 million at December 2010 (2009: £1,335 million).

Borrowings under the Revolving Credit Facilities are governed by certain financial covenants based on the results and financial position of the WPP Group.

10 Sources of finance (continued)

US Commercial Paper Program

The Group has access to a WPP Group $1.4 billion US Commercial Paper Program using the $1.6 billion Revolving Credit Facility as a backstop. There was no US Commercial Paper outstanding at 31 December 2010.

The following table is an analysis of future anticipated cash flows in relation to the Group's debt, on an undiscounted basis which, therefore, differs from the fair value and carrying value:

	2010 £m	2009 £m
Within one year	(89.1)	(91.4)
Between one and two years	(89.1)	(91.4)
Between two and three years	(603.5)	(91.4)
Between three and four years	(66.6)	(623.8)
Between four and five years	(66.6)	(68.1)
Over five years	(1,092.7)	(1,184.0)
Debt financing under the Revolving Credit Facility and in relation to unsecured loan notes	(2,007.6)	(2,150.1)
Short-term overdrafts – within one year	(377.1)	(257.4)
	(2,384.7)	(2,407.5)
Effect of discount/financing rates	398.8	514.4
Debt financing	(1,985.9)	(1,893.1)
Cash and short-term deposits	848.5	1,241.9
Net debt	(1,137.4)	(651.2)

Analysis of fixed and floating rate debt by currency including the effect of interest rate and cross-currency swaps:

2010 Currency		£m	Fixed rate[1]	Floating basis	Period (months)[1]
$	- floating	214.9	n/a	LIBOR	n/a
£	- fixed	200.0	6.00%	n/a	76
	- floating	200.0	n/a	LIBOR	n/a
€	- fixed	642.9	6.63%	n/a	65
	- floating	251.9	n/a	EURIBOR	n/a
¥	- fixed	71.1	2.07%	n/a	36
Other		28.0	n/a	LIBOR	n/a
		1,608.8			

10 Sources of finance (continued)

2009 Currency		£m	Fixed rate[1]	Floating basis	Period (months)[1]
$	- floating	207.5	n/a	LIBOR	n/a
£	- fixed	200.0	6.00%	n/a	88
	- floating	200.0	n/a	LIBOR	n/a
€	- fixed	665.5	6.63%	n/a	77
	- floating	260.8	n/a	EURIBOR	n/a
¥	- fixed	59.8	2.07%	n/a	48
Other		42.1	n/a	LIBOR	n/a
		1,635.7			

Note
[1]Weighted average. These rates do not include the effect of gains on interest rate swap terminations that are written to income over the life of the original instrument.

The following table is an analysis of future anticipated cash flows in relation to the Group's financial derivatives, which include interest rate and foreign exchange swaps:

2010	Financial liablities		Financial assets	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	17.2	8.7	37.6	61.2
Between one and two years	9.7	9.7	20.9	40.7
Between two and three years	305.7	219.1	703.6	776.4
Between three and four years	89.6	67.8	74.4	92.6
Between four and five years	-	-	7.7	10.8
Over five years	-	-	212.5	221.6
	422.2	305.3	1,056.7	1,203.3

2009	Financial liablities		Financial assets	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	209.0	205.8	17.5	42.7
Between one and two years	11.5	11.5	29.1	45.2
Between two and three years	14.5	13.7	37.4	46.5
Between three and four years	291.9	222.3	795.8	871.0
Between four and five years	95.0	67.8	77.3	89.1
Over five years	-	-	225.1	232.4
	621.9	521.1	1,182.2	1,326.9

11 Analysis of cash flows

The following table analyses the items included within the main cash flow headings on page 11:

Net cash from operating activities:

	2010 £m	2009 £m
(Loss)/profit for the year	(299.2)	2,376.7
Profit on disposal of discontinued operations	-	(2,475.1)
Taxation	-	(4.2)
Net finance costs	126.5	96.2
Share of results of associates	-	(19.6)
Operating loss	(172.7)	(26.0)
Adjustments for:		
Non-cash share-based incentive plans (including share options)	-	15.1
Depreciation of property, plant and equipment	-	31.6
Impairment of goodwill	-	3.7
Amortisation and impairment of acquired intangible assets	-	74.2
Amortisation of other intangible assets	-	7.9
Investment write-downs	189.2	4.0
(Gains)/losses on disposal of investments	(2.4)	0.2
Gains on sale of property, plant and equipment	-	(0.1)
Operating cash flow before movements in working capital and provisions	14.1	110.6
Increase in inventories and work in progress	-	(17.7)
Decrease/(increase) in receivables	24.1	(296.2)
(Decrease)/increase in payables - short term	(299.4)	673.8
Decrease in payables - long term	-	(54.8)
Decrease in provisions	-	(12.8)
Cash used in operations	(261.2)	402.9
Corporation and overseas tax paid	-	(20.6)
Interest and similar charges paid	(114.8)	(456.7)
Interest received	40.5	243.2
Investment income	25.2	0.4
Dividends from associates	-	11.8
Net cash (outflow)/inflow from operating activities	(310.3)	181.0

