

**MILLWARD BROWN UK LIMITED**

**Report and Financial Statements**

**31 December 2004**



**REPORT AND FINANCIAL STATEMENTS 2004**

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**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company continues to be that of a market research agency.

The results for 2004 represented a good achievement in difficult market conditions. Trading conditions are expected to continue to be difficult, but there are signs that the market is improving. The directors do not foresee that the trading performance will deteriorate in 2005.

**RESULTS AND DIVIDENDS**

Turnover for the year was £105.4 million (2003 - £79.4 million) on which a profit before taxation of £27.0 million (2003 - £13.7 million) was recorded. Profit before taxation includes an exceptional profit on the sale of the Company's investment in Millward Brown SRL as detailed in note 4 to the financial statements

Dividends of £22.0 million were proposed and paid in the year (2003 - £13.6 m). The profit transferred to reserves in the year was £4.4 million (2003- £0.8 m).

**DIRECTORS AND THEIR INTERESTS**

The directors of the company during the year were as follows:

- R D Finnigan
- S M Gardiner
- S L Potter
- M S Sorrell
- S M Thompson

The beneficial interests of directors, who held office at 31 December 2004, in the 10p ordinary shares and other securities of the ultimate parent company, WPP Group Plc, are set out below:

	Ordinary shares	
	2004	2003
	Number	Number
S M Gardiner	10,411	14,348
S L Potter	20,575	21,715
S M Thompson	300	300
	<u>          </u>	<u>          </u>

In addition, certain directors hold interests in restricted shares of WPP Group Plc under the terms of a Long Term Incentive Plan and deferred bonus plan. The directors' interests in shares held under the terms of these plans are set out below:

	Ordinary shares	
	2004	2003
	Number	Number
S M Gardiner	16,208	6,226
S L Potter	17,523	6,757
R D Finnigan	964	-
	<u>          </u>	<u>          </u>

None of the directors exercised any share options during the year.

**DIRECTORS' REPORT (continued)****DIRECTORS AND THEIR INTERESTS (continued)**

The remaining options in respect of 10p ordinary shares in WPP Group plc under the terms of the approved WPP Executive Share Option Scheme are as follows:

S M Gardiner	24 September 1999	6,140	September 2002 and September 2009	570p
	21 September 2000	3,325	September 2003 and September 2010	901p
	21 September 2000	4,444	September 2003 and September 2010	901p
	21 September 2001	14,026	September 2004 and September 2011	486.5p
	19 September 2002	16,862	September 2005 and September 2012	421p
	17 November 2003	11,676	November 2006 and November 2013	559.5p
	29 October 2004	10,866	October 2007 and October 2014	553.5p
S L Potter	28 September 1998	5,688	September 2001 and September 2008	293p
	24 September 1999	6,140	September 2002 and September 2009	570p
	21 September 2000	3,325	September 2003 and September 2010	901p
	21 September 2000	621	September 2003 and September 2010	901p
	21 September 2001	20,555	September 2004 and September 2011	486.5p
	19 September 2002	25,293	September 2005 and September 2012	421p
	17 November 2003	17,515	November 2006 and November 2013	559.5p
	29 October 2004	16,300	October 2007 and October 2014	553.5p
R D Finnigan	31 March 1998	300	March 2001 and March 2008	340p
	1 April 1999	200	April 2002 and April 2009	531.5p
	31 May 2000	125	May 2003 and May 2010	779p
	1 June 2001	125	June 2004 and June 2011	796p
	31 May 2002	125	May 2005 and May 2012	718p
	19 September 2002	3,832	September 2005 and September 2012	421p
	17 November 2003	1,593	November 2006 and November 2013	559.5p
	17 November 2003	1,060	November 2006 and November 2013	559.5p
	29 October 2004	2,469	October 2007 and October 2014	553.5p
S M Thompson	1 April 1999	200	April 2002 and April 2009	531.5p
	21 March 2000	296	March 2003 and March 2010	1,077p
	21 September 2001	3,506	September 2004 and September 2011	486.5p
	19 September 2002	3,832	September 2005 and September 2012	421p
	17 November 2003	2,653	November 2006 and November 2013	559.5p
	29 October 2004	2,469	October 2007 and October 2014	553.5p

M S Sorrell is a director of WPP Group Plc and his share interests are disclosed in the financial statements of WPP Group plc.

