

WPP 2008 Limited

Report and financial statements

31 December 2011

Registered number: 5537577

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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 and Statutory Auditors
London

Directors' report

For the year ended 31 December 2011

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 2011.

Principal activities and business review

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

The Company holds a 100% interest in WPP DAS Limited as well as a 15% voting interest in WPP 2005 Limited and TNS Group Holdings Limited. 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 8 to 39. For the year ended 31 December 2011, the consolidated loss on ordinary activities after taxation was £1,054.1 million (2010 - £299.2 million). The loss in 2011 includes a charge for the impairment of investments of £949.2 million (2010 - £189.2 million). For the year ended 31 December 2011, the parent company loss on ordinary activities after taxation was £320.1 million (2010 - £318.7 million). The loss in 2011 includes a charge for the impairment of investments of £nil (2010 - £nil).

With 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 2011 the Group paid £200.4 million (2010 - £187.0 million) in regard to WPP plc dividends under this arrangement. No dividends were paid or declared in 2011 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 14 of the financial statements. The Group's financial instruments are set out in note 15 of the financial statements.

Directors

The directors who served throughout the year were as follows:

P. Delaney
A. Scott
C. Sweetland

Directors' report (continued)

For the year ended 31 December 2011

Supplier payment policy

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

Charitable and political donations

In 2011 the Company made no charitable donations (2010: £nil). In total, the Group together with the parent company made no charitable donations in 2011 (2010: £nil). 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.

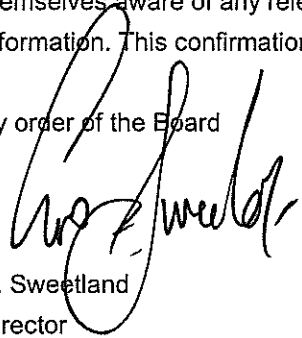
Going concern

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 the 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

23 June 2012

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and 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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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.

Independent auditors' report

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 2011 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 27. 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 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 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 the 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditors' report (continued)

Opinion on financial statements

In our opinion:

- the 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 2011 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 complying with its legal obligation to comply with 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:

Under Companies Act 2006 we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



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

22 June 2012

Consolidated income statement

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Revenue		-	-
Direct costs		-	-
Gross profit		-	-
Operating costs	3	(940.4)	(170.9)
Operating loss		(940.4)	(170.9)
Finance income	4	74.2	69.0
Finance costs	4	(190.7)	(195.5)
Revaluation of financial instruments	4	2.8	(1.8)
Loss before taxation		(1,054.1)	(299.2)
Taxation	5	-	-
Loss for the year		(1,054.1)	(299.2)

Note

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

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	2011 £m	2010 £m
Loss for the year	<u>(1,054.1)</u>	<u>(299.2)</u>
(Loss)/gain on revaluation of available for sale investments	<u>(710.3)</u>	<u>379.2</u>
Other comprehensive (loss)/income relating to the year	<u>(1,764.4)</u>	<u>379.2</u>
Total comprehensive (loss)/income relating to the year	<u>(1,764.4)</u>	<u>80.0</u>

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 2011

	Notes	2011 £m	2010 £m
Net cash outflow from operating activities	8	<u>(391.2)</u>	<u>(310.3)</u>
Investing activities			
Acquisitions and disposals	8	<u>-</u>	<u>20.3</u>
Net cash inflow from investing activities		<u>-</u>	<u>20.3</u>
Financing activities			
Proceeds on issue of shares		555.1	-
Equity dividends paid	6	<u>(200.4)</u>	<u>(187.0)</u>
Net cash inflow/(outflow) from financing activities		<u>354.7</u>	<u>(187.0)</u>
Net decrease in cash and cash equivalents		(36.5)	(477.0)
Translation differences		9.7	(36.1)
Cash and cash equivalents at beginning of year		<u>471.4</u>	<u>984.5</u>
Cash and cash equivalents at end of year	8	<u>444.6</u>	<u>471.4</u>
Reconciliation of net cash flow to movement in net debt:			
Net decrease in cash and cash equivalents		(36.5)	(477.1)
Other movements		(6.8)	(13.8)
Translation difference		<u>38.9</u>	<u>4.7</u>
Movement of net debt in the year		(4.4)	(486.2)
Net debt at beginning of year		<u>(1,137.4)</u>	<u>(651.2)</u>
Net debt at end of year	7	<u>(1,141.8)</u>	<u>(1,137.4)</u>