11 Analysis of cash flows (continued)

Acquisitions and disposals:

	2010 £m	2009 £m
Initial cash consideration	(1.3)	(8.1)
Earnout payments	-	(8.4)
Proceeds on disposal of investments	21.6	4.8
Net cash outflow	20.3	(11.7)

Net decrease in borrowings:

	2010 £m	2009 £m
Decrease in drawings on bank loans	-	(1,068.0)
Proceeds from issue of $600 million bonds	-	367.4
Repayment of TNS debt	-	(175.7)
Net cash outflow	-	(876.3)

Cash and cash equivalents:

	2010 £m	2009 £m
Cash at bank and in hand	848.5	1,241.9
Overdrafts[1]	(377.1)	(257.4)
Cash and cash equivalents at end of year	471.4	984.5

Note
[1] Bank overdrafts are included in cash and cash equivalents because they form an integral part of the Group's cash management.

The Group considers that the carrying amount of cash and cash equivalents approximates their fair value.

12 Other investments

The movements in 2010 and 2009 were as follows:

	2010 £m	2009 £m
At beginning of year	3,883.6	4,120.4
Exchange adjustments	-	(4.5)
Additions	2.2	-
Disposals	(19.2)	(898.4)
Reclassification on disposal	-	188.0[1]
Revaluation of other investments	379.2	482.1
Amortisation of other intangible assets	-	-
Write-downs	(189.2)	(4.0)
At end of year	**4,056.6**	**3,883.6**

Note

[1] Includes shares in other WPP group companies with a fair value of £101.7 million in consideration for disposals in the year.

Other investments represent investments in WPP 2005 Limited and TNS Group Holdings Limited. The carrying value of these investments represent the fair value and are reviewed for impairment on the basis of quoted market prices of WPP plc adjusted to represent the structure of the Group.

13 Trade and other receivables

The following are included in trade and other receivables:

Amounts falling due within one year:

	2010 £m	2009 £m
Prepayments and accrued income	6.3	10.3
Amounts due from group undertakings	562.3	595.5
Other debtors	12.5	3.9
	581.1	609.7

The ageing of our other financial assets is as follows:

	Carrying amount at 31 December 2010	Neither past due nor impaired	Past due but not impaired				
			0 – 30 days	31 – 90 days	91 – 180 days	181 days – 1 year	Greater than 1 year
	£m	£m	£m	£m	£m	£m	£m
Other financial assets	562.3	562.3	-	-	-	-	-
	562.3	562.3	-	-	-	-	-

	Carrying amount at 31 December 2009	Neither past due nor impaired	Past due but not impaired				
			0 – 30 days	31 – 90 days	91 – 180 days	181 days – 1 year	Greater than 1 year
	£m	£m	£m	£m	£m	£m	£m
Other financial assets	595.5	595.5	-	-	-	-	-
	595.5	595.5	-	-	-	-	-

Past due amounts are not impaired where collection is still considered likely.

13 Trade and other receivables (continued)

Amounts falling due after more than one year:

	2010	2009
	£m	£m
Fair value of derivatives	97.2	92.3
	97.2	92.3

The Group considers that the carrying amount of trade and other receivables approximates their fair value.

14 Trade and other payables: amounts falling due within one year

The following are included in trade and other payables falling due within one year:

	2010	2009
	£m	£m
Amounts due to group undertakings	2,234.9	2,455.1
Other creditors and accruals	47.8	53.5
	2,282.7	2,508.6

The Group considers that the carrying amount of trade and other payables approximates their fair value.

15 Trade and other payables: amounts falling due after more than one year

The following are included in trade and other payables falling due after more than one year:

	2010	2009
	£m	£m
Fair value of derivatives	60.8	49.3
	60.8	49.3

The Group considers that the carrying amount of trade and other payables approximates their fair value.

16 Bank overdrafts, bonds and bank loans

Amounts falling due within one year:

	2010	2009
	£m	£m
Bank overdrafts	377.1	257.4
	377.1	257.4

The Group considers that the carrying amount of overdrafts and short-term borrowings approximates their fair value.

Amounts falling due after more than 1 year:

	2010	2009
	£m	£m
Corporate bonds and bank loans	1,608.8	1,635.7

The Group estimates that the fair value of corporate bonds is £1,692.0 million at 31 December 2010 (2009: £1,674.3 million).

The corporate bonds, convertible bonds, bank loans and overdrafts included within creditors fall due for repayment as follows:

	2010	2009
	£m	£m
Within one year	377.1	257.4
Between one and two years	-	-
Between two and three years	-	-
Between three and four years	539.2	554.3
Between four and five years	-	-
Over five years	1,069.6	1,081.4
	1,985.9	1,893.1

17 Share-based payments

No charges for share-based incentive plans over continuing operations were incurred for both the year ended 31 December 2010 and 31 December 2009. Share-based payments over discontinued operations for the year ended 31 December 2009 were £15.1 million.

