

**MILLWARD BROWN UK LIMITED**

**Report and Financial Statements**

**31 December 2011**



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# MILLWARD BROWN UK LIMITED

## REPORT AND FINANCIAL STATEMENTS 2011

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## **MILLWARD BROWN UK LIMITED**

### **DIRECTORS & PROFESSIONAL ADVISORS**

#### **Directors.**

S L Potter

M Leigh

E Brownhill

T Wragg

P Delaney

#### **Secretary:**

S M Bowron

#### **Auditor:**

Deloitte LLP

Chartered Accountants & Registered Auditors

Birmingham, UK

#### **Bankers:**

HSBC

62 – 76 Park Street

London

#### **Solicitors**

Squire, Sanders & Dempsey (UK) LLP

7 Devonshire Square

London

#### **Registered Office:**

Olympus Avenue

Tachbrook Park

Warwick, UK

# MILLWARD BROWN UK LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continues to be that of a market research agency. The company also undertakes fieldwork, project management and data processing activities for all of the Kantar research businesses in the UK. There have not been any significant changes in the company's principal activities in the year under review.

Sales increase 1% (13.7% increase in 2010)

Following a difficult year of trading in 2009, turnover continues to grow to £122.9m, increased from £121.7m in 2010. The increase has been aided by improved market conditions and changes to structure within the group.

Gross Margin Percentage 58.1% (58.9% in 2010)

The Gross Margin Percentage has held constant with the prior year despite challenging price conditions in the market.

Staff costs / Revenue Percentage 48% (45% in 2010)

Staff costs have increased in 2011 reflecting business growth and changes to structure within the group. The company has maintained appropriate staff utilisation and chargeability ratios.

Operating profit for the year was £9.9m v £7.3m in 2010. The underlying operating profit percentage increased primarily due to the transfer of trade from Business Planning and Research Limited and DynamicLogic Europe Limited as noted below.

Dividends of £18m were proposed and paid in the year (2010 £30m proposed and paid). The profit transferred to reserves in the year was £10.2m (2010 £12.7m).

The Balance Sheet on page 10 of the financial statements shows that the company's financial position at the year end has, in net asset terms, decreased significantly since the prior year. This is due to the payment of a £18m dividend.

On 1 January 2011 the majority of the trade and assets of related company Business Planning and Research Limited and all the trade and assets of related company DynamicLogic Europe Limited were transferred into Millward Brown UK Limited. The activity of the company has increased as a result of this.

In February 2012, the company signed a heads of terms agreement to purchase 70% of a licensee company Millward Brown Armı-Marketing LLC, registered in Russia. At the date on which this report was signed, the sale and purchase agreement was still being finalised.

On 3 April 2012, the company sold its investment in RSMB Television Research Limited to a related company, Kantar Media UK Ltd. The consideration for this sale was £2.46m.

The directors are not aware, at the date of this report, of any other likely major changes in the company's activities in the next year.

### PRINCIPAL RISKS & UNCERTAINTIES

UK market conditions continued to be difficult in 2011 leading to pressure on pricing and the need for enhanced service delivery. The company manages the risk by providing added value services to its customers. Market conditions have begun to improve and improvements are expected to continue into 2012.

The company continues to generate a strong positive cash flow from its operations and does not have a significant foreign exchange exposure. Foreign currency receivables and payables are largely denominated in US\$ and €'s and the WPP Group treasury function takes out contracts to manage the exchange risk at a Group level.

WPP Group risks are discussed in the Group's Annual Report, which does not form part of this Report.

# **MILLWARD BROWN UK LIMITED**

## **DIRECTORS' REPORT**

### **GOING CONCERN**

In light of the current economic environment the directors have considered the "going concern" assumption upon which these accounts have been prepared. The business remains profitable and is generating positive cash flow. It has no dependence on any external banking facilities. Profitable trading has continued to date in 2012 and is forecast to do so for the rest of the year. Forecasts for the next 12 months expect the company to grow from 2011. On the basis of all these factors it is felt that the going concern assumption continues to be appropriate in the preparation of these financial statements.