Note

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

Consolidated balance sheet

At 31 December 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Other investments	9	2,397.1	4,056.6
Trade and other receivables	10	101.1	97.2
		<u>2,498.2</u>	<u>4,153.8</u>
Current assets			
Trade and other receivables	10	479.7	581.1
Cash and short-term deposits		1,068.0	848.5
		<u>1,547.7</u>	<u>1,429.6</u>
Current liabilities			
Trade and other payables	11	(1,934.9)	(2,282.7)
Bank overdrafts and loans	13	(623.4)	(377.1)
		<u>(2,558.3)</u>	<u>(2,659.8)</u>
Net current liabilities		<u>(1,010.6)</u>	<u>(1,230.2)</u>
Total assets less current liabilities		<u>1,487.6</u>	<u>2,923.6</u>
Non-current liabilities			
Bonds and bank loans	13	(1,586.4)	(1,608.8)
Trade and other payables	12	(65.7)	(60.8)
		<u>(1,652.1)</u>	<u>(1,669.6)</u>
Net (liabilities)/assets		<u>(164.5)</u>	<u>1,254.0</u>
Equity			
Called-up share capital	16	125.5	125.5
Share premium account		926.2	371.1
Other reserves	17	(314.0)	405.1
Retained earnings		(902.2)	352.3
Equity share owners' funds		<u>(164.5)</u>	<u>1,254.0</u>
Total equity		<u>(164.5)</u>	<u>1,254.0</u>

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 ~~28~~ June 2012.

Signed on behalf of the Board:

C. Sweetland

Director

Consolidated statement of changes in equity

For the year ended 31 December 2011

	Called-up share capital £m	Share premium account £m	Other reserves ¹ £m	Retained earnings £m	Total equity share owners' funds £m
Balance at 1 January 2010	125.5	371.1	41.4	838.5	1,376.5
Net loss for the year	-	-	-	(299.2)	(299.2)
Dividends paid	-	-	-	(187.0)	(187.0)
Revaluation of other investments	-	-	379.2	-	379.2
Recognition/remeasurement of financial instruments	-	-	(15.5)	-	(15.5)
Balance at 31 December 2010	125.5	371.1	405.1	352.3	1,254.0
Ordinary shares issued	-	555.1	-	-	555.1
Net loss for the year	-	-	-	(1,054.1)	(1,054.1)
Dividends paid	-	-	-	(200.4)	(200.4)
Revaluation of other investments	-	-	(710.3)	-	(710.3)
Recognition/remeasurement of financial instruments	-	-	(8.8)	-	(8.8)
Balance at 31 December 2011	125.5	926.2	(314.0)	(902.2)	(164.5)

Note

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

¹ Other reserves are analysed in note 17.

Total comprehensive loss relating to the year ended 31 December 2011 was £1,764.4 million (2010: income of £80.0 million).

Notes to the consolidated financial statements

For the year ended 31 December 2011

1 Accounting policies

The consolidated financial statements of WPP 2008 Limited and its subsidiary (the Group) for the year ended 31 December 2011 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 2011.

The Group's financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis of preparation

The consolidated 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 consolidated income statement from the effective date of acquisition or disposal.

Going concern

The Group'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 2011 the liabilities of the Group exceed its total assets by £164,500,000. After making enquiries, the directors have a reasonable expectation that the Group 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.

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.

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

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 15 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 consolidated 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 consolidated income statement when the underlying legal obligation is extinguished.

Other debt

Other interest-bearing debt is recorded at the proceeds received, net of direct issue costs.

Borrowing costs

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

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 consolidated 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.

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 consolidated income statement as they arise.

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 consolidated 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

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:

- IFRS 7 (amended): Financial Instruments: Disclosures;
- IFRS 9: Financial Instruments;
- IFRS 10: Consolidated Financial Statements;
- IFRS 11: Joint Arrangements;
- IFRS 12: Disclosure of Interests in Other Entities;
- IFRS 13: Fair Value Measurement;
- IAS 1 (amended): Presentation of Financial Statements;
- IAS 12 (amended): Income Taxes;
- IAS 19 (amended): Employee Benefits;
- IAS 27 (revised): Separate Financial Statements;
- IAS 28 (revised): Investments in Associates and Joint Ventures; and
- IAS 32 (amended): Financial Instruments: Presentation.

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.

In the current year, the following Standards and Interpretations became effective:

- IAS 24 (revised): Related Party Transactions;
- IAS 32 (amended): Classification of Rights Issues.
- 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;

The adoption of these Standards and Interpretations has not led to any change in the Group's accounting policies.

