

WPP

Annual Report & Accounts 2008



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This Annual Report, together with trading statements, news releases, presentations, and previous Annual Reports, is available online at **www.wpp.com**

You can sign up to receive WPP's monthly online news bulletin by e-mail at **www.wpp.com/ewire**



The fast read



Who we are

For a quick, pre-digested, highly-compressed version of this Annual Report: read the next six pages.

The full story starts on page 8. Please read that, too.

WPP is the world leader in marketing communications services. It comprises leading companies in all these disciplines:

- Advertising
- Media Investment Management
- Information, Insight & Consultancy
- Public Relations & Public Affairs
- Branding & Identity
- Healthcare Communications
- Direct, Digital, Promotion & Relationship Marketing
- Specialist Communications

There are more than 150 companies within the Group – and each is a distinctive brand in its own right. Each has its own identity, commands its own loyalty, and is committed to its own, specialist expertise. That is their individual strength. Clients seek their talent and their experience on a brand-by-brand basis. Between them, our companies work with 345 of the Fortune Global 500, 29 of the Dow Jones 30, half of the NASDAQ 100 and 33 of the Fortune e-50.

It is also of increasing value to clients that WPP companies can work together, as increasingly they do: providing a tailor-made range of integrated communications services. Over 700 clients are now served in three distinct disciplines. More than 440 clients are served in four disciplines, and these clients account for over 58% of Group revenues. Group companies now work with over 310 clients across six or more countries.

Collectively, over 135,000* people work for WPP companies; out of 2,400 offices in 107 countries.

* Including associates.

Our companies and their websites are listed on pages 10 and 11.





Why we exist

Our mission

**To develop and manage talent;
to apply that talent,
throughout the world,
for the benefit of clients;
to do so in partnership;
to do so with profit.**

Within the WPP Group, our clients have access to companies with all the necessary marketing and communications skills; companies with strong and distinctive cultures of their own; famous names, many of them.

WPP, the parent company, complements these companies in three distinct ways.

- First, it relieves them of much administrative work. Financial matters (such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions, investor relations, legal affairs and internal audit) are co-ordinated centrally. For the operating companies, every administrative hour saved is an extra hour to be devoted to the pursuit of professional excellence.
- Second, the parent company encourages and enables operating companies of different disciplines to work together for the benefit of clients. Such collaborations have the additional benefit of enhancing the job satisfaction of our people. The parent company also plays an across-the-Group role in the following functions: the management of talent, including recruitment and training; in property management; in procurement and information technology; in knowledge sharing and practice development.
- And, finally, WPP itself can function as the 21st-century equivalent of the full-service agency. For some clients, predominantly those with a vast geographical spread and a need for marketing services ranging from advertising through design and website construction to research and internal communications, WPP can act as a portal to provide a single point of contact and accountability.

[Read more about our role on page 12.](#)



What we think

New markets, new media and consumer insight

by Sir Martin Sorrell

Despite the financial crisis, 2008 was our best year ever, with record billings, revenues and operating profit – bolstered by the Olympics and a high-spending US presidential campaign.

WPP is well placed to weather the current crisis and position itself for the future by anticipating trends in geography, technology and function. We have already built strong, often market-leading, positions in the fast growing economies of Asia Pacific – along with Latin America, Africa, the Middle East, and Central and Eastern Europe. That expansion will go on.

We will continue to invest heavily, by acquisition and through organic growth, in the measurable technologies that allow greater insight into consumer spending and habits. This represents a shift in the balance of our work from traditional advertising to marketing services, the so-called below-the-line areas of our work.

This year will undoubtedly be tough, especially without quadrennial events to boost revenues. But there may be a recovery of sorts in 2010 – if only because of the massive amounts of money being pumped into the world financial system.

Reduced consumer spending combined with overcapacity, concentration of distribution and pricing pressure will make demand for our skills – branding, differentiation, and advertising and marketing services – ever more essential.

[Sir Martin Sorrell's article begins on page 76.](#)

"I'm Sorry – You've Lost Me" Five Words No Brand Should Ever Have to Hear

by Jeremy Bullmore

2008 may be remembered as the year when numbers finally lost their capacity to shock. At the beginning of the year, two billion dollars was a lot of money. By the end of it, two trillion dollars was rather less: or so it seemed. Logically, the fact of a corporation facing losses of 100 billion should be four times more chilling than one facing losses of 25 billion – but logic doesn't come into it. There comes a moment when numbers so distance themselves from personal experience that comprehension snaps. And when comprehension goes, so, more worryingly, does any sense of personal involvement.

[Jeremy Bullmore's essay can be read in full on pages 100 to 101.](#)



How we're doing

Financial summary

	2008	2007	Change %
Billings¹	£36,929m	£31,666m	+16.6
Revenue	£7,477m	£6,186m	+20.9
Headline EBITDA²	£1,291m	£1,072m	+20.4
Headline operating profit²	£1,072m	£887m	+20.9
Reported operating profit	£876m	£805m	+8.9
Headline PBIT²	£1,118m	£928m	+20.5
Headline PBIT margin	15.0%	15.0%	–
Headline PBT²	£968m	£817m	+18.5
Reported PBT	£747m	£719m	+3.8
Headline diluted earnings per share^{2,4}	55.5p	45.8p	+21.2
Headline diluted earnings per ADR^{2,3,4}	\$5.14	\$4.58	+12.2
Ordinary dividend per share	15.47p	13.45p	+15.0
Ordinary dividend per ADR³	\$1.43	\$1.35	+5.9
Net debt at year-end	£3,068m	£1,286m	+138.6
Average net debt⁵	£2,206m	£1,458m	+51.3
Ordinary share price at year-end	402.5p	647.0p	-37.8
ADR price at year-end	\$29.59	\$64.29	-54.0
Market capitalisation at year-end	£5,053m	£7,709m	-34.5

At 8 April 2009

Ordinary share price	419.0p
ADR price	\$30.86
Market capitalisation	£5,260m

The financial statements have been prepared under IFRS (International Financial Reporting Standards, incorporating International Accounting Standards).

¹ Billings is defined on page 176.

² The calculation of 'headline' measurements of performance (including headline EBITDA, headline operating profit, headline PBIT, headline PBT and headline earnings) is shown in note 31 of the financial statements.

³ One American Depositary Receipt represents five ordinary shares. These figures have been translated for convenience purposes only using the income statement exchange rates shown on page 146. This conversion should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

⁴ Earnings per share is calculated in note 9 of the financial statements.

⁵ Average net debt is defined on page 176.

2008 results

WPP's twenty-third year was in many ways another record year despite the financial catastrophes of 2008. Our performance conformed in many respects to the financial model we have developed, with both revenues and headline profits rising in the 5-10% range on a constant currency basis.

Our results include the contribution of TNS for the last two months of the year. Billings were up over 16% to £36.9 billion. Revenues were up almost 21% to £7.5 billion. Headline PBIT margin was flat at 15.0% against a target of 15.3%, including TNS. Headline PBIT (profit before goodwill write-downs, investment gains and write-downs, amortisation and impairment of acquired intangible assets,

share of exceptional gains/losses of associates, one-off costs of changes to our corporate structure, finance income/costs and taxation) was up over 20% to £1,118 million. Headline EBITDA (or headline earnings before interest, taxation, depreciation and amortisation) rose over 20% to £1.3 billion.

Headline profit before tax was up over 18% to £968 million. Reported profit before tax was up almost 4% to £747 million. Diluted headline earnings per share were up over 21% to 55.5p and diluted reported earnings per share down 1% to 37.6p. Headline interest cover in 2008 was 7.5 times. Dividends rose 15% to 15.47p.

Our reported revenue growth of almost 21% reflected the strength of the euro and US dollar against sterling, as well as the impact of TNS. On a constant currency basis, which excludes the impact of currency movements, revenues were up 9.0%. On a like-for-like basis, excluding the impact of acquisitions and currency, revenues were up 2.7%. Revenue, including 100% of associates, is estimated to total over £8.9 billion.

Revenue growth slowed as the year progressed: on a like-for-like basis, growth of 4.8% in the first quarter slowed to 3.8% in the second, 3.0% in the third and then flattened to 0.1% in the final quarter of the year. However, we suffered less in the final quarter than some of our major competitors, who experienced negative overall growth. This trend will continue in the immediate short term: our own budgets prepared late last year indicate a like-for-like revenue decline of 2% for 2009, whilst more recent forecasts for the advertising industry as a whole indicate a decline of 4% or more, so we expect to continue to increase market share in spite of the downturn. Our total revenue in 2008 surpassed that of all our competitors, regaining the No.1 position for the third time.

Free cash flow and net debt

Free cash flow remained strong at £777 million. Net debt averaged £2.2 billion in 2008, up just over £600 million at 2008 exchange rates, reflecting the net acquisition cost of TNS and other, smaller acquisitions. Net debt at 31 December 2008 was £3.1 billion compared with £1.3 billion last year.

Geographic performance

Asia Pacific, Latin America, Africa and the Middle East continued to be the fastest-growing regions, with Africa and the Middle East being the fastest-growing sub-region. Asia Pacific remained strong across the region, with mainland

China up almost 9% and India up 21%, although Japan and Australia were weaker. Continental Europe and the UK, although suffering from the deterioration in economic conditions, both grew over 2% like-for-like.

In 2008, Continental Europe remained two-paced, with Western Continental Europe softer and Central and Eastern Europe, Russia and the other CIS countries, in particular, more buoyant. Of the big five Western European markets, Spain and Italy were weakest, France and Germany were stable and the UK was stronger. Markets outside North America now account for over 65% of our revenues, up from 62% in 2007 and 58% five years ago.

Sector performance

Growth was encouraging across all communications services sectors – Advertising, Media Investment Management, Information, Insight & Consultancy, Public Relations & Public Affairs, Branding & Identity, Healthcare and Specialist Communications – although this last sector lagged the others, particularly in the second half of the year. Public Relations & Public Affairs was the fastest-growing communications services sector.

Marketing services rose to almost 56% of our revenues in 2008, up from 54% in 2007, due to strong growth in Public Relations & Public Affairs and the impact of TNS on Information, Insight & Consultancy.

Our key priorities

Our goal remains to be the world's most successful provider of communications services to multinational and local companies, not just the largest. To that end, we have three key strategic priorities:

- Short term, to weather the current crisis successfully.
- Medium term, to build upon the successful base we have established with our acquisitions.
- Long term, to increase the geographic share of revenues from faster-growing markets to one-third; to increase the share of revenues of marketing services to two-thirds; and to increase the share of more measurable marketing services to 50%.

Our letter to share owners starts on page 18.

Our 2008 financial statements are presented in full on pages 139 to 177 and at www.wpp.com/investor.

2008 revenue¹ by geography %

North America	35	
UK	14	
Continental Europe	27	
Asia Pacific, Latin America, Africa & Middle East	24	

2008 headline PBIT^{1,2} by geography %

North America	40	
UK	12	
Continental Europe	25	
Asia Pacific, Latin America, Africa & Middle East	23	

2008 revenue¹ by sector %

Advertising and Media Investment Management	45	
Information, Insight & Consultancy	17	
Public Relations & Public Affairs	10	
Branding & Identity, Healthcare and Specialist Communications	28	

2008 headline PBIT^{1,2} by sector %

Advertising and Media Investment Management	52	
Information, Insight & Consultancy	13	
Public Relations & Public Affairs	11	
Branding & Identity, Healthcare and Specialist Communications	24	

¹ Percentages are calculated on a constant currency basis. See definition on page 176.

² The calculation of headline PBIT is set out in note 31 of the financial statements.



Who runs WPP

Non-executive chairman

Philip Lader

Chairman of the Nomination Committee
Member of the Compensation Committee

Executive directors

Sir Martin Sorrell

Chief executive

Paul Richardson

Finance director
Chairman of the Corporate Responsibility Committee

Mark Read

Strategy director
Chief executive, WPP Digital

Non-executive directors

Colin Day

Member of the Audit Committee

Esther Dyson

Member of the Compensation Committee and
Nomination Committee

Orit Gadiesh

Member of the Nomination Committee

David Komansky *(retired 6 February 2009)***Christopher Mackenzie** *(retired 24 June 2008)***Stanley (Bud) Morten**

Senior independent director

Koichiro Naganuma**Lubna Olayan**

Member of the Nomination Committee

John Quelch**Jeffrey Rosen**

Chairman of the Compensation Committee
Member of the Audit Committee

Timothy Shriver

Member of the Audit Committee

Paul Spencer

Chairman of the Audit Committee

Members of the Advisory Board

Jeremy Bullmore**John Jackson**

Company Secretary

Marie Capes

[Directors' biographies appear on pages 102 to 104.](#)



How we behave

Corporate governance

The Board of Directors as a whole is collectively accountable to the Company's share owners for good corporate governance and is committed to achieving compliance with the principles of corporate governance set out in the Combined Code.

Our goal is to comply with relevant laws, regulations, and guidelines such as the Combined Code, the US Sarbanes-Oxley Act 2002, the NASDAQ rules and, where practicable, with the guidelines issued by institutional investors and their representative bodies.

WPP operates a system of internal control, which is maintained and reviewed in accordance with the Combined Code and the guidance in the Turnbull Report as well as the relevant provisions of the Securities Exchange Act 1934 and related SEC rules as they currently apply to the Company. In the opinion of the Board, the Company has complied throughout the year with the Combined Code, the Turnbull Report and also with the relevant provisions of the Securities Exchange Act 1934 and SEC rules.

Corporate responsibility

WPP's Corporate Responsibility Committee, which is chaired by Paul Richardson, advises on policy, monitors emerging issues and co-ordinates communication among Group companies. WPP's five most significant corporate responsibility issues are:

- **The social and environmental impact** of our work for clients.
- **The impact of our work**, including marketing ethics, compliance with marketing standards, protection of personal, consumer and corporate data and increasing transparency about our marketing practices.
- **Employment**, including diversity and equal opportunities, business ethics, employee development, remuneration, communication and health and safety. In 2008, WPP invested £42.6 million in training and wellbeing across the Group.
- **Social investment**, including pro bono work, donations to charity and employee volunteering. In 2008, our total social investment was worth £14.6 million, equivalent to 2% of reported profit before tax. This includes £10.3 million in pro bono work (based on the fees the benefiting organisations would have paid for our work) and £4.3 million in donations.
- **Climate change**, including the emissions from energy used in our offices and during business travel.

[Full details of our governance policies and practices, and our corporate responsibility activities, can be found on pages 107 to 125.](#)



How we're rewarded

Executive remuneration policy is set by WPP's Compensation Committee and is governed by three guiding principles:

- Competitiveness
- Performance
- Alignment to share owner interests

The committee's work during 2008 included:

- a review of the total compensation packages of the Group's most senior executives relative to marketplace benchmarks to ensure competitiveness;
- a review of the total compensation packages of both Paul Richardson and Mark Read;
- a full review of the effectiveness and operation of all of WPP's share incentive plans;
- the approval of all incentives (including Renewed LEAP), payable in cash and in shares, for senior executives throughout the Group as well as setting appropriate targets for the Group chief executive and other executive directors;
- consideration of the design details for LEAP III – the incentive plan that, with share owner approval, will replace Renewed LEAP following its expiry in 2009; and
- a review of the fees for the chairman (in his absence) and a recommendation to the Board as to the fees for the non-executive directors.

Our directors' remuneration and interests are set out on pages 133 to 137. A full report from the Compensation Committee starts on page 127.



About share ownership

WPP is quoted on the London Stock Exchange and NASDAQ in New York.

Analysis of shareholdings

Issued share capital as at 31 December 2008: 1,255,343,263 ordinary shares owned by 13,617 share owners.

Share owners by geography %

■ UK	38
■ US	30
■ Asia Pacific, Latin America, Africa & Middle East, Canada and Continental Europe	32



Share owners by type %

■ Institutional investors	95
■ Employees	4
■ Other individuals	1



Substantial share ownership

As at 14 April 2009, the Company is aware of the following interests of 3% or more in the issued ordinary share capital:

Massachusetts Financial Services Company	4.84%
Invesco plc	4.60%
Legal & General	4.39%

The disclosed interests of all of the above refer to the respective combined holdings of those entities and to interests associated with them. The Company has not been notified of any other holdings of ordinary share capital of 3% or more.

Share owner relations

WPP has a continuous program to address the needs of share owners, investment institutions and analysts, supplying a regular flow of information about the Company, its strategy and performance. WPP's website, www.wpp.com, provides current and historical financial information including trading statements, news releases and presentations.

More information relating to share ownership can be found on pages 179 to 182.

Who we are



Glendinning™
MANAGEMENT CONSULTANTS

IMRB
International

Landor

CENTER | PARTNERS

brand
ami

MEDIACOM

ziment
Group

HILL & KNOWLTON

HS Ad

WUG

addison

CommonHealth®

IPAN
Public Relations & Public Affairs

WILLIS TOWERS WATSON

B•K•S•H & Associates

gt

BDG workfutures

YOUNG & RUBICAM
BRANDS

RESEARCH
INTERNATIONAL

ADK

THE BRAND UNION

these
days

studiocom

bmrh

GREY group

wunderman

AGENDA

PAGE

plano trio

ghg

ENFATICO

winglatino

the
futures
company

KnowledgeBase®
MARKETING, INC.
A WUNDERMAN COMPANY

BRIERLEY & PARTNERS

performance

OgilvyOne
worldwide

J W T

SMOLLAN GROUP
People and Technology • Changing Brands

AquaOnline
Technology Building Brands

CANNOWALE
ASSOCIATES

Buchanan
communications

bates 141

PUBLIC STRATEGIES INC

OgilvyAction

designkitchen

www.wunderman.com

SGH

SUDLER & HENNESSEY

OgilvyInteractive
worldwide

Ogilvy Primary Contact

cohn & wolfe

Mando
Brand Assurance

BROUILLARD

BLAST RADIUS

K&L
Advertising

red dot square
solutions

rterm

THE CHANNEL

VML

dovetail

THE JUPITER DRAWING ROOM
DESIGN, STRATEGY & PARTNERS
1000 15th Street, Suite 1000
New York, NY 10019

maxus

spafax

KANTAR

mjm

PSB Penn, Schoen & Berland
Associates, Inc.
International & Domestic Brand & Public Policy Services

Connect

Deliver

Wexler & Walker
public policy associates

BLUE





Our companies & associates

Advertising

ADK¹
www.adk.jp
 Bates 141
www.bates141.com
 BrandBuzz[■]
www.brandbuzz.com
 CHI & Partners¹
www.chiandpartners.com
 Dentsu Y&R^{1,2,■}
www.yandr.com
 Enfatico[■]
www.enfatico.com
 Grey
www.grey.com
 HS Ad¹
www.hs-ad.co.kr
 JWT
www.jwt.com
 Johannes Leonardo¹
www.johannesleonardo.com
 Marsteller Advertising[■]
www.marsteller.com
 Ogilvy & Mather Worldwide
www.ogilvy.com
 Santo
www.santo.net
 Scangroup¹
www.scangroup.biz
 Soho Square
www.sohosq.com
 Tapsa
www.tapsa.es
 The Jupiter Drawing Room¹
www.jupiter.co.za
 United Network
www.group-united.com
 Y&R[■]
www.yandr.com

Media Investment Management

GroupM:
www.groupm.com
 Maxus
www.maxusglobal.com
 MediaCom
www.mediacom.com
 Mediaedge:cia
www.mecglobal.com
 Mindshare
www.mindshareworld.com
 Outrider
www.outrider.com
 Brandamp²
www.brandamp.co.uk
 Catalyst
www.catalystsearchmarketing.com
Other media agencies
 Kinetic Worldwide²
www.kineticww.com
 KR Media¹

Information, Insight & Consultancy

The Kantar Group:
www.kantargroup.com
 Added Value
www.added-value.com
 BPRI
www.bprigroup.com
 Center Partners
www.centerpartners.com
 IMRB International
www.imrbint.com
 Kantar Healthcare
www.kantarhealthcare.com
 – TNS Healthcare
www.tnsglobal.com
 – Ziment Group
www.zimentgroup.com
 – Mattson Jack Group
www.mattsonjack.com
 Kantar Japan
www.kantarjapan.com
 Kantar Media
www.kantarmedia.com
 – Kantar Media Intelligence
 – Kantar Audience Measurement
 – TGI Global
 – Kantar Media US
 Kantar Operations
www.kantaroperations.com
 Kantar Retail
 – Glendinning
www.glendinning.biz
 – Cannondale Associates
www.cannondaleassoc.com
 – Management Ventures
www.mvi-worldwide.com
 – Retail Forward
www.retailforward.com
 – Red Dot Square
www.reddotsquare.com

Kantar Worldpanel
www.kantarworldpanel.com
 Lightspeed Research
www.lightspeedresearch.com
 Millward Brown
www.millwardbrown.com
 The Futures Company
www.thefuturescompany.com

TNS
www.tnsglobal.com
www.research-int.com
Other marketing consultancies
 Everstone
www.everystonegroup.com
 ohal
www.ohal-group.com

Public Relations & Public Affairs

BKSH[■]
www.bksh.com
 Blanc & Otus
www.blancandotus.com
 Buchanan Communications
www.buchanan.uk.com
 Burson-Marsteller[■]
www.bm.com
 Chime Communications PLC¹
www.chime.plc.uk

Clarion Communications
www.clarioncomms.co.uk
 Cohn & Wolfe[■]
www.cohnwolfe.com
 Dewey Square Group
www.deweysquare.com
 Finsbury
www.finsbury.com
 Hill & Knowlton
www.hillandknowlton.com
 Ogilvy Government Relations
www.ogilvypr.com
 Ogilvy Public Relations Worldwide
www.ogilvypr.com
 The PBN Company¹
www.pbnco.com
 Penn, Schoen & Berland[■]
www.psb surveys.com
 Public Strategies
www.pstrategies.com
 Quinn Gillespie
www.quinnjillespie.com
 Robinson Lerer & Montgomery[■]
www.rlmnet.com
 Timmons and Company
www.timmonsandcompany.com
 Wexler & Walker Public Policy Associates
www.wexlergroup.com

Branding & Identity

Addison Corporate Marketing[•]
www.addison.co.uk
 BDGMcColl
www.bdg-mccoll.com
 BDGworkfutures
www.bdgworkfutures.com
 Coley Porter Bell
www.cpb.co.uk
 Dovetail
www.dovetailfurniture.com
 FITCH[■]
www.fitchww.com
 Lambie-Nairn[■]
www.lambie-nairn.com
 Landor Associates^{■,•}
www.landor.com
 The Brand Union[•]
www.thebrandunion.com
 The Partners[•]
www.thepartners.co.uk
 VBAT[■]
www.vbat.nl
 Warwicks
www.warwicks-uk.com

Healthcare Communications

CommonHealth
www.commonhealth.com
 Feinstein Kean Healthcare
www.fkhealth.com
 GCI Health
www.gcihealth.com
 ghg
www.ghggroup.com
 Ogilvy Healthworld
www.ogilvyhealthworld.com
 Sudler & Hennessey[■]
www.sudler.com



Direct, Digital, Promotion & Relationship Marketing

A. Eicoff & Co
www.eicoff.com
 Actis Systems⁺
www.actis.ru
 AGENDA⁺
www.agenda-asia.com
 Aqua Online⁺
www.aquaonline.com
 Blast Radius⁺
www.blastradius.com
 Bridge Worldwide
www.bridgeworldwide.com
 Brierley & Partners¹
www.brierley.com
 Designkitchen⁺
www.designkitchen.com
 Dialogue 141
www.dialmkg.com
 Digit
www.digitlondon.com
 EWA
www.ewa.ltd.uk
 FullSIX³
www.fullsix.com
 GT[■]
www.wearegt.com
 Grass Roots¹
www.grg.com
 G2
www.g2.com
 – G2 Branding & Design
 – G2 Interactive
 – G2 Direct & Digital
 – G2 Promotional Marketing
 Headcount Worldwide Field Marketing
www.headcount.co.uk
 High Co¹
www.highco.fr
 Kassius⁺
www.kassius.fr
 KnowledgeBase Marketing⁺
www.knowledgebasemarketing.com
 Mando Brand Assurance
www.mando.co.uk
 Maxx Marketing
www.maxx-marketing.com
 OgilvyAction
www.ogilvyaction.com
 OgilvyOne Worldwide
www.ogilvy.com
 OOT³
www.oot.it
 Plano.Trio
www.planotrio.com.br
 RMG Connect
www.rmgconnect.com
 RTC Relationship Marketing[■]
www.rtrcm.com
 Smollan Group¹
www.smollan.co.za
 Studiocom[■]
www.studiocom.com
 These Days⁺
www.thesedays.com
 VML[■]
www.vml.com
 Wunderman[■]
www.wunderman.com
 ZAAZ⁺
www.zaaz.com

Specialist Communications

Corporate/B2B
 Brouillard
www.brouillard.com
 Ogilvy Primary Contact
www.primary.co.uk
Custom media
 Forward
www.theforwardgroup.com
 Spafax
www.spafax.com
Demographic marketing
 The Bravo Group[■]
www.thebravogroupyr.com
 Kang & Lee[■]
www.kanglee.com
 MosaicaMD
 UniWorld¹
www.uniworldgroup.com
 WINGLATINO[■]
www.winglatino.com
Employer branding/recruitment
 JWT Inside
www.jwtinside.com
Event/face-to-face marketing
 MJM
www.mjmcreeative.com
 FITCHLive
www.fitchlive.com
Foodservice marketing
 The Food Group
www.thefoodgroup.com
Sports marketing
 OgilvyAction Sports & Entertainment Marketing
www.ogilvyaction.com
 Performance
www.performance-worldwide.com
 PRISM Group
www.primsteam.com
Entertainment marketing
 Alliance⁺
www.alliance-agency.com
Youth marketing
 The Geppetto Group
www.geppetogroup.com
Real estate marketing
 Pace
www.paceadv.com
Technology marketing
 Banner Corporation[■]
www.b1.com
Media & production services
 The Farm Group
www.farmgroup.tv
 Imagina³
www.mediapro.es
 Metro Group
www.metrobroadcast.co.uk
 MRC³
www.mrcstudios.com
 The Weinstein Company³
www.weinsteinco.com

WPP Digital

24/7 Real Media
www.247realmedia.com
 BLUE
www.blue-interactive.com
 Deliver
www.deliveroffshoring.com
 iconmobile¹
www.iconmobile.mobi
 Quasar
www.quasar.co.in
 Schematic
www.schematic.com
 Syzygy¹
www.syzygy.net

WPP Digital partner companies

HDT Holdings Technology³
www.hdtworld.com
 In Game Ad Interactive³
www.ingamead.cn
 Invidi³
www.invidi.cn
 JumpTap³
www.jumptap.com
 LiveWorld³
www.liveworld.com
 NuConomy³
www.nuconomy.com
 Omniture³
www.omniture.com
 Proclivity Systems³
www.proclivitysystems.com
 Realtime Worlds³
www.realtimeworlds.com
 SpotRunner³
www.spotrunner.com
 VideoEgg³
www.videoegg.com
 Visible Technologies¹
www.visibletechnologies.com
 Visible World³
www.visibleworld.com
 WildTangent³
www.wildtangent.com
 Yield Software³
www.yieldsoftware.com

WPP knowledge communities

The Channel
 The Store
droth@wpp.com

Key

¹ Associate

² Joint venture

³ Investment

■ A Young & Rubicam Brands company

• A member of B to D Group

+ Part of the Wunderman network

As at April 2009.

Why we exist

Our mission

To develop and manage talent;
to apply that talent,
throughout the world,
for the benefit of clients;
to do so in partnership;
to do so with profit.

Between them, WPP companies have tens of thousands of individual clients. They range from Fortune 500 global giants through single-nation start-ups to the smallest of specialist charities.

Diverse as they are, they have one thing in common: in pursuing their objectives, they face formidable competition. Growing affluence in many parts of the world – combined with overcapacity and over-supply in almost every significant consumer market – has put more and more power into the hands of consumers, accelerated by technology.

As always, if they are to succeed – or even to survive with profit – every competitive company needs an intrinsically appealing product or service. But that, though it remains the most fundamental of requirements, is no longer enough. Just as competitive costermongers arrange their apples in appealing displays and polish them lovingly to catch their customers' eyes, so all companies need to display their wares compellingly.

They need access to high-quality information, strategic advice and specialist communications skills. And it's in the nature of specialist and creative talent that it is unlikely to flourish within the confines of a manufacturing or service company. People with specialist talents work best – and contribute more – when recruited, trained and inspired by specialist companies.

Within the WPP Group, our clients have access to companies with all the necessary marketing and communications skills; companies with strong and distinctive cultures of their own; famous names, many of them. WPP, the parent company, complements these companies in three distinct ways.

■ First, it relieves them of much administrative work. Financial matters (such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions, investor relations, legal affairs and internal audit) are co-ordinated centrally. For the operating companies, every administrative hour saved is an extra hour to be devoted to the pursuit of professional excellence.

■ Second, the parent company encourages and enables operating companies of different disciplines to work together for the benefit of clients. Such collaborations have the additional benefit of enhancing the job satisfaction of our people. The parent company also plays an across-the-Group role in the following functions: the management of talent, including recruitment and training; in property management; in procurement and information technology; in knowledge sharing and practice development.

■ And finally – a relatively recent development, this – WPP itself can function as the 21st-century equivalent of the full-service agency. For some clients, predominantly those with a vast geographical spread and a need for marketing services ranging from advertising through design and website construction to research and internal communications, WPP can act as a portal to provide a single point of contact and accountability.

No two clients are structured in precisely the same way. Within WPP's operating companies, teams can be tailor-made to match any and all.





How we're doing

Financial summary

Our total revenue in 2008 surpassed that of all our competitors, regaining the No.1 worldwide position for the third time.

	2008	2007	Change %
Billings¹	£36,929m	£31,666m	+16.6
Revenue	£7,477m	£6,186m	+20.9
Headline EBITDA²	£1,291m	£1,072m	+20.4
Headline operating profit²	£1,072m	£887m	+20.9
Reported operating profit	£876m	£805m	+8.9
Headline PBIT²	£1,118m	£928m	+20.5
Headline PBIT margin	15.0%	15.0%	–
Headline PBT²	£968m	£817m	+18.5
Reported PBT	£747m	£719m	+3.8
Headline diluted earnings per share^{2,4}	55.5p	45.8p	+21.2
Headline diluted earnings per ADR^{2,3,4}	\$5.14	\$4.58	+12.2
Ordinary dividend per share	15.47p	13.45p	+15.0
Ordinary dividend per ADR³	\$1.43	\$1.35	+5.9
Net debt at year-end	£3,068m	£1,286m	+138.6
Average net debt⁵	£2,206m	£1,458m	+51.3
Ordinary share price at year-end	402.5p	647.0p	-37.8
ADR price at year-end	\$29.59	\$64.29	-54.0
Market capitalisation at year-end	£5,053m	£7,709m	-34.5

At 8 April 2009

Ordinary share price	419.0p
ADR price	\$30.86
Market capitalisation	£5,260m

The financial statements have been prepared under IFRS (International Financial Reporting Standards, incorporating International Accounting Standards).

¹ Billings is defined on page 176.

² The calculation of 'headline' measurements of performance (including headline EBITDA, headline operating profit, headline PBIT, headline PBT and headline earnings) is shown in note 31 of the financial statements.

³ One American Depositary Receipt represents five ordinary shares. These figures have been translated for convenience purposes only using the income statement exchange rates shown on page 146. This conversion should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

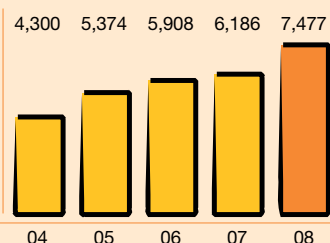
⁴ Earnings per share is calculated in note 9 of the financial statements.

⁵ Average net debt is defined on page 176.



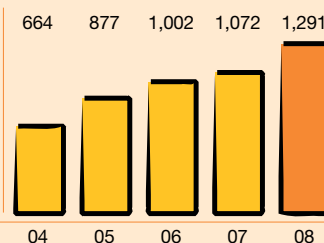
Financial summary

Revenue £m



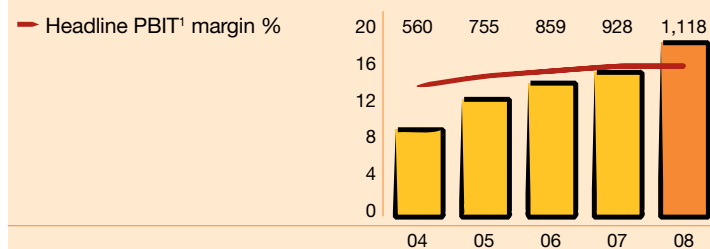
Reported revenue growth of almost 21% reflected organic growth, the strength of the euro and US dollar against sterling, as well as the impact of TNS. On a constant currency basis, revenues were up 9.0%.

Headline EBITDA¹ £m



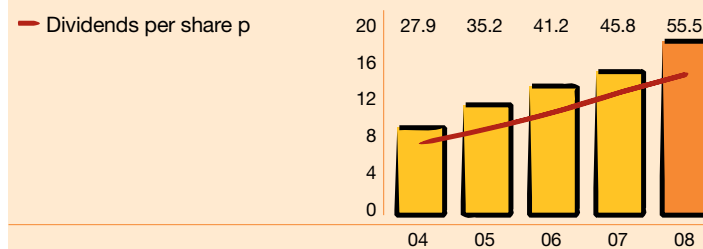
Headline EBITDA (headline earnings before interest, taxation, depreciation and amortisation) rose over 20% to £1.3 billion (\$2.3 billion).

Headline PBIT¹ £m



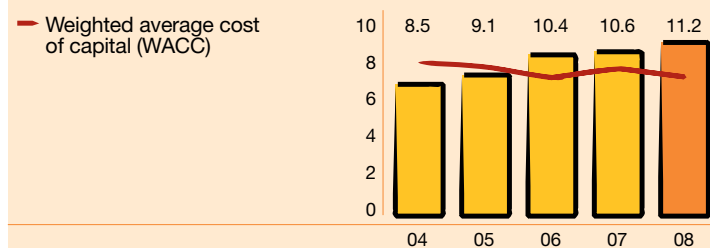
Headline PBIT margin was flat at 15.0%, including TNS. Headline PBIT was up over 20% to £1,118 million, crossing £1 billion for the first time.

Headline diluted earnings per share¹ p



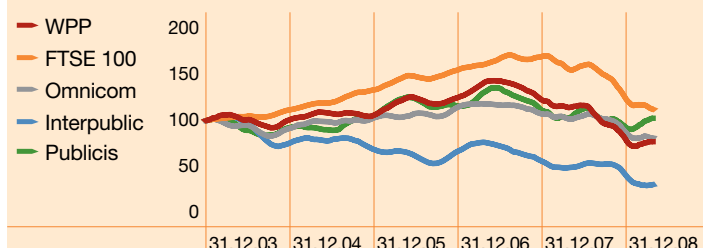
Diluted headline earnings per share were up over 21% to 55.5p. Dividends rose 15% to 15.47p.

After-tax return on average capital employed² %



After-tax return on average capital employed increased to 11.2%, with the weighted average cost of capital falling to 7.3%.

Relative TSR Rebased to 31 December 2003³

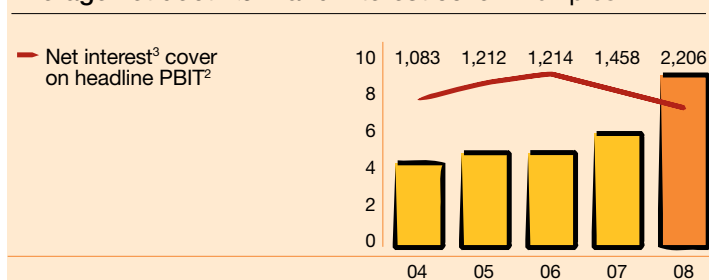


Despite under-performing the FTSE 100 index, WPP did well against its two US-based competitors.

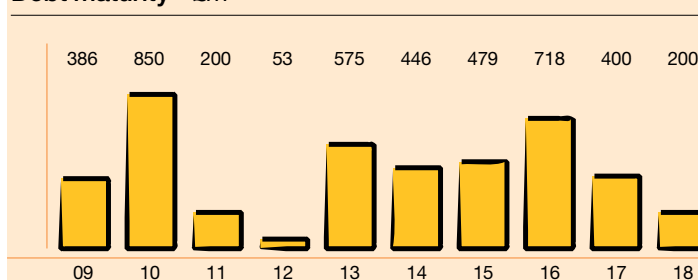
¹ The calculation of 'headline' measurements of performance (including headline EBITDA, headline PBIT and headline earnings) is shown in note 31 of the financial statements.

² Calculated gross of goodwill and using profit after taxation before goodwill impairment and other goodwill write-downs, gains/losses arising from the revaluation of financial instruments, amortisation and impairment of acquired intangible assets, share of exceptional losses/gains of associates, costs incurred in 2008 in changing the corporate structure of the Group and investment gains/losses and write-downs, and adjusted to reflect taxes and net finance costs paid.

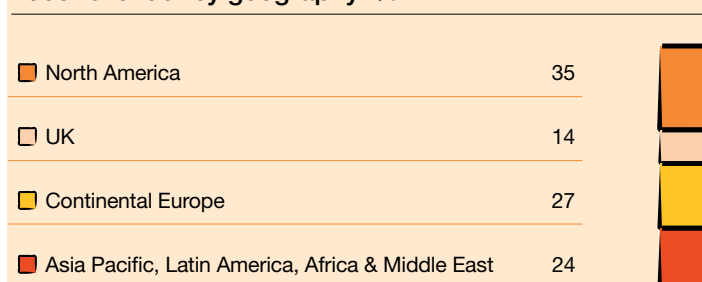
³ Measured on a common currency basis.

Average net debt⁴ £m and interest cover multiples

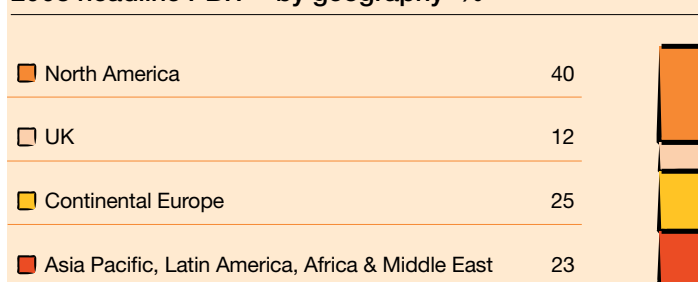
Net debt averaged £2.2 billion in 2008, up just over £600 million at 2008 exchange rates, principally reflecting the net acquisition cost of TNS and other acquisitions. Headline interest cover in 2008 was 7.5 times.

Debt maturity⁵ £m

The Group continues to work to achieve continuity and flexibility of funding. Undrawn committed borrowing facilities are maintained in excess of peak net-borrowing levels and debt maturities are monitored closely.

2008 revenue¹ by geography %

Markets outside North America now account for over 65% of our revenues, up from 62% in 2007 and 58% five years ago. The influence of the faster-growing markets outside North America and Western Europe is increasing rapidly.

2008 headline PBIT^{1,2} by geography %

Asia Pacific, Latin America, Africa and the Middle East showed strong growth, with Central and Eastern Europe buoying Continental Europe's overall growth.

2008 revenue¹ by sector %

Marketing services rose to almost 56% of revenues in 2008, up from 54% in 2007, due to strong growth in Public Relations & Public Affairs and the late-year impact of TNS on Information, Insight & Consultancy.