An explanation of the company's exposure to various financial risks and management thereof appear in note 1 to the financial statements.

### **DIRECTORS AND THEIR INTERESTS**

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

S L Potter  
S M Thompson (resigned 8 August 2012)  
T Wragg  
M Leigh  
E Brownhill  
P Delaney (appointed 16 February 2012)

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

### **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 39 days (2010: 43 days) of purchases outstanding as at 31 December 2011 based on the average daily amount invoiced by suppliers during the year. The decrease from prior year is due to faster payments to related companies.

### **EMPLOYEES**

Details of the number of employees & related costs can be found in note 5 to the financial statements.

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 £24,536 (2010: £11,883).

## MILLWARD BROWN UK LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### AUDITORS

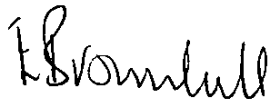
Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte 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



E Brownhill  
Director  
27 September 2012

Olympus Avenue  
Tachbrook Park  
Warwick  
CV34 6RJ

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## **MILLWARD BROWN UK LIMITED**

### **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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

## **MILLWARD BROWN UK LIMITED**

### **INDEPENDENT AUDITOR'S 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 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of directors and auditor**

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

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Peter Gallimore FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham, United Kingdom

29 September 2012



## MILLWARD BROWN UK LIMITED

### PROFIT AND LOSS ACCOUNT

Year ended 31 December 2011

	Note	2011 £'000	2010 £'000
<b>TURNOVER</b>	2	122,869	121,706
Cost of sales		(51,479)	(49,976)
<b>GROSS PROFIT</b>		<u>71,390</u>	<u>71,730</u>
ADMINISTRATIVE EXPENSES		(61,516)	(64,477)
<b>OPERATING PROFIT</b>	3a	<u>9,874</u>	<u>7,253</u>
Profit on sale of business	3b	-	5,072
Interest receivable and similar income	6	506	455
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>10,380</u>	<u>12,780</u>
Tax on profit on ordinary activities	7	(177)	(92)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u><u>10,203</u></u>	<u><u>12,688</u></u>

All activities derive from continuing operations

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 2011

	Note	2011 £'000	2010 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	5,015	4,294
Investments	10	2	2
		<u>5,017</u>	<u>4,296</u>
<b>CURRENT ASSETS</b>			
Debtors	11	42,981	49,781
Cash at bank and in hand		10,927	12,387
		<u>53,908</u>	<u>62,168</u>
<b>CREDITORS: amounts falling due within one year</b>	13	(38,021)	(38,744)
		<u>15,887</u>	<u>23,424</u>
<b>NET CURRENT ASSETS</b>			
		<u>20,904</u>	<u>27,720</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>PROVISIONS FOR LIABILITIES</b>	14	(505)	(430)
		<u>20,399</u>	<u>27,290</u>
<b>NET ASSETS</b>			
		<u>20,399</u>	<u>27,290</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	716	716
Share premium account	16	1,545	1,545
Merger reserve	16	1,275	1,275
Profit and loss account	16	16,863	23,754
		<u>20,399</u>	<u>27,290</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	17	<u>20,399</u>	<u>27,290</u>

The accompanying notes are an integral part of this Balance Sheet

These financial statements of Millward Brown UK Limited, company registration no 1915514 were approved by the Board of Directors and authorised for issue on 27 September 2012

Signed on behalf of the Board of Directors



Elizabeth Brownhill  
Director

# MILLWARD BROWN UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

### 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 and have been applied consistently in the current and preceding year.

They have also been prepared on a going concern basis. In light of the current economic environment the directors have considered the "going concern" assumption upon which these accounts have been prepared. The business remains profitable and is generating positive cash flow. It has no dependence on any external banking facilities. Profitable trading has continued to date in 2012 and is forecast to do so through 2013. On the basis of all these factors it is felt that the going concern assumption continues to be appropriate in the preparation of these financial statements.

#### Consolidation

The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 400 of the Companies Act 2006 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 Financial Reporting Standard 1(revised) to present a cash flow statement.

#### Share-based payments

The company adopted FRS20 (Share-based payments) in the period ended 31 December 2007. The company has applied the requirements of FRS20 to all unvested share-based payments.