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

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 include:

	2011	2010
	£m	£m
Investment write-downs	949.2	189.2
Other operating costs (net)	(8.8)	(18.3)
Total operating costs	<u>940.4</u>	<u>170.9</u>
Operating costs include:		
Net foreign exchange gains	<u>(8.8)</u>	<u>(16.1)</u>

The directors received no remuneration during the year (2010 - £nil) for services to the Company. The Company had no other employees during either the current or preceding year. All operating expenses, for the current and preceding year, including the auditors' remuneration of £15,000 (2010 - £15,000), were borne by WPP 2005 Limited, a fellow group company.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

4 Finance income, finance costs and revaluation of financial instruments

Finance income includes:

	2011	2010
	£m	£m
Income from available for sale investments	10.0	25.2
Interest income	64.2	43.8
	<u>74.2</u>	<u>69.0</u>

Finance costs include:

	2011	2010
	£m	£m
Interest payable and similar charges ¹	190.7	195.5
	<u>190.7</u>	<u>195.5</u>

Revaluation of financial instruments² include:

	2011	2010
	£m	£m
Movements in fair value of treasury instruments	2.8	(1.8)
	<u>2.8</u>	<u>(1.8)</u>

Note

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

² Financial instruments are held at fair value through profit and loss.

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%.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

5 Taxation

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

	2011 £m	2010 £m
Tax charge	-	-

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

	2011 £m	2010 £m
Loss before taxation	(1,054.1)	(299.2)
Tax at the blended rate of 26.5% (2010: 28.0%)	(279.3)	(83.8)
Tax effect of items that are not tax deductible/(taxable)	244.9	39.2
Group relief for nil consideration	34.4	44.6
Tax charge/(credit)	-	-

6 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 2011 the Group paid £200.4 million (2010 - £187.0 million) in regard to WPP plc dividends under this arrangement. No dividends were paid or declared in 2011 in regards to WPP 2008 Limited shares.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

7 Sources of finance

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

	Shares		Debt	
	2011 £m	2010 £m	2011 £m	2010 £m
Analysis of changes in financing				
Beginning of year	496.6	496.6	1,608.8	1,635.7
Ordinary shares issued	555.1	-	-	-
Other movements	-	-	6.8	13.8
Exchange adjustments	-	-	(29.2)	(40.7)
End of year	<u>1,051.7</u>	<u>496.6</u>	<u>1,586.4</u>	<u>1,608.8</u>

Note

The above table excludes bank overdrafts which fall within cash and cash equivalents for the purposes of the consolidated cash flow statement.

Shares

At 31 December 2011, the Company's share base was entirely composed of ordinary equity share capital and share premium of £1,051.7 million (2010: £496.6 million), further details of which are disclosed in note 16.

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% bonds due April 2017.

Revolving Credit Facilities The Group has access to a WPP Group five-year Revolving Credit Facility of \$1.05 billion and £375 million due November 2016, signed in November 2011. The Group did not have any borrowings under these facilities in 2011. The WPP Group had available undrawn committed credit facilities of £972 million at 31 December 2011 (2010: £1,145 million).

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

US Commercial Paper Program

The Group has access to a WPP Group commercial paper program operated using the Revolving Credit Facility as a backstop. There was no US Commercial Paper outstanding at 31 December 2011.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

7 Sources of finance (continued)

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:

	2011 £m	2010 £m
Within one year	(87.5)	(89.1)
Between one and two years	(588.8)	(89.1)
Between two and three years	(65.5)	(603.5)
Between three and four years	(65.5)	(66.6)
Between four and five years	(668.0)	(66.6)
Over five years	(408.0)	(1,092.7)
Debt financing in relation to unsecured loan notes	(1,883.3)	(2,007.6)
Short-term overdrafts – within one year	(623.4)	(377.1)
	(2,506.7)	(2,384.7)
Effect of discount/financing rates	296.9	398.8
Debt financing	(2,209.8)	(1,985.9)
Cash and short-term deposits	1,068.0	848.5
Net debt	(1,141.8)	(1,137.4)

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

2011		Fixed rate ¹	Floating basis	Period (months) ¹
Currency	£m			
\$ - floating	216.0	n/a	LIBOR	n/a
£ - fixed	200.0	6.00%	n/a	64
- floating	200.0	n/a	LIBOR	n/a
€ - fixed	626.7	6.63%	n/a	53
- floating	245.6	n/a	EURIBOR	n/a
¥ - fixed	75.4	2.07%	n/a	24
Other	22.7	n/a	LIBOR	n/a
	1,586.4			