2008 headline PBIT^{1,2} by sector %

PBIT contributions were broadly in line with pro rata revenues, with Advertising and Media Investment Management more profitable and Information, Insight & Consultancy, Branding & Identity and Healthcare and Specialist Communications less so.

¹ Percentages are calculated on a constant currency basis. See definition on page 176.

² The calculation of headline PBIT is set out in note 31 of the financial statements.

³ Interest in 2008, 2007, 2006 and 2005 excludes finance costs arising from the revaluation of financial instruments.

⁴ Average net debt includes amounts drawn down in each year on the Group's working capital facility (the advance of cash financing against which certain trade debts have been assigned). This facility was repaid and cancelled on 31 August 2005.

⁵ Includes corporate bonds, convertible bonds and bank loans payable at par value, excluding any redemption premium due, by due date.



Letter to share owners*

Dear share owner

WPP's twenty-third year was in many ways another record year despite the financial catastrophes of 2008. Our performance conformed in many respects to the financial model we have developed, with both revenues and headline profits rising in the 5-10% range on a constant currency basis.

Despite these record results, disappointingly, total share owner return declined, with your share price falling over one-third from 647.0p to 402.5p during the year, principally due to the chaos in the financial markets. Dividends, however, rose 15% to 15.47p. Since the year end, your share price has increased to 419.0p at the time of writing. Given the considerable management share ownership in your Company, management has shared that pain, which has not been reduced by issuing options to senior management at bargain-basement prices or re-pricing old ones.

In October 2008, the Company successfully completed the acquisition of Taylor Nelson Sofres plc (TNS), a major information, insight and consultancy group, operating in over 80 countries with almost 17,000 people worldwide. Our results include the contribution of TNS for the last two months of the year.

Billings were up over 16% to £36.9 billion. Revenues were up almost 21% to £7.5 billion. Headline PBIT margin was flat at 15.0% against a target of 15.3%, including TNS. Headline PBIT – that is, profit before goodwill write-downs, investment gains and write-downs, amortisation and impairment of acquired intangible assets, share of exceptional gains/losses of associates, one-off costs of changes to our corporate structure, finance income/costs and taxation (what a mouthful!) – was up over 20% to £1,118 million, crossing £1 billion for the first time.

Headline EBITDA (or headline earnings before interest, taxation, depreciation and amortisation, which is a key metric that private equity firms, for example, use for valuing companies) rose over 20% to £1.3 billion.

Headline profit before tax was up over 18% to £968 million. Reported profit before tax was up almost 4% to £747 million, reflecting goodwill and investment write-downs. Diluted headline earnings per share were up over 21% to 55.5p and diluted reported earnings per share down 1% to 37.6p, again reflecting goodwill and investment write-downs.

Free cash flow remained strong at £777 million. Net debt averaged £2.2 billion in 2008, up just over £600 million at 2008 exchange rates, principally reflecting the net acquisition cost of TNS and other, smaller acquisitions. Net debt at 31 December 2008 was £3.1 billion compared with £1.3 billion last year. Headline interest cover in 2008 was 7.5 times. In the first two months of 2009, average net debt was £3.2 billion, the seasonal cash outflow at this time of year remaining the same as last year. With a current equity market capitalisation of approximately £5.3 billion, the total enterprise value of

your Company is approximately £8.5 billion.

Following our 2008 results, our listed debt has maintained investment grade status with the rating agencies (Moody's and S&P). Equity analysts also appear comfortable with average net debt levels of around 2.5 times headline EBITDA. This would equate to approximately £3.5 billion based on a pro forma 2008 EBITDA, including TNS for a full year.

A tale of two halves

Our reported revenue growth of almost 21% reflected the strength of the euro and US dollar against sterling, as well as the impact of TNS. On a constant currency basis, which excludes the impact of currency movements, revenues were up 9.0%. On a like-for-like basis, excluding the impact of acquisitions and currency, revenues were up 2.7%. Revenue, including 100% of associates, is estimated to total over £8.9 billion.

2008 was largely a year of two contrasting halves. A strong first half (although second-quarter growth wobbled a little), with like-for-like growth of 4.3%, which compares with overall growth of 5.0% for 2007, and a weaker second half with slowing organic growth of 1.4%, as the impact of the sub-prime and insurance monoline crises, that started towards the end of 2007, was intensified by the collapse, emergency acquisition and restructuring of financial institutions in many parts of the world.

Revenue growth slowed as the year progressed: on a like-for-like basis, growth of 4.8% in the first quarter slowed to 3.8% in the second, 3.0% in the third and then flattened to 0.1% in the final quarter of the year. However, we suffered less in the final quarter than some of our major competitors, who experienced negative overall growth. This trend will continue in the immediate short term: our own budgets prepared late last year indicate a like-for-like revenue decline of 2% for 2009, whilst more recent forecasts for the advertising industry as a whole indicate a decline of 4% or more, so we expect to continue to increase market share in spite of the downturn. Our total revenue in 2008 surpassed that of all our competitors, regaining the No.1 position for the third time.

Like-for-like revenue growth was positive across all regions other than North America, which was almost flat, although revenues in the fourth quarter were stronger than forecast. There were conflicting trends in North America as, on the one hand, smaller businesses may be more rapidly affected by the recession and, on the other hand, FMCG companies may be maintaining their brand investment spending, even in more difficult times.

* This letter to share owners should be read in conjunction with and as part of the management report set out in the section headed Directors' report on pages 107 to 137.



Asia Pacific, Latin America, Africa and the Middle East continued to be the fastest-growing of our geographic regions, with Africa and the Middle East being the fastest-growing sub-region. Asia Pacific remained strong across the region, with mainland China up almost 9% and India up 21%, although Japan and Australia were weaker. Continental Europe and the UK, although suffering from the deterioration in economic conditions, both grew over 2% like-for-like. In 2008, Continental Europe remained two-paced, with Western Continental Europe softer and Central and Eastern Europe, Russia and the other CIS countries, in particular, more buoyant. Of the big five Western European markets, Spain and Italy were weakest, France and Germany were stable and the UK was stronger.

Markets outside North America now account for over 65% of our revenues, up from 62% in 2007 and 58% five

years ago. The influence of the faster-growing markets outside North America and Western Europe is increasing rapidly.

Strongest growth in public relations and media

Growth was encouraging across all communications services sectors – Advertising, Media Investment Management, Information, Insight & Consultancy, Public Relations & Public Affairs, Branding & Identity, Healthcare and Specialist Communications – although this last sector lagged the others, particularly in the second half of the year.

Public Relations & Public Affairs was the fastest-growing communications services sector with constant currency revenue up 6.9% and like-for-like growth of 4.9%. Particularly strong were Hill & Knowlton, Burson-Marsteller, Ogilvy Public Relations Worldwide and Clarion in the UK. Overall operating margins for this sector remained flat at 16.6%.

New technologies and new media have, once again, demonstrated the power of editorial publicity through fast-growing new services such as MySpace, YouTube, Facebook, Flickr and Wikipedia, along with the risks and difficulties of making money on social networking sites through advertising, as even experts like Facebook have found on two occasions. In addition, Public Relations & Public Affairs have benefited from the impact of polling techniques, which have provided a more scientific basis for the industry. What you know is becoming more important than who you know.

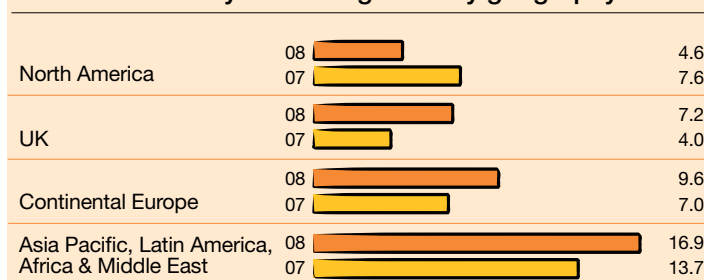
Advertising and Media Investment Management revenue grew by over 4% in constant currencies and by 3.6% on a like-for-like basis. Operating margins rose by over 1 margin point to 17.5%.

In 2008, Ogilvy & Mather Worldwide, JWT, Y&R Advertising, Grey and United generated estimated net new billings of £865 million (\$1.6 billion). GroupM, the Group's media investment management company, which includes Mindshare, Mediaedge:cia, MediaCom and Maxus, generated estimated net new billings of £1.3 billion (\$2.4 billion).

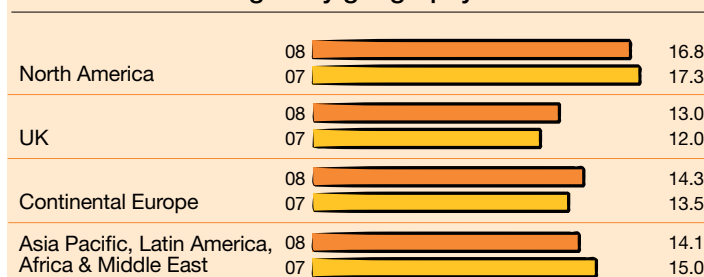
Information, Insight & Consultancy continued to show resilience in difficult economic conditions. On a constant currency basis, revenues grew 27.8%, largely as a result of the acquisition of TNS, with like-for-like revenues up 3.0%. Gross margin grew by 2.9% on a like-for-like basis. Overall operating margins fell by 0.2 margin points to 11.3%. This part of the industry certainly seems to have a lower 'beta', growing less rapidly in the upturn and more steadily in the downturn.

Branding & Identity, Healthcare and Specialist Communications was the slowest-growing segment of our business as the significant growth in direct, digital and interactive services was overpowered by slower growth

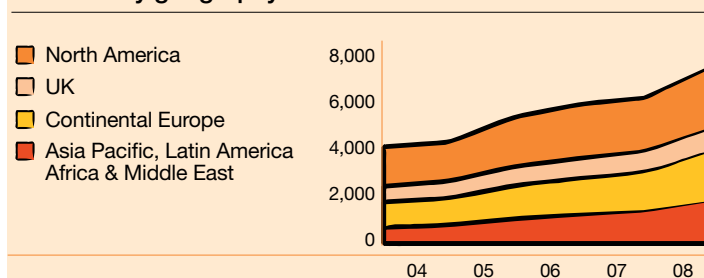
Constant currency¹ revenue growth by geography %



Headline PBIT² margins by geography %



Revenue by geography £m



¹ See definition on page 176.

² The calculation of headline PBIT is set out in note 31 of the financial statements.



in Healthcare and Specialist Communications. Revenues rose by 7.6% in constant currency and were marginally higher on a like-for-like basis. The Specialist Communications segment of our business includes a number of smaller companies, largely in the US and Western Europe, which have particularly felt the impact of the recent slow-down and recession. As a consequence, operating margins were down by 1.6 margin points to 12.6%.

Marketing services rose to almost 56% of our revenues in 2008, up from 54% in 2007, due to strong growth in Public Relations & Public Affairs and the impact of TNS on Information, Insight & Consultancy. This proportion should increase to around 62% in 2009, reflecting a full year's contribution from TNS. It is no longer accurate to call us an advertising agency.

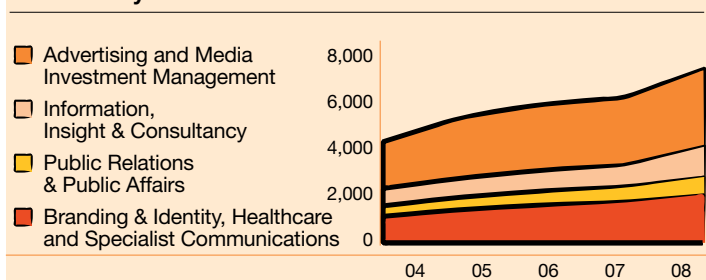
Constant currency¹ revenue growth by sector %

Advertising and Media	08		4.4
Investment Management	07		5.1
Information, Insight & Consultancy	08		27.8
	07		4.5
Public Relations & Public Affairs	08		6.9
	07		12.6
Branding & Identity, Healthcare and Specialist Communications	08		7.6
	07		14.1

Headline PBIT² margins by sector %

Advertising and Media	08		17.5
Investment Management	07		16.3
Information, Insight & Consultancy	08		11.3
	07		11.5
Public Relations & Public Affairs	08		16.6
	07		16.6
Branding & Identity, Healthcare and Specialist Communications	08		12.6
	07		14.2

Revenue by sector £m



¹ See definition on page 176.

² The calculation of headline PBIT is set out in note 31 of the financial statements.

Profits up; margins firm

Headline PBIT margins remained at 15.0%, slightly down from the target margin of 15.3% for 2008, on the same basis, including TNS for two months, 0.2 margin points up on 2007 on the same basis.

The Group's like-for-like headcount continued to grow faster than like-for-like revenue growth in the first half and third quarter, although this did not have a significant negative impact on achieving the Group's operating margin target of 15.5% (excluding TNS) and 15.3% (including TNS), until the "Beijing bounce", anticipated in the Group's budget and reforecasts for the third quarter of 2008, failed to materialise. In the fourth quarter, better than anticipated revenue growth (also better than some competitors'), combined with decisive action to reduce like-for-like headcount growth, improved relative performance. The average like-for-like headcount growth for the year of 3.9%, contrasted sharply with the year end like-for-like headcount growth of 1.3%, as headcount fell through a mixture of non-replacement, the attrition rate and increased severance.

Incentive payments (including the cost of share-based compensation) fell by over 7% to £214 million from £231 million. Excluding these incentive payments, headline PBIT margins remained strong at 17.8%. Incentives represented almost 17% of headline operating profit before bonuses and income from associates, against almost 21% in 2007. Our objective remains to pay out approximately 20% at maximum and 15% at target, so our performance against our objectives is clear.

Part of the Group's strategy is to continue to ensure that variable staff costs (freelancers, consultants and incentive payments) are a significant proportion of total staff costs and revenue, as this provides flexibility to deal with volatility in revenues and recessions or slow-downs. In 2007, the ratio of variable staff costs to total staff costs fell marginally by 0.3 percentage points to 12.7% and in 2008 to 11.4%. As a proportion of revenue, variable staff costs were 7.4% in 2007 and 6.6% in 2008. These variable staff costs provide a "shock absorber" to operating margins as revenues come under increasing pressure. We estimate that at least half of these variable staff costs can be reduced in the course of a recession. There is, therefore, a potential buffer of around 3 margin points.

On a reported basis, the Group's staff cost-to-revenue ratio improved slightly to 58.2%.

As a result of all this, headline PBIT rose to £1,118 million (almost \$2 billion), up over 6% in constant currencies. Although 2008 was a successful year overall, some of our first-generation businesses continued to suffer, resulting in a combined goodwill and investment write-down of £115 million compared to £44 million in 2007. Reported PBIT, therefore, fell by 6% in constant currency to £922 million.

Net finance costs (excluding the revaluation of financial instruments) were £150 million, up from £111 million last year, reflecting higher interest rates and increased average net debt due to cash spent on acquisitions, including TNS.



Reported pre-tax profits, therefore, declined by over 13% in constant currency to £747 million, although still above \$1 billion for the fourth consecutive year.

The Group's tax rate on headline profit before tax was 25.3%, the same as 2007. Diluted headline earnings per share were up 5.5% in constant currency to 55.5p and diluted reported earnings per share were down over 18% on the same basis to 37.6p. Share owners approved the proposed change in tax domicile to Ireland in November 2008 with an unprecedented vote. Over 64% of our share owners voted and of those 99.5% voted in favour, a turnout and positive vote which has not been achieved by your Company before in similar situations.

TNS joins the Group, at last

TNS is a company whose people, brands and work we have long admired competitively and it will add significant value to the Group. TNS is a market leader in Continental Europe with strong positions in the UK, Asia and the Middle East and is a major supplier of consumer panel, media intelligence and TV and radio audience measurement data. It is competitively strong in key industries, including automotive, technology, healthcare and retail and packaged goods.

The combination of TNS and the other companies within Kantar – the Group's Information, Insight & Consultancy business – has created the second-largest global insight, information and consultancy group and the fourth-largest information services company in the world, after Thomson Reuters, Nielsen and Bloomberg. This combination now provides leading positions in shopper research and marketing, Media (outside of the US), Healthcare, Communications and Innovation. In a recently announced reorganisation, TNS Custom Research has now been merged with Research International and four specialist research units have been formed – Kantar Media, Kantar Healthcare, Kantar Retail and Kantar Worldpanel.

TNS performed well in line with its revenue and profit forecast at the time of its acquisition. Our estimates of synergy benefits are being met and in fact being exceeded. The cost benefits identified will also be realised sooner than originally anticipated and the cost ratios will be in line with our original projections. Integration has gone well so far and the new organisational structure for the combined Kantar and TNS has been implemented. The cost of the acquisition of TNS including debt was £1.6 billion and was funded principally by debt. Our goal remains that the return on capital from TNS will exceed the cost of capital within three years from the date of acquisition.

Industry prospects in 2009 and 2010

Although the US Presidential Election, the Beijing Olympics and the UEFA football championship had the usual positive maxi-quadrennial effect on client spending in 2008, worldwide advertising and marketing expenditures only rose about 2-3% in the year.

Despite the overall slow-down in the industry growth rate, three engines of relative growth remained. Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, iconically represented by the BRICs and those of the Next 11 markets where we are present (Bangladesh, Egypt, Indonesia, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey and Vietnam), continued to grow faster and now represent almost 27% of the Group's approximately \$15 billion pro-forma (including TNS) revenue. As did new media and the application of technology in the form of internet, PC, mobile, video content and social networks, which now account for almost 25% of Group revenues. And finally, as did consumer insight and Information, Insight & Consultancy, which now account for almost 27% of Group revenues, on a proforma basis.

As the first year of the quadrennial cycle, there are no mini- or maxi-quadrennial events in 2009 to boost client spending. It is true that 2009 was always likely to be a weaker year, but the unprecedented current financial crisis has triggered a vicious recession across the globe. Our budgets for 2009 initially indicated flat like-for-like revenue growth, but revenue out-performance in the fourth quarter of 2008 versus forecast and the prudent addition of further budgeted revenue contingencies, resulted in final budget revenues for 2009 being down 2% like-for-like, with relative decreases in costs. GroupM forecasts that global advertising spending (equivalent to approximately 40% of the Group's revenues) will fall by over 4% in 2009 versus 2% growth in 2008.

The first half is budgeted to be weaker than the annual average, with a relative improvement in the second half, partly due to weaker comparatives in the second half of 2008.

Geographically, there are relatively brighter spots budgeted in Asia Pacific, Latin America and the Middle East, reflecting the continued relative strength of the BRIC (or more accurately BIC) and Next 11 markets. Central and Eastern Europe, as a whole, remains relatively softer, as Russia is under extreme pressure, exacerbated by the falls in the oil price and the rouble, although we expect Russia to recover quickly, when the oil price does. Discipline is already being restored. The US and Western Europe remain relatively weaker, with recession biting hardest there and in Southern Europe.

There are similar differences functionally. Media Investment Management, Information, Insight & Consultancy, Public Relations & Public Affairs, Healthcare Communications and direct, digital and interactive show relative strength, whilst Advertising, Branding & Identity and Specialist Communications remain under the greatest pressure.



Incentive plans for 2009 will place increased emphasis on operating margins in conjunction with operating profit growth, although objectives will continue to include improvements in staff costs-to-revenue ratios and qualitative Group objectives, including Group co-ordination and co-operation, talent management and succession planning.

At the time of writing, we have revenue and profit data for the first two months of 2009 and this does show a difference in the trend of revenues against last year, although operating profits were better than budgeted. The first two months of 2008 were, in any event, relatively strong months for like-for-like revenue growth, at almost 6%.

Revised margin objectives

Operating margins for 2009 are targeted to be flat at 14.3%, including a full year of TNS, equivalent to the 15.0% achieved in 2008. Operating margin targets have, therefore, been reset at 14.8% for 2010, equivalent to 15.5%, pre-TNS. In the longer term, we continue to believe we can improve our operating margin to over 18% including TNS, equivalent to the previous target of 19%, excluding TNS. This is challenging, of course, but not so outrageous as some believe, given that our best-performing companies in each services sector already perform at a combined Group margin of 17%.

A recovery of sorts in 2010?

Although the economic gloom has heightened recently, with further earnings disappointments, surprise dividend cuts, continued financial restructurings and rights issues, we still believe there will be a recovery of sorts in 2010, partly driven by weak comparatives, as the effects of massive Keynesian fiscal injections, quantitative easings and interest rate reductions take hold. These already approximate to \$13 trillion or approximately 20% of worldwide GDP of \$64 trillion.

2010, a so-called mini-quadrennial year, should also benefit from the impact on client spending on the Winter Olympics in Vancouver, the FIFA World Cup in South Africa and the mid-term Congressional elections in the US. China, especially, also may see stronger growth due to the impact of the Shanghai Expo and the Asian Games in Guangzhou.

The more interesting question, probably, is how the West in particular will emerge from the current crisis and reduce the colossal government deficit needed to fund the early stage of the recovery. There seem to be two possible routes. First, the more prudent and painful – reduce government spending, increase taxes and unemployment and learn to save again. Secondly, inflate our way out of the problem and continue to spend and lend, with significant resultant increases in inflation and long-term interest rates.

Given the politically unpleasant implications of the first route and imminent general elections in the UK and Germany and mid-term Congressional elections in the US, the second course is more likely. As a result, those countries that are capital rich and have saved – like Brazil, China, India, Japan and eventually, when the oil price rises again, Russia – will benefit even more. And the Group's strategic focus on the BRICs and Next 11, on the new media and on consumer insight, will benefit even more.

There is also evidence in recent years of a growing focus on top-line growth. Given a low-inflationary environment, limited pricing power and more concentrated retail distribution, clients are increasingly coming to the view that there is only one long-term way to compete – through innovation and branding. Promote on price and you create commodities. Innovate and differentiate, you create brands and the right to demand a premium from the consumer.

There is a growing realisation that cutting costs alone will not deliver growth targets promised to Wall Street and the City of London. There is a limit to cost reduction, but no ceiling on top-line growth – at least until you reach 100% market share. Reinforcing this trend, strategic advisors, such as management consultants like McKinsey and Bain, counsel a switch in focus from costs to revenues. Corporate strategic plans are increasingly concentrating on managing for growth, as well as managing for value.

Beyond the financial crisis

In the long term, the outlook for the advertising and marketing services industry appears favourable. Increasing globalisation, overcapacity of production in most sectors and the shortage of human capital, the developments in new technologies and media, the growth in importance of internal communications, the need to influence distribution, the new focus on corporate responsibility issues such as climate change and the focus on global and country organisational structures, underpin the need for our clients to continue to differentiate their products and services, both tangibly and intangibly.

Moreover, the continuing growth of the BRICs, Next 11 and other faster-growing geographical markets, will add significant opportunities in Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe – along with the growth of 'new BRICs' such as Vietnam, Pakistan, Indonesia and Bangladesh. Advertising and marketing services expenditure as a proportion of gross national product should eventually resume its growth. In these difficult times, meanwhile, we are committed to working with our clients to improve the effectiveness (quality) and efficiency (cost) of their spending.

Given these short- and long-term trends, your Company believes it has the right strategic priorities – new markets, new media and consumer insights.



Including associates, the Group had over 135,000 full-time people in 2,400 offices in 107 countries at the year end. It services 345 of the Fortune Global 500 companies, 29 of the Dow Jones 30, half of the NASDAQ 100, 33 of the Fortune e-50, and over 700 national or multinational clients in three or more disciplines. More than 440 clients are served in four disciplines and these clients account for over 58% of Group revenues. The Group also works with over 310 clients in six or more countries.

These statistics reflect the increasing opportunities for developing client relationships between activities nationally, internationally and by function. We estimate that over 35% of new assignments in the year were generated through the joint development of opportunities by two or more Group companies. New integration mechanisms, sensitive to global and local opportunities, including WPP Global Client Leaders and Country Managers, continue to be developed. There is an increasing number of major client creative and integration opportunities at a Group level.

The Group continues to be extremely successful in most, if not all, of the integrated marketing competitions that clients are increasingly initiating. It is very rare for us not to reach the final round, at least. These opportunities range from the creation of teams across the Group to the integration of various operating units and to the creation of individually tailored agencies to meet clients' needs. The Group's integration record leads its competitors by a considerable distance.

Our key priorities

Our reason for being, the justification for WPP's existence, continues to be to add value to our clients' businesses and our people's careers. Our goal remains to be the world's most successful provider of communications services to multinational and local companies, not just the largest. To that end, we have three key strategic priorities.

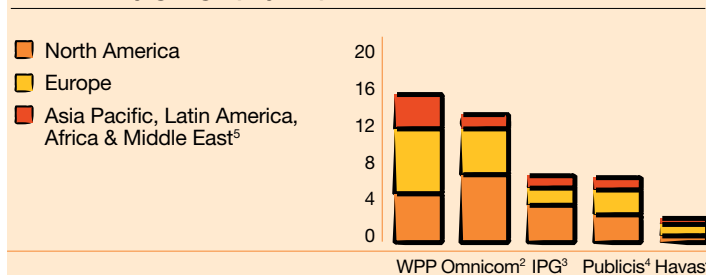
1 First, our immediate priority is to weather the current financial crisis successfully. Compared with the last downturn, our people are stronger: they are better resourced, motivated and incentivised than when we exited the last recessions in the early 1990s and 2000s. The Company is also more profitable, more liquid and better structured. In the most recent economic cycle, margins peaked at 14.5% and bottomed at 12.3%, as opposed to 10.5% and 5.6% the previous time.

2 Second, in the medium term, to build upon the successful base we have established with the acquisitions, for example, of TNS, Young & Rubicam Brands and Grey. At Grey, the new management structure is now in place and the planned integration is now completed. Grey Advertising still needs to raise its game in terms of

revenue growth and ghg needs to overcome the impact of FDA non-approvals on products that clients have assigned to them. At Young & Rubicam Brands, our plans are also largely implemented, the one remaining task being to continue to strengthen the Y&R advertising agency, although the business is showing increased strength following the change in leadership two years ago.

- 3** Our third priority, in the long term, or over the next five to 10 years, is to:
- increase the combined geographic share of revenues from the faster growing markets of Asia Pacific, Latin America, Africa and the Middle East, and Central and Eastern Europe, from around 27% to one-third.
 - aim to increase the share of revenues of marketing services from around 62% now (including TNS on a full year basis) to two-thirds.
 - increase the share of more measurable marketing services – such as Information, Insight & Consultancy (or consumer insight), and direct, interactive and internet – from around 40% of our revenues to 50%.

Revenue by geography vs peers¹ \$bn



¹ Source: WPP – sterling revenues converted @ \$1.85=£1 based on the average exchange rate for 2008, adjusted to include a full year of TNS. Omnicom, IPG, Publicis and Havas – company presentations for 2008.

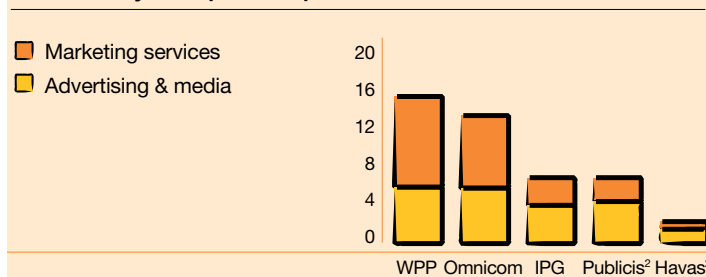
² Omnicom. Assumes "non euro currency" Europe, i.e. Switzerland, Turkey, Norway, Denmark, Sweden and Eastern Europe are ca 3% of revenue and Canada is 1.5% of revenue.

³ IPG. Assumes Canada is ca 1.5% of revenue.

⁴ Havas and Publicis figures assume \$1=€0.68 based on the average exchange rate for 2008.

⁵ Rest of World. Asia Pacific, Latin America, Africa and Middle East.

Revenue by discipline vs peers¹ \$bn



¹ Source: WPP sterling revenue converted at \$1.85=£1 based on the average exchange rate for 2008, adjusted to include a full year of TNS. Omnicom, IPG, Publicis and Havas – company presentations for 2008.

² Havas and Publicis figures assume \$1=€0.68 based on the average exchange rate for 2008.



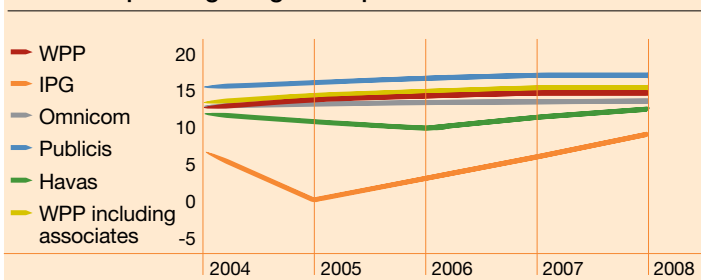
Our six specific objectives

- 1** Continue to raise operating margins to the levels of the best-performing competition.
- 2** Continue to increase flexibility in the cost structure.
- 3** Improve total share owner return.
- 4** Continue to enhance the contribution of the parent company.
- 5** Place greater emphasis on revenue growth.
- 6** Further improve the quality of our creative output.

Our six objectives are summarised below, together with an assessment of how we performed against them in 2008. These objectives represent our key performance indicators (KPIs).

1 First, to continue to raise operating margins to the levels of the best-performing competition. 15% has been achieved for two consecutive years. 19%, or over 18% post-TNS, is much tougher, but not out of the question. BBDO, Dentsu and McCann have done so historically, although the pressure became too great in some instances.

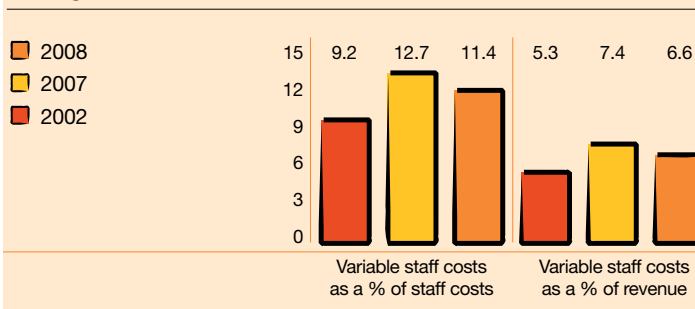
Headline operating margins* vs peers %



* Based on headline operating profit as defined on page 177, excluding share of results of associates, and sourced from relevant public filings, adjusted to a comparable basis to WPP.

2 Second, to continue to increase flexibility in the cost structure. Great strides have been made in recent years. Peak flexibility historically was in 2000, when variable staff costs made up 6.6% of revenues. At 7.4% in 2007, 7.7% in 2006, 7.6% in 2005 and 7.8% in 2004, we have seen new peaks; and once again we have a sufficient "shock absorber" in our cost structure for when revenue growth weakens, as it will do as a result of the current financial crisis. The decrease to 6.6% in 2008 illustrates the value of this flexibility as revenue growth started to tail off in the year, yet we were able to maintain an operating margin in line with the prior year.

Change in variable costs %



3 Third, to improve total share owner return by maximising the return on investment on the Company's almost £800 million (or \$1.2 billion) free cash flow. There are broadly three alternative uses of funds:

■ Capital expenditure, which usually approximates the depreciation cost. Pressure here has eased as technology pricing has fallen, although we are investing more in real estate following lease renewals, particularly in New York, to secure greater efficiencies.

■ Mergers and acquisitions, which have historically taken the lion's share of free cash flow. Here we have raised the hurdle rate on capital employed so that our return on capital may be increased. Even so, there are still interesting opportunities, particularly outside the US, where pricing remains lower, despite the recent financial crisis, and where there is a closer fit with the Company's strategic objectives. Private transactions remain more attractively priced at single-digit price-earnings multiples.

Our acquisition focus in 2008 was again on the twin opportunities of faster-growing geographic markets and new technologies, totally consistent with our strategic objectives in the areas of geography, new communication services and measurability.

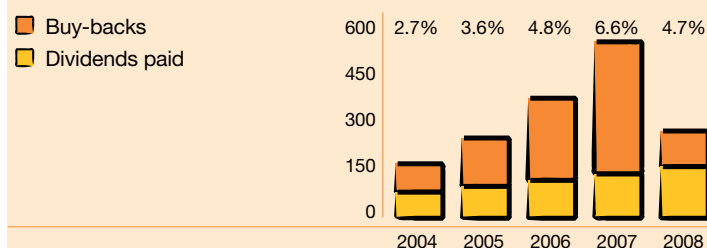
■ Dividends or share buy-backs. We were the only FTSE 100 company to consistently increase its dividend by 20% per annum for the 10 years up to 2007. In 2008 we increased the dividend by 15%. Given dividend cover of four times headline earnings and a dividend yield of over 1% in recent years (although current yields are in excess of 4%), we believe we can continue to increase the dividend. A rolling share buy-back program appears to offer a more significant benefit to total share owner returns. In 2007 we boosted the target level of the share buy-back program from 2-3% of the outstanding share capital to 4-5%, spending over £400 million in that year on buy-backs. In the first half of 2008, we bought back almost 19 million shares, equivalent to 1.6% of share capital, at a cost of £112 million, but then withdrew from the market during the TNS bid process.

For the two years following the acquisition of TNS, we will limit our share buy-back program to a target of 1% of share capital per annum and dividend growth at 15% per



annum, subject to review by the Board. We expect these actions, together with a reduced level of acquisition spend (targeted at £100 million per annum), to generate surplus cash and a reduction in borrowing levels.

Distributions to share owners¹ £m



¹ Sum of share buy-backs and dividends paid divided by average shares in issue for the relevant period, as a % of the average share price for the relevant period.

4 Fourth, we will continue to enhance the contribution of the parent company and build unique integrated marketing approaches for clients. WPP is not just a holding company focused on planning, budgeting, reporting and financial issues, but a parent company that can add value to our clients and our people in the areas of human resources, property, procurement, information technology and practice development. We will continue to do this through a limited group of 300 or so people at the centre in Dublin, London, New York, Hong Kong and Shanghai. This does not mean that we seek to diminish the strength of our operating brands. Our objective is to maximise the added value for our clients with their businesses and our people with their careers.

Many of our initiatives are possible because of the scale on which we now operate. In the optimum use of property, in information technology and in procurement generally, we are able to achieve efficiencies that would be beyond the reach of any individual operating company.

But it is also clear that there is an increasing requirement for the centre to complement the operating companies in professional development and client co-ordination. It is a relatively recent development for certain multinational marketing companies, when looking to satisfy their global communications needs, to make their initial approach not to operating companies but directly to parent companies.

Such assignments present major, and increasingly frequent, opportunities for the few groups of our size. It is absolutely essential that we have the professional resources and the practice development capability to serve such clients comprehensively, actively and creatively. The recent high-profile, high technology pitch (that we won against all our competitors), to build a totally new agency for that client's needs, is the most extreme and exciting (and difficult) example of this. Similar initiatives involving some of the world's largest marketers continue to gain momentum.

All our clients, whether global, multinational or local, continue to focus on the quality of our thinking, co-ordination of communications, and price. In response, we focus on talent, structure and incentives.

Training and development

Talent and its management therefore remain the lynchpin of our reason for existence: that is what our clients pay us for. Development of our people and the way we manage that talent is a critical determinant of performance; and on that critical dimension, we continue to make significant progress.

In the creation of extremely attractive working environments, with highly competitive incentives, we increasingly differentiate ourselves from our competitors and improve the attraction of WPP companies as destinations for talent. Our quarterly reviews with the operating companies have been restructured, consequently, to give more time and attention to talent and to clients. Our recruiting efforts throughout 2008 were especially fruitful, as we successfully targeted and attracted top talent within and beyond our industry, often competing with investment banking, management consulting and private equity offers. The war for talent is fierce and there is more to be done.

The blueprint for our executive development curriculum has been completed and our new client leadership training program, *Maestro*, has been successfully introduced. The parent company and each of our operating companies installed its own approach to performance assessment and succession planning, aimed at developing the careers of their people, improving the quality of feedback, coaching and mentoring and providing for orderly succession. We continued to scrutinise and modify our compensation practices, both to offer competitive and appropriately-based rewards to our people and to attract outstanding talent from elsewhere.

Communications

A communications services company must be a model of excellent external and internal communications. To that end, we accelerate the understanding of the Group's vast resources with a raft of regular communications through our websites and in print: our online *FactFiles* profiling Group resources/ companies/products; our monthly public online news bulletin, *e.wire*; our award-winning global newspaper, *The WIRE*, voted best internal newspaper globally at the recent LACP Inspire awards; our annual *Atticus Journal* of original marketing thinking; *The WPP Reading Room*, an extensive online library of thinkpieces (both public and original) from WPP professionals worldwide; our annual Corporate Responsibility Report; and this consistently-award winning Annual Report.



Property management

In property management we continue to optimise our real estate portfolio through the award-winning WPP Space Program, with investment in property databases and systems, innovative design and a continuous review of our key locations. This has enabled us to hold the increase in square footage in our portfolio to 5% p.a. over the last three years, while for the same period, revenue (excluding the impact of currency) increased by 6% p.a. As a result, average square foot per head is down 8% from 236 sq ft in 2006 to 218 sq ft in 2008.

We have achieved the medium-term objective of a 7% establishment cost-to-revenue ratio set in 2002, when the same ratio was 8.4% and our future priority in managing the property portfolio of approximately 19 million sq ft worldwide is to ensure growth in additional square footage is far less than the growth in revenues and headcount.

In the short term our objectives will be to manage our lease expiries so that we can reduce our portfolio in line with any short-term reductions in headcount and revenue.

Procurement

In procurement, we continue to set ourselves the goal of being the undisputed leader of procurement practice in the global advertising and marketing services industry.

We aim to benchmark ourselves regularly against our competitors and our clients. Through intensified investment in procurement people, processes and technology, our goal is to maintain the ratio of bought-in costs-to-revenue at around 15%, by leveraging Group scale across all of our major markets, and focusing on those spend categories most favourable for global, regional and local supply contracts, such as in IT, telecoms, travel, professional services, facilities and production.

IT

In IT we continue to consolidate our core technology infrastructure with the objectives of reducing cost and improving quality. This enables our operating companies to concentrate their efforts on client-related developments and other internal business-focused applications.

The convergence of mobile, voice and data communications has allowed us to take advantage of new offerings in the telecommunications sector to drive efficiencies and to provide enhanced support to our increasingly mobile workforce.

Practice development

Finally, in practice development we continue to develop horizontal initiatives in a focused set of high-potential areas across our vertical operating brands: in media, healthcare, new technologies, new faster-growing markets, internal communications, retail, entertainment and media, financial services, hi-tech and telecommunications and corporate responsibility. Specifically, we continue to invest in sharing insights and developing initiatives through The Channel (in media and research) and The Store (in distribution and retail).

In key geographic markets we are increasingly co-ordinating our activities through WPP Country Managers. We continue to believe that increasing co-ordination is required between our brands at the country and global levels, as the arguments for investment in regional management become weaker. As experience in Italy has demonstrated, however, the activities of Country Managers must be closely aligned and monitored. In addition, we are appointing an increasing number of WPP Global Client Leaders to co-ordinate our efforts on behalf of clients and to ensure they get maximum benefit from their relationships with WPP operating brands. We are focused currently on our top 30 global clients, which last year grew revenues at 3.6% on a like-for-like basis.