Share-based payments comprise charges for stock options and restricted stock awards to employees of the Group.

As of 31 December 2010, there was no total unrecognised compensation cost related to the Group's restricted stock plans. Further information on stock options is provided in note 21.

17 Share-based payments (continued)

Restricted stock plans

In 2009 the Group operated a number of equity-settled share incentive schemes, in most cases satisfied by the delivery of stock from one of the Group's ESOP Trusts. The most significant current schemes were as follows:

Renewed Leadership Equity Acquisition Plan (Renewed LEAP) and Leadership Equity acquisition Plan III (LEAPIII)

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 period 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 2009, 2008, 2007, 2006 and 2005 grants is five shares for each investment share. The 2005 Renewed LEAP plan vested in March 2010 at a match of 2.5 shares for each investment share.

Performance Share Awards (PSA)

Grants of stock under PSA are dependent upon annual performance targets, typically based on one or more of: 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 the Group throughout this time.

Leaders, Partners and High Potential Group

Stock option grants under the executive stock option plan were not significant in 2009, 2008 or 2007 as the Group made grants of restricted stock (to be satisfied by stock from one of the Group's ESOP trusts) to participants instead. Performance conditions include continued employment over the three-year vesting period.

Valuation methodology

For all of these schemes, the valuation methodology is based upon fair value on grant date, which is determined by the market price on that date or the application of a Black-Scholes model, depending upon the characteristics of the scheme concerned. The assumptions underlying the Black-Scholes model are detailed in note 21, including details of assumed dividend yields. Market price on any given day is obtained from external, publicly available sources.

Market/Non-market conditions

Most share-based plans are subject to non-market performance conditions, such as margin or growth targets, as well as continued employment. The Renewed LEAP and LEAP III schemes are subject to a number of performance conditions, including TSR, a market-based condition.

For schemes without market-based performance conditions, the valuation methodology above is applied and, at each year end, the relevant accrual for each grant is revised, if appropriate, to take account of any changes in estimate of the likely number of shares expected to vest.

17 Share-based payments (continued)

For schemes with market-based performance conditions, the probability of satisfying these conditions is assessed at grant date through a statistical model (such as the Monte Carlo Model) and applied to the fair value. This initial valuation remains fixed throughout the life of the relevant plan, irrespective of the actual outcome in terms of performance. Where a lapse occurs due to cessation of employment, the cumulative charge taken to date is reversed.

The total fair value of shares vested for all the Group's restricted stock plans during the year ended 31 December 2010 was £nil (2009: £12.6 million).

18 Provision for post-employment benefits

No pension costs are incurred by the Company in 2010 as there are no pension plans in the Company. In 2009 companies that were within the WPP 2008 Limited Group operated a large number of pension plans, the forms and benefits of which vary with conditions and practices in the countries concerned. WPP 2008 Limited's pension costs were analysed as follows:

	2010 £m	2009 £m
Defined contribution plans	-	21.2
Defined benefit plans charge to operating profit	-	1.8
Pension costs	-	23.0
Expected return on pension plan assets	-	(13.8)
Interest on pension plan liabilities	-	17.1
	-	(26.3)

Defined benefit plans

The pension costs are assessed in accordance with the advice of local independent qualified actuaries. The latest full actuarial valuations for the various plans were carried out as at various dates in the previous three years. These valuations have been generally updated by the local independent qualified actuaries to 31 December 2009.

Contributions to funded plans were determined in line with local conditions and practices. Contributions in respect of unfunded plans were paid as they fell due. The total contributions (for funded plans) and benefit payments (for unfunded plans) paid for 2010 amounted to £nil million (2009: £16.9 million, 2008: £41.9 million).

18 Provision for post-employment benefits (continued)

(a) Assumptions

The main weighted average assumptions used for the actuarial valuations at 31 December are shown in the following table:

	2010 %pa	2009 %pa	2008 %pa	2007 %pa
UK				
Discount rate	-	5.7	6.0	5.8
Rate of increase in salaries	-	3.5	3.0	4.8
Rate of increase in pensions in payment	-	4.2	3.9	4.1
Inflation	-	3.5	2.8	3.3
Expected rate of return on equities	-	7.5	7.3	7.3
Expected rate of return on bonds[1]	-	4.8	4.9	5.3
Expected rate of return on insured annuities	-	5.7	6.0	5.8
Expected rate of return on property	-	6.9	6.9	5.0
Expected rate of return on cash and other	-	4.4	4.9	4.8
Weighted average return on assets	-	5.6	5.7	5.8
North America				
Discount rate	-	5.7	6.3	6.1
Rate of increase in salaries	-	3.0	3.0	4.6
Inflation	-	2.5	2.5	2.5
Expected rate of return on equities	-	7.9	7.9	7.9
Expected rate of return on bonds[1]	-	4.7	5.1	5.1
Expected rate of return on cash and other	-	6.6	3.4	3.0
Weighted average return on assets	-	6.5	6.6	6.7
Western Continental Europe				
Discount rate	-	5.5	5.7	5.5
Rate of increase in salaries	-	2.7	2.8	2.9
Rate of increase in pensions in payment	-	2.0	2.1	2.1
Inflation	-	2.1	2.1	2.2
Expected rate of return on equities	-	7.8	7.2	7.2
Expected rate of return on bonds[1]	-	4.1	4.5	4.5
Expected rate of return on property	-	6.5	6.0	5.5
Expected rate of return on cash and other	-	4.6	5.3	4.3
Weighted average return on assets	-	5.1	5.3	5.3
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe				
Discount rate	-	4.2	3.4	3.9
Rate of increase in salaries	-	4.2	3.9	4.0
Inflation	-	4.9	4.5	4.6
Expected rate of return on equities	-	10.1	10.0	10.0
Expected rate of return on bonds[1]	-	8.2	5.3	6.2
Expected rate of return on cash and other	-	1.1	2.1	1.6
Weighted average return on assets	-	3.6	3.1	3.7