Note

¹Weighted 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

7 Sources of finance (continued)

2010		Fixed	Floating	Period
Currency	£m	rate ¹	basis	(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			

Note

¹Weighted 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:

2011	Financial liabilities		Financial assets	
	Payable	Receivable	Payable	Receivable
	£m	£m	£m	£m
Within one year	9.3	9.1	42.9	65.7
Between one and two years	303.8	216.4	728.7	804.7
Between two and three years	87.8	67.8	70.2	92.4
Between three and four years	-	-	2.9	10.8
Between four and five years	-	-	3.6	10.8
Over five years	-	-	201.8	210.8
	400.9	293.3	1,050.1	1,195.2

2010	Financial liabilities		Financial assets	
	Payable	Receivable	Payable	Receivable
	£m	£m	£m	£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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

8 Analysis of cash flows

The following table analyses the items included within the main cash flow headings on page 10:

Net cash from operating activities:

	2011 £m	2010 £m
Loss for the year	(1,054.1)	(299.2)
Revaluation of financial instruments	(2.8)	1.8
Finance costs	(74.2)	(69.0)
Finance income	190.7	195.5
Operating profit/(loss)	(940.4)	(170.9)
Adjustments for:		
Investment write-downs	949.2	189.2
Gains on disposal of investments	-	(2.4)
Foreign exchange differences	(8.7)	-
Operating cash flow before movements in working capital and provisions	0.1	15.9
Decrease in receivables	76.8	24.1
Decrease in payables - short term	(395.1)	(301.2)
Cash used in operations	(318.2)	(261.2)
Interest and similar charges paid	(122.4)	(114.8)
Interest received	39.4	40.5
Investment income	10.0	25.2
Net cash outflow from operating activities	(391.2)	(310.3)

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

6 Analysis of cash flows (continued)

Acquisitions and disposals:

	2011 £m	2010 £m
Initial cash consideration	-	(1.3)
Proceeds on disposal of investments	-	21.6
Net cash outflow	-	20.3

Cash and cash equivalents:

	2011 £m	2010 £m
Cash at bank and in hand	1,068.0	848.5
Overdrafts ¹	(623.4)	(377.1)
Cash and cash equivalents at end of year	444.6	471.4

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.

9 Other investments

The movements in 2011 and 2010 were as follows:

	2011 £m	2010 £m
At beginning of year	4,056.6	3,883.6
Additions	-	2.2
Disposals	-	(19.2)
Revaluation of other investments	(710.3)	379.2
Write-downs	(949.2)	(189.2)
At end of year	2,397.1	4,056.6

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 apportioned using the share of group profit streams of the investments above.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

10 Trade and other receivables

The following are included in trade and other receivables:

Amounts falling due within one year:

	2011 £m	2010 £m
Prepayments and accrued income	6.3	6.3
Amounts due from group undertakings	409.7	562.3
Other debtors	63.7	12.5
	<u>479.7</u>	<u>581.1</u>

The ageing of other financial assets is as follows:

	Carrying amount at 31 December 2011	Neither past due nor impaired	Past due but not impaired					Greater than 1 year
			0 – 30 days	31 – 90 days	91 – 180 days	181 days – 1 year		
			£m	£m	£m	£m	£m	
Other financial assets	409.7	409.7	-	-	-	-	-	
	409.7	409.7	-	-	-	-	-	

	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	£m	£m	£m
Other financial assets	562.3	562.3	-	-	-	-	-
	562.3	562.3	-	-	-	-	-

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

10 Trade and other receivables (continued)

Amounts falling due after more than one year:

	2011	2010
	£m	£m
Fair value of derivatives	101.1	97.2
	<u>101.1</u>	<u>97.2</u>

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

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

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

	2011	2010
	£m	£m
Amounts due to group undertakings	1,887.6	2,234.9
Other creditors and accruals	47.3	47.8
	<u>1,934.9</u>	<u>2,282.7</u>

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

12 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:

	2011	2010
	£m	£m
Fair value of derivatives	65.7	60.8
	<u>65.7</u>	<u>60.8</u>

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

13 Bank overdrafts, bonds and bank loans

Amounts falling due within one year:

	2011	2010
	£m	£m
Bank overdrafts	623.4	377.1
	<u>623.4</u>	<u>377.1</u>

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:

	2011	2010
	£m	£m
Corporate bonds and bank loans	1,586.4	1,608.8
	<u>1,586.4</u>	<u>1,608.8</u>

The Group estimates that the fair value of corporate bonds is £1,662.6 million at 31 December 2011 (2010: £1,692.0 million).