Furthermore, we continue to encourage internal strategic alliances and promote co-operation. Practice development initiatives have therefore been reinforced in such areas as healthcare, retail, internal communications and media and entertainment. This has been especially important to manage our portfolio of direct investments in new media, including 24/7 Real Media, under WPP Digital, and where our investments are working with our agencies and people to bring new technology capabilities and understanding to our clients. All these initiatives are designed to ensure that we, the parent company, really do (as well as being perceived to) inspire, motivate, coach, encourage, support and incentivise our operating companies to achieve their strategic and operational goals.

Growing our revenues

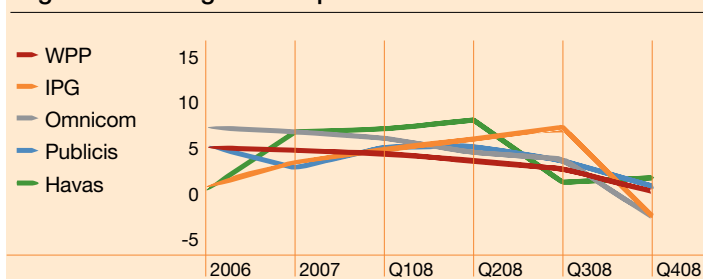
5 Fifth, to continue to place greater emphasis on revenue growth. One legitimate criticism of our performance against the best-performing competition is our comparative level of organic revenue growth. 2000 was a bumper year but unsustainable. In 2001, we disappointingly moved back into the middle of the pack. But there was a significant revival in 2002 and 2003, when we were one of only two of the major companies that showed revenue growth. 2004 was punctuated with a number of high-profile wins, resulting in the second strongest organic growth performance in the industry, and 2005 and 2006 saw strong growth again among the leaders in the industry.



New business wins in 2007 were unprecedented in the history of WPP, and revenue growth again impressed against the competition, particularly the Big Four.

In 2008, revenue growth trailed a little behind our major competitors, although the fourth quarter held up better than the competition. Estimated net new billings of £2.9 billion in 2008 reflected a consistently high level of wins throughout the year. The Group was ranked first in two of the three major industry new business surveys in 2008 and was, therefore, the leading group overall in new business acquisition, excluding re-appointments, as is the industry convention.

Organic revenue growth vs peers %



Our practice development activities are also aimed at helping us position our portfolio in the faster-growing functional and geographic areas. So far in 2009, the Group has made acquisitions or increased equity interests in Advertising and Media Investment Management in Italy and South Africa; in Information, Insight & Consultancy in the UK and US; in direct, internet and interactive in France, South Africa, the US and Vietnam.

These acquisitions continue to move us forward to our previously described strategic priorities; expanding the market shares of our businesses in Asia Pacific, Latin America, Africa and the Middle East to one-third; in marketing services to two-thirds; and in Information, Insight & Consultancy, direct and interactive, to one-half.

We intend to expand our strong networks – Ogilvy & Mather, JWT, Y&R, Grey, United Network, Bates 141, Mindshare, Mediaedge:cia, MediaCom, TNS (the newly combined TNS Custom Research and Research International), Millward Brown, Kantar Media, Kantar Healthcare, Kantar Retail, Kantar Worldpanel, Hill & Knowlton, Ogilvy Public Relations Worldwide, Burson-Marsteller, Cohn & Wolfe, OgilvyOne, Wunderman, OgilvyAction, G2, 24/7 Real Media, CommonHealth, Sudler & Hennessey, Ogilvy Healthworld, ghg, The Brand Union, Landor and Fitch – in high-growth markets or where their market share is insufficient.

In 2008, in addition to the acquisition of TNS, we strengthened our position in Advertising and Media Investment Management in the US, the UK, Denmark, France, Italy, the Netherlands, Switzerland, Ukraine, the Middle East, Kenya, Argentina, Brazil, Chile, Guatemala,

Australia, New Zealand, China, Singapore and Vietnam; in Information, Insight & Consultancy in the US, the UK, Spain, Brazil and India; in Public Relations & Public Affairs in the UK, China, Korea and India; in direct, internet and interactive in the US, the Czech Republic, Denmark, France, Russia, China, India, Japan and Malaysia; and in Branding & Identity in the Netherlands.

We will also enhance our leadership position in Information, Insight & Consultancy by further development of our key brands with particular emphasis on North America, Asia Pacific, Latin America and Continental and Eastern Europe. We will continue our growth of research panels and have established a Kantar-wide operational capability, which will be consolidated with the same function at TNS. We will reinforce our growing position in media research through Kantar Media, which includes our investments in television audience research through the former TNS Media Intelligence and TNS Media Research, and IBOPE and Marktest, which, combined, are among the market leaders outside North America.

In addition, we intend to reinforce our worldwide strength in direct and interactive marketing and research through our traditional channels such as OgilvyOne, Wunderman, G2, RMG Connect, Blanc & Otus and Lightspeed. Although the early 2000-2001 compressions in financial valuations initially offered significant opportunities, we will now also invest directly in the new channels through start-ups, particularly as US and French valuations in search, for example, are still prohibitive, despite the financial crisis. Other opportunities will be sought to enhance our online capabilities.

Lastly, we will continue to develop our specialist expertise in areas such as healthcare, retail and interactive and to identify new high-growth areas.

Creativity remains paramount

6 Our sixth objective is to improve still further the quality of our creative output. Despite the growing importance of co-ordinated communications and price effectiveness, the quality of the work remains and will remain paramount. If you drew a graph plotting creative awards (as a proxy for creativity) against margins for any group of agencies, there would be a very strong correlation. The more awards, the stronger the margins. The client's procurement department fades into the background when the work is strong. Of the three things we do – strategic thinking, creative execution and co-ordination – creative execution is undoubtedly the most important, and that means creativity in its broadest sense.

Clients look for creative thinking and output not just from advertising agencies, public relations and design companies, but also from our media companies and our research companies. Millward Brown remains arguably one



of our most creative brands. Witness the BrandZ™ Top 100 Most Powerful Brands Study published annually each April with the *Financial Times*.

We intend to achieve this objective by stepping up our training and development programs; by recruiting the finest external talent; by celebrating and rewarding outstanding creative success tangibly and intangibly; by acquiring strong creative companies; and by encouraging, monitoring and promoting our companies' achievements in winning creative awards. Our thanks go to Robyn Putter, who left the Group in November, for his work in championing the WPP creative product and community; and we welcome the appointment of John O'Keeffe to the position of worldwide creative director of WPP. 2008 saw the second annual WPPED Cream awards, our internal award scheme for outstanding work across the Group. Your Company also amassed the second largest points tally at the 2008 advertising and marketing services festival in Cannes (please refer to our website, www.wpp.com, for further details).

At the same time we are committed to achieving all these objectives as a significantly responsible corporate citizen of the world at large and the communities in which we operate.

As a parent company, we continue to develop practical principles and policies for our companies' charitable giving and services to the environment, education, the arts and healthcare based on best practice guidelines. We conservatively calculate that the WPP organisation contributed an estimated £14.6 million worth of time, skills, materials and money to social and community causes in 2008. A summary of the Group's approach to corporate responsibility can be found on pages 118 to 125.

Please also see our annual and unique (in our industry) Corporate Responsibility Report on the work our clients and our people do in these increasingly important areas.

The future

A colossal amount remains to be done – challenging our clients, and therefore us. It seems certain that once these objectives are achieved, they will be replaced by new ones. As companies grow in size, most chairmen and CEOs become concerned that their organisations may become flabby, slow to respond, bureaucratic and sclerotic. Any sensible business leader aggressively resists this phenomenon; we all seek the benefits of size and scale without sacrificing the suppleness and energy of a smaller firm. And, for the first time, new technologies now make this possible on a global platform. WPP wants the scale and resources of the largest firm together with the heart and mind of a small one.

And finally...

For well over a year now, long before the word recession was officially permitted to re-enter the global economic vocabulary, WPP companies, both singly and in collaboration, have been priming themselves to apply their skills and experience to their clients' new needs.

There are well over 150 papers published by WPP people and others on the impact of recessions on marketing. Both the parent company itself and its operating companies have filleted these papers – and indeed have added to them. There are no magic solutions and no great surprises. In essence, the way for marketing companies to survive recessions, and even to emerge stronger from them, is to do what the best of marketing has always done: be obsessed by the ultimate individual user. Not markets, not consumers, not target groups, not plural anything: the individual.

If there is a characteristic that straddles all our companies, it is a fascination with the human mind and how it responds to different stimuli. We have stressed before in this letter the crucial importance of insight: some new understanding that in turn reveals an opportunity.

It will be the driving purpose of our own talented individuals, in all our operating companies of every discipline, to help our clients identify those opportunities – the opportunities that all recessions, when looked at in retrospect, invariably open up – and seize upon them: individual by individual, one by one.

These are the people whose talents were sought and valued by our clients in 2008 and to whom our success is due. We thank them for their skills and their resourcefulness. They will be even more valued, by both their clients and by the Board of WPP, in the months to come.

Philip Lader
Chairman

Sir Martin Sorrell
Group chief executive

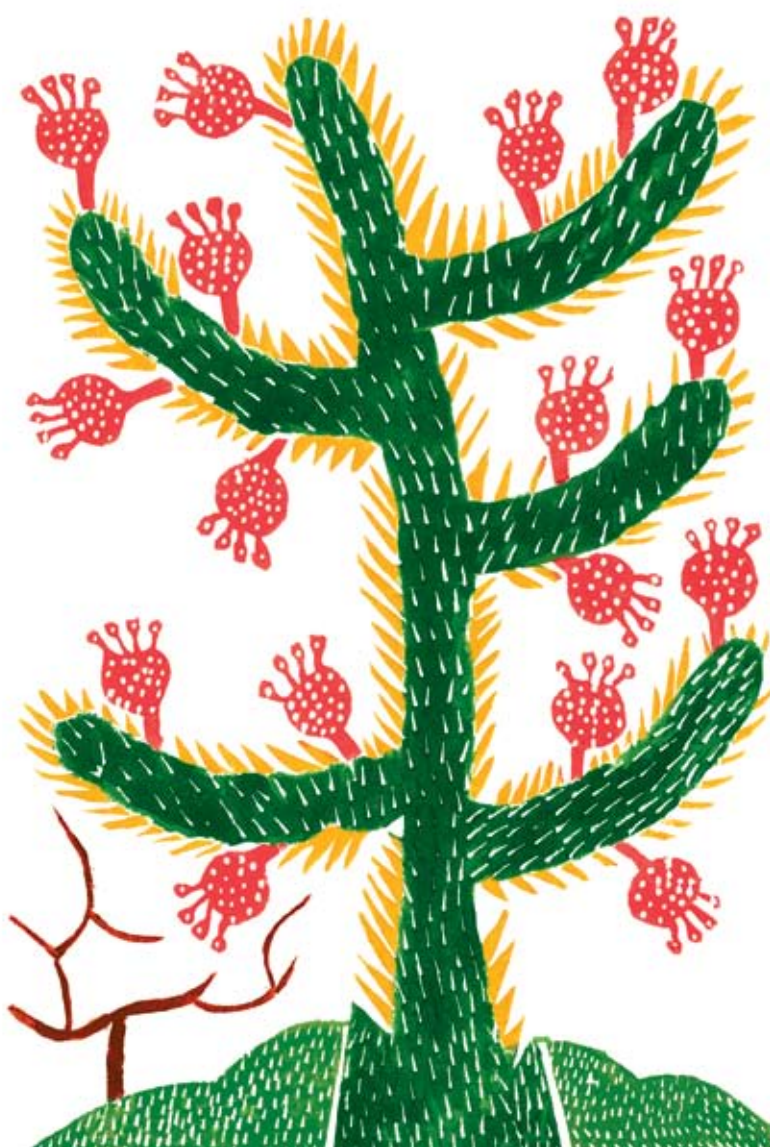
Paul Richardson
Group finance director

* This letter to share owners should be read in conjunction with and as part of the management report set out in the section headed Directors' report on pages 107 to 137.



Forward-looking statements

In connection with the provisions of the Private Securities Litigation Reform Act of 1995 (the 'Reform Act'), the Company may include forward-looking statements (as defined in the Reform Act) in oral or written public statements issued by or on behalf of the Company. These forward-looking statements may include, among other things, plans, objectives, projections and anticipated future economic performance based on assumptions and the like that are subject to risks and uncertainties. As such, actual results or outcomes may differ materially from those discussed in the forward-looking statements. Important factors which may cause actual results to differ include but are not limited to: the unanticipated loss of a material client or key personnel, delays or reductions in client advertising budgets, shifts in industry rates of compensation, government compliance costs or litigation, natural disasters or acts of terrorism, the Company's exposure to changes in the values of other major currencies (because a substantial portion of its revenues are derived and costs incurred outside of the UK) and the overall level of economic activity in the Company's major markets (which varies depending on, among other things, regional, national and international political and economic conditions and government regulations in the world's advertising markets). In addition, you should consider the risks described under the caption 'Principal risks and uncertainties' on page 114, which could also cause actual results to differ from forward-looking information. In light of these and other uncertainties, the forward-looking statements included in this document should not be regarded as a representation by the Company that the Company's plans and objectives will be achieved. The Company undertakes no obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.



Reports from our
operating brands



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Agency networks

Ogilvy Group

Ogilvy & Mather

Report by Shelly Lazarus (below)
Chairman



© 2007 Mark Schäfer



Miles Young (above)
Chief executive officer

2008 was a year unlike any in our 60-year history. It was a year that will be remembered for the massive fourth quarter upheaval in financial markets and the shockwaves that reverberated throughout the economies of the world. There were signs of trouble early in the year, but no one could have predicted that they would portend a paralyzing credit crisis, the steepest dive in consumer confidence in more than 40 years, and the most severe economic downturn since the Great Depression. Our industry is at the center of this perfect storm.

As the recession gathered force, we took actions to minimize its impact on our business. Despite our best efforts, client spending cutbacks and delays in new business caused us to fall short of our goals for growth. Yet there were some units and practices that had an exceptional year.

■ **OgilvyOne** – our digital, interactive, and direct marketing business – started out the year with robust growth from existing clients and with new business wins. Throughout the year, the OgilvyOne team continued to build its reputation as an industry leader through the work of our network of Ogilvy Digital Innovation Labs, and with our *Verge* digital media conferences held around the world, despite the fact that new projects were scarce in the fourth quarter.

■ **Ogilvy Public Relations** had an outstanding year. The team launched new practices to meet client demand for communication strategy and support in these critical and growing areas. They established a presence in six new locations, bringing their total offices worldwide to 70. Throughout 2008, they grew their business with many existing clients, won several new assignments, and achieved significant revenue growth year-over-year. And we were delighted that Ogilvy PR's leader, Marcia Silverman, was named 2009 PR Professional of the Year by *PRWeek*, with one judge noting: "This year caps a long-term stellar career."

■ **Ogilvy Healthworld** continued to grow its capabilities, revenue and profits in 2008. Offering the full range of marketing services – from strategic planning and marketing analytics, to medical education and clinical trial recruitment, OHW brought in new product lines and brands from all the major pharmaceutical companies.

■ **OgilvyAction** made important strides in 2008, establishing itself as an industry leader in in-store shopping behavior, extending its presence into new markets, and solidifying relationships with global and local clients. While the team missed the mark on revenues in 2008, they are well positioned for growth in 2009 as changing consumer behavior at point-of-purchase will become critical for clients in the weak economy.

We formally launched our RedWorks production and design unit during this year, calling upon Ogilvy creative veteran, Fred Schuster, to become its first CEO. Focused on high-quality, cost-effective, digital and traditional brand communications, RedWorks' networked delivery system is



a compelling business opportunity, especially in the current environment where clients are demanding quality, value, and efficiency. In 2009, we expect to bring this important platform fully online, integrating across our creative and product hubs around the world to offer a seamless experience and outstanding product.

From a geographic perspective, Ogilvy & Mather Asia Pacific was once again the leading player in the fastest-growing region in the world. Though not immune to the economic downturn, the region managed to grow its revenue and stature, being named Network of the Year in 2008 by both *Campaign Brief Asia* and by *Media* magazine. *Media* magazine named OgilvyOne the region's top Digital Agency during the year, and crowned Ogilvy Singapore South East Asia Agency of the Year. Singapore also garnered the Agency of the Year title for the second year in a row at the Creative Circle Awards, as well as being named Marketing Agency of the Year by *Marketing* magazine.

Our colleagues in India were highly decorated with O&M India chosen as the No.1 agency for the sixth year running by the country's leading business and financial daily, the *Economic Times*, and O&M Kolkata being named the Advertising Club of Calcutta's top agency for the third consecutive year.

In Latin America, Ogilvy Argentina, Ogilvy El Salvador and Punto Ogilvy Uruguay each brought home Agency of the Year Awards bestowed upon them by key industry organizations in their countries.

Creativity is the very soul of our business. Today, it is needed more than ever, and it is needed across a much broader spectrum than ever before

Our talented creative teams captured a major share of the world's awards for creative excellence and marketing effectiveness: 37 London International Awards; 26 Cannes Lions; 24 Clio (including two Best in Show awards); 15 One Show Pencils; 11 DMA Echos; eight Caples; a D&AD Yellow Pencil; and dozens of the highly coveted Effies for our work in Budapest, El Salvador, Germany, Greece, Hong Kong, India, Malaysia, Romania, Ukraine and the US.

Creativity is the very soul of our business. Today, it is needed more than ever, and it is needed across a much broader spectrum than ever before. It is needed to build brands, to instill confidence, and to enlarge the space in which transactions take place.

In 2008, Ogilvy creativity spanned media, disciplines and the globe. Our teams brought the Olympic experience to life

for fans around the world on behalf of our client, Lenovo; engaged people in the personal journeys of Louis Vuitton lovers like Catherine Deneuve and Keith Richards; delighted a generation of Canadians by refreshing a cereal brand from their youth with an inventive campaign for new Diamond Shreddies; revived the flagging Capri Sun juice brand and made it cool again with a modern look and irreverent message; inspired people with a new 'Smart Planet' initiative from IBM; gave new meaning and momentum to the American Express 'My Life. My Card.' campaign with spots featuring cultural heroes such as Tina Fey and Martin Scorsese; commissioned a stage play to bring Dove's Pro-Age philosophy, 'Beauty has no age limit' to a broad audience; produced a British Telecom-sponsored television series to showcase the power of collaboration; delivered 400,000 pizzas in the ultimate sampling campaign for Kraft's Delissio brand; and more... so much more.

While 2008 was certainly a difficult year, we clearly saw once again how passion, commitment and creativity on behalf of our beloved brands can fuel success

These investments in imagination and creative quality come back to us in the form of respect for our work, as long-term partnerships and as new business wins. In 2008, we added many new brands to our Ogilvy Group roster including Barclays, British Airways, Europcar, Heineken, IKEA, Johnnie Walker Black Label, ProChile, Siemens, Stolichnaya Vodka, Vodafone and Zurich Financial among others.

While 2008 was certainly a difficult year, we clearly saw once again how passion, commitment and creativity on behalf of our beloved brands can fuel success and change the world for the better. As we charge into 2009, we do so with a new CEO, Miles Young, with whom I am proud to serve in my continuing role as chairman.

I am gratified to have such an 'Ogilvy' successor in Miles, someone who in his long career with the company has addressed changing business models and morphing markets – not to mention the ups-and-downs of economies – with clear vision and great ingenuity.

I know, as does Miles, that 2009 will be a profoundly challenging year. But I am optimistic, because I know that our strong culture, our creative spirit and great resolve, as well as the many lessons we've learned in 60 years in this business, will serve us well.



OgilvyOne Worldwide

Report by Brian Fetherstonhaugh (below)
Chairman and chief executive officer

Despite the challenging environment, we accomplished much in 2008. OgilvyOne's successes were strongly linked to the core client trends of 2008: the rising needs for marketing innovation and accountability.

The fastest-growing part of our business again in 2008 was Neo@Ogilvy, our search, digital media and performance marketing offering. Neo makes a compelling promise... to allow clients to get the most out of their new media investments. Since its inception in 2006, Neo has expanded into 33 markets.

Consulting and Analytics remains a critical pillar in OgilvyOne's growth plan. In 2008, we grew strongly in all regions. Consulting and Analytics was a decisive contributor to our major business wins of 2008, including the British Airways loyalty program, IKEA, Sears and Zurich Financial.

Digital marketing now represents over half of OgilvyOne's revenues, and we must continue to innovate to stay ahead of the pack. Entering 2008, we were rated No.1 in Forrester's *Interactive Agency Report*. In the course of the year we won Agency of the Year honors in Singapore, Hong Kong, Germany, the UK and the Asia region.

To keep our clients at the leading edge, we expanded our Ogilvy Digital Innovation Labs in 2008 – we now have hubs in Singapore, New York, London, Beijing and São Paulo. These labs are not just a place to showcase interesting technology and creative: we work directly with clients to create commercially-viable campaigns and applications.

The next wave of digital innovation is in mobile, and OgilvyOne will be ready. In 2008, we created marketing alliances with top global mobile partners including Acision and iconmobile.

The two vital growth themes for 2009 are digital and data. Measurable marketing is more relevant than ever before. OgilvyOne's core promise of 'We sell, or else' resonates with the chief marketing decision-makers.



Ogilvy Public Relations Worldwide

Report by Marcia Silverman (below)
Chief executive officer



In the face of global economic challenges and political transitions, we at Ogilvy PR have aggressively reinvented ourselves to meet client needs and continuously recast what makes us unique. The result? More specialized offerings, new training, increased collaboration among staff across geographies and among practices and profitable growth.

Four key achievements in 2008 demonstrated our determination to meet emerging client needs and target areas of growth:

- Our industry-leading 360 Degree Digital Influence offering became an official practice, enhancing our ability to operate globally. We added new staff members around the world and trained the majority of agency staff on the best ways to put interactive and new media capabilities to work for our clients.
- We leveraged our deep experience in corporate reputation and social marketing to quickly establish capabilities in the high-demand areas of corporate social responsibility and cause marketing. In addition to helping clients create mission-based brands, promote green products, shape environmental policy and build a positive legacy, all practice areas are fully integrated with our new sustainability specialization, Ogilvy Earth.
- As organizations increasingly request senior-level talent as strategic counsel, we revamped our Strategy+Planning group to be able to bring more insight, strategy and creativity into clients' communications programs.
- We opened new offices in Buenos Aires, Copenhagen, Kolkata, Karachi, Milan and Tunis, bringing our total number of locations worldwide to 70.



These achievements were driven by two imperatives: the need to extend the scope of our counsel to existing clients, and the desire to engage with new ones. Because of our commitment to innovative thinking and collaboration, several marquee clients have now been on our roster for more than a decade, including The Centers for Disease Control and Prevention (1987), The American Chemistry Council (1991) and The Society of American Florists (1989). In 2008, we broadened our relationships with LexisNexis, FM Global and Unilever, extending our engagement with these iconic enterprises into new markets. Year over year, the number of multi-market clients we serve grew by 30%.

Our new business wins in 2008 included the Lance Armstrong Foundation, Chevron, Virgin America, SunPower, ProChile, Nike and TJ Maxx. Our Digital Influence practice made history for client Lenovo by enlisting some of the world's greatest athletes to blog during the Beijing Olympics. We were also awarded 16 new government contracts, including the National Cancer Institute.

While 2009 will be a challenging year for the entire marketing communications industry, Ogilvy PR is optimistic that our areas of strength position us well to thrive in 2009. Our Digital Influence, Government Relations, Corporate Reputation, Public Affairs and Social Marketing practices will be the cornerstones upon which we will continue to build our business.

Our confidence was reinforced by *PRWeek*, a leading US industry publication, that named Ogilvy PR above all communications agencies as the firm best positioned to succeed in 2009, citing that Ogilvy PR has "the full package – great service; strong leadership; and a hard-working, straightforward, and diligent culture."

Ogilvy Healthworld

Report by Tro Piliguan
Chief executive officer

Ogilvy Healthworld (OHW) continued to show good year-on-year growth particularly in light of current market conditions, decreasing access to physicians, and dramatic reductions in prescription drug revenues and their associated marketing budgets. North America and Asia showed especially strong growth. 2008 was the fourth consecutive year of revenue and profit growth.

In North America, we had modest growth in revenues and profits. We attribute at least part of our success to the fact that pharmaceutical companies – no longer able to rely on a stream of blockbuster drugs – began to recognize the enduring value of brands and started to invest in them.

As brand builders, this gave us an opportunity to create better, deeper, richer stories, and to tell them across multiple media. It challenged us to develop a full 360 Degree range

of marketing communication services, including strategic planning, medical education, professional and DTC advertising and CRM, public relations, clinical trial recruitment, interactive media and market analytics. Today, OHW is one of the truly integrated global offerings with major 360 Degree assignments for Johnson & Johnson and Boehringer Ingelheim.

We launched several new brands this past year, including Sanctura for Allergan, Xyzal for Sanofi-aventis and Concerta Adult for Johnson & Johnson. All were 360 Degree campaigns, and Sanctura and Concerta were combined healthcare provider (HCP) and consumer assignments.

Our Asia Pacific business was up in double digits largely due to the extraordinary performance of the team from Pharmax OHW in Korea. In its first full year as part of our global team, Pharmax OHW surpassed expectations, bringing in a raft of new assignments from its roster of clients, including Pfizer, Sanofi-aventis, Merck and Handok. In Sydney, OHW successfully added new brand assignments from Novartis, GSK, Mundipharma and Novo Nordisk, and our OHW Singapore team was awarded assignments from GSK, Nestlé Nutrition and Bayer Schering.

In Europe, we saw increased consolidation of pharmaceutical marketing investment in 2008, resulting in growth in the number of our pan-European clients. The UK had a strong year, growing its global business with wins at the World Health Organization and with Wyeth. France had an excellent year, beating its budget and improving its margins and profitability. Germany, with global wins at Merz and Intendis, is set to build its international capabilities. Russia is an important market for pharma and we solidified our position there in 2008, working on multiple brands for Pfizer. We see this as a growth region and are committed to increasing our presence there in 2009 and beyond.

Partnerships and promotional activities were a focus for OHW Europe last year. Our partnership with Ogilvy PR – OHPR – wrapped up its first year, and joint ventures with other WPP companies have enabled us to grow business with Bristol-Myers Squibb, now our largest client in Europe.

In addition, we raised our profile significantly when we were invited to partner with the Prix Galien, the health care equivalent of the Nobel Prize. Created in France in 1970, the Prix Galien is now bestowed in 11 countries, and Ogilvy Healthworld is the first and only agency ever asked to join with the organization in promoting this pre-eminent industry award.

We are proud of our accomplishments during the past year, including the many creative accolades we received at the Medical Marketing and Media, DTC Perspectives and the Pharmaceutical Advertising and Marketing Excellence Awards. As part of the Ogilvy family, we are looking forward to more sharing and collaboration in 2009.



OgilvyAction

Report by Rick Roth
Chief executive officer

We began 2008 with confidence and momentum, but as our clients were faced with enormous financial pressure during the second half of the year, many of them made significant cuts in marketing spend. However, it didn't stop us from making progress against our near- and longer-term objectives.

We focused on building our credentials across the industry, extending our presence into critical new geographies, and solidifying our business with both global and local clients.

It's rare to pick up a business publication today without reading about the growing importance of shopper marketing. Our promise, 'To Turn Shoppers Into Buyers', has struck a nerve with our clients and prospects. In each of our regions we added strong new talent to bolster our credentials in shopper marketing, trade marketing, digital retail activation, and *Last Mile Analytics*™ practices.

The biggest news for OgilvyAction in 2008 was the launch of our global shopper marketing study called *Shopping Decisions Made In Store*, or *SDMIS*. The front-page attention we received from the industry and the coverage we garnered in global business press, across the web and in retail blogs has been remarkable.

With *SDMIS*, we offer marketers a closer look at how shoppers buy and how we can influence their behavior. Our study was the first of its kind, and it has given us traction and momentum with many of the world's most sophisticated marketers, putting our young company on the map in a very differentiated way.

We also made a number of key acquisitions, formed joint ventures and added several new offices in high opportunity and emerging markets in 2008. We landed several important new clients as a result of our *Last Mile* expertise and strong creative product. Much of our growth came from existing Ogilvy clients, but we have also been building important local business independently.

Analytics fuel our insight capability and help us to prove return on investment, but we get results for our clients and fame for our work by doing brilliantly creative brand activation programs. In 2008, we won awards for our work in every region.

2009 promises to be highly challenging. But we see more of it coming and are prepared to navigate the slow yet certain recovery. There isn't a marketer on the planet who isn't committed to winning with shoppers and trade customers. In this economy, that need takes on even greater importance, and the OgilvyAction value proposition becomes that much more imperative. ■





JWT

Report by Bob Jeffrey (below)

Worldwide chairman and chief executive officer

At 145 years old, JWT has a proven track record of leading brands through times of heightened anxiety, like the one the world is facing now. We've done this the only way we know how – by pioneering.

Innovation is in our lifeblood. We see opportunity in challenge, we look at what could be rather than what is, we answer “What if?” with “Why not?” Most important, we have the passion to make our ideas happen.



Our pioneering spirit, backed up by the breadth and depth of talent and knowledge across our global network, has helped us maintain many enduring relationships: Unilever (105 years), Kimberly-Clark (80 years), Kellogg's (77 years), Rolex (61 years), Shell (46 years), and the list goes on. It has also translated into winning creative and substantial business results for us and our clients.

In 2008, we achieved our best year ever at the Cannes International Advertising Festival. We took home 39 Lions across several categories – including the first Grand Prix for India for our *Times of India* campaign – making us the No.4 global network at the competition.

We also won 38 Effie awards in almost every region around the world, proving that solid creative work equals real business results for our clients. Our winnings included a Grand Effie award for *Times of India*, a Grand Prix award for Wilkinson Sword's 'Fight for Kisses', and 12 Gold Effies.

Our single-minded focus on delivering truly pioneering work has never been stronger. We developed creative that

raised serious debate inside and outside the industry like HSBC's 'Lumberjack' spot; created fully integrated campaigns such as 'Happy Jetting' for JetBlue and 'Spit It Out' for Cadbury's Stride, both out of New York; and produced innovative work like the Alexandre Herchcovitch campaign out of Brazil, that turned Johnson & Johnson's Band Aid into a fashion accessory.

The quality of our creative output has attracted more world-class talent to JWT and we now have one of the strongest creative line-ups ever.

Our rising profile also contributed to significant additional business among existing clients – our growing relationship with Diageo, for example, led to global wins on the Jose Cuervo and Baileys brands – and to several high-profile new business wins across the globe. We were awarded Microsoft's enterprise software and service business and we led a team of sister WPP companies in a competitive pitch to secure the lion's share of Johnson & Johnson's pharmaceutical brands.

“The quality of our creative output has attracted more world-class talent to JWT, and we now have one of the strongest creative line-ups ever”

In our first full year as Nokia's global network, we took on additional responsibilities for the world's largest mobile manufacturer. And we forged dozens upon dozens of new relationships on the local level, becoming the agency of record for Wal-Mart in Canada, Pizza Hut in Singapore and Vodafone in Egypt, among other high-profile clients.

The integrated work we provide for these clients is indicative of the type of digital, activation, direct marketing and field force marketing capabilities we've aggressively built across the agency. Over the past several years, we've focused on building an integrated model that provides stronger and more effective creative than either traditional stand-alone agencies or siloed digital shops can offer.

As a result, we've seen our digital and activation expertise yield more work from clients, including Johnson & Johnson, Schick, Cadbury and De Beers. For Nestlé, for instance, our Paris office provided online consumers with an interactive editing suite they could use to direct their own movie about the lengths the main characters would go to get their hands on Extreme ice cream. For Bayer's Berocca, our London office launched a viral piece that gained popularity on YouTube. We've also seen the ongoing success of clients such as the U.S. Marine Corps and HSBC through our increased collaboration and integration with our CRM network, RMG Connect.



Founded in 2002, RMG Connect manages customer relationships online and offline using data, technology, planning and creative. It is now a network of more than 900 people in 32 offices across North America, Asia, Europe and Latin America producing award-winning integrated work for global brands.

Our inherent understanding of how to build strong, data-driven results and leverage social networks is nowhere more apparent than in our continued success with the U.S. Marine Corps, one of our largest and longest-running accounts. Our North America operations combined online communities, social networks and an enhanced web presence in a new campaign that achieved recruiting targets for the Marines.

The explosion of digital media, and the constantly changing opportunities they present to address an audience of one, plays directly to our strengths

The explosion of digital media, and the constantly changing opportunities they present to address an audience of one, plays directly to our strengths. As consumers continue to enjoy relationships with brands and each other across a myriad of different channels, we will always look for innovative ways to connect them.

With the economy in recession, we understand that effective communications are more important than ever. To that end we created an Economic Task Force, bringing together our smartest minds across disciplines to examine how the downturn is affecting consumer attitudes and behaviors – and, most important, what this means for

brands. The common thread throughout this work is our *AnxietyIndex*, a six-year-old proprietary research tool that tracks the level and intensity of consumer anxiety and the drivers of it.

This type of intelligence allows us to offer the agility, resourcefulness and foresight that today's economic climate demands. Despite the ongoing challenges of the auto and luxury industries, for instance, we continue to produce great strategic work in partnership with 64-year client Ford and 42-year client De Beers.

For the introduction of Ford's 2010 Mustang, we tapped into the passion for the iconic pony car by asking filmmakers from all over the world to share their 'Mustang Stories' – the best of which were produced, promoted on TV and showcased online. Our marketing communications also helped the Ford F-Series become America's top-selling vehicle for the 27th consecutive year. For De Beers, we positioned diamonds as a symbol not just of love but of a meaningful, unfaltering and resilient love – a long-term investment.

JWT's pioneering spirit has stood – and will stand – the test of time. The trust and reassurance inherent in our people, our companies and our brand reflect the professionalism, global breadth of knowledge and talent that our clients seek during turbulent times.

We understand that the challenges we're presented with represent enormous opportunities, and in 2009 we remain mission-focused on developing pioneering work that drives growth for us and our clients. ■

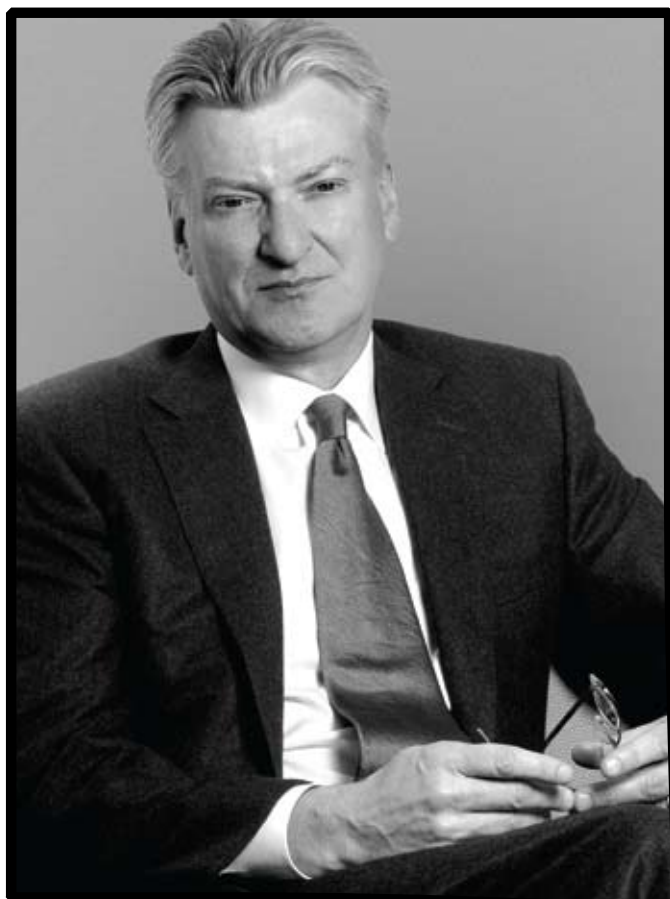




Young & Rubicam Brands

Report by Peter Stringham *(below)*
Global chief executive officer

Young & Rubicam Brands is one of the largest groups of communications services companies within WPP. The Brands companies have the longest history of working collaboratively to deliver communications solutions to clients – some of the companies have been working together over 30 years. It's a model that works. Every one of our major global clients use more than two Young & Rubicam Brands companies, over 90% use at least three, and more than half use four of our companies. In fact, around the world, more than 800 clients engage us across multiple disciplines.



2008 put us in a strong position to manage the great uncertainty of the global economy this year. Our revenues were up, with some of our companies achieving double-digit growth. Growth was both organic and from focused new business efforts across the Brands. Y&R won three major

global assignments: LG, Danone waters and the consolidated Bacardi Rum business. Wunderman added Southwest Airlines, AT&T, as well as Novartis. Burson-Marsteller had solid organic growth from clients like Hewlett-Packard, Intel and Nestlé. Landor had tremendous client wins in China and India. Other wins across all our companies are noted in the following reports; clearly we demonstrated our ability to create tangible opportunities. Our intent this year is to help our clients find their opportunities in a volatile marketplace.

All of the Young & Rubicam Brands companies are now completely digitally integrated. Wunderman made four digital acquisitions and built KnowledgeBase Marketing around the network. With Blast Radius and ZAAZ among their digital properties, Wunderman now has a completely global digital network. Burson-Marsteller has integrated digital across all its practices. Cohn & Wolfe has enhanced its digital expertise with its acquisition of Axicom. And, at the beginning of 2009, Y&R formalized its long-standing relationship with VML, one of Forrester's most highly-ranked digital companies, and will build the digital partnership globally through Y&R's network. In select markets, including Y&R's headquarters NY agency, the digital operation will be known as VML/Y&R.

We helped raise the level of discussion in the industry with thoughtful new books. *The Brand Bubble* by John Gerzema, Y&R's Chief Insights Officer, and Ed Lebar, CEO of our BrandAsset® Consulting unit, used BrandAsset® Valuator data to analyze how companies have overvalued their brands. The book made the Amazon.com, *Business Week* and 800.CEO.READ bestseller lists. Simon Silvester, head of Planning for Y&R EMEA, authored *AAAGH!* – a look at the profound impact of the recession on marketing. And Allen Adamson, managing director of Landor's New York office authored his second book to critical acclaim, *BrandDigital*, focusing on best digital practices and the brands that are utilizing them.

The year brought tremendous industry recognition and awards around the world for Y&R Brands companies, reflecting the high creative standards we hold across all our companies.

Young & Rubicam Brands is built on the proposition that each of our companies is 'Best Alone,' but we are collaboratively 'Better Together.' To advance our collaborative offering, we tapped into our own strong talent base to create two new roles. Lee Aldridge moved from Landor to become global brand officer, helping us shape and build our brand through thought leadership strategies and programs. Celia Berk moved from Burson-Marsteller to Y&R Brands as chief talent officer to help us recruit, retain and nurture a new generation of talent able to work across disciplines and geography.

We expect that the marketplace in 2009 will continue to be uncertain and volatile. We are ready to support our clients through these difficult times. Young & Rubicam Brands has



more than simply an integrated offering; we are rooted in a collaborative culture that ensures that our clients are getting the most appropriate and most powerful combination of marketing communications resources, talent and work. We are committed to helping our clients meet their challenges and find their opportunities in today's marketplace.

Y&R

Report by Hamish McLennan (below)
Global chief executive officer

In 2008, Y&R's performance can be characterized by three words: reinvention, relevance and resurgence. Despite the uncertainty that continues to hover over the global marketplace, 2008 was one of solid progress and performance.