Note

[1] Expected rate of return on bonds assumptions reflect the yield expected on actual bonds held, whereas the discount rate assumptions are based on high-quality corporate bond yields.

18 Provision for post-employment benefits (continued)

(a) Assumptions (continued)

There are a number of areas in the pension accounting that involve judgements made by management. These include establishing the long-term expected rates of investment return on pension assets, mortality assumptions, discount rates, inflation, rate of increase in pensions in payment and salary increases.

For WPP 2008 Limited's plans, the plans' assets were invested with the objective of being able to meet current and future benefit payment needs, while controlling balance sheet volatility and future contributions. Plan assets were invested with a number of investment managers, and assets diversified among equities, bonds, insured annuities, property and cash or other liquid investments. The primary use of bonds as an investment class was to match the anticipated cash flows from the plans to pay pensions. Various insurance policies had also been bought historically to provide a more exact match for the cash flows, including a match for the actual mortality of specific plan members. These insurance policies effectively provided protection against both investment fluctuations and longevity risks. The strategic target allocation varied among the individual plans.

Management considers the types of investment classes in which our pension plan assets were invested and the expected compound return that can reasonably be expected for the portfolio to earn over time, which reflects forward-looking economic assumptions.

Management reviewed the expected long-term rates of return on an annual basis and revised them as appropriate.

Also, management periodically commissioned detailed asset and liability studies performed by third-party professional investment advisors and actuaries, which generated probability-adjusted expected future returns on those assets. These studies also projected the estimated future pension payments and evaluated the efficiency of the allocation of our pension plan assets into various investment categories. The studies performed at the time these assumptions were set support the reasonableness of our return assumptions based on the target allocation of investment classes and the then current market conditions.

At 31 December 2009, the life expectancies underlying the value of the accrued liabilities for the main defined benefit pension plans operated by WPP 2008 Limited were as follows:

Years life expectancy after age 65	All plans	North America	UK	Western Continental Europe	Asia Pacific
– current pensioners – male	20.5	19.6	22.3	18.5	19.3
– current pensioners – female	22.5	21.6	23.7	21.9	24.7
– future pensioners (current age 45) – male	21.9	21.1	23.5	20.4	19.3
– future pensioners (current age 45) – female	23.7	22.5	25.0	23.4	24.9

18 Provision for post-employment benefits (continued)

(b) Assets and liabilities

At 31 December 2009, the fair value of the assets in the plans, and the assessed present value of the liabilities in the plans were £nil million. The total fair value of assets, present value of plan liabilities, and deficit in the plans were £278.7 million, £327.0 million and £48.3 million in 2008, £504.0 million, £637.6 million and £133.6 million in 2007, and £470.4 million, £657.0 million and £186.6 million in 2006, respectively.

(c) Pension expense

The following table shows the breakdown of the pension expense between amounts charged to operating profit, amounts charged to finance income and finance costs and amounts recognised in the statement of comprehensive income (OCI):

	2010 £m	2009 £m
WPP 2008 Limited		
Current service cost	-	1.8
Past service cost	-	-
Gain on settlements and curtailments	-	-
Charge to operating profit	-	1.8
Expected return on pension plan assets	-	(13.8)
Interest on pension plan liabilities	-	17.1
Charge to profit before taxation for defined benefit plans	-	5.1
Gain on pension plan assets relative to expected return	-	13.0
Experience losses arising on the plan liabilities	-	(3.5)
Changes in assumptions underlying the present value of the plan liabilities	-	(18.8)
Change in irrecoverable surplus	-	(0.1)
Actuarial loss recognised in OCI	-	(9.4)

Movements in exchange rates are included in exchange adjustments on foreign currency net investments in OCI.

18 Provision for post-employment benefits (continued)

(d) Movement in plan obligations

The following table shows an analysis of the movement in the plan obligations for each accounting period:

	2010 £m	2009 £m
Change in benefit obligation		
Benefit obligation at beginning of year	-	327.0
Service cost	-	1.8
Interest cost	-	17.1
Plan participants' contributions	-	0.3
Actuarial loss	-	22.3
Benefits paid	-	(15.8)
Gain due to exchange rate movements	-	(2.2)
Disposals	-	(351.8)
Reclassification	-	1.3
Benefit obligation at end of year	-	-

The reclassifications represent certain of WPP 2008 Limited's defined benefit plans which are included in this note for the first time in the periods presented.