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

	2011	2010
	£m	£m
Within one year	623.4	377.1
Between one and two years	521.5	-
Between two and three years	-	539.2
Between three and four years	-	-
Between four and five years	624.6	-
Over five years	440.3	1,069.6
	<u>2,209.8</u>	<u>1,985.9</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

14 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 95.2% of the Company's gross indebtedness at 31 December 2011 (at \$335 million, £400 million and €1,044 million) and 95.6% of the Company's average gross debt during the course of 2011 (at \$335 million, £400 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.

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 64 months; and 71.8% of the euro net debt is at fixed rates averaging 6.63% for an average period of 53 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 2011 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 Group's future cash requirements and earnings projections, 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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

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 the going concern basis. Given the debt maturity profile (note 13) 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 7, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 16 and 17.

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 15.

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

14 Risk management policies (continued)

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.

	2011	2010
	£m	£m
US Dollar	24.0	23.9
Euro	96.9	99.4

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 2011 would decrease profit before tax by approximately £2.2 million (2010: £2.0 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.

15 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 2011, the fair value of the Group's currency derivatives is estimated to be a net liability of approximately £36.7 million (2010: £28.0 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £29.0 million (2010: £32.8 million) assets included in trade and other receivables and £65.7 million (2010: £60.8 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 loss of £0.2 million (2010: gain of £1.7 million) which is included in the revaluation of financial instruments for the year. This loss resulted from a £8.7 million loss on hedging instruments and a £8.5 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 £21.8 million (2010: £21.4 million). The Group estimates the fair value of these contracts is £0.9 million (2010: £0.1 million).

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

15 Financial instruments (continued)

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 2011 is estimated to be a net asset of approximately £72.1 million (2010: £64.5 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £72.1 million (2010: £64.5 million) assets included in trade and other receivables and £nil (2010: £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 gain of £2.1 million (2010: loss of £0.5 million) which is included in the revaluation of financial instruments for the year. This gain resulted from a £7.9 million gain on hedging instruments and a £5.8 million loss on hedged items.

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

	Derivatives in designated hedge relationships	Held for trading	Loans & receivables	Available for sale	Amortised cost	Carrying value
	£m	£m	£m	£m	£m	£m
2011						
Other investments	-	-	-	2,397.1	-	2,397.1
Cash and short-term deposits	-	-	1,068.0	-	-	1,068.0
Bank overdrafts and loans	-	-	-	-	(623.4)	(623.4)
Bonds and bank loans	-	-	-	-	-	-
Trade and other receivables: amounts falling due within one year	-	-	409.7	-	-	409.7
Trade and other payables: amounts falling due within one year	-	-	-	-	(1,887.6)	(1,887.6)
Derivative assets	101.1	0.9	-	-	-	102.0
Derivative liabilities	(65.7)	-	-	-	-	(65.7)
	<u>35.4</u>	<u>0.9</u>	<u>1,477.7</u>	<u>2,397.1</u>	<u>(2,511.0)</u>	<u>1,400.1</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

15 Financial instruments (continued)

	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)
	<u>36.4</u>	<u>1,410.8</u>	<u>4,056.6</u>	<u>(4,220.8)</u>	<u>1,283.0</u>

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
2011				
Derivatives in designated hedge relationships				
Derivative assets	-	101.1	-	101.1
Derivative liabilities	-	(65.7)	-	(65.7)
Held for trading				
Derivative assets	-	0.9	-	0.9
Available for sale				
Other investments	-	2,397.1	-	2,397.1
	<u>-</u>	<u>2,433.4</u>	<u>-</u>	<u>2,433.4</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

15 Financial instruments (continued)

	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
	<u>-</u>	<u>4,093.0</u>	<u>-</u>	<u>4,093.0</u>

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.