We reached into our DNA and embraced Raymond Rubicam's founding credo to "Resist the Usual." Resist the usual in the search for talent. Resist the usual in approaching client challenges. Resist the usual with smart consumer research. Resist the usual by creating content for new media. But above all, resist the usual with creativity.



The banner headline for the year remains our creative reinvention, sparked by the arrival of Tony Granger, one of the industry's top creative leaders, as global chief creative officer. Kerry Keenan joined as director of creative content globally. Across our network, top new talent has refreshed our creative ranks. In New York, Scott Vitrone and Ian Reichenthal joined from TBWA/Chiat Day, and we have infused our New York headquarters group with talent that hails from around the world and across the creative content spectrum, including digital, viral and ambient. Although Tony has been with us less than a year, he has attracted a disproportionate share of the world's creative talent, organized it as a true global network and created a creative infrastructure and culture that is already producing spectacular work.

In 2008, we drove revenue growth with three major global gains, proving once again that organic growth is often

the most gratifying. Our win of LG at the beginning of the year developed into a 50-market assignment by year's end. Already the agency of record for Danone's dairy division, we drew the massive Danone water assignment, which includes most of Danone's water brands except Evian and spans Europe, Asia and Latin America. We also consolidated Bacardi rums at Y&R after a review, winning brands that include Flavours and Gold Rums. Indeed, eight of our top 10 clients grew this past year, both horizontally and vertically.

2008 also saw the resurgence of Y&R North America. Tom Sebok returned to Y&R (where he spent his formative years in the industry), taking on the critical role of president and CEO of the region. John Berg joined the North America network as president and CEO of Y&R San Francisco. New business flourished in the region, with new national clients like Office Depot, DoubleTree Hotels, Cellular South, Giant Eagle, Rubbermaid, Bonefish Grill and, most recent, hotels.com. In *Advertising Age's* annual agency report, we were named the No.4 agency, up from No.11 two years ago.

We continued to invest in the emerging markets of the world. We made a major commitment in the Middle East by taking a majority stake in Team/Y&R, a long-standing joint venture and a creative leader in the region. We reinvigorated our operations in China, and brought in Marcus Rebischini to be the chief creative officer of Asia. In Latin America, we continued to have the No.1 agency in Brazil, a creative powerhouse in Argentina and a network of top-flight creative agencies across the region. In Australia, Nigel Marsh, a noted industry luminary, joined as our group CEO and has taken important steps to recharge our agencies there. Agencies in Brazil, London, Melbourne and Barcelona helped raise our profile and outperformed in their markets.

Y&R also continued to make its mark as thought leaders. John Gerzema, along with Ed Lebar of BrandAsset® Consulting, published *The Brand Bubble*, a prescient look at how companies have overvalued their brands and strategies for combating same. Additionally, we continued our tradition of leading seminars with some of the world's top thinkers and players. This year, we brought Rupert Murdoch and Peter Chernin to Cannes, where they offered their thoughts on the media and marketing landscape to a standing-room only audience.

Y&R took home more Gold Lions at Cannes last year than previously and has begun to take home prizes in new content and digital categories. SAA/Y&R Tel Aviv, for example, won four Lions at Cannes, Gold at the Clios and swept the national Israeli creative competitions for its 'Missing Soldiers' event.

We began 2009 with the announcement that we have formalized our partnership with VML, naming them our global digital partner. VML is a highly-rated digital brand, known for its innovative thinking and resources. In New York, our existing digital operations united with VML's under the name VML/Y&R. We will carry this structure



and name around the world. Matt Anthony, VML's CEO, added chief global digital officer to his responsibilities. In addition, we announced our partnership with MARS, a leading shopper marketing agency, which we will also build out around the world. Both offerings increase our relevance to marketers and address the challenges they face today and tomorrow.

With our agency network stronger than ever, we are positioned to help our clients weather the global recession with greater capabilities and creativity.

VML

Report by Matt Anthony Chief executive officer

For the second consecutive year, *Advertising Age* named VML one of the top interactive marketing agencies in the US, and Forrester Research awarded VML the top score for innovation in its *Wave™* report: *Interactive Marketing Agencies (Q4 2007)*.

VML led the re-launch of one of the world's largest e-commerce sites for Sam's Club and developed critically-acclaimed mobile applications to drive retail traffic to www.SamsClub.com; for PetSmart, we're building the foremost online pet social network at www.Pets.com; we provided the industry-first objective automotive comparative tool for Ford of Canada at www.Ford.ca; for the American Cancer Society, VML is constructing a content rich, fully-interactive online community at www.Cancer.org.

Creative inspiration continues to flourish at VML; the agency received more than 100 awards and recognitions in 2008 for work produced on behalf of dozens of partners, including campaigns for Colgate-Palmolive, Microsoft, Burger King, Dr Pepper Snapple Group, Ford, Ernst & Young, HSBC, Sprint Nextel, Xerox and Vanguard.

New client engagements included ESPN, Office Depot, Zurich Financial, Giant Eagle, Interstate Bakeries, Avid Technology, Humana, Cartoon Network, Jägermeister/Sydney Frank Importing Co., Sperian, AECOM, PetSmart and Vetstreet.

VML continued to expand its digital proficiency, including mobile marketing, emerging technologies – including VML's proprietary *SEER™* online activation resource – social networking integration, analytics and optimization, as well as planning and research and user experience acumen.

The VML digital network is stronger than ever, with VML's base of operations in Kansas City and a growing presence in New York, Seattle and London. VML agency Studiocom, based in Atlanta, advanced its work for Coca-Cola and Dunkin' Donuts; and GT, headquartered in London, was *Revolution's* UK Digital Agency of the Year in 2008.

Wunderman

Report by Daniel Morel (below) Chairman and chief executive officer

After 50 years in business, there isn't a better credo for marketers to embrace today than something said long ago: 'If it doesn't sell, it isn't creative.' Lester Wunderman not only understood these words, he energized them with action and founded our agency, and an entire industry on the basis of creating communication that sells. This is especially relevant for our clients who, in turbulent times, must continue to invest to keep current customers and retain their competitive edge.



In 2008, we celebrated our first 50 years not by looking back but by looking ahead to a future that has never been more welcoming – or in greater need – of measurable, accountable advertising. We invigorated our brand with a new look that signals that Wunderman (and its 20+ companies) continues to embrace the challenges and opportunities of the ever-connected, mobile consumer – so does our constant effort to expand our presence and data and internet resources.

KnowledgeBase Marketing went global, extending its reach to Latin America, Europe and Asia. We completed four acquisitions: AGENDA (Asia), Actis (Russia), Designkitchen (US) and Kassius (France); they join digital powerhouses Aqua Online, Blast Radius, These Days and ZAAZ to form the backbone of our global digital infrastructure. The strength and power of what we've built is best realized in Wunderman's substantial role in Deliver, WPP's digital production network that gains efficiency by channeling work to low-cost digital hubs.

While our agency network is big and wide reaching, clients value our ability to operate seamlessly. They respect the science we apply to the customer experience because measuring results online – or in any channel – delivers better



business outcomes. They value our record of attracting, training and sustaining the right talent and welcome our newest leaders: Christoph Stadeler as head of our global automotive business and Niland Mortimer, who leads our San Francisco operations.

Key clients like Microsoft, Ford, Citi and Nokia, and new accounts including Southwest Airlines, AT&T and Novartis, have put their faith in our ability to deliver sophisticated campaigns better than our competitors anywhere in the world.

Wunderman was particularly successful in Asia, where we infused the region with data, digital and creative talent that enhanced our ability to serve growing Microsoft and Nokia business in Japan, India, China and Korea. In three years, Latin America has quadrupled in size and transformed into a world-class digital network. Growth stems from expanding relationships with anchor clients including Colgate, Diageo (JW Red Label), Microsoft and Telefonica.

What draws clients in is our unique ability to be both local and global. Campaigns emerge from best practices and efficiencies gained as a global network. We blend our global presence with an acute understanding that all relationships are local.

Aware of the challenging economy, we head to 2009 on track to break the billion-dollar mark. We know how to reach this milestone: balance our power, size, network resources and digital expertise with local insight, execution, innovation and nimble response.

Burson-Marsteller

Report by Mark Penn (above right)
Worldwide chief executive officer

Burson-Marsteller (B-M) grew its revenue in 2008 while expanding profit margins to levels near the upper-end of the PR industry's historic range. An increasing number of clients sought out B-M's advice on crisis matters and issues management, two of our core strengths. Our new Strategy Team, which includes top former White House counselors, was kept busy with a wide range of clients in the financial, transportation and energy sectors which faced unexpected crises in the wake of the Wall Street credit crisis.

This was the third year of the *DIGS* strategy for B-M – modernizing its offerings by being more Digital, Integrated, Global and Strategic. Our digital business roughly quadrupled in size in the last three years, pioneering online press conferences, for instance for the US government unveiling its new currency. Digital is now fully integrated into everything we do.

We strengthened our offering of 'evidence-based' communications with new tools and by working closely with Penn, Schoen & Berland to research key facts and

messages for a growing list of clients. In the US, we formed the Issues & Crisis Group, a team of experts that now works on the most sensitive and complex crises and issues management challenges our clients face.



More clients faced internal communications needs as they underwent expected – and unexpected – change. For instance, B-M helped lead the successful internal communications for the global launch of the newly formed Thomson-Reuters brand.

In 2008, we received major new assignments from Hewlett-Packard, Sony Ericsson and Huawei. We also worked on significant corporate responsibility projects for Intel, Visa and BP and product crises for companies like Nestlé.

This was another year of geographic expansion for B-M. We merged our EMEA operation with Asda's PR, one of the leading PR firms in the Middle East, and kicked off the relationship with a landmark study of the attitudes and lifestyle habits of Arab youth across six Middle East nations. During the year, we also established a South Asia network of affiliates.

Each of our four geographic regions performed well in 2008. Our Asian operation, particularly China, was bolstered by some key client assignments related to the Beijing Olympics. B-M EMEA enjoyed a resurgent London office, which was named Consultancy of the Year by the UK's *PR Week*. B-M Latin America again proved to be the strongest regional public relations network in Latin America posting its eighth consecutive year of revenue growth.

We made several key hires in 2008, adding former White House counselor Karen Hughes as our new global vice chair and Gail Cohen as new head of our global Healthcare Practice.

As we enter 2009, we feel optimistic but cautious about our business as more clients are seeing the increased value of PR in a changing and more digital world. We continue to expect our crisis, issues management and digital capabilities to do well. We also believe our strong public affairs



capabilities in political centers around the globe will grow in importance as governments seek policy solutions to key challenges related to the economy, health care and energy.

Landor Associates

Report by Charlie Wrench *(below)*
Chief executive officer

Despite the challenging economic climate, 2008 proved to be another record year for Landor, with new highs reached in both revenue and operating profit.

It was also a good year in terms of strengthening our platform going forward.

First and foremost, we continued to invest in our 'One Landor' vision of providing clients with an ever more coherent global offer. Amongst our 'One Landor' highlights, we were delighted to be appointed by Procter & Gamble to three new billion-dollar global brand partnerships, China's leading electric goods company Haier chose us as their partners in building their brand globally, and Kraft invited us to extend our European partnership into the US and China.



They say that cobblers' children are often the worst shod but 2008 was definitely a strong year in terms of building our own brand: Landor.com was relaunched as a more proactive marketing site (and immediately won a handful of prestigious web awards); we published two new books and distributed *Perspectives*, a compendium of the best of our thought leadership pieces; we were highly active on the speaker circuit, receiving record levels of media coverage in the year.

Ultimately, the success of any creative business is a function of its capacity to attract and motivate great talent, making the introduction of Paige DeLacey as our new chief talent officer a key hire in 2008. Other notable leadership changes included the promotion of Cheryl Giovanonni to lead our European region, the introduction of Nick Foley and Felix Stockle as managing directors of our Sydney and

Hamburg offices respectively and the promotion of Tammy Anthony to global client leader for P&G.

2008 was a year to celebrate the Tiger and the Dragon as our new offices in Beijing and Mumbai began to establish powerful new client relationships. Clients in Beijing now include ICBC, China's largest bank; Beijing Capital Land, Beijing's leading property developer; Wang Fu Jing, China's largest department store chain and Haier. In an even shorter time, Mumbai has built an equally impressive client list led by Café Coffee Day (think Starbucks), Tata Group and the Taj Hotel chain. Along with our Singapore office, we are well positioned for growth in India and Southeast Asia.

We continued to expand our service offering, with increased revenues derived from our innovation, digital, strategy, brand engagement, financial services and naming practices. We also made great progress in developing our sustainability offer. We gave the keynote speech at the Landor-sponsored Economist Conferences Branding Roundtable in Beijing, taking the opportunity to share our global *Green Brands Survey*. Our much applauded and award-winning One Degree program was rolled out across News Corporation globally and we worked on sustainability engagements for Nissan, Verizon, Mattel and the Dow Chemical Company. We also launched Cascade Green, a 100% carbon-offset beer in Australia.

In the future, Landor will continue to be well positioned as leaders in the field of brand-led business transformation and creators of desire the world over.

Sudler & Hennessey

Report by Jed Beitler *(See page 44)*
Chairman and chief executive officer

Sudler & Hennessey is one of the world's most successful and sought-after healthcare communications networks. We continued to build on our successes by bringing 'Established Innovation' services and geographic offerings to meet the ever-changing needs of our clients within human and animal health industries, including pharmaceuticals, biotech, fast-moving consumer goods, foods, device/diagnostics, governmental and non-governmental organizations.

S&H continued to strengthen its relationships with many of the top global and regional healthcare companies by expanding our base of pharmaceutical clients in the areas of foods/nutrition and packaged goods as well as governments and NGOs.

Technology remains crucial to the network's ongoing promotional, educational and training efforts. In 2008, we continued our focus on supporting client technology needs through augmentation of our systems in our S&H Digital division, attracting new talent and expanding our overall delivery across a wide variety of interactive solutions.



In 2008, the creativity within the S&H network was recognized through over 45 awards from various international and regional competitions around the world, including the Globals, the Rx Club Awards, the MANNY Awards, the MM&M Awards, the IN-AWE Awards, and the EPICA Awards. We developed a new, powerful branding approach, 'Effective Energy', that delivers against real business issues and we anticipate this tool to be very useful to clients in today's environment.



The Sudler & Hennessey network strengthened its senior staff to oversee its global operations. Max Jackson was appointed as president for S&H EMEA. Louisa Holland and Rob Rogers are now co-CEOs for The Americas. Rob Rogers also serves as president of S&H Asia/Pacific and chief creative officer for the New York office. To further strengthen our delivery for our international clients, we appointed new regional managing directors for Canada, South Asia and Greater China. We also increased our services, offerings, and geographic footprint in India, Turkey and Singapore as well as the CEE markets including Lithuania and Hungary.

The Bravo Group

Report by Eddie Gonzales
Chairman and chief executive officer

2008 was a transformative year for the Bravo Group with major progress in product quality, talent additions, client satisfaction and financial performance.

Bravo's enhanced product quality was recognized with *Advertising Age* creative awards in digital and non-traditional channels. Additionally, the Association of Hispanic Advertising Agencies (AHAA) recognized Bravo for outstanding strategic planning and insights. Bravo moved from No.4 to No.2 in *Advertising Age*'s Hispanic Agency rankings for 2008.

New talent was added throughout the entire organization with new creative directors in Miami, New York, Chicago

and San Francisco and new managing directors in New York, Chicago and San Francisco. The result? Enhanced client relationships, growth on 90% of our top 10 accounts, new business wins (Kodak, Aetna and Boehringer Ingelheim) and a financial turnaround that saw a strong margin improvement.

Our focus going forward continues to revolve around superior creativity, expanded capabilities in the digital arena and better talent. Whereas 2009 will be challenging for all, the Hispanic marketplace continues to grow and offer robust opportunities for those that can offer superior insights and solutions. Bravo will continue to succeed by providing its clients what they need most: outstanding performance.

Cohn & Wolfe (Full report on page 62)

Report by Donna Imperato
Chief executive officer

It was an historic year for Cohn & Wolfe, one of significant growth through merger and acquisition, exciting change and new opportunities. Through our acquisition of leading European technology agency, AxiCom, and our successful merger with Grey Group's public relations network, GCI Group, Cohn & Wolfe became a true global competitor with expertise across all practice areas and offices in 55 markets.

The new Cohn & Wolfe integrates a great entrepreneurial spirit with the expanded reach, capabilities and infrastructure of a leading global agency.

Robinson Lerer & Montgomery

Report by Linda Robinson
Chairman

Robinson Lerer & Montgomery (RLM), a New York-based strategic communications firm, serves the directors and senior management of companies in every major industry. RLM's practice areas include reputation-building programs, crisis management, corporate campaigns, M&A, restructuring and reorganizations, CEO transitions, litigation, strategic marketing, governance issues and regulatory matters. In these areas, RLM furnishes both strategic planning and tactical implementation of communications programs that address every external and internal audience of a client organization.

In 2008, RLM turned in solid results in an extraordinarily challenging year. Of particular significance, the firm provided crisis communications services for several prominent institutions in the financial industry. In addition, the firm was retained for numerous assignments in M&A transactions and corporate litigation matters, and it continues to furnish strategic marketing services to clients in various industries. ■



Grey Group

Report by Jim Heekin *(below)*
Chairman and chief executive officer
Grey Group and Grey

2008 was a year of momentum for Grey Group as our strategic priorities began to take hold and bear fruit across our global network. This dynamism was evident in our growth from new and current clients, improved profitability and enhanced creative recognition. Despite a difficult economic climate, we moved closer to our goal of becoming a premier Total Communications company dedicated to powerful ideas that accelerate our clients' brand potential.



Grey's performance was driven by our steadfast focus on these strategic goals:

- **Making creativity our singular priority:** Grey's breakthrough creative work, epitomized by the E*TRADE baby, shone on the world stage from award shows to the Super Bowl, delivered growth for our clients and burnished our reputation.
- **Brand Acceleration:** We expanded the reach and sophistication of our global strategic platform for developing outstanding creative ideas and communications plans with maximum impact across channels.
- **Total Communications offering:** We delivered a seamless, integrated offering, uniting the creative expertise of Grey with the activation marketing expertise of G2, creating a powerful competitive advantage.
- **Talent:** We reaped the benefit of the sweeping infusion of world-class talent we recruited in 2007 and 2008 in creative, planning, digital and management worldwide.
- **Professional development:** We extended the outreach of Grey University, our comprehensive leadership development and training program, with *Digital Acceleration* courses; a unique partnership with Google; and the launch of the new G Channel, our online learning portal.
- **New resources:** We added to our digital and mobile marketing offerings by forging joint venture partnerships with sister companies Bridge Worldwide and iconmobile. In addition, we increased our digital centers of excellence and recruited renowned digital creative leaders, resulting in significant new assignments.

Grey continues to rank among the top tier of global advertising agencies thanks to the reach and resources of our network in 96 countries. Our blue-chip client roster counts one-fifth of all Fortune 500 companies and our legacy of launching and sustaining leading brands continues to grow in today's new media landscape.

Grey New York and Grey London continued their upward trajectories led by new management teams. Once again the famous E*TRADE 'Talking Baby' TV campaign, guided by Tor Myhren, Grey New York's chief creative officer, made Super Bowl history in 2009. It ranked among the highest rated (*Advertising Age* and *Adweek*), most popular (WSJ.com poll) and most watched (YouTube), breaking new records in social media, garnering millions of dollars in free publicity and a raft of awards, including One Show and London International recognition. In addition, Grey New York had three of its commercials, for E*TRADE, Canon and Diageo's Captain Morgan, chosen for *Advertising Age's* Top 10 Best List of 2008.

Grey London, led by David Patton, CEO, and Jon Williams, chief creative officer, was shortlisted by *Marketing* magazine for 'Creative Agency of the Year,' calling its performance "one of the biggest turnarounds of 2008." Grey London's Matrix-inspired TV commercial, 'Timesculpture' for Toshiba, which broke new ground in 3D technology, was named in *Campaign's* Top 10 TV and Cinema Ads of 2008.



Tim Mellors, vice chairman of Grey Group and worldwide chief creative director, who leads our Worldwide Creative Council, continued his efforts to elevate our creative performance. In 2008, Grey won nine Cannes Lions, three Clios, two One Show Pencils and the Grand Prix, as well as 14 London International Awards. Notably, Grey EMEA became the first agency to win the Euro Effies Agency of the Year honor for the fourth consecutive time.

In addition, Grey Latin America won the two biggest Iberoamerican Festivals: FIAP and SOL. Globally, we've doubled our award performance in the past three years, demonstrating a growing creative strength in Latin America and Asia Pacific.

The bedrock of Grey is its long-standing and dynamic partnerships with global clients. The agency's vitality was represented in the significant new assignments we received from Procter & Gamble, Diageo, GlaxoSmithKline, Wyeth, Allergan, Playtex, Eli Lilly and Boehringer Ingelheim.

We were proud to win such new clients/brands as BMW of North America, LongHorn Steakhouses, Interstate Bakeries Corp., Major League Baseball's World Baseball Classic, Pure Inventions, Green Earth Technologies, Travelport, Sony Ericsson WTA Tour and Word & Brown in the US; Hong Kong Tourism globally; Chevrolet in central Europe; Telefonica in Spain; Telecom Italia and Five Media in the UK.

We strengthened our global leadership with the appointment of top-flight professionals: Nirvik Singh was appointed chairman and CEO of Grey Group Asia Pacific and Riccardo Ferraris was appointed chairman of the Grey Latin America Leadership Council and CEO of MatosGrey, Brazil. Both executives have achieved a track record of success during their two decades at Grey and their promotions underscore our commitment to growing our best people.

Our *Eye on Asia* proprietary trends study once again opened a window into that vital region's psyche and gave our clients actionable information on topics ranging from green marketing to the recession. It showcases Grey's thought leadership to the world's media.

We produced some of the most leading-edge creative work across platforms, breaking new ground in brand experience and building relationships:

- Grey's US election eve 'Obamccain' poster: "Let the issues be the issue," in which each candidate's skin color was switched, generated a global tsunami of online and press attention virally, with no media support.
- Grey introduced Ellen DeGeneres, an unconventional choice and TV's "every woman" in our long-running campaign for Procter & Gamble's CoverGirl, the No.1 mass cosmetics brand, generating worldwide publicity and sales success.
- Grey's offbeat humor for Diageo's Captain Morgan, appealing to men 21-24, via cable, the web and events, has made it the category leader and a top three spirits brand in America.

■ Grey's short film tracing the struggle of a deaf Thai girl to become a talented violinist, originally intended as cinema advertising for Procter & Gamble's Pantene, exploded into a TV and online sensation, winning a 2009 New York Festival Silver World Medal.

Please go to www.grey.com to see more of our successes.

In a year fraught with economic uncertainty, we are certain of one thing: Grey Group must single-mindedly pursue our strategic priorities, only faster, smarter and even more effectively to be the kind of marketing partner our clients expect and deserve. We have the people and plans in place and the will to do so.

G2 (Activation Marketing)

Report by Joe Celia (*below*)

Chairman and chief executive officer, G2 Worldwide
Vice chairman, Grey Group

I am pleased to report G2 continues with solid progress, and is ranked among the top five marketing services networks globally. The network now numbers 86 offices in 42 countries and over one-third of the top 100 global brands choose us as an agency partner.

We enter 2009 with the strong foundation needed to face a tough business environment. We will continue to rely on the key pillars which have brought us this far, to see us through the challenges that lie ahead.

We experienced solid growth with our top five key global clients, BAT, Procter & Gamble, Adobe, Aetna and Campbell Soup Company, with over half of these experiencing strong double-digit growth. We expanded our business significantly with other long-standing clients,





notably Volkswagen, Kraft, Nestlé, Boehringer Ingelheim and ABN Amro. Globally, our relationship with BAT reached new heights. In EMEA, Joshua G2 in London and Argonauten G2 in Germany collaborated to win and work together on a digital assignment from Heineken, promoting the most recent James Bond movie. In the US, G2 was appointed promotional marketing agency of record for Heineken USA. G2 today serves Heineken in five key markets across all major regions around the world.

In 2008, we added key engagements to our roster across a range of sectors and geographies. Significant new brands included in the US, ING Direct and Kraft's South Beach Diet; in EMEA, UBS, a second major brand, Juvena, from La Prairie, Samsung, Danone, Sara Lee and Vodafone; in Latin America, Google, St Regis Luxury Hotels, Playtex, Hasbro and Amstel Light; and in APAC we added Visa and Baskin Robbins to our roster.

In April 2008 we acquired a majority stake in the leading events marketing agency in India, Chateaux Hospitality, better known as RAMS Relationships, driving the expansion of our global activation marketing capabilities and forging our position as a key player in total communications in the APAC region. We continued to build our capabilities in this region, deepening our relationship with marketing services agency, Star Echo, a 2007 acquisition, partnering with them on multiple engagements in this market.

We constantly strive to stay ahead of a fast-changing marketing environment. In 2008 we fielded a *Global CMO Study*, to gain an insight into the minds and hearts of marketers, helping us to better match and develop our capabilities to the needs of the marketplace and our clients.

In addition to our top five position among the global marketing services networks ranked in *Advertising Age*, G2 was recognized with a range of industry accolades and rankings. We climbed 60 places to rank No.5 in the *PROMO* magazine Top 100 Agency (US) ranking and were placed 13th in the global WON Report for our digital creative awards. Individual agencies in the LATAM region, Colombia and Brazil, each received Agency of the Year awards from important regional bodies. Throughout the world, G2's work received recognition from a range of industry awards including the Effies, the WEBBYs, The Art Director's Club, The One Show and Cannes Young Lions.

Other major initiatives in 2008 included our second G2/Economist Conferences – Annual Media Convergence Forum in the US, where the world's best-known chief marketing officers gathered to discuss the critical themes affecting marketers today; a panel at Cannes in June on Sustainability and the Shopper, debating the recent rise in ethical and environmental concerns; and in EMEA, the *Annual Brand Survey: 'Brands We Love'* in partnership with UK publication, *Marketing*.

We consolidated management of all US operations under a new position, CEO G2 US, elevating John Paulson from his

role as president of our G2 Interactive group to bring his multidisciplinary marketing expertise to bear across all our North American businesses. Wendy Lurrie joined G2 from her position as general manager, DraftFCB, to lead G2's Relationship Marketing group. Tom Conti expanded his role to head G2 Interactive across the US. Jay Farrell, former vice chairman of OgilvyAction North America, was named president of G2 Promotional Marketing in the US, taking over from Nick Hoadley who returned to England, to assume the role of managing director of Joshua G2, a cornerstone agency within our network.

Additional new leadership roles in 2008 included Will MacKenzie moving from Russia to a new role in Australia and Jeremy Powell taking on the country manager role in Russia after a successful period in Japan. Sergio Brandao, CEO G2 Brazil, was elevated to role of regional director for BAT, after 18 months of successful leadership of our Brazil office. In Italy, WPP company Promotions Italia, the No.1-ranked agency in that market, was formally aligned within the G2 network and its president, Diego Masi, joined our management team.

Our industry and clients are facing difficult times. In addition to being challenged with severe economic pressures, our clients are also faced with a myriad of new communications tools and channels. The G2 model, a multidisciplinary service portfolio combined with a clear discipline-neutral approach, enables us to offer clients a way to navigate this new world and bring solutions to meet their marketing challenges.

We will continue to break new ground in shopper marketing, digital communications and relationship marketing, all areas in which we excel, and deliver on our mission to build profitable and sustainable customer engagements, while growing our clients' brands and businesses. We are committed to continuing our progress in the years ahead. ■





United Network

Report by Ewen Cameron *(right)*

Chief executive officer

and

Laurence Mellman

Chief operating officer

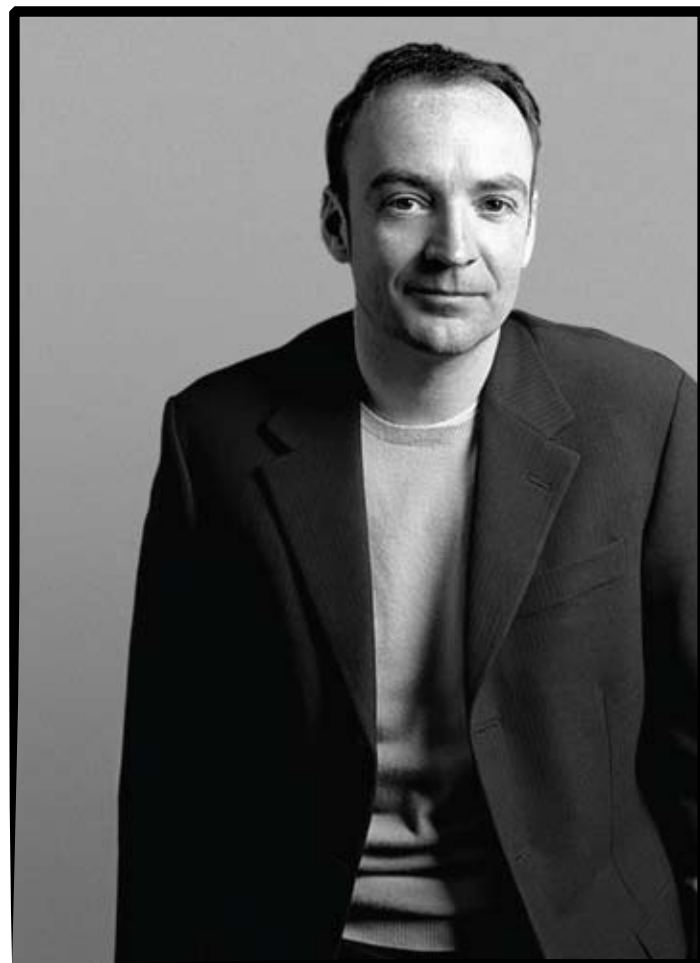
2008 was a year of substantive progress that saw United make strides in its mission to become a primary source of world-beating ideas for a new generation of global brands.

This was best represented by the global multimedia campaign developed by United (and creatively led by Sra Rushmore United in Madrid) for the International Olympic Committee (IOC), in the build-up to the success that was Beijing 2008. The campaign, entitled 'The Best of Us', included heavy use of digital and viral media in order to engage with the IOC's global youth audience. Looking towards Vancouver 2010, Cole & Weber United in Seattle (United's new creative lead on the IOC post-Beijing) will bring their well-honed, in-house talents in integrated youth marketing to the next phase of 'The Best of Us' campaign.

United [made] strides in its mission to become a primary source of world-beating ideas for a new generation of global brands

In New York, Berlin Cameron United continued to enjoy success in its role as a key creative resource within cross-Group client teams. The agency deepened its relationship with Team Ford and in the process developed a critically-acclaimed campaign for Lincoln cars. On the international front, Berlin Cameron United's global work for LVMH brands Hennessy and Belvedere continues to break new ground through its effective and innovative usage of branded content. And finally, on VitaminWater, Berlin Cameron United's irreverent work in the US has helped to pave the way for VitaminWater's global brand launch in 2009.

United's offices in Europe enjoyed another year of impressive new business wins, coupled with high quality and award-winning creative. 1861 United in Milan successfully defended the coveted Sky Italia business, picked up IKEA in late 2008 and grew revenues on existing client Vodafone. In Madrid, Sra Rushmore United continued to break new ground with a series of world-class campaigns for The Coca-Cola Company, while Les Ouvriers du Paradis United



in Paris won a hard-fought pitch for Seiko's global creative duties. A close collaboration between LDV United in Antwerp and BTS United in Oslo led to a network win for the EU's Safer Internet campaign. The pan-European work, aimed at protecting children from the dangers of the internet, will break in early 2009.

In Latin America, we continued to develop global campaigns for Coca-Cola, and our reputation as a creative powerhouse in the region remains enviable.

While progress and a strong creative showing were 2008's headlines for United, the network was affected by the economic crisis, with client spending and revenues down across markets. And while 2009 is expected to be a tough year, we believe that it is also one in which world-class creative ideas are more important than ever in helping to grow our clients' brands and businesses within an increasingly difficult environment. We look forward to this challenge, and will continue to push the boundaries of creativity across media and geography. ■



Bates 141

Report by Jeffrey Yu (right)
Chairman

As the largest Asia-only network, we operate in the fastest-changing region in the world. Increasingly, Asia is leading many of the changes that are shaping our world today. Because of this, we have built our whole agency philosophy and offering around 'Change'.

To reflect our Change vision and strategy, Bates 141 unveiled a new 'look' in 2008. The refreshed brand reflects the significant broadening of our capabilities to offer end-to-end solutions, to help our clients change consumers' mindsets and behaviors.

Across our markets we won top brands, including multinational brands – Arla, Bayer, Dell, Diana, Fiat, Google, IKEA, Merck, MSN, S&W and Unilever – as well as top Asian brands – Sony, J&J (Xian Janssen Pharmaceutical), Nissan, Jollibee, Henderson Land, New World Development, Apollo Hospital, Telkom Indonesia and Vitasoy.

We also added new skills to the network. We were very proud that Singapore-based creative boutique 10AM decided to join us. Since its inception, 10AM has garnered a string of local, regional and international accolades. We successfully completed our acquisition of China's top integrated activation agency to form BatesMeThinks. We also enhanced our digital offering in China, picking up a majority stake in Chinese digital hot shop Bates E-Vision in 2008. Bates 141 now provides full national coverage in China and the complete gamut of marketing services.

2008 saw changes in our leadership with a slew of promotions and high-profile hires. Our pre-eminent Change Agent Digby Richards was promoted from COO to CEO for the network. In Vietnam, Tue Nguyen was promoted from general manager to managing director. We also appointed marketing veteran Fattweng Wong to managing director, Malaysia, and Fareeda Jia to chief integration director in China.

In India, we formed an executive committee headed up by regional executive creative director and India chairman, Sonal Dabral.

In Hong Kong, we doubled our digital business volume, as a result of expanding our digital competency with new offerings including search engine optimization, CRM and analytics.

In Indonesia, for the first time Bates 141 is on the Unilever roster. We won Merck, and we were assigned the activation business for Telkom Indonesia after winning the brand advertising retainer in 2007.

As the fastest-growing agency for three consecutive years in Taiwan, we bucked the trend of a tough economy. Bates 141 won IKEA and Bayer, and garnered more than 50



creative awards. We were voted top agency in Taiwan by industry publication *ADM* magazine, as well as the top roster agency for Uni-President.

We continued to create work based on ideas that change mindsets and behaviors of consumers, but also the hearts and minds of our communities. Following the Sichuan earthquake, we helped raise approximately US\$30,000 to rebuild one of the devastated elementary schools – Hong Qi.

In Cambodia, we partnered with the children of Sunrise Orphanage to produce a short film based on their stories to help the kids learn new skills and broaden their horizons.

Operating in today's hyper-connected world means that we are able to monitor global changes and apply them locally. But the really interesting changes are happening locally in Asia – in the cities, towns and villages. In order to spot, understand and leverage change for our clients, our Change Agents are on the ground, capturing these constant changes. Tapping into this network, we published several thought leadership initiatives in 2008, including a *Change Dictionary* in English and Simplified Chinese. We also published *Top 20 Market Change* reports for several markets. These have been picked up by the Singapore Ministry of Trade and Industry's Futures Group, and are being used as content in their overseas trips and events.

In 2008, we put more of our people through our *I.D.E.A.S.*™ training program, as well as training in digital, activation, creative and other professional and management skills.

Our Young Change Agents career program develops our rising stars into our future leaders. In 2008, five YCAs were chosen from across the network. We now have a good mix of talent throughout our network, led by a core of regional and geographic leaders.

Change has been part of our DNA and *modus operandi* since day one. In 2009, helping our clients thrive on change will be key to how we add value to their businesses. ■

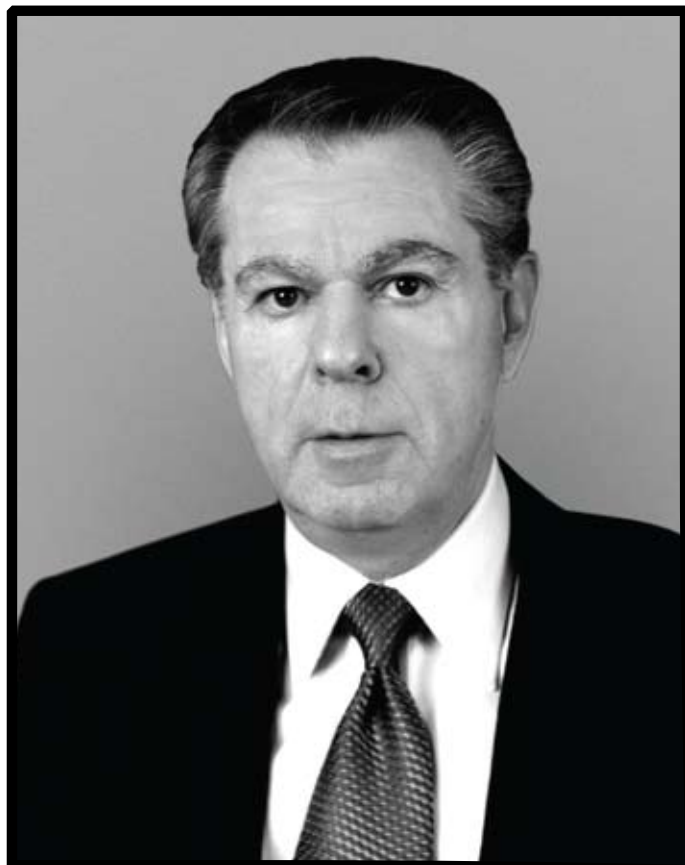


Media Investment Management

GroupM

Report by Irwin Gottlieb *(below)*
Chief executive officer

GroupM serves as the parent company to media agencies Maxus, MediaCom, Mediaedge:cia and Mindshare. It is the world's leading global media investment management company, according to RECMA, the independent organization that measures media agency sector operations. In 2008, the organization reported that GroupM held a 31.4% share of the total measured volume of our peer group, the global media networks.



Each of our agencies has extensive global capabilities and is a market leader in virtually every region in which they operate around the world. GroupM's primary goal is to support each agency as both a parent company and a collaborator in activities including trading, content creation, digital communications, new business, finance, proprietary tool development and other critical capabilities.

By any standard, 2008 was an exceptional year for GroupM and its operating companies. Each agency scored impressive new business gains that are outlined in the individual reports that follow.

We also continued to increase the intelligent application of scale and place greater emphasis on our trading capabilities. In a key executive move, MediaCom's worldwide chairman-CEO Alexander Schmidt-Vogel was named Global CEO of GroupM Trading, a new position. We now have world-class talent dedicated to our trading structures and functions, including marketplace analytics and best practice deployment.

Also in 2008, in order to effectively leverage local television and radio implementation with the intelligent application of scale, we consolidated the local broadcast units at three of our agencies into two separate teams called Team Matrix and Team Motion that now operate under the GroupM banner. The move has allowed us to drive better pricing, terms and added value opportunities for our clients while also improving research, accountability, electronic data interchange (EDI) initiatives, and business practices in emerging platforms.

GroupM also distinguished itself once again as an industry leader in 2008 by being the first agency group to negotiate the elimination of the controversial commercial integration fees that had been imposed by the major networks since the dawn of television. That initiative followed our 2007 success in the adoption of commercial ratings plus three-day DVR viewing (known as C3) as the new negotiating currency for all upfront network and cable television sales deals, a landmark breakthrough that was subsequently adopted by the entire broadcast and cable TV industries.