Certain employees of the company benefit from equity-settled share-based payments through participation in stock option and restricted stock incentive schemes. Such awards are satisfied by the delivery of shares in WPP Group plc, the ultimate parent undertaking.

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

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

#### 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.

# MILLWARD BROWN UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2011

### 1 ACCOUNTING POLICIES (CONTINUED)

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

#### 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 substantively 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

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 Kantar Operations division in Millward Brown UK Limited on 1 April 2004, five employees of the company were members of the Research International Superannuation Fund (RISF), a funded benefit scheme, and one employee was a member of the Mass Observations scheme, also a funded benefit scheme

Both defined benefit schemes are multi-employer schemes with the assets of the schemes being held separately from those of the company, 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

In accordance with Financial Reporting Standard 17 – Retirement Benefits, the company accounts for the contributions to the defined benefit scheme, as if it were a defined contribution scheme, because it is not possible to identify the company's share of the underlying assets and liabilities on a consistent and reasonable basis. Any surplus or deficit in the RISF Scheme is dealt with in the accounts of Research International Limited, a fellow group company. Any surplus or deficit in the Mass Observation Scheme is dealt with in the accounts of BMRB Limited, a fellow group company

# MILLWARD BROWN UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2011

### 1 ACCOUNTING POLICIES (CONTINUED)

#### 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.

#### Financial risk management

The company's primary financial risks include fluctuations in interest rates, the credit risk of its customers, and the fluctuation in the exchange rates of foreign currencies.

The company's liquidity requirements for day to day operating expenses are, and are expected to continue to be, funded by cash provided by operations.

The company monitors its exposure for customer credit risk and maintains allowances for anticipated losses after giving consideration to historical loss experience, and economic conditions impacting its customers. Management continuously reviews information concerning the financial condition of the company's customers and believes that the company's allowance for doubtful accounts is sufficient to cover such risks.

The company's activities expose it to the financial risks of changes in foreign currency exchange rates. The company does not use foreign currency exchange forward contracts to hedge these exposures and considers that it has a natural hedge in its main trading currencies due to buying and selling in both currencies.

### 2. TURNOVER

The turnover of the company by origin arose from its continuing principal activities and comprises the following destinations:

	2011 £'000	2010 £'000
United Kingdom	91,903	92,973
Rest of Europe	19,666	20,924
United States of America	9,503	6,620
Rest of world	1,797	1,189
	<u>122,869</u>	<u>121,706</u>

# MILLWARD BROWN UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2011

### 3 OPERATING PROFIT

a) Operating profit is stated after charging/(crediting)

	2011 £'000	2010 £'000
Depreciation of tangible fixed assets	2,614	2,871
Loss on disposal of tangible fixed assets	-	6
Net foreign exchange gains	(110)	(108)
Operating lease rentals		
- plant and machinery	338	317
- other	1,007	1,027
	<u>          </u>	<u>          </u>

### AUDITOR'S REMUNERATION

	2011 £'000	2010 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	80	72
Fees payable to the company's auditor for other services	-	5
	<u>          </u>	<u>          </u>

### b) EXCEPTIONAL PROFIT ON THE SALE OF BUSINESS

The exceptional profit on sale of business in the prior year resulted from the sale of the Precis division of the company to Kantar Media Intelligence Ltd for consideration of £5,092,000. Net assets of £20,000 were transferred as a result of the sale.

### 4 DIRECTORS' REMUNERATION

The remuneration of the directors was as follows

	2011 £'000	2010 £'000
Emoluments	814	1,039
Amounts receivable under long-term incentive schemes	474	135
Company contributions to group personal pension schemes	87	104
	<u>          </u>	<u>          </u>
	1,376	1,350
	<u>          </u>	<u>          </u>

A total of four directors were remunerated by the company during the year (2010 – five). Other directors were employed and remunerated by other companies within the WPP Group.

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.