No director had a beneficial interest in any contract or arrangement to which the company was party during the year.

In accordance with the company's Articles of Association, M S Sorrell retires by rotation and, being eligible, offers himself for re-election.

**SUPPLIER PAYMENT POLICY**

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of those terms and abide by the agreed terms of payment.

The company had 24 days (2003 – 51 days) of purchases outstanding as at 31 December 2004 based on the average daily amount invoiced by suppliers during the year.

**DIRECTORS' REPORT (continued)**

**DISABLED EMPLOYEES AND EMPLOYEE CONSULTATION**

It is company policy to maintain safe and healthy working conditions and to give fair consideration to the employment needs of disabled people and to comply with any current legislation relating to disabled persons. The directors recognise the importance of good communications and relations with employees and have developed employee participation practices appropriate to the company's requirements.


**CHARITABLE CONTRIBUTIONS**

During the year charitable contributions amounted to £13,179 (2003 - £10,750).

**AUDITORS**

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

Approved by the Board of Directors  
and signed on behalf of the Board



R D Finnigan  
Director  
31 May 2005

Olympus Avenue  
Tachbrook Park  
Warwick  
CV34 6RJ

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MILLWARD BROWN UK LIMITED**

We have audited the financial statements of Millward Brown UK Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

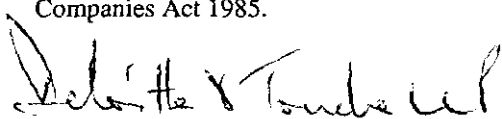
### **Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Birmingham

31 May 2005

MILLWARD BROWN UK LIMITED

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2004**

		Total	Total
		2004	2003
	Note	£'000	£'000
<b>TURNOVER</b>			
Cost of sales	2	105,356 (56,865)	79,430 (39,465)
<b>GROSS PROFIT</b>		<u>48,491</u>	<u>39,965</u>
<b>ADMINISTRATIVE EXPENSES</b>		<u>(37,967)</u>	<u>(26,947)</u>
<b>OPERATING PROFIT</b>		10,524	13,018
Profit on sale of fixed asset investment	4	<u>15,591</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		26,115	13,018
Finance charges (net)	7	<u>878</u>	<u>641</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		26,993	13,659
Tax on profit on ordinary activities	8	<u>(600)</u>	<u>756</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		26,393	14,415
Dividends paid not proposed on equity shares	9	<u>(22,000)</u>	<u>(13,600)</u>
<b>PROFIT FOR THE YEAR</b>	19	<u><u>4,393</u></u>	<u><u>815</u></u>

There are no recognised gains and losses for the year other than the profit for each year.

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



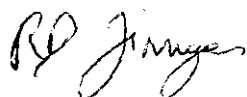
MILLWARD BROWN UK LIMITED

**BALANCE SHEET**  
**31 December 2004**

	Note	2004 £'000	2003 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	2,677	2,597
Investments	11	2	167
		<u>2,679</u>	<u>2,764</u>
<b>CURRENT ASSETS</b>			
Work-in-progress	12	86	23
Debtors	13	23,911	16,524
Deferred tax	14	743	1,343
Cash at bank and in hand		22,393	27,322
		<u>47,133</u>	<u>45,212</u>
<b>CREDITORS: amounts falling due within one year</b>	15	(19,081)	(21,857)
<b>NET CURRENT ASSETS</b>		<u>28,052</u>	<u>23,355</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		30,731	26,119
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(759)	(540)
<b>NET ASSETS</b>		<u>29,972</u>	<u>25,579</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	716	716
Share premium account	18	1,545	1,545
Merger reserve	18	1,275	1,275
Profit and loss account	18	26,436	22,043
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	19	<u>29,972</u>	<u>25,579</u>

These financial statements were approved by the Board of Directors on 31 May 2005.

Signed on behalf of the Board of Directors



R D Finnigan  
Director

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 December 2004

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted by the directors are described below.

##### Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

##### Consolidation

The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of WPP Group plc which prepares consolidated accounts which are publicly available.

The company is also, on this basis, exempt from requirement of FRS 1 to present a cash flow statement.