In noteworthy executive moves, Alexander Schmidt-Vogel was succeeded as MediaCom worldwide chairman-CEO by GroupM UK CEO Stephen Allan. Prior to his GroupM UK role, Stephen led MediaCom's UK operations and served on the global board; this extensive legacy has assured a seamless transition. We also named Kelly Clark, formerly CEO of GroupM EMEA, as the first global chief executive of Maxus, a move that illustrated our focus on growth and our commitment to strengthening Maxus as our fourth network. Kelly wasted no time in making his mark – within only a few months of his appointment the agency won two new accounts and established a London office. Kelly's GroupM EMEA role was seamlessly filled by his deputy, Dominic Grainger.

Training our staff has always been a paramount priority at GroupM, particularly in the arena of emerging media and



technologies. To that end we introduced a powerful new tool known as *MSpace*, a custom-made, interactive digital learning system that offers a comprehensive, working knowledge of digital media and its practice within our agency. The program is extremely user-friendly and is web-based, so employees can work on it anywhere, anytime. *MSpace* comprises 10 modules, covering topics such as ad serving, analytics, search and digital strategy.

GroupM also continues to aggressively pursue and advance the investments we have made in the recent past in new technologies and systems, because we believe that market leadership requires us to persist in driving innovation and to play the role of industry shaper. We firmly believe it is our responsibility not only to explore but to lead the market in new directions and catalyze the development of innovative opportunities for our clients. These investments include our 2007 equity stake in Invidi Technologies Corporation.

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Invidi's proprietary technology addresses commercials to individual TV set-top boxes, bringing the targeting precision and accountability of the internet to television. We are also working very closely with our WPP sister company 24/7 Real Media on data management and technology projects. Within the next few years, all media will be addressable, capable of requests for information (RFI) and message telescoping, census level measurable and even transaction capable. We are taking steps today to insure that GroupM and its agencies have clear leadership in this space and proactively shape the future.

As always, the more than 17,400 GroupM employees provided exceptional performance and value to their clients in 2008. The current economic climate is expected to present new and difficult challenges for many of our clients, as it relates to both short-term realities and long-term strategic imperatives. GroupM and our agencies have unique capabilities and significant competitive advantage in areas covering business science, trading, content solutions and technology, and we will continue to deploy these capabilities for the benefit of our clients and stakeholders. ■





Maxus

Report by Kelly Clark *(below)*
Chief executive officer

Maxus is an agency in transition. In 2008, we added more than 20 new accounts to our global roster. Ten new clients joined us in the US, in categories as diverse as entertainment, travel and financial services. In Australia we won Rebel Sport, a leading sports retailer; in Turkey we won MediaMarkt, Europe's largest consumer electronics retailer; and we won Fiat's business in 14 new markets across Europe.

Maxus India was named Media Agency of the Year at the annual Bangalore Advertising Awards. In the US, we won the Media Plan of the Year award for Welch's from *Mediaweek* magazine, and the David Ogilvy Award from the Advertising Research Foundation for our work on Church & Dwight's Arm & Hammer brand.

We're proud of these accomplishments; but the steps we took in 2008 to lay the groundwork for our future were even more important.



We have ambitious plans to transform Maxus into a different type of agency that breaks through the conventional agency disciplines. Our aim is to combine the disciplines of communications planning and customer relationship marketing into a new model called Relationship Media – a model that is powered by creative media thinking and sophisticated, real-time customer data.

Our new vision is grounded in media, in all forms. We will stay connected to what people watch, read, listen to, drive by, download, interact with and distribute to their friends, to their families, and throughout their communities. But media today are increasingly 'addressable,' enabling our clients to identify, talk to, and build relationships with very specific communities and, increasingly, individuals. This gives us rich information about people's attitudes, preferences and behaviors. Our clients are asking us to use the data delivered via addressable media to help them identify their most promising prospects and convert them to loyal, profitable customers.

We have ambitious plans to transform Maxus into a different type of agency that breaks through the conventional agency disciplines

To achieve this vision, we are strengthening our skills in areas like database management, digital marketing, e-commerce and customer segmentation. We have been hiring people who have these skills, and we are working with our sister companies – especially at WPP Digital – to accelerate our capabilities in these areas.

Expansion is central to our plans. To deliver our new model globally, we're building an 'indigenous network.' Not a traditional top-down structure, but rather a nimble and aggressive partnership of national agencies that share a common vision, attitude and way of working.

We already have strong positions in some important markets – including India, China and Russia – where our agencies are run by smart, ambitious, local business people. We are well-represented in the other important growth markets in Asia and Eastern Europe.

In December we re-branded WPP agency BJK&E in the UK under the Maxus banner, and we did the same in Spain with CICM, another WPP agency. More developments are planned in Europe and North America in 2009.

We now operate in 30 of the top global markets and, through the resources of our parent GroupM, we can serve client needs in over 100 countries worldwide. And in every market, GroupM's unmatched scale and trading expertise ensure our clients get the best access to media at the best prices.

I was named the agency's first global CEO in October, and I've already visited more than 20 Maxus offices around the world. In each market, I've been inspired by our people's passion, creativity and drive, and by the strength of our client relationships. With a compelling new vision, a clear plan for building our network and aggressive new business goals, 2009 should bring even greater success. ■



MediaCom

Report by Stephen Allan (right)
Chief executive officer

We will look back on 2008 as a year of significant progress as well as change for MediaCom. And despite the downturn in the global economy, our network continued to deliver revenue and profit growth.

In the summer I returned to MediaCom from GroupM UK and succeeded Alexander Schmidt-Vogel as CEO, a role in which he had served since 2002. He joins GroupM Global Trading as its CEO. We owe a huge debt of thanks to Alexander. His vision and leadership transformed us into a global media agency.

During my first 100 days, I set out a very ambitious agenda for our organisation, driven by our ambition to become the No.1 global media agency by the London 2012 Olympics. Underpinning this ambition is our desire to be the best company to work for in every market where we operate, and in keeping with our belief in 'People First, Better Results' we recognise the need to retain and recruit the best people. Nowhere was this better demonstrated than in the UK where MediaCom featured once again in the 2009 *Sunday Times* Best 100 Companies To Work For report.

Our first-ever global staff survey revealed that our people are very excited and positive about MediaCom's future and that they regard the company as a fun place to work. I hope that the roll-out of our *Freshness* program will enable us to build on these survey results. *Freshness* aims to give our people a brilliant and differentiated work experience which in turn leads to greater business success and increased staff loyalty.

To ensure that we consistently deliver best-in-class services around the world, we put in place the additional central resources to achieve our goal. Key CEO appointments were made regionally and locally to create a new team with a proven track record of managing existing clients and winning new business. In addition to this, our global management team was strengthened by the appointment of a chief financial officer and chief HR and talent officer.

We have also strengthened our global functional leadership team by making new appointments in Business Science, Consumer Insights, ROI, Direct Marketing, client services and marketing. It is a true sign of the strength in depth of our people that we were able to fill almost all of these new roles from within our own ranks.

And while 2008 was about building for the future, it was also about doing great work now. This was reflected in the number of significant external awards that were received throughout the network – a staggering 107 accolades throughout the year, including five Agency of the Year awards in Singapore and the UK (three for London, one for Edinburgh).



According to RECMA's latest definitive buying billings report, released in September 2008, MediaCom added more billings than any other agency network, moving the agency's ranking from No.6 to No.5.

Our new business success continued in 2008 with wins which included Discover Financial Services and New Line Cinema in the US, Queensland Government in Australia, TUI Travel and E.ON in the UK and OBI in Germany.

We also expanded many of our current client relationships such as Wrigley in Mexico, SpecSavers in the Nordics, BSH in Spain and many new assignments from Procter & Gamble.

In 2008 our digital business continued to set the pace for growth and innovation. Underpinning our success in digital marketing is our ability to deliver innovative and measurable results for each client through the application of our proprietary media, technology and analytics.

For many clients we are pioneering the use of social media, enabling these marketers to distribute messages among millions of consumers and communities more efficiently and effectively than ever before.

Search also continues to evolve from its origins as an online direct response medium. At MediaCom we have integrated search specialists to work side by side with strategic planning teams. Our structure allows marketers to seamlessly integrate search into a wide range of communication programs, whether selling online, selling offline, building consumer relationships or building brand awareness and preference.

The current economic climate is quite possibly the most challenging that our industry has ever faced. However, I am confident that MediaCom can run a little faster than our competitors and seize an opportunity to grow our market position in 2009. The strengths of MediaCom clearly lie in our people and the world-class clients we act for. "People First, Better Results!" ■



Mediaedge:cia

Report by Charles Courtier *(below)*,
Chief executive officer

In last year's report we remarked that change in the industry was gathering pace in 2008. What we couldn't know was how ferocious that change would be. While there is no question the business conditions were much more challenging than 2007, Mediaedge:cia (MEC) held its own in a difficult year.



MEC globally was boosted by a number of geographies that performed extremely well. China, India, Italy, Latin America, Poland and the UK were all star performers in 2008, delivering growth beyond the marketplace trend. Some key new business wins played a big role in maintaining our momentum – Orange in Poland and the UK, Henkel in Germany, Italy and Mexico, Visa across Europe and Sony Electronics across Latin America; this followed on from our Sony win in Asia Pacific at the end of 2007.

Notable growth and innovation across the world came from MEC Interaction and MEC Access, our digital and sport and entertainment capabilities.

In May we held our global conference in Beijing, gathering the most senior MEC managers from around the world. Here we reviewed, debated and assessed the outlook for the coming years, looked at the changes sweeping across our business and defined our priorities. The theme was 'Staying Ahead'. We looked at how we stay ahead from two perspectives: following our two most successful years ever (2006/7), and navigating the immediate future, which is such a challenging business environment.

Creating success for our clients requires us to think about reach, engagement, about their reputation and about the transactions they need to achieve their business goals

Continuing to adapt our business model is crucial in these circumstances. The pace of change demands flexibility in our approach. Addressable, mobile and social media now touch the majority of consumers. Creating success for our clients requires us to think about reach, engagement, about their reputation and about the transactions they need to achieve their business goals. Our thinking cannot be confined by the rules of broadcasting and advertising but considers channels, content and behaviours that influence the long- and short-term effects of marketing.

This requires a genuinely holistic view of clients' media communications. We defined the integration of our capabilities – the delivery of 'One MEC' – as a key goal in 2008. We made great strides here by combining and driving the strategic thinking from across all disciplines – creating the platform that integrates our thinking, with digital touching everything, underpinned by insight and ROI.

We are more client- and consumer-centric, both practically and organisationally, than ever before. The consumer remains at the heart of our business and their Active Engagement with our clients' brands is our core objective.

As we look ahead at 2009, we realise that short-term financial pressures are a feature in both our clients' businesses and our own. Our focus must be on helping our clients navigate these unusual times, delivering business-building ideas and driving the greatest efficiency and effect from their marketing investment. Internally, our priority is our people; developing and nurturing this talent. It is the strength of our people, and the shared values of us all in MEC that will help us manage this turbulence and emerge stronger. ■



Mindshare

Report by Dominic Proctor *(below)*
Chief executive officer

2008 was a year of much change for Mindshare. After 10 years of excellent growth we felt it was time to restructure the agency to prepare for the next 10 years, to bring in new talent in order to populate that restructure and to refresh our branding to signal these changes. Our ambition is still to lead the market and be our clients' lead business partners, so we must prepare for the future.



Of course, when we announced the restructure we could not have predicted the financial crisis which was to swamp the world later in 2008 but this new economic reality only emphasised the need for change. We simplified our business by converting more than a dozen specialist units into just four groups: Client Leadership, the first point of contact with our clients; Business Planning, which provides the insight and data to fuel a client's campaign; Invention, the creative thinking hub of the agency and The Exchange; our new trading and activation arm. The Exchange works closely with GroupM's trading resources, thus giving our clients unique access to the foremost media inventory in all markets. So the new structure is simpler and integrated, which is what our clients told us they want.

It is worth noting that Digital is now firmly embedded in all the business. It is remarkable to think that when we launched 11 years ago Google was yet to be born. Since then everything has changed!

Beyond restructuring we strengthened our talent pool by bringing in people from more diverse backgrounds. We recruited them from clients, from content creators, from consultancies, from sports marketing as well as from other agencies. We also brought in the trailblazing communications planning agency, Michaelides & Bednash, to lead the growth of our new Invention group. This agency has won many accolades and is widely credited with 'inventing' Communications Planning. It has just been voted 'Media Boutique of the Year' in the US.

It is remarkable to think that when we launched 11 years ago Google was yet to be born. Since then everything has changed!

In fact 2008 was a very good year for awards overall for Mindshare, too many to list here but including many for our content initiatives. For example, taking Ugly Betty to China with Unilever and boosting the Ford Ka in the latest Bond film, *Quantum of Solace*. An example of how the world has changed is that *In the Motherhood* started as a web series and has now been commissioned by ABC for a primetime run.

Our network was behind the Grand Prix winner at Cannes, for AMF Pensions, and the top prize at Venice for Nike. Beyond that, several of our markets won their own national Agency of the Year competitions and we have just been announced as Global Agency of the Year by *Advertising Age*. A great achievement.

A chaotic world where evolving technology, consequent audience shifts and financial crisis makes life difficult for our clients. Our job is to help navigate them through all this chaos and we feel that we are very well positioned to do just that. ■





Information, Insight & Consultancy

The Kantar Group

Report by Eric Salama *(right)*
Chairman and chief executive officer

As the old joke goes... Sam comes home for dinner and is greeted by his parents. "So Sam, how are you?" "Mum," he says, "in one word, good. In two words, not good."

There is so much that is positive, exciting, satisfying about our business: the way in which we are adding value to clients and how we are simplifying the way in which clients can access our best capabilities. At the same time none of us can go a day without recognising and dealing with the impact that the economic situation is having on our clients and people.

From an internal point of view, the big news of 2008 was the acquisition of TNS, a business and a set of people who are every bit as good, professional and passionate about their clients as we hoped they would be. Much has been made of the size and scale of the enlarged Kantar Group. It is true that we are now the No.1 or No.2 business in all but two of the largest 10 markets in the world and in all of the 10 most important emerging ones; that we have leadership positions in areas such as media, healthcare, retail; and that we remain the pre-eminent player on issues such as communication effectiveness and customer satisfaction.

But being big and being global is of no inherent advantage to our clients and to our people unless we make it so.

The big news of 2008 was the acquisition of TNS, a business and a set of people who are every bit as good, professional and passionate about their clients as we hoped they would be

We have to have our best talent focused on clients: develop the best solutions for the needs of the marketplace; have mechanisms that ensure that knowledge is shared around the world so that clients can benefit from best practice; preserve our ability to understand consumers and service clients locally as well as globally; ensure that we are nimble and proactive; create environments in which people can thrive, learn and develop satisfying careers.

Sometimes it all comes together globally. In winning 2008 Advertising Research Foundation gold awards for work on Wal-Mart, Hewlett-Packard, Arm and Hammer and Interstate Brands, Millward Brown was recognised for the effectiveness of the research and for a productive



working relationship between client, creative partners and research company.

Equally we can be proud of the fact that our talent is applied to societal and public policy projects at a local level: running the British Crime Survey in the UK; testing a government scheme in France designed to bring the long-term unemployed back into the workforce; running the largest longitudinal societal survey in Germany, which is used in policy making by various federal departments; being the Gates Foundation partner in India and helping devise the most effective ways of getting people to vaccinate themselves.

Our clients and people do not – and should not – care about our size or internal structures but they care very deeply about the experience they have in working with and for us. How we are structured is only a means to an end, so this review of 2008 starts with a look externally and then reports on how we are positioned and what still needs to be done.

Client needs

In many ways, 2008 saw an acceleration of the trends we identified in 2007. Clients were more focused on insights than data and in ensuring that those insights were used effectively, and they were more focused than ever in getting the balance right between revenue-driving innovation and budget allocation/optimisation.



1 Better listening: Clients have become more explicit in their desire to have continual feedback and insights from their consumers. As Kim Dedeker of Procter & Gamble said recently: "We must get back to really listening to our consumers, recognising that this is more than understanding, it's a way of acting, that it is a 24/7/365 endeavour and that we recognise the emergence of the unprompted voice." In this respect, the capabilities we have within Cymfony and Precis in understanding and monitoring conversations both online and in traditional media, as well as the renewed emphasis which we have put on observational and ethnographic research, are critical. Red Dot Square, Research International and id Magasin have been at the forefront of using technology and qualitative skills to observe and interpret shopper behaviour, while Added Value's semioticians have done much to unlock consumer reactions which would have otherwise remained hidden.

2 Better storytelling: As I highlighted last year, research and insights are not an end in themselves. Clients invest with us because they want to make better decisions, so we must deliver our work in engaging ways that propel clients to act and to facilitate that action. The appointment of Aziz Cami as Kantar's first creative director has been followed by the appointment of Izzy Pugh and Nina Jenkins as creative directors at Added Value UK; also by the further development of MB Productions, the focus at TNS on client portals as a way of delivering information and a host of working partnerships with companies such as Landor and Ideo, which have enabled us to deliver our work in ways that inspire action. The quality and speed with which we have developed new packaging for one of our clients has been enhanced by working jointly with a creative team rather than handing off our insights to that team in a sequential way. The winner



Pedro Ros (above)
Chief executive officer, TNS

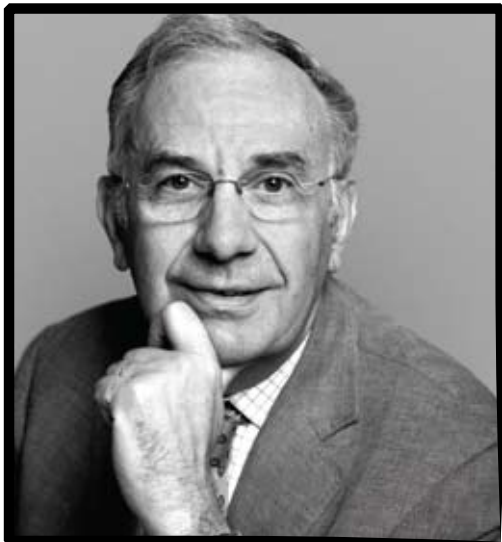


Eileen Campbell (above)
Chief executive officer, Millward Brown

of the WPPED Cream Award for Research was a board game for Vodafone developed by Added Value – a Monopoly-style way of helping senior management discover for themselves the way the brand is perceived in different markets and the extent to which communication is consistent.

3 Real-time information: Some information is only of value if it is immediate and granular. TNS Media's pre-eminent position in developing return path data in markets such as the US (with DirectView), the UK (with Sky), Australia, New Zealand and South Africa has enabled second-by-second analysis of viewing and measurement of previously unmeasured channels. CompetePro's syndicated solution for online measurement and analytics has been further strengthened by its new partnership with Omniture. In both cases clients have an ability to judge, analyse and act in ways they have never been able to before.

4 Reliable data: The insights we develop and the stories we tell would be of little value if they were not based on reliable data. This is obviously the case where our data collection is used as the industry 'currency'. RI's service measurement compiles the data for the UK Retail Price Index; TNS Media, IBOPE and others gather TV audience figures in more homes and markets around the world than anyone else. We are also the industry currency for many readership and radio measurement contracts around the world. Worldpanel is substantially increasing its consumer panel sizes in markets such as China and Spain and introduced scanning technology in many markets. But the client desire for reliable data extends beyond these 'currency' services. Clients such as Procter & Gamble, Coca-Cola, Washington Mutual and industry bodies such as the ARF are very focused on the quality of the data and the extent



Jean-Michel Portier (above)
Chief executive officer, Kantar Media

to which the shift online may or may not have resulted in approaches which are well validated. Consumers are concerned about their privacy, while many regulators do not understand some of the differences between our work and that of the direct marketing industry, or some of the issues which surround online tracking.

In early 2009 we appointed George Pappachen as our first chief privacy officer, to work with clients to put in place and to hold us to appropriate high standards. But our response has gone far beyond standard setting and enforcement: Lightspeed has developed real-time fraud and verification tools which are now applied routinely to online surveys; InTouch is a multi-company project team piloting new ways of designing surveys and gathering feedback from consumers. Our investment and innovation in these areas will continue.

5 Where you need us to be: Clients are looking to roll out methodologies and approaches around the world, get the balance right between global and local, and deal with the challenges and opportunities which the fragmentation of media and the emergence of new competitors and needs are driving. So it is no surprise that much of our innovation has involved extending the reach of our services and developing contemporary offers:

- RI's *MicroTest Nouveau* is unique in incorporating word-of-mouth in forecasting the take-up that new products and services will generate.
- Mattson Jack's *Epidatabases* have been extended into BRIC markets.
- CHS's *National Health and Wellness Study* – the industry standard – has been extended into Japan and will be launched in China later this year.

- TNS Healthcare has rolled out *Influence 3.0* to help clients understand the influencers on physician and patient decision-making.
- Millward Brown's *AdIndex*, used by many clients to benchmark the effectiveness of their online advertising, is now well established in Asia.
- All Global has launched a *Palliative Care Panel*, unique and much needed.
- IMRB's authoritative syndicated study of *The Islamic Consumer* revealed some extraordinary insights and differences across countries and was well timed.
- The Futures Company has rolled out its *Monitor and Streetscapes* services globally, enabling clients to understand trends and see examples of those trends in action, globally, online.

Describing these innovations in this way doesn't do them justice. They are not simply a random list, but a selection of carefully thought-through and well-executed product innovations which help clients deal with contemporary issues.

A new way of going to market

As the words above demonstrate, we have no shortage of solutions to address client needs, no shortage of ambition for our business and for the role we want to play in driving the industry forward and no shortage of talent which is able to innovate effectively.

Post TNS, we have substantially stronger capabilities; our challenge is to make our structure as client friendly as



Sharon Potter (above)
Worldwide chief executive officer, Kantar Operations



possible, ensuring that we are able to deliver to our clients the best of Kantar when they need it.

So, recognising the desirability of having a multi-branded approach – both for our people and for its ability to nourish and develop specialist and focused capabilities – we have adapted the way we go to market.

In merging TNS with Research International we have created a custom research business which has strong sector expertise, a wide range of services and strong local strength. The new business will sit well alongside Millward Brown and Added Value, all three being global networks but all three positioned to address different client needs.

In creating Kantar Healthcare (through the combination of TNS Healthcare, Ziment and Mattson Jack), Kantar Media (through the combination of TNS Media and KMR) and Kantar Retail (through the combination of Cannondale, Glendinning, MVI, Retail Forward and Red Dot Square) we have clarified our specialist offers.



Anne Hedde *(above)*
President and group chief executive officer,
Lightspeed Research

In rebranding Kantar Worldpanel we are stating our ambition to marry attitudinal and behavioural data to better understand what people purchase and why they have done so, as well as being able to better predict what they are likely to purchase in the future.

And in bringing together the best operational expertise which exists in Kantar Operations with that of TNS and in merging the TNS access panels with Lightspeed, we are making clear our intention to elevate the importance of data quality, privacy and of finding new ways of engaging with

consumers – as well as lowering the cost of these services.

As I said earlier, structures are of no interest to clients. But getting the structure right facilitates better work and easier access. We now have a set of capabilities and a structure which should enable even better work and even greater impact. However, structure without talent and attitude is of no use to anyone.

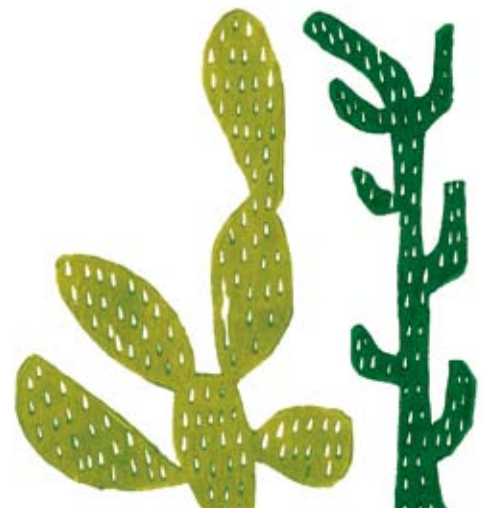
In the 18th century a Cantar was a measurement of the weight of a cannon ball; in the 19th century it was a measure of the Egyptian cotton crop.

In the 21st century we would like Kantar to be a measure of Inspiration.

We want our people to be inspired by the tools they have access to and by the environments in which they work. In turn, we want them to inspire our clients through the rigour, imagination and intelligence of their work and the creativity with which it is delivered. It is a lofty goal against which we will measure ourselves in our employee engagement and customer satisfaction surveys. We know that we are successful in many places at many times. But we have a deep-seated ambition to see that inspiration in every part of our business applied to all of our clients, every day.

And finally...

You can tell a lot about people when times are not good. The last few months have not been easy and people have naturally been concerned about their situation. But throughout this period the people at Kantar have responded magnificently. They have focused on their clients and on the quality of work and they have taken and implemented difficult decisions fairly and with appropriate regret. And throughout we have continued to donate time and money to the likes of UNICEF and to communities who have suffered natural disasters. I am a very lucky CEO to be able to work with such a talented and giving group of people. ■





Public Relations & Public Affairs

Public Relations & Public Affairs Overview

Report by Howard Paster *(below)*

Executive vice-president,
WPP Public Relations & Public Affairs

WPP's distinguished portfolio of Public Relations & Public Affairs (PR&PA) businesses navigated very well through the turbulent waters of 2008. In last year's Annual Report we noted that, "...we are all mindful that we will be tested again in 2008." At that time the economic slowdown was taking hold in the US, but we could not be certain how severe it would be, nor how widely it would spread.



But as we knew a year ago that 2008 would pose challenges, we also knew we had the people to confront those challenges. We also reported "a high degree of confidence our PR&PA firms are as well situated to address those challenges as any in the business."

The thousands of people working for WPP's PR&PA agencies throughout the world vindicated the confidence we had in them, with steady growth in the category throughout the year, albeit it slower growth in the fourth quarter.

Our three large networks – Burson-Marsteller, Hill & Knowlton and Ogilvy Public Relations – all grew during 2008. Business opportunities came in different and diverse ways, ranging from major events such as the Beijing Olympic Games to multiple crises spawned by the financial collapse. It was not unusual in 2008 for the clients of these three agencies to dominate the business news on any given day.

During 2008, WPP agencies Cohn & Wolfe and GCI merged, keeping the Cohn & Wolfe name. Already strong in the US and Europe, the expanded Cohn & Wolfe is consolidating its position in those key markets, completing the integration that comes from merger, and looking forward to growth in traditional markets and beyond.

■ All of our agencies are looking for and finding opportunity to help companies cope with economic dislocation ■

A number of our smaller agencies distinguished themselves in 2008, including Public Strategies, Finsbury and Penn, Schoen & Berland. As anticipated, the public affairs business in Washington where, collectively, WPP companies lead the market, was weakened by the relative inactivity in a presidential election year, yet Quinn Gillespie and Ogilvy Government Relations both turned in solid performances.

While we finished 2008 in a strong position, the impact of the global recession was certainly felt in the latter part of the year. At the time of writing it is too soon to gauge the impact the severe economic dislocation will have on our businesses in 2009, but logic tells us it will be difficult to continue to grow the top line and profit in such a weak global economy. Nonetheless, there is a great deal of energy and focus among the PR&PA agencies, and as in prior years we remain confident we will again outperform the category.

All of our agencies are looking for and finding opportunity to help companies cope with economic dislocation, while strengthening ties with long-standing clients. And our Washington public affairs businesses should benefit from a dynamic new president with a busy legislative agenda. ■



Hill & Knowlton

Report by Paul Taaffe (right)
Chairman and chief executive officer

In 2008 Hill & Knowlton enjoyed one of the finest years in its eight-decade history. Our international network strength, our investments in BRIC countries and other emerging markets and our range of services gave H&K a distinct competitive advantage. Revenues, margins and the number of both large clients and transnational assignments were all at their highest levels ever.

We saw dramatic growth from non-US multinational companies and sovereign investors, especially in China, the Middle East and parts of Europe. The resource economies of Canada and Australia also boomed. We acquired financial specialist Rikes Communications in Hong Kong and took a majority interest in our South Korean partner, Synergy. We are now among the largest and fastest-growing operations in China – in 2009, our 25th anniversary year, we will be expanding our network there to include major commercial centers across the country.

Our two largest industry sector practices, technology and healthcare, expanded considerably as did our work in the energy sector and in consumer goods and services. We continued to focus on delivering real, measurable business impact for our clients, allowing us to consolidate business with existing clients and win new ones, motivate staff and attract new talent. We continued to invest in top people with senior hires in healthcare, technology, internal communications, corporate and financial and government affairs.

Clients increasingly required speedier communication execution and digital expertise – driven by a shift in budget from traditional to digital media and accelerated by economic necessity. With digital thinking increasingly integrated into all our practices, disciplines and counsel, we launched new offerings such as full participation marketing and influencer marketing, allowing clients to understand and leverage the new conversations around their brands.

We introduced a sustainable enterprise offer for clients focusing on the risks and opportunities at all points of the value chain. Anticipating a growth in environmental communications in 2009, the 'Year of Copenhagen,' we announced our own sustainability manifesto, creating a 'green team' that ensures we deliver against our own CO₂ reduction objectives. We took on Iwokrama, a Guyanan rainforest scientific preserve, as a pro bono client, campaigning against rainforest destruction.

New intellectual capital underpinned the firm's thought leadership: H&K's *Corporate Reputation Watch* studied the factors shaping the global war for talent; a *Clean Tech* survey looked at success strategies for eco-friendly technologies;



and an employee-penned book, *Enterprise 2.0: How Social Software Will Change the Future of Work* explored the impact of online social networks inside organizations.

Blanc & Otus, H&K's stand-alone technology communications company saw an accelerated uptake of its range of offerings, especially its new social media services. Wexler & Walker Public Policy Associates continued to advance its clients' interests as the 2008 US election campaign rhetoric evolved into the governing agenda.

We continued to focus on delivering real, measurable business impact for our clients

Finally, continuing a tradition of excellence, H&K was named one of the best places to work in Canada and earned a gold award for quality from the National Quality Institute. Singapore was again named No.1 agency in a vote by its peers.

The economic pressures facing our many clients have led to an immediate focus in helping them through reputational and brand challenges. However, economic uncertainty also is creating new kinds of demand. Diversification of client services and solutions is a very real opportunity for H&K in the short term. ■



Cohn & Wolfe

Report by Donna Imperato *(below)*
Chief executive officer

It was an historic year for Cohn & Wolfe, one of significant growth through merger and acquisition, exciting change and new opportunities. Through our acquisition of leading European technology agency, AxiCom, and our successful merger with Grey Group's public relations network, GCI Group, Cohn & Wolfe became a true global competitor with expertise across all practice areas and offices in 55 markets.



The new Cohn & Wolfe integrates a great entrepreneurial spirit with the expanded reach, capabilities and infrastructure of a leading global agency. Our 'entrepreneurial enterprise' comprises a rich creative heritage, market-leading digital capabilities, a deep client portfolio and an amazing roster of talent. There is a palpable energy and enthusiasm all across our network as our people strive to fulfill the promise of our expanded reach and capabilities.

On the new business front, we had a good year despite the many merger-related demands. Our enriched offerings helped land prestigious accounts that span multiple markets and regions. In 2008, we added Abbott Pharmaceuticals, Axa Insurance, Bank of America, Bayer Pharmaceuticals, Blu-Ray, Boehringer Ingelheim's Oncology franchise, ExxonMobil, Ferraro, GE Energy, Husqvarna, Illyco, Major League Baseball, McNeil Consumer Health, Nivea, SanDisk, Virgin Atlantic and Zillion TV.

In the US, we solidified our position as a market leader in the consumer and healthcare sectors. Our digital media practice created pioneering work for Dell, Darden Restaurants, Nike, SanDisk and other marquee brands. The AxiCom acquisition gives us tremendous technology capabilities on both sides of the Atlantic. Our Sustainability and Energy practices are among the most respected in their industries. And the merger created a strong regional platform across EMEA which proved critical in winning new business, and will position us well for 2009 and beyond.

There is a palpable energy and enthusiasm all across our network as our people strive to fulfill the promise of our expanded reach and capabilities

Informed creativity continues to be the hallmark of our programming – and our success. We again invested in internal programs that ensure our ideas are not only inspired but effective. Our Creative Catalyst Network is a worldwide incubator of ideas – a community of creative thinkers brainstorming virtually via The Den, our employee intranet. To recognize the great creative work across Cohn & Wolfe, we launched the Charlie Farley Awards, named for our beloved and late creative director. And our Brand Planning group continues to fuel the creative process and keep every idea relevant with market intelligence and brand insights.

We are proud to have won the prestigious WPPED Cream award in 2008 for best Public Relations campaign within WPP and shared in winning the WPP Partnership award for



our Shanghai office's Ford Excitement Program. *The Holmes Report* again named us a Best Agency to Work For and I was honored to appear on *PRWeek*'s Power List and named as the One-to-Watch in 2009. San Francisco and global Sustainability practice leader, Annie Longworth, was named Top 40 Under 40 talent in the annual *PRWeek* rankings. Our client work won several Sabres and Silver Anvils while our Stockholm office won one of the very first Golden Egg awards for public relations.

We're also excited about the formation of GCI Health, a new global healthcare public relations firm born from the merger with GCI. GCI Health is renowned for high-science expertise, handling clients' most difficult challenges, creating and implementing ROI-generating product marketing strategy and pioneering the digital landscape in healthcare. The agency currently serves some of the largest healthcare companies in the world as well as hospitals, non-profits, associations, medical devices, institutions and more.

2009 promises to be a challenging time for businesses across all industries – but we are determined to achieve our goals as a new global competitor. Demonstrating the value of our work will be critical to our success. We are well-equipped to do this, and will continue to invest in our people and offerings to cement our industry leadership position. It's an exciting time to be a part of Cohn & Wolfe. ■

Burson-Marsteller

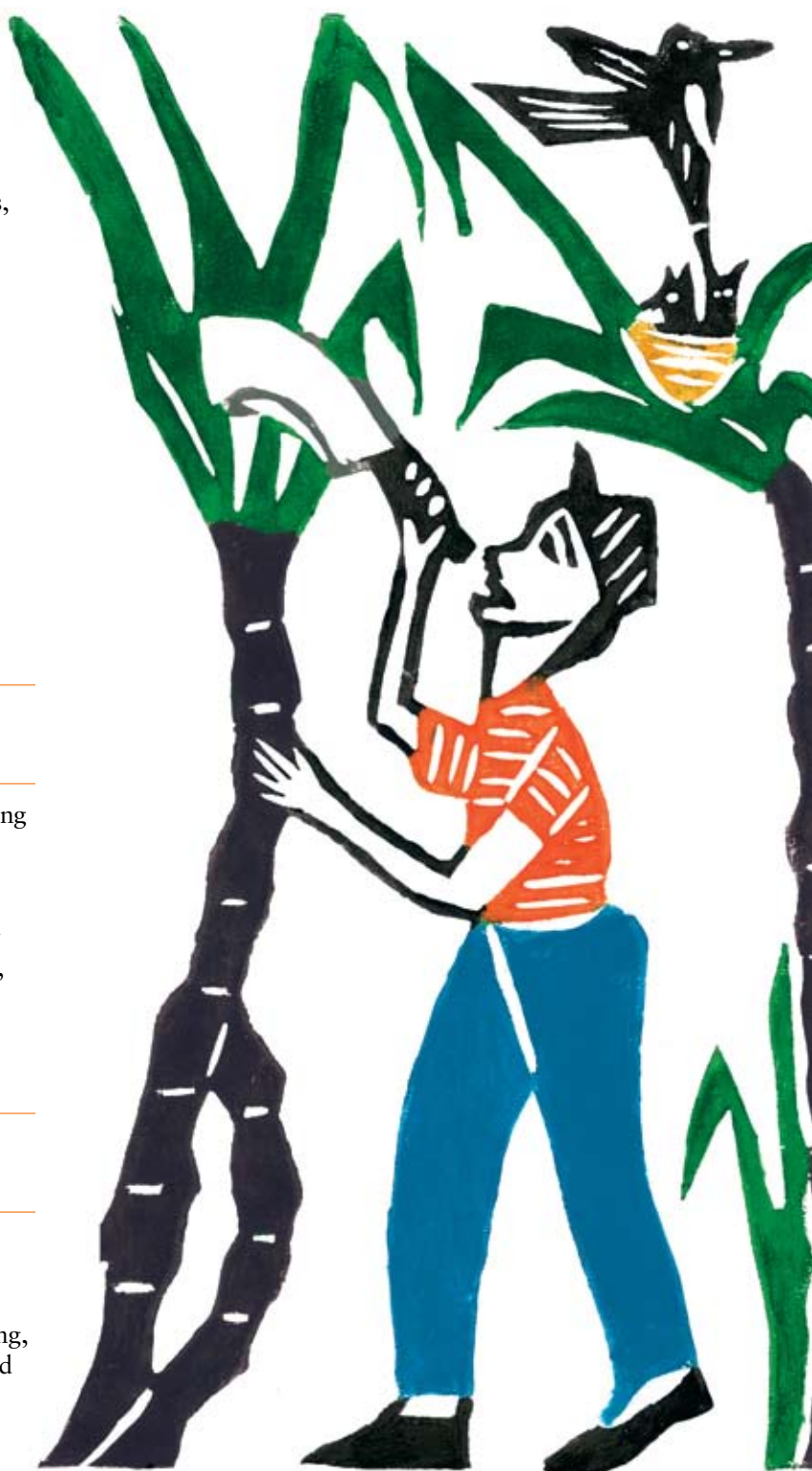
Full report on page 42

Burson-Marsteller grew its revenue in 2008 while expanding profit margins to levels near the upper-end of the PR industry's historic range. An increasing number of clients sought out B-M's advice on crisis matters and issues management, two of our core strengths. Our new Strategy Team, which includes top former White House counselors, was kept busy with a wide range of clients in the financial, transportation and energy sectors which faced unexpected crises in the wake of the Wall Street credit crisis. ■

Ogilvy Public Relations Worldwide

Full report on page 34

In the face of global economic challenges and political transitions, Ogilvy PR has aggressively reinvented itself to meet client needs and continuously recast what makes us unique. The result? More specialized offerings, new training, increased collaboration among staff across geographies and among practices and profitable growth. ■



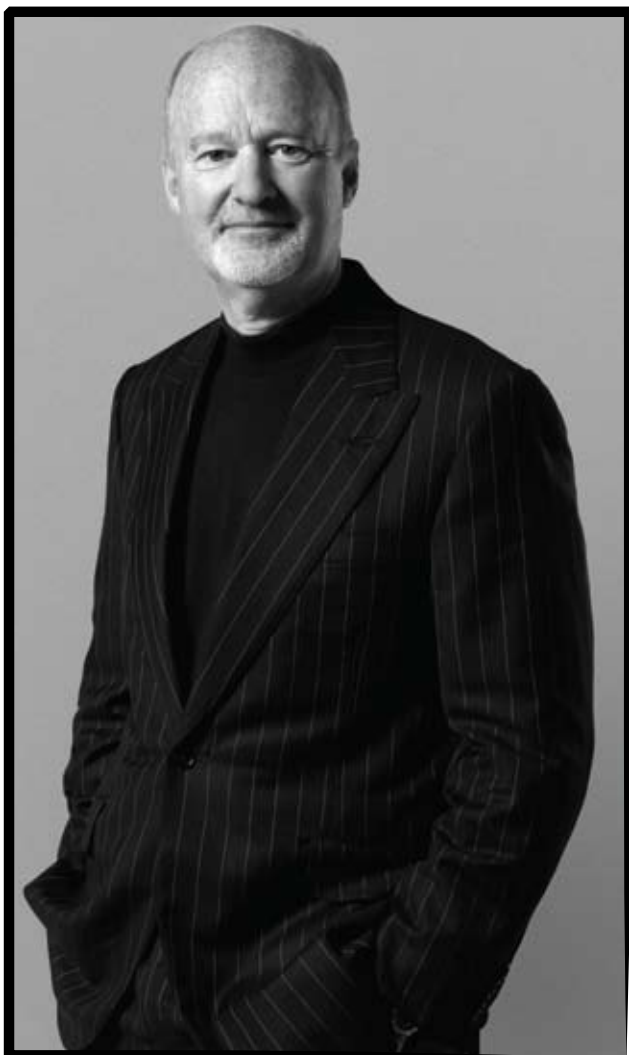


Branding & Identity

B to D Group

Report by Craig Branigan *(below)*
Chairman and chief executive officer

Despite the challenging economic climate in the second half of the year, the Branding to Design (B to D) Group continued to deliver strong results in 2008. Landor, The Brand Union, Lambie-Nairn and The Partners all enjoyed a record year. Group companies continued to leverage shared resources in talent and technology, exchange knowledge and best practices and gain access to significant new business opportunities. In 2008, the Cannes Lions International Advertising Festival introduced design as a category; three of our companies left Cannes with a Gold Lion, reflecting the strong creative excellence of the group. I am pleased to say that this was further strengthened by the welcome addition of Fitch to the group in 2008.