#### Pensions

The number of directors who were members of pension schemes during the year were as follows

	2011 Number	2010 Number
Group personal pension plan	4	5
	<u>          </u>	<u>          </u>

# MILLWARD BROWN UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2011

### 4. DIRECTORS' REMUNERATION (CONTINUED)

#### Highest-paid director

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

	2011 £'000	2010 £'000
Emoluments	291	365
Amounts receivable under long-term incentive schemes	242	58
Company contributions to money purchase schemes	30	27
	<u>563</u>	<u>510</u>

### 5. STAFF COSTS

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

	2011 £'000	2010 £'000
Employee costs during the year amounted to		
Wages and salaries	52,194	49,303
Social security costs	5,003	4,051
Other pension costs (see note 20)	1,515	1,308
	<u>58,712</u>	<u>54,662</u>

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

	2011 Number	2010 Number
Management and administration	183	144
Client service	503	471
Operations	3,327	3,131
	<u>4,013</u>	<u>3,746</u>

### 6. INTEREST RECEIVABLE

	2011 £'000	2010 £'000
<b>Interest receivable and similar income</b>		
Interest on bank deposits	6	5
Income from fixed asset investments	500	450
	<u>506</u>	<u>455</u>

## MILLWARD BROWN UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2011

#### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The corporation tax charge for the year is £177,000 (2010 £92,000)

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 26.5% (2010 28%)  
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

	2011 £'000	2010 £000
Profit on ordinary activities before tax	10,203	12,780
Tax on profit on ordinary activities at standard rate	2,704	3,578
Factors affecting charge for the period		
Depreciation in excess of capital allowances	136	804
Expenses not deductible for tax purposes	18	(109)
UK dividend income	(133)	(126)
Group relief claimed for nil consideration	(2,548)	(4,055)
Total actual amount of current tax	177	92

The 2011 Budget introduced a reduction in the main rate of corporation tax from 26% to 25% effective 1 April 2012. This change was substantively enacted on 19 July 2011 and as such has been reflected in these financial statements.

In 2012 the UK government has announced that the main rate of corporation tax would be further reduced to 24% with effect from 1 April 2012, with further annual 1% rate reductions down to 22% by 1 April 2014. As these future rate reductions had not been enacted at the balance sheet date, they have not been reflected in these financial statements. The effect of these tax rate reductions will be accounted for in the period they are substantively enacted.

#### 8. DIVIDENDS

	2011 £'000	2010 £'000
Interim dividend paid of £2.51 (2010 - £4.19) per ordinary share	18,000	30,000
	18,000	30,000



**MILLWARD BROWN UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2011**

**9 TANGIBLE FIXED ASSETS**

	Short leasehold improvements £'000	Fixtures, fittings equipment and vehicles £'000	Total £'000
<b>Cost</b>			
At 1 January 2011	3,118	10,727	13,845
Additions	207	3,155	3,362
Transferred from fellow group company	-	8	8
Disposals	(2)	(1,911)	(1,913)
At 31 December 2011	<u>3,323</u>	<u>11,979</u>	<u>15,302</u>
<b>Depreciation</b>			
At 1 January 2011	2,311	7,240	9,551
Charge for the year	317	2,297	2,614
Disposals	(2)	(1,876)	(1,878)
At 31 December 2011	<u>2,626</u>	<u>7,661</u>	<u>10,287</u>
<b>Net book value</b>			
At 31 December 2011	<u>697</u>	<u>4,318</u>	<u>5,015</u>
At 31 December 2010	<u>807</u>	<u>3,487</u>	<u>4,294</u>

**10. INVESTMENTS HELD AS FIXED ASSETS**

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

	2011 £'000	2010 £'000
<b>Cost and net book value</b>		
Associated undertakings	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

Millward Brown UK Limited has investments in the following associated undertakings

<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
Millward Brown Market Research Limited	Dormant	100%	2 ordinary shares of £1 each

## MILLWARD BROWN UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2011

#### 11. DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Trade debtors	19,903	17,660
Amounts owed by other group undertakings	11,252	15,536
Prepayments and accrued income	11,826	16,585
	<u>42,981</u>	<u>49,781</u>