##### Tangible fixed assets

Tangible fixed assets are shown at cost, less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Short leasehold improvements	-	over the term of the lease
Fixtures, fittings, equipment and vehicles	-	10% to 50% per annum

Residual value is calculated on prices prevailing at the time of acquisition.

##### Investments

Fixed asset investments are shown at cost less provision for impairment. Dividends receivable are recorded in the financial statements of the year in which they are declared.

Associated undertakings are entities in which the company has a participating interest and over whose operating and financial policy it exercises a significant influence.

##### Work-in-progress

Work in progress is stated at the lower of cost and net realisable value.

##### Debtors

Debtors are stated net of provisions for bad and doubtful debts.

##### Taxation

Current tax, including UK corporation 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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 31 December 2004**

**1. ACCOUNTING POLICIES (continued)**

**Taxation (continued)**

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Leases**

The company enters into operating leases and rentals are charged on a straight-line basis over the lease term.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction, or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date, or, if appropriate, at the forward contract rate. Differences arising from movements in rates of exchange are dealt with in the profit and loss account.

**Pension Costs**

**Defined benefit scheme**

Following the creation of the The Operations Centre (TOC) division in Millward Brown UK Limited on 1 April 2004, six employees of the company were members of the Research International Superannuation Fund (RISF), a funded benefit scheme.

RISF is a defined benefit scheme with the assets of the scheme held separately from those of the company or the group, in separate trustee administered funds. Pension scheme 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 scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

A summary of the assets and liabilities of the RISF Scheme as at 31 December 2004, 31 December 2003 and 31 December 2002 is provided in Note 22.

The actual cost of providing pensions to the company is charged to the profit and loss account as incurred during the year. Any surplus or deficit in the RISF Scheme is dealt with in the accounts of Research International Limited, a fellow group company.

**Defined contribution scheme**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Turnover and revenue recognition**

Turnover comprises the gross amounts billed to clients (exclusive of VAT, sales taxes and trade discounts) in respect of commission based income together with the total of other fees earned.

Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2004

## 2. TURNOVER

The turnover of the company by origin in 2004 and 2003 arose from continuing activities within the UK and comprises;

	2004 £'000	2003 £'000
United Kingdom	79,379	52,827
Rest of Europe	17,273	20,357
United States of America	5,982	3,553
Rest of world	2,722	2,693
	<u>105,356</u>	<u>79,430</u>

## 3. OPERATING PROFIT

Operating profit is stated after charging:

	2004 £'000	2003 £'000
Depreciation of tangible fixed assets	1,029	975
Operating lease rentals		
- other	1,987	1,616
Auditors' remuneration		
- audit	65	36
- other services	49	61
	<u>4,030</u>	<u>3,689</u>

## 4. EXCEPTIONAL ITEM

The profit on sale of fixed asset investment relates to the sale of the wholly owned share capital of Millward Brown SRL. The profit recognised of £15,591,000 is the difference between the cash proceeds received of £15,756,000 and the carrying value of the investment of £165,000.

## 5. DIRECTORS' REMUNERATION

## Remuneration

The remuneration of the directors was as follows:

	2004 £'000	2003 £'000
Emoluments	647	569
Amounts receivable under long-term incentive schemes	50	17
Company contributions to money purchase pension schemes	60	56
	<u>757</u>	<u>642</u>

Four of the directors were remunerated by the company (2003 – 4). Other directors were employed and remunerated by other companies within the WPP Group.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2004

## 5. DIRECTORS' REMUNERATION (CONTINUED)

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes. Details of share options are given in the Directors' report.

**Pensions**

The number of directors who were members of pension schemes was as follows:

	2004 Number	2003 Number
Money purchase schemes	4	4

**Highest-paid director**

The above amounts for remuneration include the following in respect of the highest paid director:

	2004 £'000	2003 £'000
Emoluments	220	191
Amounts receivable under long-term incentive schemes	22	9
Company contributions to money purchase schemes	20	18
	<u>262</u>	<u>218</u>

## 6. STAFF COSTS

Particulars of employees (including executive directors) are as shown below:

	2004 £'000	2003 £'000
Employee costs during the year amounted to:		
Wages and salaries	44,460	26,565
Social security costs	3,447	2,160
Other pension costs (see note 22)	1,120	845
	<u>49,027</u>	<u>29,570</u>