Landor Associates (Full report on page 43)

Landor had another successful year and continued to expand its global network with the addition of a Geneva office, the expansion of its Singapore office, and the continued strong performance of its recently opened Mumbai and Beijing operations.

The Brand Union (Full report on page 66)

The Brand Union built upon the success of its relaunch to deliver record results and firmly establish its unique Brand Mastery approach, with strong growth in new markets such as the Middle East.

Fitch (Full report on page 67)

Fitch had a challenging financial year, impacted by the slump in the retail sector. However, it still delivered a year of stellar creative performance, winning a number of prestigious awards.

Lambie-Nairn

Lambie-Nairn had an exceptional year in 2008, with a substantial increase in year-on-year growth and operating profit growth. It expanded its geographical footprint with the opening of a Munich office off the back of the continuing growth of its largest client, O₂, and established its reputation in the world's fastest-growing media market with significant wins of Abu Dhabi TV, Al Arabiya (Dubai), and Al Doha (Qatar). It celebrated the global launch of BBC News on TV, radio and online, and the rebranding of BBC Worldwide. Under the leadership of CEO Christian Schroeder, it continued to build its position as a leader in screen-based experiential branding, culminating in the winning of a Gold Lion at the Cannes Lions International Advertising Festival for its work with the Business Channel.

VBAT

Building on its 2007 recovery, VBAT saw growth in business in 2008. Led by chairman Eugene Bay, VBAT continues to build its international portfolio with new business wins in Europe, Egypt, Saudi Arabia and Chile. The integration of MPG retail led to growth in its retail offer, with the addition of fashion labels JC Rags, DEPT and SNS Bank retail projects. VBAT continued to strengthen its long-term partnerships with Heineken, Campina Group and Nederlandse Spoorwegen (the Dutch railroad company).



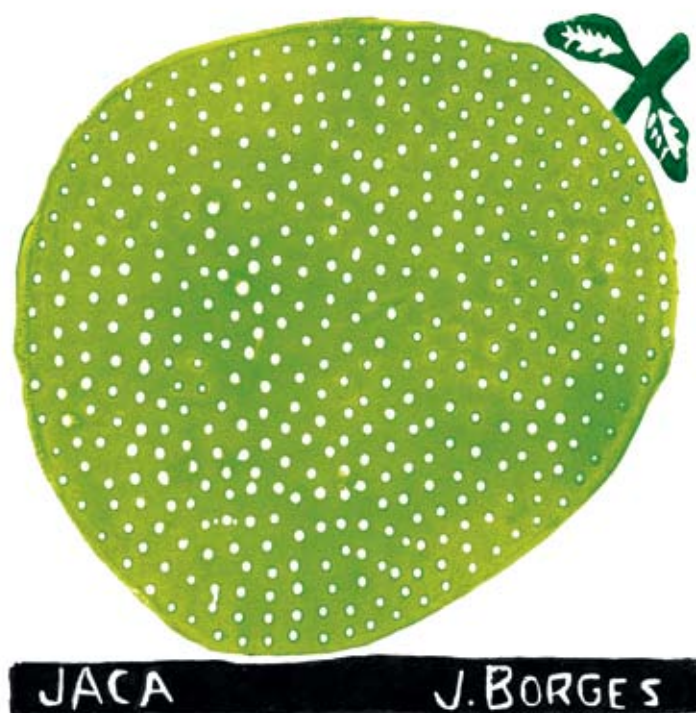
VBAT's unique creative spirit was recognized by a number of creative awards, most notably a Gold Lion from the Cannes Lions International Advertising Festival for Amstel Pulse and the Red Dot award for Whole Earth fresh drinks.

The Partners

The Partners finished an outstanding year in 2008 with significant growth in revenue from 2007. It established its global footprint by opening an office in New York, and introduced a successful in-house digital design and strategy capability. Led by CEO Jim Prior, The Partners continued to build its reputation as a creative powerhouse. It was awarded the prestigious D&AD Black Pencil award (in the advertising category), a Gold Lion from the Cannes Lions International Advertising Festival, and a New York Art Directors Club award for its National Gallery work. Due to its exceptional awards performance, The Partners was identified as *Design Week's* top ranked creative agency in its 2008 Creative Survey.

Addison

Addison consolidated its position as Europe's leading corporate communications agency with clear progress in a number of areas. Investment in digital capabilities reflected a dramatic increase in related revenue. Led by CEO Tom Robinson, the company's international reputation for market-leading consultancy developed further with notable new business success in the UK, Continental Europe and Asia. New clients included Givaudan, Legal & General, National Grid, Temasek and Royal Wessanen. Among the honours garnered by Addison during the year were multiple awards for client work, including WPP, from the LACP and International ARC Awards; a Building Public Trust Award for client Anglo American; and the coveted Henri Sijthoff Prize in the Netherlands for client Heineken. ■





The Brand Union

Report by Simon Bolton *(right)*
Worldwide chief executive officer

Following the successful relaunch of the agency in November 2007, our company's new name, identity and positioning firmly took root in the marketplace and we enjoyed a record year in terms of our financial performance and client business acquisition and retention.

Fuelled with new vigour and an innovative new approach built around the aspiration of Brand Mastery, we won significant new client assignments from companies such as Argos, Barclays, Canon, Ford, Reckitt Benckiser, Merpati Airlines, South African Post, Spice Telecom, Al Hilal Bank and Sorouh.

We also continued to work on major programs for existing international clients delivering a mix of strategic, creative, total brand world and brand engagement solutions for HP, Henkel, Limitless, Mars, Pernod Ricard, SABMiller and Vodafone.

Our focus on creative excellence aligned with first-class strategy has been reflected in a strong showing in this year's major international and national awards

Our external achievements have been amplified by our success in engaging our people in what it means to be a member of The Brand Union and in continuing to strengthen our team at all levels. During the year we appointed Craig Fabian (formerly head of strategy for our London business) as the director of knowledge and training. By the end of the year, most of our senior and middle management had gone through Brand Mastery workshops and systems learning.



In terms of talent, we continue to improve the bench strength of our network. In October, Ismael Ibnoulouafi (founder of our Paris office) moved to Singapore to head our business across Southeast Asia. His original position in Paris was filled by Stephane Ricou who has struck a formidable partnership with the senior team to build our position in the French market.

Hermann Behrens assumed a broader role in managing the burgeoning Middle East business; the opening of our Abu Dhabi office has been very successful.

In November we appointed Anisa du Plessis as managing director to lead our South African operations, reporting to Anthony Swart (CEO for our African business).

In December 2008, Simon Bailey was promoted to chief executive for our London business. Working closely with Terry Tyrrell and Dave Brown, he has strengthened our performance and offering in the market.

With regards to our reputation, our focus on creative excellence aligned with first-class strategy has been reflected in a strong showing in this year's major international and national awards including DBA Design Effectiveness, Eurobest, D&AD and Red Dot. We also launched a masters degree, working in collaboration with Goldsmiths, University of London.

As we look to the year ahead, changes in the world economy will present us all with challenges. Brand has never been more relevant and we at The Brand Union have the skills and experience to help our clients, as evidenced by our current work for Bank of America and its merger with Merrill Lynch, and the UK government agency, The Learning Skills Council. In both of these cases we are helping our clients benefit from the value of relevant brand management in recession. ■



Fitch

Report by Rodney Fitch (below)
Chairman

The past year for Fitch was a paradox. On the one hand, it was another year of truly outstanding creative performance under the leadership of our CCO, Tim Greenhalgh, in which we delivered some of our best work ever. Across all our studios the quality of our work was recognised, winning three 'store of the year' awards for different clients and projects. But this strong creative performance did not translate into an equally strong financial outcome. A reason for this is our commitment to the world of shopping. The retail sector is at the forefront of most national economies



Lois Jacobs (above)
Chief executive officer

and, although we are a multidisciplinary agency, Fitch is heavily committed to the consumer shopping experience where for much of 2008, the worldwide retail economy was slowing and neither our clients in this sector, nor we, were spared.

But if the retail economy is the first to suffer in a consumer downturn, so too is it likely to be the first to recover. And here I am reminded that 120 years ago during an earlier period of economic and social tension, William Morris, one of Britain's greatest designers and an important social reformer, delivered a lecture in Birmingham, England, "Upon the nature of Art and Design". During questions he was asked, "What is the purpose of design?" to which Morris replied "to give hope, Madam, to give hope."

Be it in small incremental steps or in major breakthroughs, design is the handmaiden of innovation and is its physical expression

In today's chaotic world, where we see national economies bankrupt, businesses failing and brands weakening, all of us need a little hope and it is this very need which gives me confidence. For hope, in the form of design is what Fitch does. Design reflects most closely the human experience of everyday; it is in every aspect of consumers' lives; their homes, shops, clothes, books, cars – simply everything. Furthermore, be it in small incremental steps or in major breakthroughs, design is the handmaiden of innovation and is its physical expression. It is through innovation that design can help lead our clients out of their current uncertainties by expressing hope to a troubled yet expectant consumer.

We must anticipate that both society and the commercial world, emerging in the near future from the wreckage of today's landscape will be changed, led by a different, more demanding and critical consumer. Through the quality of our work across the globe for brands in the manufacturing and retail economies, I am confident Fitch will continue to offer hope, through the medium of innovation and design, as did William Morris 120 years ago.

Finally, two important management developments. Firstly, during 2008 Fitch joined WPP's Branding to Design (B to D) Group. This places Fitch within a network of seven of the world's most illustrious design agencies, to be a part of what is surely the world's most powerful and global network. Secondly, this will be the last Fitch report from me. In April 2009 I handed the reins of CEO over to Lois Jacobs. I will continue to serve as chairman.

Long live design and that sense of hope which is its very embodiment. ■



Healthcare Communications

CommonHealth

Report by Matt Giegerich *(below)*
President and chief executive officer



A new world order

The principals of CommonHealth are not only acutely aware of the 'new commercial model' being adopted by a growing number of pharmaceutical clients in an increasingly volatile marketplace, they have been preparing for the shift for years. In the midst of this complex new world order, the CommonHealth team is confident no communications company is better positioned to help brands thrive.

For years, CommonHealth has deliberately focused on offering a fully-aligned arsenal of offerings: building deep expertise with each new audience, marketing discipline and channel – not as separate services, but as integral parts of an increasingly complex whole. This more co-ordinated, systemic view of the marketplace and the role of communications directly addresses clients' needs for a new, more effective and efficient commercial model.

Growth in a down market

In 2008, when many healthcare communications companies were flat at best, CommonHealth boasted growth and expansion on multiple fronts. This begs the question: why has CommonHealth been so successful where others with like offerings have tried and failed?

The management team attests while other agencies claim like skills and resources, CommonHealth has proven it can

orchestrate those resources on a brand's behalf due to its long-standing creative and collaborative culture borne from an organically grown – not acquired – grouping of departments and services; a fully-aligned leadership team and a suite of connective tools, technologies and processes that enable total brand coordination.

Work with current clients supports this claim, with nearly 90% of CommonHealth's largest brand assignments employing two or more service areas, and rapid growth in both interactive and managed markets disciplines. New account wins also reflect this trend towards more fully co-ordinated brand assignments, including CommonHealth's vital role in the recent consolidation of J&J's pharmaceutical brands within WPP.

Unlike most agencies of its size, CommonHealth and its units operate as one unified firm. The executive team, comprising one to two people from each business unit or service offering, meets every month to ensure the standing order of the day – creative excellence and a seamless integration of services – is met with each client, each brand.

Some of CommonHealth's most noteworthy accomplishments in 2008:

- CommonHealth was named No.1 Healthcare Advertising Agency for the second year in a row by *Advertising Age*.
- All of CommonHealth's agencies of record were named to the Top 60 agencies by trade publication *MM&M*; CommonHealth represented close to 10% of the top agencies in the industry.
- CommonHealth received more awards – 200 in total – than in any previous years.

Ideally positioned

In 2009, CommonHealth has plans to further expand its managed-care marketing services with the formation of a new group, sister to CommonHealth's Solara team.

CommonHealth will continue its collaborative work with cross-Group Team Chemistry and the J&J assignments stemming from that partnership.

To address global needs, the organization will continue with ongoing plans to expand its international reach into the Asian and Latin American marketplaces.

CommonHealth is already aligned in such a way that virtually all clients' communications needs can be met with the group's well-established, integrated communications model. With digital technologies at the core of all they do, CommonHealth has the ability to quickly address both branded and unbranded, educational and promotional, global and local needs with scientifically-significant, emotionally-engaging, value-enhancing communications. With the many CommonHealth specialty teams working fluidly together on behalf of a brand, multi-channel brand ecosystems are now a reality – and a real answer to the industry's call for a new commercial model. ■



ghg

Report by Lynn O'Connor Vos *(below)*
President and chief executive



In 2008, ghg proved itself resilient and steadfast in its commitment to provide clients with big ideas, access to the best services and innovative campaigns. In spite of a very difficult year, the company succeeded in realizing some breakthrough wins, achieving double-digit growth in several areas – branding, marketing consulting, search and digital, as well as expanding our scope of work.

ghg made strategic infrastructure changes and acquisitions, and effectively incorporated digital thinking into our portfolio of products and services to continue driving digital performance to a new level. Our all-encompassing practice includes professional marketing, consumer marketing, digital marketing, global branding, sales solutions, access strategy, scientific visualization and medical education.

One of the most significant accomplishments was the win, in partnership with sister WPP companies, of a significant portion of the J&J pharmaceutical brands portfolio.

The win was based on a unique integrated model that addresses the need for change in the healthcare industry

today. A second outstanding win came in the fourth quarter when we were named Professional Agency-of-Record for Colgate Palmolive Oral Care Worldwide. ghg also increased its US business with Novartis, Boehringer Ingelheim, Essilor and Den-Mat, while Catalyst online, a leading search optimization company and now part of GroupM, grew at a double-digit rate.

ghg Paris and ghg Cologne won assignments from Merck for Gardasil, Colgate, Pfizer and Novartis. WG Consulting, the premier market access strategies company, won assignments from three of the top five healthcare companies in Europe. The team was also awarded preferred supplier for the Department of Health in the UK being quoted by the Minister of Health as a “known and trusted partner”.

We expanded our digital suite of technology companies with the acquisition of Osprey Communications, a leading healthcare technology and interactive solutions agency. This investment strengthens our capabilities in a rapidly growing marketing sector, and gives us the opportunity to digitize medical education. In addition, IMsci, in partnership with Osprey, created breakthrough medical education platforms for Novartis and Ciba, among others.

BrandEdge, our specialty marketing consulting division, experienced double-digit growth. The company continues long-standing relationships with Calpis USA and Siemens Medical Solutions. New business wins included Bayer Schering's Yaz franchise, Melafind, a novel, hand-held imaging device that detects suspicious pigmented skin lesions, and Omnicare, to reposition the company's messaging for their Purchasing and Technology Software groups.

Vogel-Farina, the specialty oncology agency had a fantastic year, experiencing double-digit growth in 2008 and winning new projects from Novartis, Forest Laboratories, Tolerx, Acceleron Pharma, Abbott, Novartis, Genzyme and Cell Therapeutics Inc. The agency received the Rx Club Award of Excellence in the mixed media campaign, direct mail, and premiums/promotions categories.

ghg remained a leader in its recognition for our creative work around the world. Accolades included the Cine Golden Eagle for medical animation; an award from the Association of Medical Illustrators (AMI) for vaccine solutions; a Manny award for best consumer website on behalf of Essilor; four silver Davey awards for work with Calpis, Siemens Healthcare Diagnostics, Astellas Pharma and Strativa Pharmaceuticals; and best PSA from MM&M for pro bono work done on behalf of the Helen Keller Foundation. ghg Paris won a Fragonard Trophy for best ads in animal health, and ghg Germany was recognized with a Comprix award for best-integrated OTC campaign.

In 2008 we began to diversify our client mix, which ranges from OTC and traditional pharmaceutical to dental, oncology and animal health and, as a result, the company has a healthy outlook for 2009. This diversity and an integrated structure has significantly decreased our exposure



to risk, FDA denials and delays, as well as pharmaceutical cutbacks, and positioned us to become a pre-eminent healthcare communications company.

We remain committed to providing clients with access to a comprehensive global network of companies that offers an integrated, multi-channel approach to get brands into all the conversations that matters, enabling clients to reach their customers – physicians, caregivers, payers and patients – with the most effective offline and online media. ■

Ogilvy Healthworld

Full report on page 35

Ogilvy Healthworld continued to show good year-on-year growth particularly in light of current market conditions, decreasing access to physicians, and dramatic reductions in prescription drug revenues and their associated marketing budgets. North America and Asia showed especially strong growth. 2008 was the fourth consecutive year of revenue and profit growth. ■

Sudler & Hennessey

Full report on page 43

Sudler & Hennessey continued to build on its successes by bringing 'Established Innovation' services and geographic offerings to meet the ever-changing needs of its clients within human and animal health industries including pharmaceuticals, biotech, fast-moving consumer goods, foods, device/diagnostics, governmental and non-governmental organizations. S&H continues to strengthen its relationships with many of the top global and regional healthcare companies by expanding its base of pharmaceutical clients in the areas of foods/nutrition and packaged goods as well as governments and NGOs. ■





Specialist Communications

Report by Andrew Scott (below)

Chief operating officer

International Specialist Communications

and

Mary Ellen Howe (see page 73)

Chief operating officer

Specialist Communications, North America

Specialist Communications comprise individual business units with separate and distinct marketing expertise by industry, audience segments or medium. Our clients benefit from their depth of knowledge and strategic focus; the Group benefits through the flexibility these companies offer as partners for sister WPP companies where appropriate. Additionally, we are able to capitalize on the trends in client demand for new expertise. Our role in managing this portfolio is to help these companies grow on their own terms and support co-operation opportunities across the Group.



Direct, promotion, digital and interactive marketing

Bridge Worldwide, a leading US digital and relationship marketing agency, continued its strong revenue growth by focusing on its long-time Fortune 100 base. Winning over 35 awards in digital marketing and effectiveness categories and driving digital innovation led to record sales and new business, including DHL, GE and Luxottica.

Given the economic imperative to redefine value, Bridge led the launch of eSaver for Procter & Gamble, an innovative coupon technology that loads savings directly to consumers' loyalty cards. Also for P&G, Bridge won an Effie for Thermacare's content-driven mockumentary *Men With Cramps*.

For Abbott, Bridge led the re-launch of the Strong Moms relationship marketing program and two major product innovations for Similac infant formula. These initiatives drove the brand to record 2008 sales and share leadership.

Bridge pioneered a well-received four-week live internet improvisational comedy series in partnership with MediaCom and MSN for ConAgra Foods. Leveraging the Healthy Choice Fresh Mixers product benefit of "fresh from your desk", *Working Lunch* was a 300-episode series on MSN that allowed users to affect the live action from their desks.

Marketing with Meaning[™], Bridge's platform to help clients use technology to ensure that their marketing, in addition to the brand, adds value to consumers' lives, is becoming the new way to drive a brand's higher-order purpose. The blog (www.marketingwithmeaning.com) has a loyal following; the book is slated for 2009 publication.

Recognizing the agency's continuing focus on its people and its culture, Bridge was named one of the Top 25 Best Places to Work by the Great Place to Work Institute for a third consecutive year.

MJM leveraged its market position as a leading corporate event company with 25 years of expertise in creating and implementing training programs, product launches, investor meetings and national sales meetings. MJM has focused its core capabilities on improving the performance of clients' human capital by informing, motivating, and inspiring through face-to-face internal communication programs. MJM's new direction is evidenced by its work for the American Express Pacesetters program, a long-running employee recognition event. During the year, MJM delivered brand communication and training to long-time client AstraZeneca's multi-location sales force by creating a dynamic webcast that resulted in greater message consistency and substantial cost reduction.

UK agency EWA continued to focus on adding value to client communications through customer insight and high-level, multi-channel customer service initiatives. New clients during 2008 included, Wiltshire Farm Foods, Lifelong Learning UK, Kraft (Kenco) and DWP (through COI).



Mando Brand Assurance enjoyed international wins from Danone in Portugal, Danacol in Italy, McDonald's China and Nestlé in Australia. There were major campaigns from new clients, TomTom, Mars and Kraft. The German office won new business from supermarket Edeka, cartridge supplier Pelikan and Beiersdorf for Nivea for Men. The Coca-Cola relationship advanced with two soccer campaigns: 'They Score You Score' and 'Find the Next Rooney'.

Headcount had another busy year of field marketing in the UK, with their work for Tourism Ireland winning Gold at the Field Marketing & Brand Experience Awards as Most Effective Integrated Campaign. New assignments came from Defra, Digital UK, Environment Agency, Imperial Tobacco, Kraft, Learndirect, Luxottica, Subway, Top Up TV and Warner Home Video.

Despite the downturn in the automotive industry, design and production agency **Warwicks** was able to increase its business with LTi, manufacturer of the iconic black London cab. The relationship with the AGCO Group saw additional work with the Massey Ferguson and Challenger brands. Aliaxis and Wolseley Groups were also new to Warwicks' client list.

Custom media

Forward continued its growth in the digital content sector, securing additional online work from both Ford and Tesco in 2008. The company continues to consolidate its position as a supplier of integrated content for major brands, combining its heritage in bespoke editorial production with a first-class knowledge base of the role of content in new media.

2008 was another good year for inflight and custom media specialist **Spafax**. The launch of UK Cinema advertising brand Pearl & Dean on the Virgin Atlantic entertainment system added a popular new dimension to an already expanding media enterprise which saw significant growth in new markets: Dubai with Emirates; and China with an international media representation agreement for AirMedia, a leading airport and airline advertising business across China's domestic and international airports. The publishing division expanded its operations to hotels, winning the Fairmont Group's new in-room magazine contract, and Air Canada's *enRoute* magazine celebrated its 50th anniversary with an impressive array of industry awards for both print and digital. Spafax was awarded No.1 supplier in the Qantas recognition program against suppliers of all IFE products, caterers, in-flight products and duty free sales. And Spafax clients British Airways, Emirates, Singapore Airlines and Swiss all won Avion Best Inflight Entertainment awards as judged by 55,000 worldwide airline passengers participating in opinion polls administered by the industry polling specialist Skytrax.

Demographic and sector marketing

The Food Group expanded beyond its core foodservice market to land retail marketing assignments for Dannon's Frusion® and la Crème® brands and the Italian Trade Commission. In addition, the company became agency of record for Dawn Foods, Inc., a major bakery goods manufacturer, which supplies product to national chains such as Dunkin' Donuts and Panera Bread. The Food Group continued its work with Kraft Foods, Ventura Foods, TABASCO and the Florida Department of Citrus.

The Food Group's Nutrition + Culinary Consultants practice launched a health and wellness *SmartBrief*®, a twice-weekly summary of primarily nutritional information distributed to thousands of procurement decision-makers in the food and healthcare sectors. N+CC also provided nutritional culinary assignments for PepsiCo, Nordstrom's and Simplot, a major supplier of potato, vegetable and fruit products to the food industry.

Geppetto, the youth marketing agency, developed integrated marketing campaigns for clients as varied as Wal-Mart, Pepperidge Farm and Almar Sales, and undertook innovation projects for a range of consumer products companies interested in leveraging the power of youth.

Pace Advertising remains one of the pre-eminent specialists in the real estate sector, working for leading national homebuilders such as K. Hovnanian, as well as leading luxury brands such as The Setai Group.

During 2008, Pace expanded its positioning to encompass a broader lifestyle sector, including hotels and hospitality, spas and restaurants, and luxury lifestyle products, and continued to invest in strategic digital capabilities. 2009 marks the 60th anniversary of the firm, WPP's first US acquisition.

Edinburgh-based architects and interior designer **BDG McColl** won work across a variety of sectors during 2008, including commissions for Sun Microsystems, Bonhams and Glasgow City Council. This was in addition to ongoing work in both private and public sectors for organisations including A T Osborne, Standard Life, Balfour Beatty, BP and the University of Edinburgh.

2008 was an award-winning year for **BDGworkfutures** with their work for Siemens and Network Rail winning awards at the British Council of Offices. Internationally, BDGworkfutures was appointed by ABSA in South Africa to develop their property portfolio strategy, whilst in the UK the government sector remained an area of growth with new commissions from the London boroughs of Lambeth and Southwark, and Her Majesty's Treasury.

Contract furniture company **Dovetail** consolidated its market position with major new projects at the Royal Institute of Chartered Surveyors, BAT and Burberry. Existing client relationships held up well, with continued business at Deloitte's London campus, Bloomberg and Conoco.



Ecosse, continued to provide event and production services to Experian, Prudential and Royal Bank of Scotland.

The Farm Group enjoyed another busy and successful year in 2008 and maintained its dominant position in the very competitive London post-production market. It supplied post-production on award-winning primetime entertainment programs such as *X Factor*, *Britain's Got Talent*, *Friday Night with Jonathan Ross*, *Ross Kemp on Gangs*, *Gavin and Stacey*, *Peep Show* and *Lead Balloon*; as well as dramas including *The Devil's Whore*, *Wallander*, *Shameless* and *Wild at Heart*. The Farm's editing team won the Royal Television Society's award for best editing on *Deal or No Deal*.

Rent, the equipment hire division formed after the merger of Metro Broadcast's Soho business into The Farm, refocused its activities to concentrate on supplying new small HD cameras. This policy is proving successful and the client base and revenues are expanding.

In the future

2009 promises to be a challenging year as the recession deepens and our businesses realign to focus on client priorities. However, we will continue to focus on developing and nurturing our talent, particularly in the digital area, as well as managing the cost base and pursuing individual client opportunities. ■

Media and film production services

In the last year, **MRC** hit its stride as one of the world's leading independent studios in television, film and digital. Among the 2008-09 releases are upcoming films *Bruno* starring Sacha Baron Cohen, *This Side of the Truth* starring Ricky Gervais, *The Box* starring Cameron Diaz as well as films currently in production with Matt Damon and M. Knight Shyamalan. In television, MRC has Mike Judge's next animated show *The Goode Family* and Bob Saget's show *Surviving Suburbia*, as well as returning shows such as *Life and Time of Tim* and *Rita Rocks*. In digital, MRC had one of the biggest hits of the year with Seth MacFarlane's cavalcade of cartoon comedy.

Metro had a good year in 2008 with considerable growth in event and web-cast support for its long-standing client Shell, helped by Metro's innovative use of Shell's internal office space. Other highlights included managing the graduate recruitment roadshows for Accenture, Linklaters, Ernst & Young and Deloitte. The Edinburgh office, Metro





WPP Digital

Report by Mark Read *(below)*
Chief executive officer

For most brands, in most sectors, in most markets in the world, 'digital' marketing has now come of age. In 2008 how brands managed their digital capability was fundamental to their success. Marketing will never be the same again. Digital is no longer a specialist need or skill – it's something that every brand and every marketer has to embrace.

WPP Digital represents WPP's total commitment to 'digital'. Our agencies and people are at the cutting edge of the trends and the capabilities needed. We exist to accelerate WPP's development of world-class capabilities in digital marketing and media.

We are making excellent progress. Some 25% of WPP's revenues (or around \$3.5 billion) came from digital and direct marketing in 2008. These figures are well up on 2007 and the trend is accelerating in 2009 as traditional media finds it harder to engage with consumers in a way that delivers value to our clients.



We have four distinct strategies:

1 Our first goal is to work across WPP to ensure that each WPP company is 'digitally-equipped'. Digital cannot be silo-ed in our digital agencies. It fundamentally changes the way every marketing discipline works, from advertising to public relations to market research. Each WPP company is developing its digital capabilities and producing innovative, effective and award-winning digital campaigns for its clients. We are supporting them through initiatives such as our training program, *Digital Acceleration*, which has been adopted by many Group companies for their people and clients.

2 Our second goal is to bring new digital talent and capabilities into the Group, through the acquisition of leading digital agencies which can work across the Group, operating under the WPP Digital umbrella. Not only did these agencies collectively deliver excellent financial performance in 2008, but the quality of their work was recognized in new client assignments, industry accolades and awards.

BLUE, a full-service digital agency focused on results-driven marketing solutions, is headquartered in Singapore with regional offices in Beijing, Shanghai, London and Palo Alto. In 2008 BLUE won several new engagements with leading brands including Starwood Hotels Group, Motorola and Aviva. In addition, BLUE continued to create and execute digital initiatives for global leaders such as Johnson & Johnson, Hewlett-Packard, SAP, Microsoft and Singapore Airlines. During the past year BLUE also partnered successfully with sister WPP agencies, including Enfatico, Y&R and Grey, providing specialist digital resources for clients such as Dell, Danone and Procter & Gamble.

Quasar is India's largest full-service interactive agency, headquartered in Delhi with a team of more than 100 digital specialists. Quasar continued to develop its relationships with an elite list of clients, such as Microsoft, Visa, Monster.com, General Motors, Reuters, Kingfisher Airlines and AVIVA Life Insurance. During 2008, it opened offices in Bangalore and Mumbai.

Creative hotshop **Johannes Leonardo** won two Gold Lions at the 2008 Cannes Advertising Festival and the WPPED Cream Award for the best piece of advertising across WPP with their breakthrough film for the up-and-coming soccer brand, Nomis. Based in New York, Johannes Leonardo works with many leading companies including Tumi, HSBC, Vodafone, Nestlé, HP and Chanel on everything from advertising to product innovation.

Schematic, a full-service interactive agency headquartered in Los Angeles, added Dell, Blockbuster, Sun Microsystems, Reliant Energy and Honeywell to its client roster in 2008. It continued to work with Nokia, Microsoft, Target, Thomson Reuters and other leading clients, growing each



of those relationships and its revenues substantially. Schematic received particular acclaim for its creation of the NBCOlympics.com site, which over 50 million viewers used to watch Olympic events, and its TV widget platform, which Yahoo! and Intel launched at CES, the world's largest consumer technology tradeshow. Thanks to innovative projects like these, Schematic was placed on both *Advertising Age* and *Adweek*'s lists of fastest-growing digital agencies, and won the OMMA Award for the Best Web Design and Development firm. Our specialist mobile agency, **iconmobile**, benefitted from the growing interest in mobile marketing. The success of the iPhone and the launch of Google's Android in particular are encouraging clients to find ways to engage consumers through mobile devices.

3 Our third goal is to develop new digital marketing technologies and production platforms that bring the benefits of scale to our agencies and clients. We believe our distinct focus on digital marketing technology will be a source of competitive advantage relative to our traditional agency competition.

24/7 Real Media made significant progress during the year in strengthening its business and in applying its proprietary technology across WPP. 24/7's leading media network, with over 135 million unique users worldwide, experienced significant growth and was named as the fastest-growing Top 10 Ad Network in October 2008 by ComScore. Several new media partners, including BBN, the largest business-to-business online advertising network, and Realogy, a global provider of real estate and relocation services, joined 24/7's media network to engage their target audiences with greater precision, transparency and return on investment.

24/7's award-winning ad serving and search engine marketing technology platforms more than doubled volumes, as the technologies were made available to all WPP

companies. 24/7 partnered with GroupM to create the breakthrough ZEUS targeting database and introduced its new market-leading digital buying service, B3.

24/7 Real Media also strengthened its presence in Asia through a new search partnership with Dentsu and CCI as well as launching a media network, ITOP, in partnership with Ogilvy in China.

Towards the end of 2008, WPP Digital launched **Deliver**, a low-cost, high-quality production group that leverages more than 700 digital experts in lower-cost countries such as Costa Rica, India, Singapore and South Africa. Deliver has already started work with two significant clients.

4 Our fourth goal is to build new relationships to bring innovation and ideas to our clients, agencies and people.

A major focus has been on data and analytics. During 2008, we made investments in Proclivity, a company providing technology for online retailers to understand and predict customer behaviour, and Yield Software, which offers a self-service platform for optimising online marketing.

In May, we entered into a partnership with Yahoo! to develop new media trading platforms connecting to Yahoo's Right Media Exchange that promise to allow us to buy online media more effectively.

Finally, in November 2008, we launched the **Google WPP Marketing Research Awards Program** to support research into how online media influences consumer behaviour, attitudes and decision-making. A prestigious committee of Professor John Quelch, Senior Associate Dean of Harvard Business School and a non-executive director of WPP, Dr. Hal Varian, Google's chief economist, and Professor Glen Urban, former Dean of the Sloan School of Management at the Massachusetts Institute of Technology has selected the first recipients of the Awards from more than 100 entries from the US, Europe and Asia.



David Moore (above left)
Chairman
24/7 Real Media



Jonathan Hsu (above right)
Chief executive officer
24/7 Real Media

In the future

WPP Digital is at the heart of WPP's future. The possibilities of what can be achieved are only constrained by the limits of our imagination. Brands like Google, Facebook, MySpace, eBay and Twitter did not even exist only a decade ago. This is a very exciting time for marketing services because 'digital' offers opportunity for marketing innovation like never before in history. We are very committed to ensuring that all disciplines, and all agencies in WPP will fully embrace 'digital'. Specifically in our WPP Digital group of more specialist agencies, over 1,000 people have enjoyed the most successful year ever and we would like to thank them for their hard work and pioneering spirit. Whatever the future holds – and we all know 2009 is more challenging – one thing is certain. Digital will be the critical success factor in brand marketing for our clients and an essential driver of growth for WPP. ■

What we think

New markets, new media and consumer insight

WPP CEO Sir Martin Sorrell reports

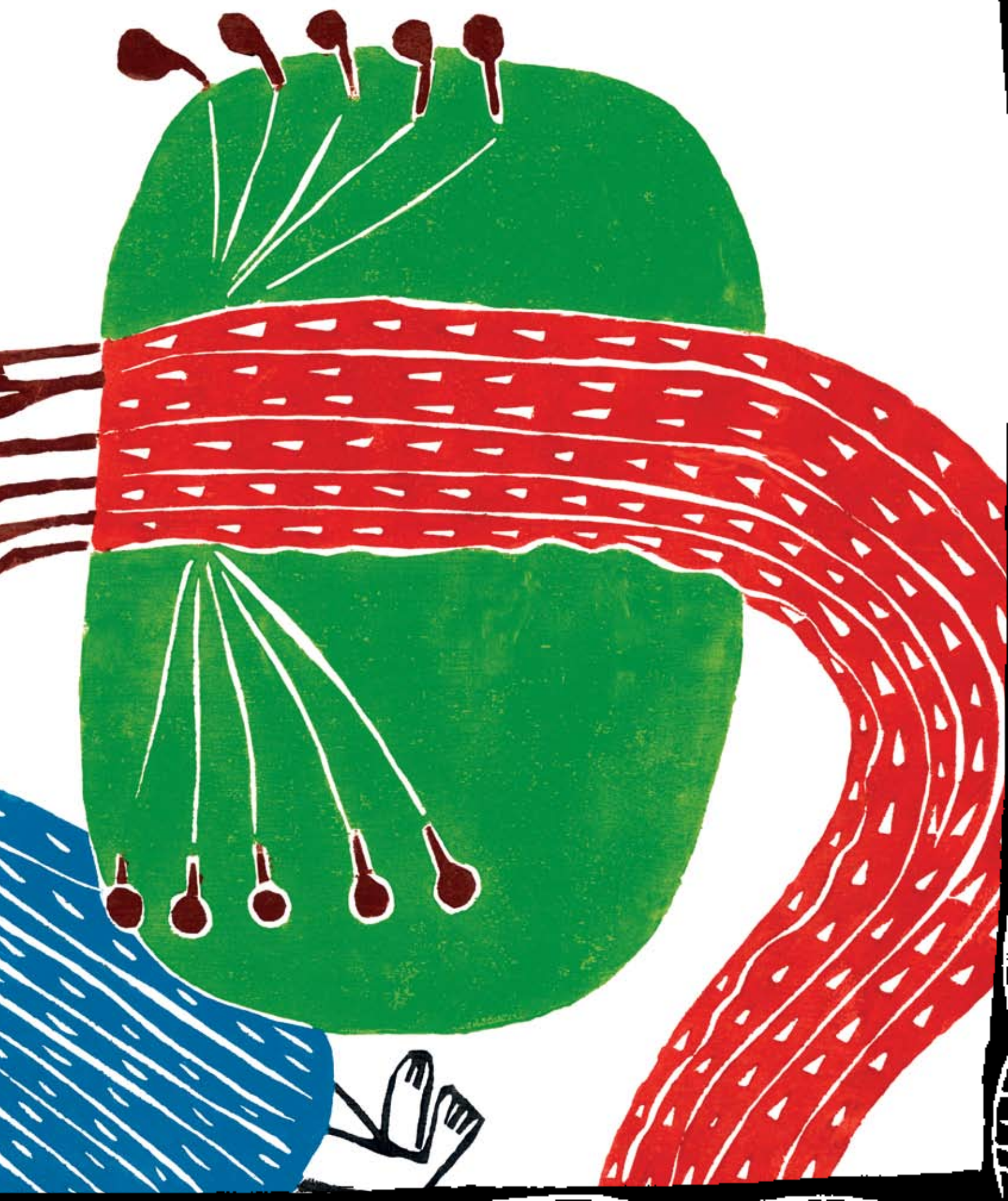
Change can be viewed as a frienemy or foe – part friend, part enemy, part foe. Treated well, it offers enormous opportunities, but neglect its capricious nature and it becomes a threat.

Nowhere is this truer than in our industry. WPP's strength has always been our ability to identify the trends that will inform our world and capitalise on them for our clients and ourselves. It's how we began with two people in a room over 20 years ago. It is how we will weather the current crisis. And it is how we will position WPP for sustained growth in the years ahead – albeit with more than 110,000 people directly with us and access to over 135,000.

This means anticipating geographic, functional and technological shifts, and adjusting our business to make the most of them.