(e) Movement in plan assets

The following table shows an analysis of the movement in the plan assets for each accounting period:

	2010 £m	2009 £m
Change in plan assets		
Fair value of plan assets at beginning of year	-	278.7
Expected return on plan assets	-	13.8
Actuarial gain on plan assets	-	13.0
Employer contributions	-	16.9
Plan participants' contributions	-	0.3
Benefits paid	-	(15.8)
Loss due to exchange rate movements	-	(1.2)
Disposals	-	(306.5)
Reclassification	-	0.8
Settlements	-	-
Fair value of plan assets at end of year	-	-
Actual return on plan assets	-	**26.8**

18 Provision for post-employment benefits (continued)

(f) History of experience gains and losses

	2010 £m	2009 £m
Gain on pension plan assets relative to expected return:		
Amount	-	13.0
Percentage of plan assets	-	n/a
Experience loss arising on the plan liabilities:		
Amount		
Percentage of the present value of the plan liabilities	-	(3.5)
	-	n/a
Total loss recognised in OCI:		
Amount	-	(9.4)
Percentage of the present value of the plan liabilities	-	n/a

The experience (losses)/gains on pension plan assets and plan liabilities were £(94.2) million and £4.4 million in 2008 and £(6.0) million and £0.1 million in 2007, respectively.

19 Risk management policies

Foreign currency risk

The Group's results in pounds sterling are subject to fluctuation as a result of exchange rate movements. The Group does not hedge this translation exposure to its earnings but does hedge the currency element of its net assets using foreign currency borrowings, cross-currency swaps and forward foreign exchange contracts.

The WPP Group effects these currency net asset hedges by borrowing in the same currencies as the operating (or 'functional') currencies of its main operating units. As a financing company of the WPP Group, the majority of the Company's debt is denominated in US dollars, pounds sterling and euros. Borrowings in these currencies represented 95.5% of the Company's gross indebtedness at 31 December 2010 (at $335 million, £400 million and €1,044 million) and 93.9% of the Company's average gross debt during the course of 2010 (at $698 million, £703 million and €1,044 million).

The WPP Group's operations conduct the majority of their activities in their own local currency and consequently the Group has no significant transactional foreign exchange exposures. Any significant cross-border trading exposures in the WPP Group are hedged by the use of forward foreign-exchange contracts. No speculative foreign exchange trading is undertaken.

Interest rate risk

The Group is exposed to interest rate risk on both interest-bearing assets and interest-bearing liabilities. The Group has a policy of actively managing its interest rate risk exposure while recognising that fixing rates on all its debt eliminates the possibility of benefiting from rate reductions and similarly, having all its debt at floating rates unduly exposes the Group to increases in rates.

19 Risk management policies (continued)

Including the effect of interest rate and cross-currency swaps, 50.0% of the year end sterling net debt is at a fixed rate of 6.00% for an average period of 76 months; and 71.8% of the euro net debt is at fixed rates averaging 6.63% for an average period of 65 months.

Other than fixed rate debt, the Group's other fixed rates are achieved principally through interest rate swaps with the WPP Group's bankers. The Group also uses forward rate agreements and interest rate caps to manage exposure to interest rate changes. At 31 December 2010 no forward rate agreements or interest rate caps were in place. These interest rate derivatives are used only to hedge exposures to interest rate movements arising from the WPP Group's borrowings and surplus cash balances arising from its commercial activities and are not traded independently. Payments made under these instruments are accounted for on an accruals basis.

Going concern and liquidity risk

The Group participates in further 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 Group, 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 Group, 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 Group on a going concern basis.

Given the debt maturity profile (note 10) and available facilities, the directors believe the Group has sufficient liquidity to match its requirements for the foreseeable future.

Treasury activities

WPP 2008 Limited, as one of the WPP Group's financing companies, is principally concerned with managing external and internal funding requirements and the monitoring and management of financial market risks, in particular interest rate and foreign exchange exposures.

The Group, along with its parent and related companies, manages liquidity risk by ensuring continuity and flexibility of funding even in difficult market conditions. Undrawn committed borrowing facilities for the WPP Group are maintained in excess of peak net-borrowing levels and debt maturities are closely monitored. Targets for average net debt are set on an annual basis and, to assist in meeting this, working capital targets are set for all the WPP Group's major operations.

Capital risk management

The WPP Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 10, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 21 and 22.

19 Risk management policies (continued)

Credit risk

The Group's principal financial assets are cash and short-term deposits, and investments, the carrying values of which represent the Group's maximum exposure to credit risk in relation to financial assets, as shown in note 20.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or banks that have been financed by their government.