16 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 2010	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
At 31 December 2011	1,749,999,970	175.0	20	0.0	1	0.0
Issued and fully paid						
At 1 January 2010	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
Ordinary shares issued	2	-	-	-	-	-
At 31 December 2011	1,255,293,438	125.5	20	0.0	1	0.0

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2011

17 Other reserves

Other reserves comprise the following:

	Revaluation reserve £m	Capital redemption reserve £m	Translation reserve £m	Total other reserves £m
1 January 2011	412.7	11.4	(19.0)	405.1
Revaluation of other investments	(710.3)	-	-	(710.3)
Recognition and remeasurement of financial instruments	-	-	(8.8)	(8.8)
31 December 2011	<u>(297.6)</u>	<u>11.4</u>	<u>(27.8)</u>	<u>(314.0)</u>

18 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. These transactions are summarised below:

	2011 £m	2010 £m
Finance income	41.1	17.7
Finance costs	<u>77.0</u>	<u>86.0</u>

The following amounts were outstanding at the balance sheet date:

	2011 £m	2010 £m
Amounts due from related parties	409.7	562.3
Amounts due to related parties	<u>1,887.6</u>	<u>2,234.9</u>

Company balance sheet

As at 31 December 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Investments	20	3,490.9	3,490.9
		<u>3,490.9</u>	<u>3,490.9</u>
Current assets			
Debtors	21	488.7	591.3
Cash at bank and in hand		1,068.0	848.5
		<u>1,556.7</u>	<u>1,439.8</u>
Creditors: amounts falling due within one year	22	(2,559.7)	(2,661.6)
Net current liabilities		<u>(1,003.0)</u>	<u>(1,221.8)</u>
Total assets less current liabilities		2,487.9	2,269.1
Creditors: amounts falling due after more than one year	23	(1,559.9)	(1,576.1)
Net assets		<u>928.0</u>	<u>693.0</u>
Capital and reserves			
Called-up share capital	24	125.5	125.5
Share premium account	24	926.2	371.1
Other reserves	24	31.1	31.1
Profit and loss account	24	(154.8)	165.3
Equity share owners' funds		<u>928.0</u>	<u>693.0</u>

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 28 June 2012.

P. Delaney

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 2011 is a loss of £320.1 million (2010: £318.7 million) related to the Company.

Notes to the Company balance sheet

As at 31 December 2011

19 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) Debt

Interest-bearing debt is recorded at the proceeds received, net of direct issue costs.

c) Borrowing costs

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

d) 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.

e) Investments

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

f) 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.

Notes to the Company balance sheet (continued)

As at 31 December 2011

20 Fixed asset investments

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

Cost:	£m
1 January 2011	7,707.2
Additions	200.4
31 December 2011	<u>7,907.6</u>
 Provision for impairment	
1 January 2011	4,216.3
Charge for the year	200.4
31 December 2011	<u>4,416.7</u>
 Net book value:	
31 December 2011	<u>3,490.9</u>
31 December 2010	<u>3,490.9</u>

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.

21 Debtors

The following are included in debtors:

	2011	2010
	£m	£m
Amounts owed by group undertakings	409.7	562.3
Other debtors	79.0	29.0
	<u>488.7</u>	<u>591.3</u>

Notes to the Company balance sheet (continued)

As at 31 December 2011

22 Creditors: amounts falling due within one year

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

	2011	2010
	£m	£m
Bank loans and overdrafts	623.4	377.1
Amounts due to group undertakings	1,887.6	2,234.9
Other creditors and accruals	48.7	49.6
	<u>2,559.7</u>	<u>2,661.6</u>

23 Creditors: amounts falling due after more than one year

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

	2011	2010
	£m	£m
Corporate bonds	<u>1,559.9</u>	<u>1,576.1</u>

The aggregate amount falling due after more than five years is £398.9 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.

24 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 2011	125.5	371.1	31.1	165.3
Ordinary shares issued	-	555.1	-	-
Loss for the year	-	-	-	(320.1)
At 31 December 2011	<u>125.5</u>	<u>926.2</u>	<u>31.1</u>	<u>(154.8)</u>

Other reserves at 31 December 2011 comprise a capital redemption reserve of £11.4 million (2010: £11.4 million) and a merger reserve of £19.7 million (2010: £19.7 million).

At 31 December 2011 the Company has no distributable reserves (2010: £nil). Further details of the Company's share capital is shown in note 16.

Notes to the Company balance sheet (continued)

As at 31 December 2011

24 Equity share owners' funds (continued)

Reconciliation of movements in equity share owners' funds for the year ended 31 December 2011:

	2011	2010
	£m	£m
Loss for the year	(320.1)	(318.7)
Ordinary shares issued	555.1	-
Net addition/(reduction) to equity share owners' funds	235.0	(318.7)
Opening equity share owners' funds	693.0	1,011.7
Closing equity share owners' funds	928.0	693.0

25 Guarantees and other financial commitments

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

26 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.

27 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 Laan op Zuid 167, 3072 DB Rotterdam, Netherlands or 27 Farm Street, London, W1J 5RJ, UK.