The average monthly number of persons employed by the company during the year was:

	2004 Number	2003 Number
Management and administration	164	119
Client service	306	305
Operations	6,937	1,742
	<u>7,407</u>	<u>2,166</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2004

## 7. FINANCE CHARGES (NET)

	2004 £'000	2003 £'000
<b>Interest receivable and similar income</b>		
Interest on bank deposits	704	516
Income from fixed asset investments	200	125
	<u>904</u>	<u>641</u>
<b>Interest payable and similar charges</b>		
Other interest payable	(26)	-
	<u>(26)</u>	<u>-</u>

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax credit is based on the profit for the year and comprises:

	2004 £'000	2003 £'000
<i>Current taxation</i>		
Corporation tax at 30% (2003 – 30%)	(3,186)	(4,448)
Group relief	3,186	4,448
Total current tax	-	-
<i>Deferred taxation</i>		
Origination and reversal of timing differences	(146)	357
Adjustment in respect of prior years	(454)	399
Tax on profit on ordinary activities	<u>(600)</u>	<u>756</u>

Corporation tax payable is provided on taxable profits at the current rate, except to the extent that the losses are transferred from another group company under the group relief provisions, without corresponding payment by the claimant company.

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2003 – 30%). The actual tax charge for the current and the previous year is lower than the standard rate for the reasons set out in the following reconciliation.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2004**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	26,993	13,659
Tax on profit on ordinary activities at standard rate	8,098	4,098
Factors affecting charge for the period:		
Capital allowances for period in excess of depreciation	(103)	297
Other timing differences	(41)	59
Expenses not deductible for tax purposes	25	32
Non taxable gain on disposal of shares	(4,677)	-
Deductions in respect of employee share plans	(56)	-
UK dividend income	(60)	(38)
Adjustments to tax charge in respect of group relief	(3,186)	(4,448)
Total actual amount of current tax	-	-

**9. DIVIDENDS**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Interim dividend paid of £3.07 (2003 - £1.15 ) per ordinary share	22,000	8,200
Final dividend paid of £nil (2003 - £0.76) per ordinary share	-	5,400
	22,000	13,600

**10. TANGIBLE FIXED ASSETS**

	<b>Short leasehold improvements</b>	<b>Fixtures, fittings equipment and vehicles</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 January 2004	1,351	8,950	10,301
Additions	155	865	1,020
Disposals	-	(148)	(148)
Transfers	-	163	163
At 31 December 2004	1,506	9,830	11,336
<b>Depreciation</b>			
At 1 January 2004	625	7,079	7,704
Charge for the year	87	942	1,029
Disposals	-	(74)	(74)
At 31 December 2004	712	7,947	8,659
<b>Net book value</b>			
At 31 December 2004	794	1,883	2,677
At 31 December 2003	726	1,871	2,597

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2004**

**11. INVESTMENTS HELD AS FIXED ASSETS**

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

	2004 £'000	2003 £'000
<b>Cost and net book value</b>		
Subsidiary undertakings	-	165
Associated undertakings	2	2
	<u>2</u>	<u>167</u>

**Subsidiary undertakings**

	2004 £'000
<b>Cost</b>	
At 1 January 2004	165
Additions	-
Disposals (note 4)	(165)
At 31 December 2004	<u>-</u>
<b>Provisions for impairment</b>	
At both 1 January 2004 and 31 December 2004	<u>-</u>
<b>Net book value</b>	
At 31 December 2004	<u>-</u>
At 31 December 2003	<u>165</u>

Millward Brown UK Limited has investments in the following subsidiary and associated undertakings:

Subsidiary undertakings	Principal activity and country of incorporation	% held	Issued capital
Millward Brown Market research Limited (formerly Millward Brown UK Limited)	Dormant company incorporated in UK	100	2 ordinary shares of £1 each
<b>Associated undertakings</b>			
RSMB Television Research Limited	Market research agency registered and operating in England and Wales	50	4,668 ordinary shares of £1 each

**12. WORK-IN-PROGRESS**

	2004 £'000	2003 £'000
Work-in-progress	<u>86</u>	<u>23</u>



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2004**

**13. DEBTORS**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	10,370	9,854
Amounts owed by other group undertakings	8,260	3,269
Prepayments and accrued income	5,281	3,401
	<u>23,911</u>	<u>16,524</u>