#### 12. DEFERRED TAX

A deferred tax asset of £4,147k (2010 £1,998k) has not been recognised in respect of depreciation in excess of capital allowances and £702k (2010 £655k) in respect of share based payments as it is unlikely that there will be sufficient taxable profits against which the asset will reverse in the foreseeable future

#### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Trade creditors	3,055	4,771
Amounts owed to other group undertakings	11,712	7,661
Other taxation and social security	3,602	1,164
Deferred Income	6,456	9,187
Accruals and other creditors	13,196	15,961
	<u>38,021</u>	<u>38,744</u>

#### 14. PROVISION FOR LIABILITIES

	Dilapidation Provision £'000
As at 1 January 2011	430
Charged to profit and loss	<u>75</u>
As at 31 December 2011	<u>505</u>

##### *Dilapidation Provision*

In the year provisions have been made for dilapidations on 7 properties. These provisions are created over the life of the leases to provide funds for any restoration work required at the end of the lease terms. Lease terms expire between 1 and 5 years.

## MILLWARD BROWN UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2011

#### 15. CALLED-UP SHARE CAPITAL

	2011 £'000	2010 £'000
<b>Authorised, equity share capital</b> 9,000,000 ordinary shares of 10p each	900	900
<b>Allotted, called-up and fully paid, equity share capital</b> 7,160,000 ordinary shares of 10p each	716	716

#### 16 RESERVES

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2011	1,545	1,275	23,754	26,574
Profit for the financial year	-	-	10,203	10,203
Dividends paid	-	-	(18,000)	(18,000)
Capital Contribution from Parent company	-	-	906	906
At 31 December 2011	1,545	1,275	16,863	19,683

The Capital Contribution from Parent Company of £906,000 relates to share based payments. The ultimate parent company, WPP Group plc, has granted rights to its equity instruments to certain employees of the company. This share based compensation is accounted for as equity-settled in the consolidated financial statements of the parent. UITF 44 (Group and Treasury Share Transactions) requires the company to record an expense for such compensation (see Note 23) in accordance with FRS 20 (Share Based Payments) with a corresponding increase in equity as a contribution from the parent.

#### 17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
Profit for the financial year	10,203	12,688
Dividends paid	(18,000)	(30,000)
Net transfer to shareholders' funds	(7,797)	(17,312)
Capital Contribution from parent company	906	639
Opening shareholders' funds	27,290	43,963
Closing shareholders' funds	20,399	27,290

## MILLWARD BROWN UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2011

#### 18. 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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
- within one year	144	201	112	82
- during the second to fifth years	862	826	225	235
- after five years	-	-	-	-
	<u>1,007</u>	<u>1,027</u>	<u>337</u>	<u>317</u>

#### 19. FINANCIAL COMMITMENTS

Capital commitments are as follows

	2011 £'000	2010 £'000
Contracted but not provided for		
- other	-	128

#### 20. 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 £347k (2010 £265k) were outstanding at the year end, were charged against profits as and when incurred and amounted to £1,515k (2010 £1,308k).

##### Defined benefit scheme

The company has paid contributions to one (2010 one) defined benefit schemes, the Research International Superannuation Fund for one employee (2010 one). This is a multi employer scheme, with the assets and liabilities being held independently from the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

The total charge for the year for the RISF scheme was £24k (2010 £22k). Contributions of £3k (2010 £2k) were outstanding at the year end. Details of the RISF funded benefit scheme are disclosed in the financial statements of Research International Limited, a fellow group company. This scheme had a net deficit of £2,319k at 31 August 2008 on an FRS17 basis.

#### 21. FINANCIAL GUARANTEES

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

#### 22. 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.

## MILLWARD BROWN UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2011

#### 23. SHARE BASED PAYMENTS

The company charged the following amounts to the profit and loss account in 2011 and 2010 in relation to equity-settled share based payments

	2011 £'000	2010 £'000
<b>Share Options</b>		
WPP Worldwide Share Ownership Plan	65	58
<b>Restricted Stock</b>		
WPP Performance Share Awards	551	393
WPP Leaders, Partners and High Potential Group	184	188
	<u>800</u>	<u>639</u>

These amounts have been credited to Equity as a Parent Company Capital contribution in accordance with UITF 44 "Group and Treasury Share Transactions" (see note 17 Reconciliation of Movements in Shareholders' Funds)

#### Terms of share option plans

##### *WPP Worldwide Share Ownership Plan*

The WPP Worldwide Share Ownership Plan is open to employees with at least two years' employment in a company owned by WPP Group plc. It is not available to those participating in other share-based incentive programmes or to executive directors. The vesting period for each grant is three years and there are no performance conditions other than continued employment with a WPP company.