Sensitivity analysis

The following sensitivity analysis addresses the effect of currency and interest rate risks on the Group's financial instruments. The analysis assumes that all hedges are highly effective.

Currency risk

A 10% weakening of sterling against the Group's major currencies would result in the following losses, which would be posted directly to equity. These losses would arise on the retranslation of foreign currency denominated borrowings and derivatives. A 10% strengthening of sterling would have an equal and opposite effect. There are no other material foreign exchange exposures which would create gains or losses to the functional reporting currencies of individual entities in the Group.

	2010	2009
	£m	£m
US Dollar	23.9	23.1
Euro	99.4	102.9

Interest rate risk

A one percentage point increase in market interest rates for all currencies in which the Group had cash and borrowings at 31 December 2010 would decrease profit before tax by approximately £2.0 million (2009: increase of £2.5 million). A one percentage point decrease in market interest rates would have an equal and opposite effect. This has been calculated by applying the interest rate change to the Group's floating rate cash and borrowings.

20 Financial instruments

Currency derivatives

The WPP Group utilises currency derivatives to hedge significant future transactions and cash flows and the exchange risk arising on translation of the WPP Group's investments in foreign operations. The Group is a party to a variety of foreign currency derivatives in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the WPP Group's principal markets.

At 31 December 2010, the fair value of the Group's currency derivatives is estimated to be a net liability of approximately £28.0 million (2009: £9.6 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £32.8 million (2009: £39.7 million) assets included in trade and other receivables and £60.8 million (2009: £49.3 million) liabilities included in trade and other payables.

Changes in the fair value relating to the ineffective portion of the currency derivatives amounted to a gain of of £1.7 million (2009: charge of £9.6 million) which is included in the revaluation of financial instruments for the year. This gain resulted from a £18.4 million loss on hedging instruments and a £20.1 million gain on hedged items.

The WPP Group currently designates the Group's foreign currency-denominated debt and cross-currency swaps as hedging instruments against the currency risk associated with the translation of its foreign operations.

At the balance sheet date, the total nominal amount of outstanding forward foreign exchange contracts not designated as hedges was £21.4 million (2009: £200.2 million). The Group estimates the fair value of these contracts is £0.1 million (2009: £3.0 million).

These arrangements are designed to address significant exchange exposure and are renewed on a revolving basis as required.

Interest rate swaps

The Group uses interest rate swaps as hedging instruments in fair value hedges to manage its exposure to interest rate movements on its borrowings. Contracts with nominal values of €600 million have fixed interest receipts at 4.38% up until December 2013 and have floating interest payments averaging EURIBOR plus 0.56%.

Contracts with a nominal value of £200 million have fixed interest receipts of 6.00% up until April 2017 and have floating rate payments averaging LIBOR plus 0.64%.

The fair value of interest rate swaps entered into at 31 December 2010 is estimated to be a net asset of approximately £64.5 million (2009: £52.5 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £64.5 million (2009: £52.5 million) assets included in trade and other receivables and £nil (2009: £nil million) liabilities included in trade and other payables.

Changes in the fair value relating to the ineffective portion of interest rate swaps amounted to a charge of £0.5million (2009: gain of £2.1 million) which is included in the revaluation of financial instruments for the year. This charge resulted from a £12.2 million gain on hedging instruments and a £12.7 million loss on hedged items.

20 Financial instruments (continued)

An analysis of the Group's financial assets and liabilities by accounting classification is set out below:

	Derivatives in designated hedge relationships	Loans & receivables	Available for sale	Amortised cost	Carrying value
	£m	£m	£m	£m	£m
2010					
Other investments	-	-	4,056.6	-	4,056.6
Cash and short-term deposits	-	848.5	-	-	848.5
Bank overdrafts and loans	-	-	-	(377.1)	(377.1)
Bonds and bank loans	-	-	-	(1,608.8)	(1,608.8)
Trade and other receivables: amounts falling due within one year	-	562.3	-	-	562.3
Trade and other payables: amounts falling due within one year	-	-	-	(2,234.9)	(2,234.9)
Derivative assets	97.2	-	-	-	97.2
Derivative liabilities	(60.8)	-	-	-	(60.8)
	36.4	1,410.8	4,056.6	(4,220.8)	1,283.0

	Derivatives in designated hedge relationships	Held for trading	Loans & receivables	Available for sale	Amortised cost	Carrying value
	£m	£m	£m	£m	£m	£m
2009						
Other investments	-	-	-	3,883.6	-	3,883.6
Cash and short-term deposits	-	-	1,241.9	-	-	1,241.9
Bank overdrafts and loans	-	-	-	-	(254.7)	(254.7)
Bonds and bank loans	-	-	-	-	(1,635.7)	(1,635.7)
Trade and other receivables: amounts falling due within one year	-	-	595.5	-	-	595.5
Trade and other payables: amounts falling due within one year	-	-	-	-	(2,459.1)	(2,459.1)
Derivative assets	92.3	3.0	-	-	-	95.3
Derivative liabilities	(49.3)	-	-	-	-	(49.3)
	43.0	3.0	1,837.4	3,883.6	(4,349.5)	1,417.5