**14. DEFERRED TAX**

	<b>£'000</b>
Balance at 1 January 2004	1,343
Profit and loss account charge	(600)
	<u>743</u>
Balance at 31 December 2004	<u>743</u>

Deferred tax asset consists of the following amounts:

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Capital allowances in excess of depreciation	505	1,006
Short-term timing differences	238	337
	<u>743</u>	<u>1,343</u>

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	3,355	2,949
Amounts owed to other group undertakings	1,497	10,149
Other taxation and social security	4,301	1,670
Other creditors	4,922	2,560
Accruals and deferred income	5,006	4,529
	<u>19,081</u>	<u>21,857</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2004**

**16. PROVISION FOR LIABILITIES AND CHARGES**

	<b>Total £'000</b>
Balance at 1 January 2004	540
Profit and loss account charge	219
	<hr/>
Balance at 31 December 2004	759
	<hr/> <hr/>

£299k of the provision relates to the onerous lease commitments on three buildings that were closed in 2004 as part of the strategic review of operations capability. £115k of the provision is for redundancy costs associated with this closure programme. One previously unutilised building has now been re-activated, resulting in the release of £195 k previously provided for onerous lease costs.

The remaining £345k (2003: £345k) relates to a legal claim being brought by part-time employees in relation to pension rights.

**17. CALLED-UP SHARE CAPITAL**

	<b>2004 £'000</b>	<b>2003 £'000</b>
<b>Authorised, equity share capital</b>		
9,000,000 ordinary shares of 10p each	900	900
	<hr/>	<hr/>
<b>Allotted, called-up and fully paid, equity share capital</b>		
7,160,000 ordinary shares of 10p each	716	716
	<hr/>	<hr/>

**18. RESERVES**

	<b>Share premium account £'000</b>	<b>Merger reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
At 1 January 2004	1,545	1,275	22,043	24,863
Profit for the year	-	-	4,393	4,393
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	1,545	1,275	26,436	29,256
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2004 £'000</b>	<b>2003 £'000</b>
Profit for the financial year	26,393	14,415
Dividends paid and proposed	(22,000)	(13,600)
	<hr/>	<hr/>
Net addition to shareholders' funds	4,393	815
Opening shareholders' funds	25,579	24,764
	<hr/>	<hr/>
Closing shareholders' funds	29,972	25,579
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2004

## 20. OPERATING LEASE COMMITMENTS

Commitments existing at the balance sheet date to pay annual operating lease rentals during the following year were:

	Land and buildings		Other	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Commitment expiring:				
- within one year	-	10	66	50
- during the second to fifth years	91	189	98	393
- after five years	1,069	1,051	244	-
	<u>1,160</u>	<u>1,250</u>	<u>408</u>	<u>443</u>

## 21. FINANCIAL COMMITMENTS

Capital commitments are as follows:

	2004 £'000	2003 £'000
Contracted but not provided for:		
- other	50	102

## 22. PENSION SCHEMES

**Defined contribution pension scheme**

The company operates a defined contribution pension scheme whereby payments are made to insurance companies independent from the finances of the company. Contributions, of which £284,000 (2003 - £162,000) were outstanding at the year end, were charged against profits as and when incurred and amounted to £1,116,000 (2003 - £845,000).

**Defined benefit scheme**

Contributions were charged against profits as and when incurred and amounted to £4,000 (2003 - £nil). The details of the RISF scheme, and those which have been disclosed within the accounts of Research International Limited, are as follows:

**Assumptions**

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

	2004 % pa	2003 % pa	2002 % pa
Discount rate	5.30%	5.50%	5.50%
Rate of increase in salaries	4.25%	4.25%	4.00%
Rate of increase in pension in payment	2.75%	2.75%	2.50%
Inflation	2.75%	2.75%	2.50%
Expected rate of return on equities	7.50%	7.50%	7.30%
Expected rate of return on bonds	5.00%	5.00%	4.80%
Expected rate of return on property	7.00%	7.00%	6.80%
Expected rate of return on cash	3.00%	3.00%	2.80%

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2004

## 22. PENSION SCHEMES (CONTINUED)

**Assets and Liabilities**

At 31 December, the fair value of the assets in both schemes, and the assessed present value of the liabilities in the schemes are shown in the following table.