##### *WPP Executive Share Option Plan*

The WPP Executive Share Option Plan has historically been open for participation to members of the WPP Group Leaders, Partners and High Potential Group. The vesting period is three years and performance conditions include achievement of various TSR (Total Shareowner Return) and EPS (Earnings per share) objectives by WPP group plc, as well as continued employment with a WPP company. Since 2005, the company has moved away from the issuance of stock options under this scheme, making grants of restricted stock instead.

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

**MILLWARD BROWN UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2011**

**23. SHARE BASED PAYMENTS (CONTINUED)**

Movement on stock options granted and weighted average exercise price during the year are as follows

	At 1 Jan 2011 number	Granted Number	Exercised number	Lapsed/ Transferred number	Outstanding At 31 December 2011 number	Exercisable At 31 December 2011 number
WPP Worldwide Share ownership	366,900	83,250	62,625	23,000	364,525	150,450
Weighted-average exercise price	£5 93	£6 27	£6 26	£8 54	£6 60	£6 98
WPP Executive Share Option Plan	75,937	-	4,082	33,841	38,014	38,014
Weighted-average exercise price	£6 22	-	£6 26	£6 22	£5 31	£5 31

Options outstanding at 31 December 2011 had a range of exercise prices from £3 90 to £7 22. The weighted average contractual life of those options was 76 months (2010 77)

The weighted average share price of WPP Group plc for the year ended 31 December 2011 was £7 11 (2010 £6 78)

The inputs into the Black – Scholes Option Pricing Model are as follows

	2011	2010
Weighted average share price	144 5p	144 5p
Expected volatility	30%	30%
Expected Life	48 months	48 months
Risk –free rate	0 84%	1 76%
Expected dividend yield	2 5%	2 5%

Options are issued at an exercise price equal to market value on date of grant

## MILLWARD BROWN UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2011

#### 23 SHARE BASED PAYMENTS (CONTINUED)

##### Terms of Restricted stock plans

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

##### *Performance Share Awards (PSA)*

The PSA incentive plan was introduced in 2005 and replaced the Long Term Incentive Plan detailed below. Grants of restricted stock under this scheme are dependent upon annual performance targets, typically one or more of operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement, and will vest two years after grant provided the individual concerned is continually employed by a WPP company throughout this time.

##### *Long Term Incentive Plans (LTIP)*

Prior to the introduction of PSA, certain employees of the company participated in long term incentive plans based on the achievement of three-year financial performance targets. These plans operated on a rolling three-year basis. The value of payments earned by executives over each performance period was typically based on the achievement of targeted improvements in the following performance measures over the relevant three-year period:

- (i) average operating profit or profit before taxation,
- (ii) average operating margin.

##### *Leaders, Partners and High Potential*

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

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

	2011	2010
<b>Performance Share Awards</b>		
Number of shares granted	93,127	37,863
Weighted average fair value at grant date (pence per share)	769	659p
<b>Leaders, Partners and High Potential Group</b>		
Number of shares granted	42,725	19,354
Weighted average fair value at grant date (pence per share)	662	725p

#### 24. POST BALANCE SHEET EVENTS

In February 2012, the company signed a heads of terms agreement to purchase 70% of a licensee company Millward Brown Armis-Marketing LLC, registered in Russia. At the date on which this report was signed, the sale and purchase agreement was still being finalised.

On 3 April 2012, the company sold its investment in RSMB Television Research Limited to a related company, Kantar Media UK Ltd. The consideration for this sale was £2.46m.

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## **MILLWARD BROWN UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **Year ended 31 December 2011**

#### **25. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

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

At the year end 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](http://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