20 Financial instruments (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £m	Level 2 £m	Level 3 £m	Carrying value £m
2010				
Derivatives in designated hedge relationships				
Derivative assets	-	97.2	-	97.2
Derivative liabilities	-	(60.8)	-	(60.8)
Available for sale				
Other investments	-	4,056.6	-	4,056.6
	-	4,093.0	-	4,093.0

	Level 1 £m	Level 2 £m	Level 3 £m	Carrying value £m
2009				
Derivatives in designated hedge relationships				
Derivative assets	-	92.3	-	92.3
Derivative liabilities	-	(49.3)	-	(49.3)
Held for trading				
Derivative assets	-	3.0	-	3.0
Available for sale				
Other investments	-	3,883.6	-	3,883.6
	-	3,929.6	-	3,929.6

The fair value of financial assets and liabilities are based on quoted market prices where available. Where the market value is not available, the Group has estimated relevant fair values on the basis of publicly available information from outside sources or on the basis of discounted cashflow models where appropriate.

21 Authorised and issued share capital

	Equity ordinary shares of 10p each	Nominal value £m	Deferred non-voting shares of 10p each	Nominal value £m	Special voting share of £1	Nominal value £m
Authorised						
At 1 January 2009	1,749,999,970	175.0	20	0.0	1	0.0
At 31 December 2009	1,749,999,970	175.0	20	0.0	1	0.0
At 31 December 2010	1,749,999,970	175.0	20	0.0	1	0.0
Issued and fully paid						
At 1 January 2009	1,255,293,436	125.5	20	0.0	1	0.0
At 31 December 2009	1,255,293,436	125.5	20	0.0	1	0.0
At 31 December 2010	1,255,293,436	125.5	20	0.0	1	0.0

Share options

At 31 December 2010 and 31 December 2009 there were no outstanding share options. No share options were issued in 2010.

In 2009 the weighted average fair value of options granted calculated using the Black-Scholes model, was as follows:

	2009
Fair value of UK options (shares)	115.3p
Fair value of US options (ADRs)	$9.08
Weighted average assumptions:	
UK Risk-free interest rate	2.28%
US Risk-free interest rate	1.85%
Expected life (months)	48
Expected volatility	30%
Dividend yield	2.5%

Options were issued at an exercise price equal to market value on the date of grant. The weighted average share price of WPP plc for the year ended 31 December 2009 was £4.72.

Expected volatility is sourced from external market data and represents the historic volatility in the Group's share price over a period equivalent to the expected option life.

Expected life is based on a review of historic exercise behaviour in the context of the contractual terms of the options.

22 Other reserves

Other reserves comprise the following:

	Revaluation reserve £m	Capital redemption reserve £m	Translation reserve £m	Total other reserves £m
1 January 2010	33.5	11.4	(3.5)	41.4
Revaluation of other investments	379.2	-	-	379.2
Recognition and remeasurement of financial instruments during the year	-	-	(15.5)	(15.5)
31 December 2010	**412.7**	**11.4**	**(19.0)**	**405.1**

23 Disposals

As referred to in note 9, during 2009, the Group disposed of a number of subsidiaries to other companies within the WPP plc group. The results for these companies for the previous financial year to the date of disposal are disclosed in note 9. The net assets of these companies at the disposal date were as follows:

	£m
Goodwill	1,298.5
Other intangible assets	731.8
Investments	1,033.0
Property, plant and machinery	137.2
Other non-current assets	107.2
Current assets	2,992.1
Total assets	6,299.8
Current liabilities	6,611.1
Non-current liabilities	1,255.1
Total Liabilities	7,866.2
Net liabilities at disposal	(1,566.4)
Non-controlling interests	(17.2)
Cumulative exchange differences over foreign currency assets	(181.0)
Cumulative revaluation reserve	(483.8)
Investment retained on Group reorganisation[1]	(86.1)
Net liabilities disposed of	(2,334.5)
Profit on disposal	2,475.1
Total consideration[2]	140.6
Net cash arising on disposal:	
Net cash consideration	38.9
Cash less overdrafts disposed of	2,618.3
	2,657.2

Notes

[1] The Group retained a 15% voting interest in WPP 2005 Limited and TNS Group Holdings Limited after the Group reorganisation. These are valued at fair value and are included in other investments on the balance sheet.

[2] Consideration arising on the disposal of a number of subsidiaries during the year included shares with a value of £101.7 million and net cash of £38.9 million.