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Equities	4,742	5,199	4,478
Bonds	17,742	15,736	14,933
Cash	859	822	696
	<u>23,343</u>	<u>21,757</u>	<u>20,107</u>
Total fair value of assets			
Present value of scheme liabilities	26,698	24,418	23,224
	<u>26,698</u>	<u>24,418</u>	<u>23,224</u>
Deficit in the schemes	(3,355)	(2,661)	(3,117)
Related deferred tax asset	1,007	798	935
	<u>1,007</u>	<u>798</u>	<u>935</u>
Net pension liability	<u>(2,348)</u>	<u>(1,863)</u>	<u>(2,182)</u>

**Pensions expense**

The following table shows the breakdown of the pension expense for both schemes between charged to operating profit, credited to net finance income and recognised in the Statement of total recognised gains and losses.

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost charged to operating profit	(241)	(310)
	<u>(241)</u>	<u>(310)</u>
Expected return on pension scheme assets	1,197	1,050
Interest on pension scheme liabilities	(1,338)	(1,266)
	<u>1,197</u>	<u>1,050</u>
Net Interest receivable/(payable) & similar charges	(141)	(216)
	<u>(141)</u>	<u>(216)</u>
Expected return less actual return on pension scheme assets	765	724
Experience gains and losses arising on the scheme liabilities	814	508
Changes in assumptions underlying the present value of the scheme liabilities	(2,362)	(850)
	<u>765</u>	<u>724</u>
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(783)	382
	<u>(783)</u>	<u>382</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2004**

**22. PENSION SCHEMES (CONTINUED)**

**History of gains and losses**

	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loss/(gain) on pension scheme assets relative to expected return				
Amount	(765)	(724)	714	(3,902)
Percentage of scheme assets	3%	3%	4%	19%
Experience losses (gains) arising on their scheme liabilities				
Amount	(814)	(508)	1,055	(2,828)
Percentage of the present value of the scheme liabilities	3%	2%	5%	14%
Total loss/(gain) recognised in STRGL				
Amount	783	(382)	2,611	(1,751)
Percentage of the present value of the scheme liabilities	3%	2%	11%	8%

**Movement in scheme deficit**

The following table shows an analysis of the movement in the scheme deficit for both of the schemes for each accounting period:

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Deficit at 1 January	(2,661)	(3,117)
Current service cost	(241)	(310)
Net finance income	(141)	(216)
Actuarial (loss)/gain	(783)	382
Contributions	471	600
	<u>(3,355)</u>	<u>(2,661)</u>
Deficit at 31 December	<u>(3,355)</u>	<u>(2,661)</u>

**23. FINANCIAL GUARANTEES**

Millward Brown UK Limited participates in group banking arrangements with its parent company, WPP Group plc, and has access to a group cash management facility. Millward Brown UK Limited guarantees the facility to the extent of its cash deposited in the UK with its clearing bank. Millward Brown UK Limited, together with its parent, WPP Group plc, and certain other subsidiary undertakings, is party to the group's syndicated banking arrangements. Millward Brown UK Limited has jointly and severally guaranteed the borrowings under these arrangements. Details of these arrangements are included in the financial statements of WPP Group plc.

In addition, for its general corporate benefit, the company has unconditionally guaranteed to WPP Group plc the payment of any liability which WPP Group plc may be called to satisfy.

**24. SUBSEQUENT EVENTS**

On 1 January 2005 Millward Brown UK Limited purchased the trade and assets of Millward Brown Precis Limited for £1.7m. The purchase consideration was settled by way of an Intercompany loan equal to the fair value of the assets acquired. No goodwill arose on this transaction.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2004**

**25. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption under FRS8 not to disclose the details of transactions with other WPP Group companies as it is ultimately 100% owned by WPP Group plc, the consolidated accounts of which are publicly available.

**26. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company is a wholly owned subsidiary undertaking of WPP Group Plc, a company registered in England and Wales. WPP Group Plc is also the company's ultimate controlling party.

The results of Millward Brown UK Limited are consolidated only into the financial statements of its ultimate parent company, whose principal place of business is at 27 Farm Street, London W1X 6RD. The consolidated financial statements are available from that address.