For that reason, we expect the balance of our work to move from Western Europe and other established, slower-growing economies towards dynamic new markets. They include China with its possibly 1.5 billion and rising population, along with India and the other BRICs nations, Brazil and Russia – not to mention the Next 11 identified by Goldman Sachs. ►





The coming power shift from West to East is about more than cheap labour and low-cost manufacturing. Indeed, the old assumption that China and India will remain mere makers of cheap generic goods could prove life-threatening. Both countries are nurturing their own global brands and service industries; they will be as good as anything the West can muster.

Fortunately, WPP has leadership or near-leadership positions in all these countries (other than Iran). In India, for instance, we have a substantial market-leading share and similarly in Greater China a market-leading share, making the latter WPP's fourth largest market already. That can only grow as we emerge from the current global crisis.

Other changes are shaping our work. Of these, the most important is the continuing expansion of those parts of our business that sit outside traditional advertising.

More of our work will be in marketing services, the so-called below-the-line areas such as Information, Insight & Consultancy, Public Relations & Public Affairs, Branding & Identity, Healthcare and Specialist Communications – particularly direct, interactive and internet communications.

Public Relations & Public Affairs, too, can expect a prosperous future as its traditional skills – building relationships and influencing opinion-formers – are brought to bear on the new internet frontiers of blogging and social networking.

These shifts in the balance of our business are inevitable as audiences fragment, the costs of television airtime continue to rise, gadgets like the personal video recorder change viewing habits, and – most importantly – as the internet's reach extends, promising more measurable, predictable results.

Reacting to change also means understanding what will keep our clients awake in the 21st century. Overcapacity in almost all areas of manufacturing – too many cars chasing too few customers, for example – casts a cloud over prospects, forcing discounting and a profitless prosperity on key industries. This was true before the credit crunch; it is all the more so now.

Equally, the dominance of global retailers and the consequent pressure on prices will trouble many of our clients. Some companies rely on sales in Wal-Mart stores for a large part of their turnover. These sales may be crucial to the company, but for Wal-Mart the numbers may be no more than a rounding error. Understanding of distribution and retail is essential for survival.

With global companies reacting to new markets in the East and declining markets in the West, internal alignment is particularly essential. Getting everyone in a company facing the same way, working for the same vision, is key.

As the geography changes, so will old-fashioned management structures. Regional silos can expect a shake-up and local managers, sensitive to their markets, may well come to the fore again.

Consolidation also poses threats and opportunities to our clients – and is changing our industry with the rebirth of superagencies or full-service agencies and changes in the way we structure ourselves to meet companies' needs. Large clients are increasingly looking to parent or holding companies that draw on the strength of their individual subsidiaries to present integrated solutions to their marketing needs. We are winning such pitches.

All these things dictate that hiring and retaining the right talent will remain crucial for us and our clients. And here is a paradox. It is almost as if the shortage of human capital runs in inverse proportion to excess manufacturing capacity. People and skills are always crucial.

Corporate responsibility is another concern for clients – although in truth a no-brainer. Only those seeking a fast buck and subsequent oblivion would surely think otherwise. The current economic crisis will only underline the importance of corporate responsibility and responsible consumption.

This year will be challenging, possibly the most challenging since the 1970s, but recovery of sorts may come in 2010, if only because of the massive amounts of money – \$13 trillion and counting – pumped into the system in one way or another. Globalisation, free trade and scientific advance, within reasonable environmental and social constraints, will still be the most efficient way of enriching the most people in the world in the fastest time.

The big message for our industry, as ever, is that branding or differentiation and innovation – essentially, what we do – are everything. The first requirement is always a brilliant idea. Then you need co-ordination. Without the first, however, the second is pointless. You can't, after all, co-ordinate a lousy idea. So creativity and imagination win every time. There is a limit to how much you can cut costs; there is no ceiling on innovation.

Strong and getting stronger

WPP is clearly getting it right. Against some expectations, 2008 was our strongest year ever, with record billings, revenues and operating profit. Last year was a maxi-quadrennial – when the Olympics in Beijing, the European Football Championships and a big-spending US presidential campaign combined to produce a powerful performance. That happened despite the credit crunch and the lack of a strongly anticipated 'Beijing bounce' in the third quarter.

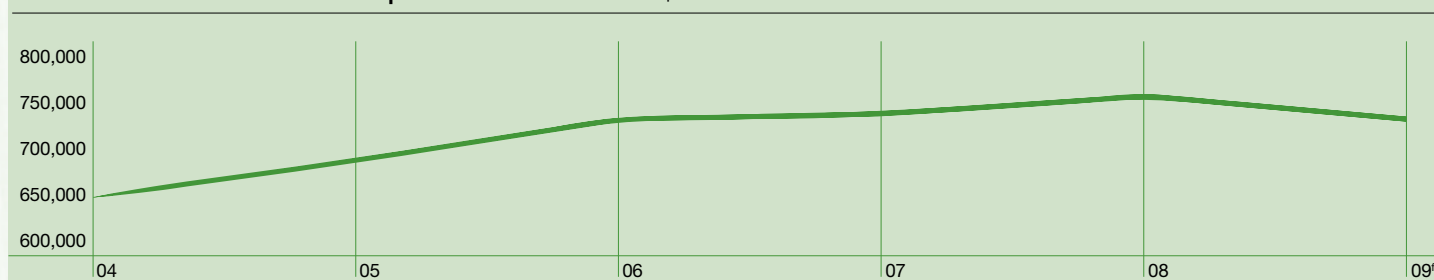
Events and politics are critical. Of these, the American presidential campaign was perhaps the most exciting. It started early this time round, as far back as mid-2006, with the cost of nomination campaigns pegged at \$150 million and presidential campaigns at \$500 million. The only pity is that Michael Bloomberg, the mayor of New York, did not enter the race as an independent candidate or otherwise. That would have boosted election spending further by



Worldwide communications services expenditure 2008^{f1} \$m

	Advertising	Market research	Public relations	Direct & specialist communications	Sponsorship	Total
North America	172,033	9,686	3,800	84,600	16,610	286,729
Latin America	18,766	1,430	265	19,500	3,400	43,361
Europe	124,244	13,300	2,400	99,000	11,700	248,644
Asia Pacific	116,603	4,300	980	32,700	9,500	164,083
Middle East, Africa and Rest of world	12,968	—	—	—	1,900	14,868
World total	444,614	28,716	7,445	235,800	43,110	759,685

Worldwide communications expenditure 2004-2009^f \$m



Source: GroupM

^f Forecast.

¹ Estimate.

Revenues cited here represent an estimated 80-90% of the worldwide market. Estimates exclude certain unmeasured trade/consumer promotional expenditures and very early stage economies.

between \$500 million and \$1 billion to \$3 billion – and that's just the above-the-line figure.

Overall, in 2008, spending on worldwide communications services – advertising and marketing services – grew by 2-3% to \$760 billion from an actual spend of \$740 billion in 2007, based on more rigorous data now available to our Media Investment Management parent company, GroupM. WPP's market share stood at nearly 10%.

Given the current crisis, the industry will probably contract globally by around 3-4% in the current year. GroupM forecasts a more than 4% fall in advertising, which now accounts for 40% of our business. The other 60%, while not immune, is less recession prone.

As a proportion of worldwide GDP, communications services probably fell during the recession of 2001-02, but grew between 2003-07 and probably stayed constant in 2008. Neither 2009 nor 2010 will be easy years, but we believe WPP is well placed to make the most of it. On the following pages, we will explain why.

Geography, technology and function shape our future

A vast shift in economic power is changing the way the world – and our industry – does business. The US has hitherto accounted for about half of worldwide advertising and marketing services spending, with the most prominent non-American markets being Japan, Germany, Britain, France, Italy and Spain.

Now Asia Pacific, Latin America, Africa, the Middle East and Central and Eastern Europe are becoming more and more significant. This will continue as multinational corporations build their businesses where populations are large and growing faster – seeking to drive top-line like-for-like sales growth, a primary driver of total shareholder return. Even Cuba, with a population of 16 million, may become an opportunity.

Goldman Sachs, which first identified the BRICs nations – Brazil, Russia, India and China – now focuses on the Next 11 – Vietnam, Bangladesh, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea and Egypt. WPP has leadership or near-leadership positions in nearly all these countries.

In 2008, Eastern Europe was WPP's fastest-growing sub-region or region at 19%, with the Middle East at 18% and Latin America at 13%. Pakistan, with a population of 165 million, Vietnam with 85 million and Indonesia with more than 230 million – of which 200 million are Muslim – remained faster-growing markets and became even more influential in 2008.

Extrapolate WPP's current revenues in the BRICs countries (despite the currency challenges in Russia) or BRICI (including Indonesia) at the rates of GDP growth predicted in recently published Goldman Sachs research and assume moderate rises in advertising to GDP ratios. The result is that Asia Pacific, Latin America, Africa,

the Middle East, and Central and Eastern Europe will take a growing share of our business: possibly 38% by 2015, excluding any acquisitions.

Currently, China and India are home to more than one-third of the world's population. Asia Pacific represents half. By 2014, Asia Pacific will account for more than two-thirds. WPP already has a strong position in the region. Greater China is WPP's fourth-largest market in which we have a significant advantage over our competition. In India, our market share is very significant, with a similarly significant market share in South Korea. In Japan, it is almost 10%, but behind both the dominating Dentsu and Hakuhodo DY Group.

There is no doubt the marketing world is becoming two-paced or even three-paced, geographically and functionally. Asia Pacific, Latin America, Africa and the Middle East, and Central and Eastern Europe are outpacing the US and Spain (post-Franco Spain was a standout market in Western Europe, although the current real estate bubble has laid it low). In turn, the US and Spain have been outpacing the rest of Western Europe.

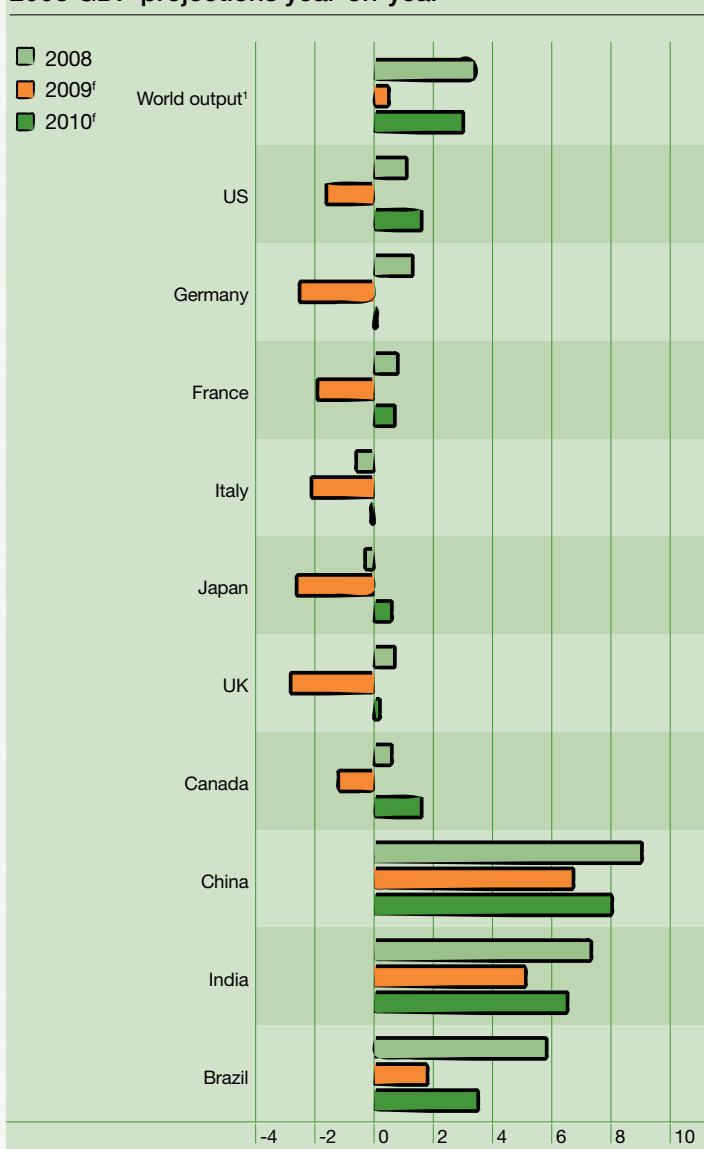
Such shifts in the economic tectonic plates are not new. At other times in history, when a country or empire seemed to have total political, social or economic hegemony, as the US has, things changed and the vacuum was filled by another power. China and India will take that role, in the context of the growth of Asia Pacific. Already they are enjoying their new stature. Over the past few years at the World Economic Forum in Davos, the Chinese and Indians exhibited a greater degree of self-reliance and independence – perhaps even over-confidence. Both are now quick to blame the US for the current crisis. Both no longer seem to rely on handouts or support. Both have reached or are reaching a size and rate of growth that may be self-sustaining and certainly more independent of US influence. While decoupling has not, in our view, arrived, there is probably less coupling. But as the credit crunch demonstrates, problems in America still exert a powerful influence on the rest of the world.

On my most recent trips to Shanghai, Beijing, Mumbai and New Delhi in 2008, many Chinese and Indian companies with national and overseas ambitions appeared much more assured and less over-awed by the capabilities of Western competition. Their listening and learning approach has clearly paid off.

We will probably still rely on the strength of the US, but increasingly we will see the growth of Asian-based multinationals. Not only Japanese-based multinationals like Sony or Mitsubishi, or South Korean-based chaebols such as Samsung, LG or Hyundai (the Samsung of the car industry), but also Chinese multinationals such as Lenovo, Haier, Konka, Bird, Bright Dairy, China Mobile, China Unicom and CNOOC. Three of the top 10 companies in the world by market capitalisation are already Chinese.

Consider also Indian multinationals such as the two Reliances, Tata, Wipro and Infosys. The latter's headcount

2008 GDP projections year-on-year



Source: IMF
f Forecast.
e Estimate.



The 30 largest companies in the world at end of 2008* From the FT Global 100

Global 500 rank Dec 2008	Global 500 rank Sep 2008	Company	Country	Market value \$bn
1	1	Exxon Mobil	US	406
2	2	PetroChina	China	260
3	5	Wal-Mart Stores	US	220
4	9	China Mobile	Hong Kong	201
5	6	Procter & Gamble	US	185
6	7	Indl & Coml Bank of China	China	174
7	4	Microsoft	US	173
8	17	AT&T	US	168
9	10	Johnson & Johnson	US	166
10	3	General Electric	US	161
11	13	Royal Dutch Shell	UK	159
12	15	Chevron	US	150
13	16	Nestlé	Switzerland	150
14	8	Berkshire Hathaway	US	150
15	21	BP	UK	142
16	26	Roche	Switzerland	133
17	25	Novartis	Switzerland	131
18	22	China Construction Bank	China	128
19	24	Total	France	128
20	31	Pfizer	US	119
21	18	JP Morgan Chase	US	118
22	11	HSBC	UK	115
23	20	IBM	US	113
24	28	BHP Billiton	Australia/UK	112
25	23	Toyota Motor	Japan	110
26	40	GDF Suez	France	108
27	30	Volkswagen	Germany	107
28	29	EDF	France	105
29	36	Vodafone Group	UK	105
30	34	Coca-Cola	US	105

Source: Financial Times

* Market values as at 31 December 2008.

has grown from 15,000 to 103,000 in the last five years, and shows little sign of slowing. There is no shortage of eager candidates. Infosys still receives more than one million applications for jobs each year.

China will increasingly become a service-based economy. In 2005, the mayor of Shanghai asked the 55 CEOs on his International Business Leaders Advisory Council to suggest how Shanghai might become the world's leading services centre. In 2006, the focus was on innovation, 2007 on climate change and planting trees in Shanghai, 2008 reviewing 20 years of progress in Shanghai and releasing sturgeon into the Yangtze River. Similarly, India will seek to be a manufacturing centre for the world and not just focused on services.

Who would have thought that Ratan Tata would buy Corus, the re-branded British Steel (the new name created by one of our Branding & Identity companies), or that the

underbidder would be a Brazilian company? In addition to Tetley Tea, Tata also acquired Jaguar and Land Rover at the top end of the car industry. At the bottom end, it is launching the Nano at 100,000 rupees (£1,300) – the cheapest car in the world.

Big and getting bigger

It is difficult for the West to comprehend the scale of Asia Pacific's potential development. China is not just one country; it consists of more than 30 provinces, with so many languages and dialects that Mao Tse Tung needed an interpreter. The population may well be closer to 1.5 billion rather than 1.3 billion. The Chinese government consistently seems to underestimate its statistics, like those for GDP growth, but it is still equivalent to four or five Americas. Likewise, India's 1.2 billion plus population covers 27 states.

It is also true maybe that only 200-300 million Chinese can currently afford the goods and services we are marketing to them. However, this is already equivalent to almost an America and is a dynamic situation, one that will change rapidly in the coming years. Already there are 650 million mobile phone subscribers in China. Of those, 460 million subscribe to one company, China Mobile (one of the top 10 most valuable world brands) – equivalent to one-half more than the total population of the US.

Furthermore, India, itself equivalent to three to four Americas, seems to have been stimulated into more rapid growth, driven perhaps by neighbourhood envy and the Chinese model of state-directed capitalism – although India bills itself as the world's fastest-growing democracy.

Look at the dogfight for the Indian phone operator Hutchison Essar, which Vodafone won in a market growing by more than five million subscribers a month, just like China – 250 million, growing to 500 million in a few years time.

This really is back to the future. In 1820, China and India generated around 49% of worldwide GDP. But by the early 19th century, Meissen and Wedgwood were undermining the high-quality, high-price Chinese porcelain industry with similar quality, but low-priced products. It is the exact reverse today. China and India are forecast to be headed for the same share of world GDP in 2025 that they had in the 18th century, having bottomed out at 8% in 1973.

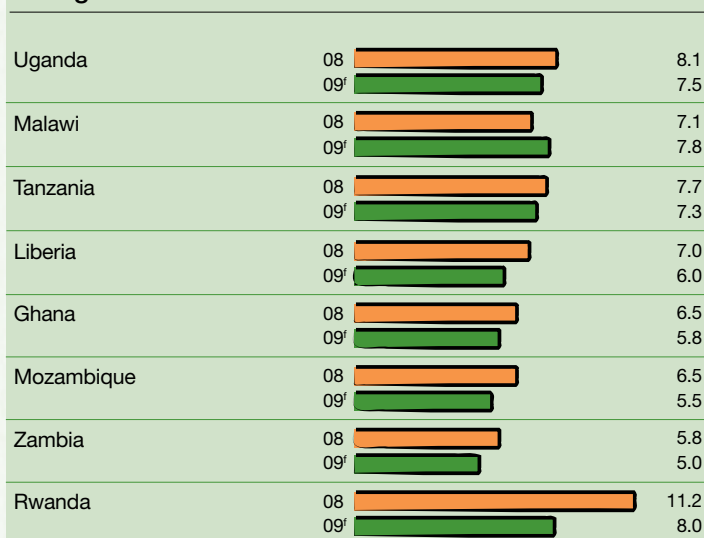
China's development has been rapid and will continue, but not without bumps. The government is conscious of overheating and an imbalance in rates of development between the coast and the hinterland. There has, it is true, been a slowdown in 2008 and the prospects for 2009 are more challenging, but the government has set targets of growth for GNP at 8%. Fears of social unrest will push the government to implement more fiscal stimulus if necessary.

If there was one single clear demonstration of China's arrival it was last year's Olympics and Gordon Brown's seemingly stunningly successful G20 summit. Few self-respecting multinational companies bent on expanding into China or national company seeking to grow inside or outside China missed out on the branding opportunity presented by Beijing 2008. The Chinese government committed \$45 billion of investment around the Games, in contrast to London's \$14 billion for 2012. Beijing was a whopper and it will not end there. The Municipality of Shanghai will be investing \$3 billion in Expo 2010 and there will be the Asian Games, in Guangzhou, again in 2010.

Watch out for increasingly subtle Chinese military and economic influence, too. Take the recent economic contact with Fidel Castro in Cuba to counterbalance Taiwanese tensions. Or Chinese investment in Galileo's GPS systems, which drew a coruscating response from the Pentagon. Equally, Beijing will not be prepared to rely on America to defend its vital and growing energy supply interests in the Middle East and Russia, as its recent energy deal with Russia showed. It is busily building trade bridges throughout the oil- and energy-producing regions of the world, particularly Latin America and Africa.

Beijing is changing the political dynamics of Africa in particular, with more than 800,000 Chinese participating in projects there. Increasingly, Africa is the continent of opportunity, rather than war, disease and poverty. President Gadaffi's volte face has energised north Africa and Egypt, and China's focus has drawn the attention of Western governments seeking to curry favour, too. We at WPP have recently invested in Smollan and The Jupiter Drawing Room in South Africa and Scangroup in Central and North Africa.

GDP growth in Africa %



Source: IMF; Republic of Uganda, United Republic of Tanzania; Republic of Tanzania; Republic of Zambia; National Bank of Rwanda
f Forecast.

The other challenge to American dominance may well come from the Muslim world. Already, Muslims number 1.6 billion people or a quarter of the world's population. By 2020, they will account for 2.1 billion or 30% of the world's projected population. The recent struggles in Afghanistan and Iraq, and continued tension with Iran, really only continue the 1950s Suez conflict, the oil price increases of the 1970s and the invasion of Kuwait in the 1990s. Westerners have made little attempt to understand the Islamic mind and assume wrongly that Muslims share their value systems. They are different and it will be increasingly necessary to make a serious and sincere attempt to understand them – something President Obama's administration clearly grasps.

The US: not out just yet

None of this, however, should downplay the continuing importance of the US. Failure to understand the significance of North America remains a risky move even in these troubling times. Take investment banking. A quarter century ago, SG Warburg, Morgan Grenfell, Schroders and Flemings could be counted as strong European brands. Today, they have virtually disappeared. Despite recent catastrophes, large American banks, such as Goldman Sachs, Morgan Stanley, Bank of America, JP Morgan Chase and Citigroup (but no longer Bear Stearns and Lehman Brothers), dominate the industry, although boutiques focusing on investment banking relationships, rather than trading, may become fashionable again.

A few years ago, strong European talent might have expressed misgivings about working in American multinationals. Today, these businesses are more sensitively run and still offer more interesting, intellectually-stimulating global opportunities and challenges. The European-based businesses that remain, such as Deutsche Bank, UBS and Credit Suisse, still face the challenge of establishing a good market position in the US.

Neither is it easy to find European-based global companies. BP and Shell certainly get it, as do Unilever and Nestlé. So does Daimler, although Jurgen Schremp's global strategy has been dismantled. Vodafone, GlaxoSmithKline, AstraZeneca, L'Oreal and Sanofi-aventis are other good examples, although doubts in some cases remain. There are not many more.

American influence is still ubiquitous. The world has not been globalised in the way the late Professor Theodore Levitt forecast, where consumers around the world bought similar products, marketed in the same way everywhere. Indeed, Levitt admitted as much in an interview to celebrate the 20th anniversary of his article, saying he was exaggerating to make a point.

Truly global products only account for around 10-15% of our worldwide revenues. In fact, consumers are probably more interesting for their differences than their similarities.

Recent political developments support this – the collapse of the Soviet Union, the break-up of Yugoslavia, devolution in Scotland and Wales and Basque nationalism. Moreover, the European Union is really a supply-side led phenomenon, harmonising production and distribution, rather than demand. On January 1, 1993, a Euro consumer was not born.

What has been going on may well not be the globalisation of world markets, but their Americanisation. Not in the sense that upsets the French or the Germans and results in the banning of Americanisms from French commercial language – an objection to the cultural imperialism of Coke, the Golden Arches or Mickey Mouse. More in the sense of the power and leadership of the US. In most industries, including our own, the US still accounts for almost half of the world market. And given the prominence of US-based multinationals, you could argue that almost two-thirds of the advertising and marketing services sector is controlled or influenced from there. If you want to build a worldwide brand you have to establish a big presence in the world's largest market – the US.

At WPP, 18 of our top 50 clients are headquartered in Europe, three in Asia Pacific, one in Latin America and 28 in the US. Almost all of the latter are located in the north-east quadrant created by Chicago, Detroit, New York and Washington.

BrandZ™ Top 20 risers 2009

Year-on-year brand value growth

Brand	% Brand value growth	% Brand contribution growth
China Merchant's Bank	168%	-13%
BlackBerry	100%	3%
Amazon	85%	17%
Wendy's	72%	7%
AT&T	67%	14%
ALDI	49%	13%
Auchan	48%	4%
Vodafone	45%	10%
Johnnie Walker*	42%	44%
Kronenbourg 1664	41%	-2%
Google	40%	1%
O ₂	36%	17%
ICBC	36%	-16%
Rolux	35%	0%
Movistar	34%	5%
McDonald's	34%	0%
BBVA	33%	10%
Marlboro	33%	9%
Chivas*	30%	27%
Nespresso	27%	-5%

Source: Millward Brown Optimor

* Brand contribution increases for Chivas and Johnnie Walker are a result of greater BrandZ coverage in Asia, where consumers are strongly bonded with these brands.

Top 20 US advertisers 2008

Ranked by total measured ad spending* \$m

2008 rank	2007 rank	Advertiser	2008	2007	% change
1	1	Procter & Gamble	3,131	3,384	-7.5%
2	2	Verizon Communications	2,234	2,124	5.2%
3	4	General Motors	2,037	1,840	10.7%
4	3	AT&T	1,902	2,118	-10.2%
5	5	Time Warner	1,382	1,647	-16.1%
6	7	Johnson & Johnson	1,315	1,328	-1.0%
7	10	News Corp	1,302	1,208	7.8%
8	14	General Electric	1,144	972	17.6%
9	9	Walt Disney	1,133	1,236	-8.4%
10	13	Macy's	970	1,001	-3.1%
11	12	Toyota	966	1,013	-4.6%
12	6	Ford	956	1,371	-30.2%
13	8	Sprint Nextel	876	1,241	-29.4%
14	15	Glaxosmithkline	840	966	-13.0%
15	25	Wal-Mart Stores	832	502	65.8%
16	16	Sony	802	947	-15.3%
17	22	Berkshire Hathaway	799	736	8.6%
18	20	McDonald's	792	779	1.7%
19	17	Nissan Motor	789	920	-14.2%
20	23	Yum! Brands	784	728	7.6%

Source: TNS Media Intelligence

* Measured spending in TV; magazines; newspapers; radio; outdoor.

BrandZ™ Top 100 Most Powerful Brands 2009

Top 20 global brands by value \$m

Ranking change	Brand	Brand value 2009	Brand value 2008	Brand value 2007	% chg 09 vs. 08	% chg 08 vs. 07
1 =	Google	100,039	86,057	66,434	16%	30%
2 +1	Microsoft	76,249	70,887	54,951	8%	29%
3 +1	Coca Cola*	67,625	58,208	44,134	16%	32%
4 +2	IBM	66,622	55,335	33,572	20%	65%
5 +3	McDonald's	66,575	49,499	33,138	34%	49%
6 +1	Apple	63,113	55,206	24,728	14%	123%
7 -2	China Mobile	61,283	57,225	41,214	7%	39%
8 -6	General Electric	59,793	71,379	61,880	-16%	15%
9 +2	Vodafone	53,727	36,962	21,107	45%	75%
10 =	Marlboro	49,460	37,324	39,166	33%	-5%
11 +2	Wal-Mart Stores	41,083	34,547	36,880	19%	-6%
12 +6	ICBC	38,056	28,004	16,460	36%	70%
13 +38	BlackBerry	36,513	13,734	2,802	166%	390%
14 -5	Nokia	35,163	43,975	31,670	-20%	39%
15 -3	Toyota	29,907	35,134	33,427	-15%	5%
16 +8	UPS	27,842	30,492	24,580	-9%	24%
17 -1	HP	26,745	29,278	24,987	-9%	17%
18 -1	BMW	23,948	28,015	25,751	-15%	9%
19 +10	SAP	23,615	21,669	18,103	9%	20%
20 +3	Disney	23,110	23,705	22,572	-3%	5%

Source: Millward Brown Optimor

* The brand value of Coca-Cola includes Diets, Lites and Zero.

That American strength is based on three factors. First, the size and power of the American market: more than 300 million people in a relatively homogeneous market. Despite the European Union being almost twice the size, it is much more heterogeneous. Second, the power and size of US capital markets. Current difficulties aside, America is still the cheapest place to raise debt or equity capital, although more detailed disclosure requirements are discouraging some. Finally, because of its strength in technology, it is hard to think of many areas where it does not lead. Third-generation mobile phones are one, but given the prices European companies paid for the privilege, the distinction is dubious.

The eclipse of regional management?

The issues described above will demand new thinking from the world's multinational companies. As US-centric corporations, for example, seek to develop their businesses and extend their reach into more heterogeneous markets, the balance of organisations will shift. There will continue to be a focus on global, max or core brands, with sales of more than \$1 billion, to counterbalance the power of global retailers and allow companies to become less dependent on the US markets. For instance, Coca-Cola's geographic coverage of a quarter in North America, a quarter in Latin America, a quarter in Europe and a quarter in Asia Pacific will become more the norm, rather than Pepsi-Cola's 55% in the US.

At the same time, more sensitive local organisations that respond more readily to national opportunities and challenges will be required. The past 10 to 15 years have seen, quite rightly, a diminution of the power of country managers, as companies sought to reduce needless duplication and stimulate the sharing of knowledge. Eradicating geographic silos and fiefdoms made sense. But as country-based organisations have become more complex and sizeable, there may be a need to develop more focus at a local level.

Several clients have started to re-build country organisations and re-appoint country managers or ambassadors, particularly as their organisations become more complex at a country level and they need to cultivate governmental or academic influence.

As a result, regional management has come under scrutiny. With the development of technology and communications, organisational span-breakers may not be so necessary. In addition, given the complexity of regional tasks, regional managers become glorified financial directors. The average advertising agency regional director in Europe, for example, may have to cover 100 offices in a 250-day working year. It would be difficult to add significant value while spending an average of one to two days in each office a year, even if he or she travelled constantly.

At WPP, we are experimenting with two new organisational responses. First, Global Client Leaders to manage at least the 30 biggest clients across WPP on a worldwide basis. Second, WPP Country Managers focusing on three key issues – people, local clients and acquisitions. Both responses cause angst to our operating company or tribal leaders who continue to have primary organisational control. Both cut across traditional organisational structures. Both demand new ways of working together, denying turf, territory and ego. Both raise questions about motives, methods and values. But both are necessary, responding to client needs and developments. Organisations are becoming more and more networked, less and less pyramidal. Perhaps the 21st century is not for tidy minds.

Furthermore, as the balance of economic power shifts, there will have to be similar shifts in power within corporations. Salary increases, benefits, STIPs, LTIPs, share options, restricted stock allocations, capital expenditure, for example, will have to be allocated more fairly, as growth favours these faster-growing markets. This will mean that Anglo-American or American-Western European management cliques will have to open up, as, for example, Unilever has done, with over 400 Indian managers already exported around the world in senior positions. There will be more.

Not so below-the-line

Another big change is informing the way we do business: the growth of marketing services – especially digital – as a proportion of our total business. Advertising and Media Investment Management – which concentrates historically on traditional areas such as television, radio, newspapers, magazines, outdoor and cinema – has grown well in recent times and led the industry out of the last recession. But its overall share has declined as supposedly less sophisticated, less global and less-developed marketing services have gained. These areas are Information, Insight & Consultancy, Public Relations & Public Affairs, Branding & Identity, Healthcare and Specialist Communications – particularly direct, interactive and internet communications.

Marketing services have grown more quickly for two reasons. First, network television pricing has risen faster than inflation, to the disquiet of big advertisers. Procter & Gamble, the world's biggest advertiser, Unilever, Coca-Cola and American Express have all registered voluble protests in recent times. They are sick and tired of paying more for less.

In 2003, in the upfront network buying season, cost per thousand rose by an estimated 15-22% against an expected 7-12% – this against general price inflation of 3%. In 2004, upfront pricing continued to outpace inflation, cost per thousand rising by 6-7%. 2005 saw more softening, but prices still grew faster than inflation at around 4-5%.

Growth of media in major markets 2004-2009 %

Television	2004	2005	2006	2007	2008 ^f	2009 ^f
North America	11.8	1.2	5.9	-0.6	2.0	-2.5
Latin America	16.5	14.3	14.2	11.1	10.8	8.9
Western Europe	7.9	4.0	2.4	4.3	-2.3	-2.3
Emerging Europe	24.5	27.2	24.2	22.8	16.9	-3.5
Asia Pacific (all)	11.4	7.4	9.4	6.9	3.0	3.5
North Asia ¹	18.6	16.7	22.1	13.3	13.4	9.4
Asean ²	27.5	14.1	13.8	8.2	7.7	5.9
Middle East & Africa	19.5	2.9	18.5	25.0	19.5	11.5
World	11.6	4.9	7.5	4.7	3.2	0.3
Radio	2004	2005	2006	2007	2008 ^f	2009 ^f
North America	0.2	0.3	1.2	-3.2	-6.0	-8.1
Latin America	9.4	14.7	6.1	11.4	13.1	7.2
Western Europe	8.8	4.4	1.7	3.7	-1.4	-2.4
Emerging Europe	25.5	19.8	34.6	29.4	7.8	1.0
Asia Pacific (all)	4.2	2.2	19.5	5.3	5.2	0.4
North Asia ¹	0.9	0.4	177.5	20.4	22.8	5.7
Asean ²	11.1	7.3	3.2	1.8	8.1	1.3
Middle East & Africa	36.5	18.8	6.2	30.4	17.5	-1.0
World	4.2	3.1	5.3	2.5	-0.6	-3.5
Newspapers	2004	2005	2006	2007	2008 ^f	2009 ^f
North America	7.2	1.6	-1.8	-3.4	-5.6	-7.6
Latin America	12.4	16.4	8.6	14.7	4.4	3.6
Western Europe	4.2	1.2	2.2	2.9	-5.4	-5.1
Emerging Europe	26.3	-9.6	14.7	9.7	6.1	-10.2
Asia Pacific (all)	8.1	1.4	-4.3	2.4	-1.2	-0.4
North Asia ¹	8.6	1.7	-13.9	5.6	8.7	3.0
Asean ²	20.4	4.0	1.3	10.7	10.0	3.1
Middle East & Africa	21.7	15.2	9.8	18.9	12.2	8.8
World	7.2	1.9	-0.1	1.8	-3.1	-3.9
Magazines	2004	2005	2006	2007	2008 ^f	2009 ^f
North America	9.1	5.6	1.8	5.9	-5.1	-6.9
Latin America	8.5	23.8	7.7	8.9	8.8	5.5
Western Europe	2.5	0.9	2.6	1.0	-3.3	-4.1
Emerging Europe	22.9	57.5	16.5	8.7	9.8	-9.1
Asia Pacific (all)	2.3	18.6	2.3	0.1	-6.7	-3.8
North Asia ¹	8.8	15.1	15.2	11.3	10.2	5.8
Asean ²	20.8	7.4	8.1	-3.0	5.4	2.8
Middle East & Africa	22.6	24.1	12.4	12.7	12.5	7.3
World	6.5	7.2	2.9	3.9	-3.7	-5.4
Cinema	2004	2005	2006	2007	2008 ^f	2009 ^f
North America	22.5	19.7	14.7	8.9	5.6	3.9
Latin America	88.2	16.7	21.5	0.3	7.0	6.5
Western Europe	-0.1	-0.8	-3.4	0.4	-5.1	-3.3
Emerging Europe	24.2	22.7	25.7	15.1	22.1	-0.4
Asia Pacific (all)	20.1	24.8	6.9	58.8	-3.1	-4.2
North Asia ¹	-62.5	-41.0	39.2	58.4	-7.8	-21.7
Asean ²	39.4	26.2	10.4	110.2	-6.3	-5.3
Middle East & Africa	45.3	61.3	-23.0	8.4	0.1	15.3
World	10.4	9.3	4.3	8.5	0.4	0.3
Outdoor	2004	2005	2006	2007	2008 ^f	2009 ^f
North America	19.0	10.1	8.5	3.3	3.4	2.0
Latin America	18.4	20.9	5.6	1.8	7.8	6.8
Western Europe	6.8	4.6	5.1	3.7	-2.3	-0.7
Emerging Europe	26.4	29.0	29.3	17.0	7.0	-11.6
Asia Pacific (all)	3.5	19.9	9.6	5.8	5.6	3.2
North Asia ¹	4.7	13.3	21.4	8.8	9.6	7.3
Asean ²	33.2	14.9	13.0	11.7	14.9	-5.8
Middle East & Africa	30.6	19.6	31.6	49.5	3.9	12.8
World	8.9	13.9	9.6	6.4	3.2	1.0
Internet	2004	2005	2006	2007	2008 ^f	2009 ^f
North America	32.1	31.0	27.6	26.4	17.2	5.6
Latin America	29.4	23.6	52.2	60.5	33.1	26.8
Western Europe	56.0	80.4	68.1	41.0	23.6	9.9
Emerging Europe	104.6	113.3	68.5	76.5	37.3	16.7
Asia Pacific (all)	54.2	92.4	33.5	32.5	28.2	20.5
North Asia ¹	53.2	66.4	40.3	52.3	49.5	36.5
Asean ²	45.3	50.0	36.7	49.4	45.8	22.5
Middle East & Africa	134.7	641.3	24.4	-5.8	57.9	27.1
World	40.0	51.7	38.2	32.5	21.9	10.8

Source: GroupM

f Forecast.

¹ China, Hong Kong, South Korea, Taiwan.² Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam.
(Figures rounded up.)

NBC was particularly hit hard – dropping \$900 million in revenues, with pricing, programming and late bargaining issues combining to cause significant issues.

Although the pressures on network television intensified in 2006, network cost per thousand probably rose by 4-5%, still faster than general price inflation of 3%. In 2007, network cost per thousand again rose faster than general price inflation and, even with the acute economic pressures

of 2008, US network television may have increased in cost relatively. Imagine what would happen in the car industry if the price of steel rose consistently by 10% against general price inflation of 3%. Manufacturers would use less steel or find a substitute. That is what is happening in our industry, too. Marketing services, digital and even other traditional media such as radio, outdoor and cinema advertising are becoming more acceptable substitutes.

Don't expect network television, however, to disappear any time soon. It will remain important. If we were starting a multinational packaged goods company from scratch, we would still use network television to influence the largest number of people in the shortest time at the lowest cost. Clients still need reach, but it isn't what it was. In the US, for example, primetime network television used to claim 90% of households. A few years ago it was 50%; today it is perhaps only 33%. There are, of course, still programs with significant global or national reach, such as the World Cup final (500 million); the Olympics (400 million in a normal year – but an audience of over two billion for the opening ceremony in Beijing in 2008); the Super Bowl (90 million); and the Academy Awards (35 million).

The largest regular live event audience, however, is none of the above. It is the Chinese New Year Gala on CCTV in China, Asia and elsewhere, watched consistently by more than one billion. These events remain in relatively fixed supply with the pools of money chasing them stable or growing. As a result, their prices are bid up. That is why a 30-second Super Bowl advert still costs around \$3 million and an Academy Awards slot around \$1.5 million.

This is not a situation that can last, particularly when significant segments of the viewing population seem to go missing. Phenomena such as the disappearance of young American men on Monday nights – perhaps gaming on the internet or watching sport in bars – and the defection of housewives from soap operas have prompted changes to the way audience figures are compiled. Nielsen and our own Kantar Media research and IBOPE technology now include out-of-home and internet audience figures.