24 Related party transactions

During the year the Group entered into a number of transactions with other companies under the control of WPP plc, the Company's ultimate parent. In 2009 this included the disposal of subsidiaries as shown in note 30. Further transactions are summarised below:

Amounts included in the results of discontinued operations:

	2009
	£m
Sale of services	36.6
Purchase of services	31.9
Finance income	100.8
Finance costs	157.7

Amounts included in the results of continuing operations:

	2010	2009
	£m	£m
Finance income	17.7	101.6
Finance costs	86.0	120.5

The following amounts were outstanding at the balance sheet date:

	2010	2009
	£m	£m
Amounts due from related parties	562.3	595.5
Amounts due to related parties	2,234.9	2,455.1

Company balance sheet

As at 31 December 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Investments	26	3,490.9	3,507.9
		3,490.9	3,507.9
Current assets			
Debtors	27	591.3	615.5
Cash at bank and in hand		848.5	1,241.9
		1,439.8	1,857.4
Creditors: amounts falling due within one year	28	(2,661.6)	(2,766.0)
Net current liabilities		(1,221.8)	(908.6)
Total assets less current liabilities		2,269.1	2,599.3
Creditors: amounts falling due after more than one year	29	(1,576.1)	(1,587.6)
Net assets		693.0	1,011.7
Capital and reserves			
Called-up share capital	30	125.5	125.5
Share premium account	30	371.1	371.1
Other reserves	30	31.1	31.1
Profit and loss account	30	165.4	484.0
Equity share owners' funds		693.0	1,011.7

Note

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

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2011.

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As provided by Section 408, Companies Act 2006, the profit and loss account for the Company has not been presented.

Included within the consolidated income statement for the year ended 31 December 2010 is a loss of £318.7 million (2009: £1,627.6 million) related to the Company.

25 Accounting policies

The principal accounting policies of WPP 2008 Limited (the Company) are summarised below. These accounting policies have all been applied consistently throughout the year and preceding year.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 2006.

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 Lexington International B.V. which prepares consolidated financial statements which are publicly available.

b) Translation of foreign currency

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.

c) Investments

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

d) 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.

26 Fixed asset investments

The following are included in the net book value of fixed asset investments:

	£m
Cost:	
1 January 2010	7,537.2
Additions	189.2
Disposals	(19.2)
31 December 2010	7,707.2
Provision for impairment	
1 January 2010	4,029.3
Charge for the year	187.0
31 December 2010	4,216.3
Net book value:	
31 December 2010	3,490.9
31 December 2009	3,507.9

Fixed asset investments primarily represent 100% of the issued ordinary share capital of WPP 2005 Limited (carrying 15% of overall voting rights), a company incorporated in England and Wales,100% of the issued ordinary share capital of TNS Group Holdings Limited (carrying 15% of overall voting rights), a Company incorporated in England and Wales, and 100% of the issued ordinary share capital of WPP DAS Limited (carrying 100% of overall voting rights), a company incorporated in England and Wales. WPP 2005 Limited was purchased in a share-for-share exchange.

During the year the Company made an investment in WPP DAS Limited for cash consideration. Further investments were also made in TNS Group Holdings Limited for cash consideration.

27 Debtors

The following are included in debtors:

	2010	2009
	£m	£m
Amounts owed by group undertakings	562.3	595.5
Prepayments and accrued income	29.0	20.0
	591.3	615.5

28 Creditors: amounts falling due within one year

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

	2010	2009
	£m	£m
Bank loans and overdrafts	377.1	257.4
Amounts due to group undertakings	2,234.9	2,455.1
Other creditors and accruals	49.6	53.5
	2,661.6	2,766.0

29 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
Corporate bonds and bank loans	1,576.1	1,587.6

The aggregate amount falling due after more than five years is £1,039.0 million.

The Company has in issue €750 million of 6.625% bonds due 2016, €600 million of 4.375% bonds due 2013, and £400 million of 6% bonds due 2017.

30 Equity share owners' funds

Movements during the period were as follows:

	Ordinary share capital	Share premium account	Other reserves	Profit and loss account
	£m	£m	£m	£m
At 1 January 2010	125.5	371.1	31.1	484.0
Loss for the financial year	-	-	-	(318.7)
At 31 December 2010	125.5	371.1	31.1	165.3

Other reserves at 31 December 2010 comprise a capital redemption reserve of £11.4 million (2009: £11.4 million) and a merger reserve of £19.7 million (2009: £19.7 million).

At 31 December 2010 the Company has no distributable reserves (2009: £295.6 million). Further details of the Company's share capital is shown in note 21.

Notes to the Company balance sheet (continued)

As at 31 December 2010

31 Equity share owners' funds (continued)

Reconciliation of movements in equity share owners' funds for the year ended 31 December 2010:

	2010 £m	2009 £m
Loss for the financial year	(318.7)	(1,627.6)
Net reductions to equity share owners' funds	(318.7)	(1,627.6)
Opening equity share owners' funds	1,011.7	2,639.3
Closing equity share owners' funds	693.0	1,011.7

32 Guarantees and other financial commitments

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

33 Related party transactions

The company has taken advantage of the exemptions available under paragraph 3 of FRS 8 'Related party disclosures', not to disclose transactions with other group companies, as the company is a wholly owned subsidiary undertaking and is consolidated into the financial statements of its ultimate parent undertaking, WPP plc.

34 Ultimate parent and controlling party

The directors regard WPP Ireland Holdings Limited, a company incorporated in the Republic of Ireland, 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.