More media, more measurable

Another reason marketing services have grown more quickly is media fragmentation. The old media have become more sophisticated and the new media have proliferated. Technology has improved the effectiveness and development of cable and satellite television, newspapers and periodicals, radio and outdoor, while spawning new media in direct, interactive and the internet. Many of these new media are more measurable and more targeted.

Media consumption habits change with every generation. Look at what a four-year old can do with a computer in a few hours or what bloggers and hackers do with a clear conscience and different value systems. Decision-makers in media owners and agencies tend to be in their fifties and sixties; their children and grandchildren are shifting in ever greater numbers to multi-tasking on the web, personal video recorders (PVRs), video-on-demand, iPods, video iPods, iPhones, mobiles, podcasts and multi-player internet games. Declining newspaper readership, particularly among younger people, and the resultant collapse of established titles, are alarming.

Principal sources of annual media growth Absolute contribution in %

	2006	2007	2008'	2009'
North America	30	17	10	-705
US	27	14	4	-664
Latin America	7	7	16	207
Brazil	2	3	8	117
Western Europe	22	25	-7	-252
Emerging Europe	12	13	23	-130
Russia	6	7	14	-150
Asia Pacific (all)	26	30	44	624
India	2	3	5	54
North Asia	17	19	55	633
China	20	17	51	583
ASEAN	3	3	7	55
Middle East & Africa	4	8	15	156
Gulf States and Pan-Arab	2	2	6	53

Principal sources of annual media growth Contribution in \$bn

	2006	2007	2008'	2009'
North America	8,070	4,543	1,111	-5,538
US	7,294	3,626	406	-5,218
Latin America	1,811	1,852	1,806	1,625
Brazil	554	689	944	921
Western Europe	5,895	6,607	-822	-1,984
Emerging Europe	3,126	3,288	2,671	-1,018
Russia	1,501	1,936	1,624	-1,180
Asia Pacific (all)	6,976	7,772	5,141	4,903
India	638	714	633	422
North Asia	4,687	5,071	6,431	4,972
China	5,406	4,483	5,894	4,580
ASEAN	707	754	771	436
Middle East & Africa	1,104	2,076	1,681	1,226
World	26,982	26,138	11,588	-786

Source: GroupM
f Forecast.

PVRs enable viewers to download television programs on to a hard disk. You can create your own television channel, recording programs for screening when you want to see them, and to build a library, as an iPod does with music. A PVR also allows you to time-shift programs as you watch, stopping for breaks whenever you wish. It cannot be long before they are standard equipment in television sets.

What has made observers particularly excited about the PVR is its ability to fast-forward or skip commercials. Market research in the US indicates that consumers like to fast-forward advertisements – although they stop at beer commercials for fun and car commercials for information.

Principal sources of annual media growth: BRIC and Next 11

Absolute contribution in %

	2006	2007	2008'	2009'
BRIC	30.0	30.0	78.0	604.0
Brazil	2.0	3.0	8.0	117.0
Russia	6.0	7.0	14.0	-150.0
India	2.0	3.0	5.0	54.0
China	20.0	17.0	51.0	583.0
Next 11	3.6	7.0	17.1	178.4
Bangladesh	0.1	0.1	0.1	0.1
Egypt	0.7	0.4	6.8	55.0
Indonesia	1.0	1.2	4.1	61.5
Iran	–	–	–	–
Mexico	1.9	1.9	2.6	36.1
Nigeria	0.1	0.5	1.0	13.3
Pakistan	0.0	0.3	-0.2	1.5
Philippines	0.3	0.4	0.3	8.3
South Korea	-3.7	0.9	2.1	35.1
Turkey	2.7	1.0	-0.4	-44.8
Vietnam	0.5	0.3	0.7	12.3

Principal sources of annual media growth: BRIC and Next 11

Contribution in \$bn

	2006	2007	2008'	2009'
BRIC	8,099	7,822	9,095	4,743
Brazil	554	689	944	921
Russia	1,501	1,936	1,624	-1,180
India	638	714	633	422
China	5,406	4,483	5,894	4,580
Next 11	1,018	1,756	2,085	1,460
Bangladesh	21	8	19	22
Egypt	197	115	788	433
Indonesia	269	315	470	484
Iran	–	–	–	–
Mexico	500	484	302	284
Nigeria	39	142	121	105
Pakistan	24	32	62	46
Philippines	81	96	38	65
South Korea	-988	233	249	276
Turkey	737	253	-48	-352
Vietnam	138	77	84	97

Source: GroupM
f Forecast.

We could do most of this previously with video recorders, of course, and the key question remains the amount of time viewers will continue to devote to television. In some PVRs, the skip button has been omitted and fast-forward speeds limited. In others, little boxes on the PVR screen will contain details of the ads being fast-forwarded.

Whatever the outcome, such devices will exert more pressure on network television and on agencies to develop stronger programming and sponsorship opportunities, along with even more creative advertising ideas. The same will be true of video-on-demand, another new and fast-developing technology. The premium on creativity can only grow.

Many executives are in denial. They believe – or hope – that radical change will not happen on their watch. Yet I know my consumption habits have altered over the past few years – more daily newspapers like *The Wall Street Journal* and the *Financial Times*, fewer periodicals. More cable and satellite television, less network. More web surfing and BlackBerry® e-mail. More continuous streaming of CNBC or Bloomberg.

I am less willing to wait for detailed analysis in weeklies or fortnightlies. I want news, together with commentary now. Why should I wait for 10 days for in-depth analysis of a merger announced on a Thursday night? By contrast, though, women seem to be increasing their magazine readership and *The Economist* powers ahead, having gone well past a one million circulation with increasing advertising revenues, even in these threatening times.

2.0 – more powerful than 1.0

The internet will continue to exercise us and our clients. After the dotcom implosion of 2000, it became fashionable to dismiss the web. However, WPP's smarter clients and those who missed out on opportunities in the 1990s have taken advantage of depressed values and a contrarian position. Web activity, broadly defined, currently accounts for around \$3.5 billion of WPP's revenues, or around 25%. It is growing rapidly. There are a number of reasons for this.

One is disintermediation, an ugly but useful word. Let's take an example from our own business. More than \$4 billion of WPP's revenues (post-TNS) comes from market research. Traditionally, research has been done on the phone and through the post. The process was long and cumbersome. A questionnaire had to be designed, distributed and filled in by consumers or interviewers. Then data was collected, analysed and conclusions developed. That could take three to six months. Many CEOs despaired that by the time the solution had been identified, the problem had changed. Using the internet, however, the research process can be transformed and responses obtained almost instantly. WPP's Lightspeed panel interrogates more than 17 million consumers globally and can deliver answers inside 24 hours. You may also be disintermediated by lower-cost business models. The gambling industry, for instance, has been shaken by the emergence of peer-to-peer sports betting sites, cutting out the traditional bookmaker.

Despite the relatively recent vicious compression in valuations and consequent losses, the financiers of new media



and technology companies still focus on sales, sales growth and market share, rather than on operating profits, margins, earnings per share and return on capital employed. The hour of reckoning, however, could be coming for some Web 2.0 companies. All, or virtually all, depend on advertising revenues for their growth and survival. There will be losers in the battle to capture those revenues and we may have reached a point in the investment cycle where revenues, operating profits and cash flow become paramount. Financing institutions and strategic investors may no longer continue to support excessive valuations by re-financing cash burn, particularly in the midst of the financial crisis. Even venture capital companies will be more picky about matching or raising pricing in the next round of financings and may cut off funding altogether and admit their mistake.

These problems, however, are nothing compared to those faced by traditional media owners, few of whom have managed to deal with new technologies. Take Craigslist, for example. Established in 1995 by Craig Newmark, the site provides largely free classified advertising to millions of users across the globe. The result – a massive reduction in classified advertising revenues for the traditional players. It is estimated that Craigslist costs newspapers in the San Francisco Bay area up to \$65 million a year in lost employment advertising.

The response from traditional classified advertisers is to produce their own free classified sites. The effect: a permanent reduction in classified advertising revenues, as established classified media owners justify their activities as necessary cannibalisation. If they don't eat their own children, someone else will do it for them. The internet is probably the most democratic phenomenon we have seen: free information or nearly free information breaking the tyranny or monopoly of distance.

Few newspaper or periodical publishers have mastered the connection with the new internet platforms. Rupert Murdoch's rapid and successful purchases of internet assets such as MySpace is one example. Similar initiatives have come from network television: NBC owned by GE with iVillage, and ITV in the UK with Friends Reunited (since revoked). Others such as *The New York Times* have made similar moves, but none seem to have been able to replace the lost revenues by new ones. And will NBC still be a part of GE in a few years? Will it be sold or spun-off? Will it merge with Yahoo! or another internet company? Will even *The New York Times* survive or face the fate of some US newspapers? The *Chicago Tribune* has filed for bankruptcy protection, the *San Francisco Chronicle* faces closure if a buyer cannot be found and the *Seattle PI* has gone to a wholly online model.

It is no longer enough just to be in the newspaper or network television business; you have to be in the communications business. This idea is not dissimilar to Professor Theodore Levitt's analysis of the horse and buggy in the context of the transportation industry. Rupert Murdoch is one of the few who seems to understand this.

Perhaps the mistake was not to charge for newspaper content on the web in the first place. It is easier to take the consumer down in price, rather than up. If you can't charge for content as strong as Condé Nast's *Vogue* or *The Wall Street Journal*, for example, when can you? It was interesting that Rupert Murdoch made it clear at Davos in 2008 that he would continue to charge for some *Wall Street Journal* content. Maybe the internet has resulted in a permanent reduction in the revenues and profitability of traditional media owners.

As a result, clients are re-examining the relative levels of their advertising and marketing services investment. The econometric analysis of media investment is becoming increasingly important. How much should we spend and through which media, have become ever more critical questions – the Holy Grail of advertising, the answer to which half of advertising is wasted.

The application of technology and the data it provides are important components to succeed in the new technology-based media. We had already invested through WPP Digital, GroupM, Kantar and our direct and interactive businesses, such as Wunderman, OgilvyOne, G2 and RMG Connect, before purchasing 24/7 Real Media. This was more than the acquisition of a digital agency – such as the acquisition of jewels like AGENDA, Aqua, Blast Radius, BLUE or Schematic. This was about the development of search technology, advertiser and publisher websites, the application of technology in general and media sales, and followed, on a much smaller and less lavish scale, Google's acquisition of DoubleClick and Microsoft's purchase of aQuantive.

With enough investment, we can reproduce any of the media planning and buying technology developed and have already accessed search revenues effectively. Unlike the media owners, we are not investing in a single technology or making technological bets. We are purveyors of media investment alternatives and, as long as we are not excluded from any single, powerful technology and have the talent to analyse the media alternatives, we will remain relevant and valuable to our clients. Unlike media owners, who unless they cover the media waterfront, are exposed to one technology or another.

Who stole my staff?

The internet and new media companies still tempt away your people. After the bankruptcies and failures of Web 1.0, many young people returned to the more traditional businesses they had left. WPP lost a number of such bright talents and later welcomed some back to the fold. I conducted re-entry interviews, and hoped to see and hear that the returnees were relieved to have their jobs back. Far from it: few grovelled. Instead they admitted that given the opportunity again, they would take it or seize a similar one. And recently, in the last year or two, with the emergence of the second internet



boom, it is clear there is another wave of bright, young people attracted to new technologies and opportunities within those companies.

Clearly, the era of apprenticeship inside large corporations is finished. It was weakened by the corporate downsizing of the 1980s and 1990s, the final nail in the coffin coming with the internet boom of the late 1990s. Young, bright talent will always seek out new, flexible, un-bureaucratic, responsive companies. Staying with one company for 40 years or so – as my father did and both my parents advised me to do – no longer seems the best career choice. However, some recent polling and attitudinal analysis in the UK shows younger people want a better work-life balance. Hedge funds, for instance, have until recently proved more attractive than investment banks, offering fixed work times and not demanding all-night toil.

Google: friend or foe?

After Microsoft, who is the Dark Star? To some, Google fits the bill. It has a market capitalisation, despite recent volatility, of approximately \$110 billion (against a peak of \$235 billion), projected 2009 revenues of around \$24 billion, approximately 20,000 people and growing, and 67 offices. The stock markets are saying something about Google's valuation in relation to our own \$8 billion valuation, with approximately 60% of the revenues at \$15 billion and more than 110,000 people (excluding associates) in over 2,000 offices.

Put together the four largest communications services parent or holding companies – WPP, Omnicom, IPG and Publicis. You will have approximately \$41 billion of revenues and a \$23 billion market capitalisation – almost twice the revenue of Google, but only a quarter of the market value. To the CFO of Google, the laws of large numbers may start to operate at \$5 billion dollars of revenues, but Google's success is clear and its economic power substantial.

So is Google friend or foe? On the amicable side, we are its largest agency customer, forecast to spend approximately \$850 million this year (the Dell and AT&T search accounts are the third and fourth largest after eBay and Amazon).

That tells you a little about the nature of Google's business. Normally our media market share, according to RECMA, the independent organisation that measures scale and capabilities in the media sector, is around 25-30%. With Google it is around 5%, indicating a long tail and a heavy small- and medium-sized business-to-business connection. In a sense, Google is a mechanical Yellow Pages – opening up advertising to small- and medium-sized companies that did not advertise before.

In any event, Google clearly wants to work with us on building relationships with our biggest clients. We have run joint seminars on both sides of the Atlantic for some of our largest and most important clients to try to nurture mutual relationships and are building joint sales programs with

a Google sales team designed specially for us. We have also initiated, with Google, Harvard Business School and MIT, a \$5 million yearly research program on the effectiveness of advertising on the internet.

There is no doubt that Google has become friendlier as it has focused its business in the teeth of the recession and withdrawn from radio and print advertising. On the less friendly side, CEO Eric Schmidt says Google is targeting the advertising sector. Google has already taken several initiatives. It has run an experiment: wholesale purchasing of print media and retailing the space in smaller amounts to clients. It has hired creative people to write ads and one of our creative directors to be CMO. It has approached US clients to see if it can set up a direct, electronic media-buying exchange. Google is also looking at electronic media planning and buying models, which can be accessed through the web. It purchased dMarc, a radio internet-based company for \$100 million down and a three-year mother-of-all earnouts, possibly worth \$1.1 billion, although the principals have now left.

It has recently signed deals with Clear Channel in radio and Echo Star in television that make plain its desire to move into traditional media. Google has also concluded a billion-dollar deal with AOL, and Time-Warner has indicated in internal memos that it plans to co-operate with Google in television, print and other media. The opportunity exists, although it is doubtful if the traditional Time-Warner operating company verticals will be easily persuaded to give up on digital expansion and opportunities to meet their budgets and targets. It also offers, through Google Analytics, a free analytical service.

In 2006, Google made Rupert Murdoch's purchase of MySpace a stunning success with a \$300 million per annum, three-year deal for internet revenues. This against a purchase price of around \$680 million. And then it overcame its lack of success with video by buying YouTube for \$1.65 billion, despite little or no revenues and a bunch of copyright lawsuits, part of which were solved by making three music companies momentarily YouTube share owners and \$50 million richer on the morning of the sale. Finally, it gave Warren Hellman and Hellman & Friedman a return of 800-900% over two years on DoubleClick, paying over \$3 billion – 10 times revenues and 30 times EBITDA. Entry to the first round of the auction was 13-14 times EBITDA, which we could not reach.

This last transaction awoke the dragon. Microsoft initiated a heavy response, not only on regulatory fronts, but from transactions, too. Through DoubleClick, Google may control more than 80% of targeted and contextual internet advertising, along with much valuable client and publisher data. 2007's rumours were confirmed, as Microsoft bid for Yahoo! (and remains interested in its search business), aQuantive and others. Already, Yahoo! has paid an infinite EBITDA multiple for Right Media. Sane strategic moves or irrational exuberance?

All in all, Google is opening up the attack on many fronts. Perhaps too many, particularly when you consider the other theatres it is fighting in, such as book publishing and robots to the moon. One gets the impression it is throwing a lot of mud against the wall to see if any sticks – maybe sticking to mobile search would be best. Yahoo! has a different approach, working through its agency partners and believing in the power of people, rather than Google's greater focus and belief in technology. Certainly, even now, a combination of Microsoft and Yahoo! in any way will bring greater balance to the markets. Our clients and our agencies will favour a duopoly rather than a monopoly.

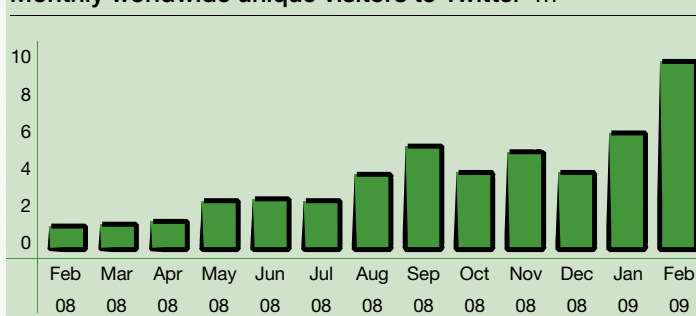
Perhaps, the biggest threat to Google is from within. As Warren Buffett pointed out in China a year ago, if Google was worth \$250 billion then (more than his own Berkshire Hathaway and in the top three US companies by market capitalisation after only 10 years), it would have to be worth \$350-400 billion in two or three years to justify that valuation. Ever since that comment, Google's market capitalisation has fallen. It may be the frustrations of a 76-year-old (and friend of Bill Gates) fuming that it took him 40 years to build a company to a value of \$235 billion – rather than 10 years. What's more, Sergey Brin and Larry Page were worth \$14 billion each and only in their mid-30s. In any event, recent data on click-through rates makes even Google look mortal and declines of market value on this scale threaten internal motivation and loyalty. Bright young computer engineers may be tempted to try venture capital opportunities in Silicon Valley, rather than continue to hold devalued equity.

In summary, Google is probably a frienemy or foe. Short-term friend, long-term foe although, more recently, Google has become a friendlier frienemy. After GoogleClick, the short term got shorter and the long term nearer, Warren Buffett used to say in the 1970s, when he invested directly in IPG and Ogilvy (at three times earnings), that agencies represented a royalty on the international growth of US-based multinationals. Perhaps today, parent company investment also represents a royalty on the growth of new media technologies.

The rise of public relations and public affairs

All these developments point to the increasing importance of one marketing discipline: PR and public affairs. The growth of the internet plays to the traditional strengths of PR and public affairs, where relationships need to be built with opinion formers and good editorial cannot be bought, only influenced. Blogs, social networks and customer websites are a new form of editorial, as important if not more important than the *New York Times*. Because they are fast and have a more intimate relationship with their readers, blogs can cause disproportionate harm to a brand – or conversely bring great benefit. PR can influence them in a way paid-for advertising cannot.

Monthly worldwide unique visitors to Twitter m



Source: comScore

PR will never replace traditional advertising but in the new electronic media, it is a measurable way of building a brand. Chinese and Indian manufacturers will need its services to bring their products to the West, as they go beyond being makers of cheap generic goods to creators of value-added brands. Equally, burgeoning global powers will need PR to smooth their ways to places of influence in the world. And the financial institutions blamed for the credit crunch will need to buff up their tarnished reputations. In all these cases, PR will help.

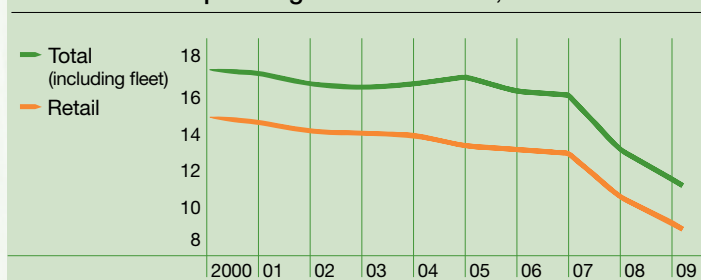


Overproduction, discounting and the hegemony of Big Retail keep our clients awake at night

The single biggest long-term issue facing clients in most industries is overcapacity. In fact, it is difficult to find many cases where the opposite is true.

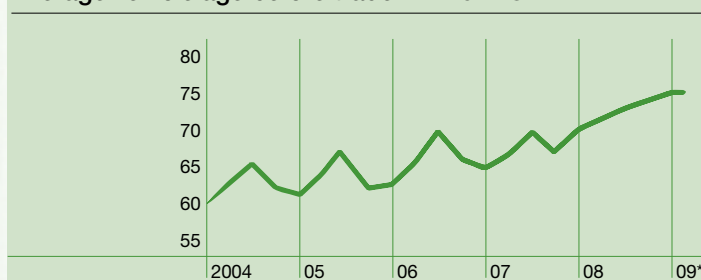
Tequila, perhaps, where it takes seven years to grow the herb. Or high fashion companies like Rolex and Hermes, where historically supply is limited – although in the current fiscal crisis conspicuous consumption is less acceptable. It is also true that commodity-based industries such as oil and steel faced undercapacity issues for some time, being overwhelmed by Indian and Chinese demand. But most sectors are facing problems similar to those in the car and truck industry, where companies can make 80 million units and consumers buy 60 million.

US sales of new passenger vehicles units, m



Source: JD Power Associates, Power Information Network

Average vehicle age before trade-in months



Source: JD Power Associates, Power Information Network

* Jan 1-25 only.

Overcapacity issues are particularly difficult to deal with in politically-sensitive industries like automobiles. Governments are not enthusiastic about shutting down capacity and increasing unemployment. They also like to increase capacity by offering inducements to locate new production facilities in development regions. Thus the best thing for the European car industry would probably have been for GM to absorb Fiat's production capability. But

Silvio Berlusconi, Italy's Prime Minister, could not countenance more unemployment in the Mezzogiorno. The same issue faced the British government with Rover – particularly during an election – resulting in subsidising workers to stay in work during the campaign and it faces the Obama administration with GM and Chrysler today.

The critical issue in the 19th and 20th centuries was how to produce goods and services, and to make sure they reached the consumer. In the 21st century, it is convincing the consumer to purchase products, services or brands in the first place. In such circumstances, differentiation becomes critically important and differentiation is what our business is about.

Historically, maintaining technical or product differences was easier. Today, keeping a technological lead is difficult. Product life cycles are being shortened and brand cycles lengthened. Again, an example from the car industry. Less than a decade ago it took, perhaps, five years to design, produce and market a car. Today, it can be done in 18 months. Facing faster and more aggressive Japanese, South Korean and German manufacturers, the Americans have been obliged to play catch-up. In future, Chinese and Indian manufacturers will stimulate further response.

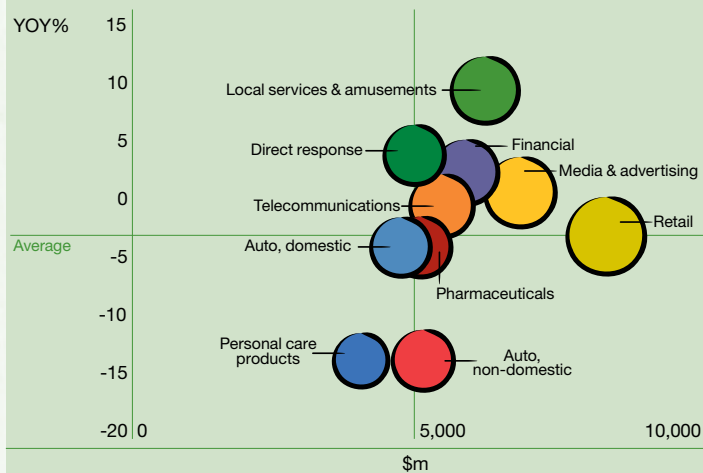
So intangible differentiation is becoming more important. Psychological, lifestyle and emotional differences are significant. The suit or dress you wear, the car you drive, the holidays you take, how you spend your leisure time – all say a lot about your personality and preferences. Some say such intangible appeal is immoral or at least unsavoury. Preying on people's vulnerabilities, it is argued, is unethical. Not so. We believe that fulfilling people's desires or dreams is almost always justifiable and satisfying for the consumer – and it is a key role for the advertising and marketing services industry.

Discounting – a profitless prosperity

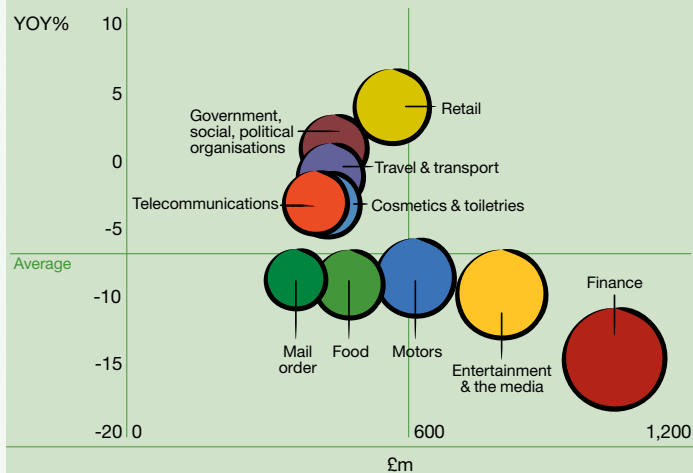
In a low-inflation, overcapacity market with little or no pricing power, many manufacturers have turned to price promotion and discounting. The best example is the car and truck industry. General Motors still seemed to believe until recently that it had a balance sheet advantage over its competitors, particularly in Detroit. Why else would it introduce heavily price-based competition such as five-year zero-coupon financing or discounts of \$4,000 to \$5,000 a unit? Probably, the most extreme case was Hyundai in Korea offering negative interest rates on financing – a form of cash giveback. One dealer in America offered a buy one, get-one-free deal on sports utility vehicles (SUVs). Luckily, it was a failure.

If you give cars away it is only to be expected that consumers buy them. No surprise, then, that the American auto market stood at 16 or 17 million units before the credit crisis, or that housing markets and house prices showed

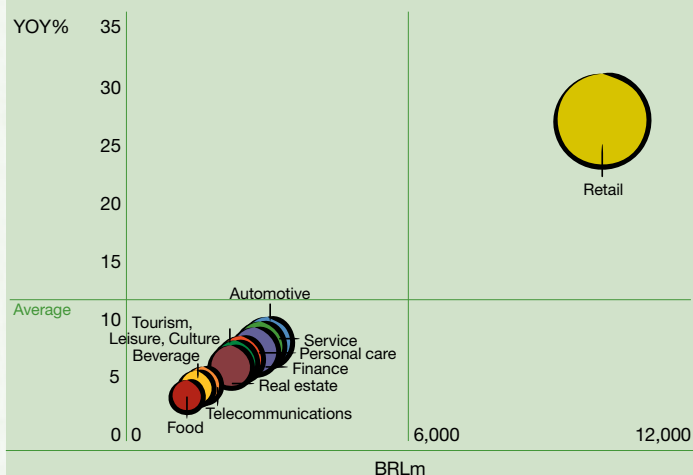
Top advertising categories 2008 US \$m



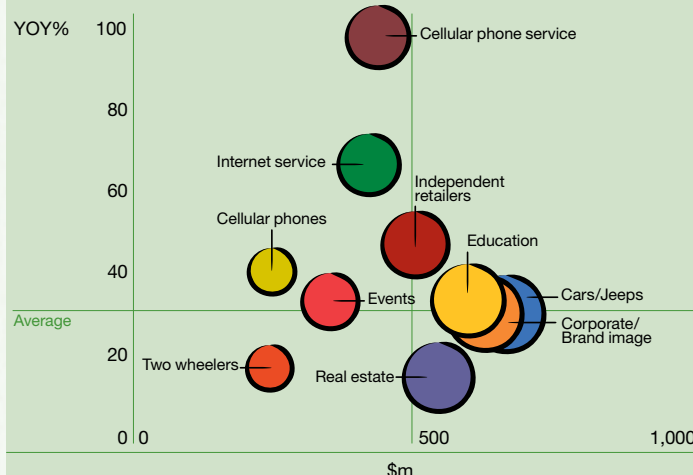
Top advertising categories 2008 UK¹ £m



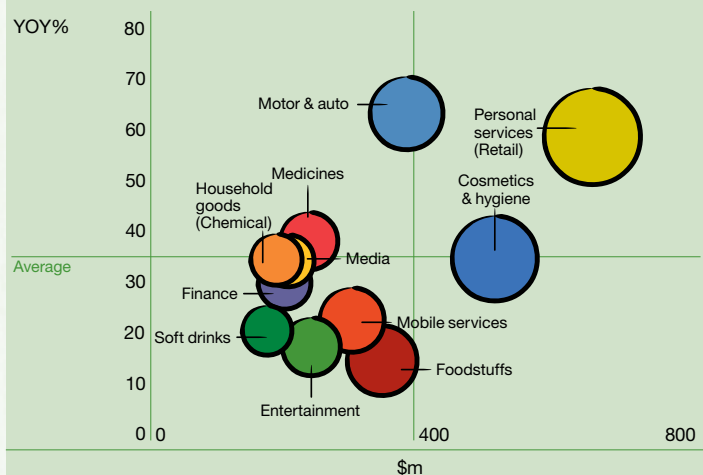
Top advertising categories 2008 Brazil BRLm



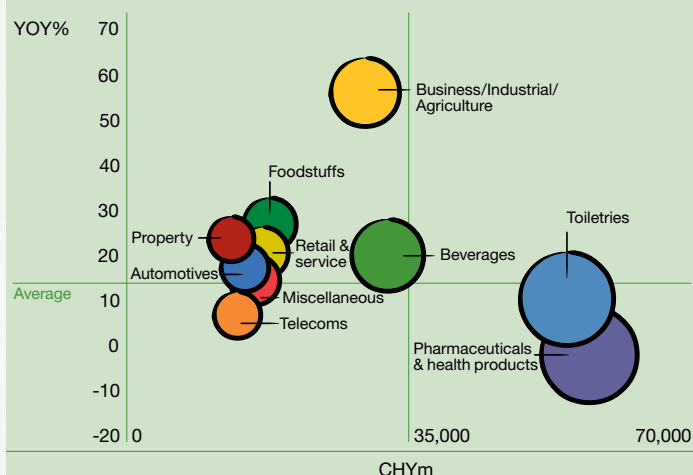
Top advertising categories 2008 India \$m



Top advertising categories 2008 Russia \$m



Top advertising categories 2008 China CHYm



Source: GroupM



similar buoyancy, when fixed-term money was being given away at such low interest rates, despite the shudders in the sub-prime markets.

The problem is that consumers grow used to such discounting and wait for new car or truck introductions and the discounting that goes with them. Auto manufacturers face profitless prosperity and break-even economics at full capacity. Hence the decision by Dieter Zetsche at Daimler to dispose of Chrysler (what did Cerberus do on branding?), and the strategies of General Motors and Ford to cut capacity. Interestingly, Japanese and Korean manufacturers, and some German ones too, have tended to resist excessive discounting, offering lower levels of \$1,000 or \$2,000. Instead, they concentrate on design, new products and branding to build a price premium, although even they have problems now.

If you focus on price, you build commodities. If you focus on innovation and differentiation, you earn a price premium and create brands. This seems to be the approach of Alan Mulally at Ford, as he brings a laser-like focus on the Blue Oval and disposes of peripheral brands. Conclusive evidence of the inadvisability of discounting came when General Motors had to lower its earnings forecast for 2008 by 80%. Recent comments and actions by GM do indicate a slight difference in approach and a shift to more focus on product although, even having taken government money GM (and Chrysler) face Chapter 11 bankruptcy. Of the Big Three, only Ford, who resisted the siren calls of government aid, looks solvent. More competition from the Chinese and Indians, particularly Tata, will ram the point home. Even now, China's Geely, a four-door, five-seat car, may be introduced into America, at under \$10,000. Price promotion just does not work. The product is key.

A similarly unfortunate trend is occurring in the food industry. Packaged goods companies continue to try to build share by discounting and price competition, particularly as distribution concentrates. They pay higher trade discounts and slotting allowances, and fund increased promotional activity.

Just like the media owners, the food manufacturers are being squeezed by a second factor – obesity. Diabetes is a pandemic and a huge area of public concern. Increasingly, commodity-like food companies find themselves in a weak position, in contrast to the health-based or wellbeing segments of the packaged goods industry, which do not suffer from the same phenomenon. Here, companies are more focused on product innovation, research and development or science, along with branding, to build stronger market shares. As a result, brands and margins are more robust and volumes greater.

Recent accounting changes in the US force companies to show gross and net sales, at least temporarily. As a result, more data is available on the balance between advertising and promotional spending. According to Cannondale, our marketing and channel management consultancy in the US, the average consumer packaged goods company spends 17% of sales on trade promotion (price cuts basically) and only 8.7% on brand-building advertising. Many CEOs know what they spend on advertising, but not on trade promotion. Often the latter exceeds the former, even in heavy-spending above-the-line companies.

It may well be that manufacturers will seek to cut trade spending and boost brand-building advertising, particularly at a time when the trade is consolidating at such a rapid rate. Bribing customers for distribution is a recipe for ruin. Again, it is branding and product differentiation that must come to the fore.

BrandZ™ Top categories 2009

Year-on-year growth in total category value

Category	Brand value growth
Mobile operators	28%
Soft drinks	24%
Coffee	18%
Fast food	16%
Beer	15%
Luxury	10%
Retail	7%
Spirits	5%
Technology	2%
Personal care	2%
Water	2%
Motor fuel	-5%
Financial institutions	-6%
Apparel	-9%
Cars	-22%
Insurance	-48%

Source: Millward Brown Optimor

Meanwhile, retail concentration continues

One of WPP's media partners sells 10% of its cover sales through Wal-Mart. To the media owner, this is life or death. To Wal-Mart it is a rounding error and the province of the third or fourth level of procurement, making the publisher's life a misery. More people visit Wal-Mart in the US in a week than go to church on a Sunday. Indeed, some have suggested that the supermarket chain is the new religion. Wal-Mart, with \$401 billion of sales, is the seventh largest 'country' by retail sales. It accounts for 8% of US retail sales, Tesco for 13% of UK retail sales. Both enjoy 30% of grocery sales in their domestic markets. At last year's Microsoft CEO conference, Lee Scott, then boss of Wal-Mart, targeted a doubling of its US market share to almost 20% of retail sales.

Some 15% of Procter & Gamble's worldwide sales already go through Wal-Mart. If this was a business unit on its own, it would rank among the world's top 50 FMCG companies. Other examples include Kellogg's at 20%, Kraft at 16% and PepsiCo at 12%.



Influence over and control of distribution is not a new issue. After all, advertising was developed in the 19th century by manufacturers to appeal over the heads of wholesalers or retailers direct to consumers. Increasing retail concentration – not only in the US but also in Europe and Latin America – will emphasise the importance of focusing on product innovation and branding, along with better understanding of point-of-purchase consumer behaviour and emphasis on packaging, display and retail design. After all, as a senior Asia Pacific Procter & Gamble executive said recently, depending on which P&G brand you are talking about, something between 30% and 80% of purchasing decisions are made at the point of sale. Procter calls it ‘the first moment of truth’. Pepsi chief executive Indra Nooyi calls for concentration on ‘retail theatre’, rather than lavish, costly TV commercials. Other FMCG leaders call for agencies to start with the shelf and not a 60-second TV commercial.

WPP believes an understanding of distribution and retail is essential and it is one of our core practice development areas. The Store, our global retail practice, links more than 900 professionals working on retail business and issues around the world, updating them on the latest developments and trends – subject to client confidentiality. Management Ventures – with more than 50 global retail analysts – along with Cannondale and Glendinning Associates, both experts in channel management, supplement and consolidate our knowledge of global retailing. TNS Retail & Shopper adds to our armoury.

In addition, OgilvyAction gives WPP an even broader distribution offer with its focus on product categories that have been denied access to traditional media. Our new acquisition, Smollan, has over 15,000 people focused on retail brand management in South Africa, China, India and, next, Brazil.

The quest for talent

While there is certainly too much production and capacity in general, one resource is in ever shorter supply in the 21st century – human capital. Every statistic points to a reduction. The slowing birth rate, declining marriage rates, higher divorce rates, more single-parent families, smaller families, ageing populations – all these factors are reducing the supply of talent. Even countries with strong, younger demographics, such as Mexico, will face similar situations by 2020. Some governments are trying to stimulate the birth rate. The Chinese government is said to be reviewing the one-baby policy and Russia is worried about its ageing 145 million population.

Western Europe and Japan face significant longer-term economic growth issues as a result of the declining proportion of young people and an overall population decline. The elected and then rejected Prime Minister Shinzo Abe of Japan

wanted to stimulate the Japanese birth rate, as one way of strengthening the economic growth rate. That is one reason why the rapid inclusion of Turkey into the EU is so important: another source of population growth, as well as immigrants to stimulate economic growth and access to the Muslim world.

All this points to the growing importance of attracting, recruiting, developing, training, motivating, incentivising and retaining human capital. In a less differentiated world, it will become more and more important for companies to stand out through the quality and responsiveness of their people. Making sure that your people buy into your strategy and structure will be increasingly important. Living the brand – operationally – will be critical.

Internal alignment drives success

Given the scale of strategic and structural change going on inside companies, one of the most important challenges facing CEOs is to communicate that change internally. Internal communication to secure internal alignment is, perhaps, a polite way of putting it. Probably the biggest block to progress for our clients – and perhaps ourselves – is internal politics. Turf, territory and ego prevent productive change. If the chairmen or CEOs of our clients saw what we saw, they would be horrified. If they and we devoted half the time that they or we spent on internal politics on the consumer, client or competition, they and we would be considerably more successful.

You could argue that most of the communication we co-ordinate is aimed at internal audiences rather than external ones. Some people, such as David Ogilvy and Allan Leighton (when long ago he was at Asda) have maintained that ensuring your internal constituencies are on side is often more important than external ones. Only when internal communications are working can your company talk positively to customers, potential customers, suppliers, potential employees, journalists, analysts, investors, government and NGOs.

Building such virtuous circles in a uni-branded company is one thing. Inside a multi-branded company such as WPP, which has grown by acquisition, our tribes operate independently to deal with dis-economies of scale and client conflict. Things are far more complicated. Trying to ensure over 110,000 people face in the same direction at the same time is not easy. On the other hand, once achieved, internal unison and common focus make a very powerful army.

It may not be fashionable to talk about charismatic or strong CEO leadership; the focus is more on the CEO as coach, mentor or team leader. But our experience is that the most successful companies with which we work have CEOs who understand the importance of the brand, have a strong vision and implement that through a strong CMO.

After all, at long last, it is understood that all business strategy is really marketing strategy, starting with the consumer and working backwards from there. Most of our companies develop internal communications through Advertising, Media Investment Management, Information, Insight & Consultancy, Public Relations & Public Affairs, Branding & Identity, and Healthcare and Specialist Communications. However, no single operating entity exists within WPP to execute internal communications on a worldwide basis. Still an opportunity for the future.

Politics and events remain key

We were spoiled in the 1990s. All you had to do was go into the office. With what we thought was a tightly-controlled Rubin/Greenspan US economy dominating and Friedmanite economics driving the global economy, life was relatively easy – despite the world's second-largest economic engine, Japan, being out of order for 12 years or so. Strong growth, low inflation and high, but not full levels of employment, drove a more than 10-year bull market, such as we have not seen since the 1920s.

The speculative blowouts around the internet in 2001 and 2002, and sub-prime and insurance monoline crises starting in October 2007 were perhaps inevitable and, given their size, lengthy corrections were necessary. Overall, the past seven or so years have had their share of pain.

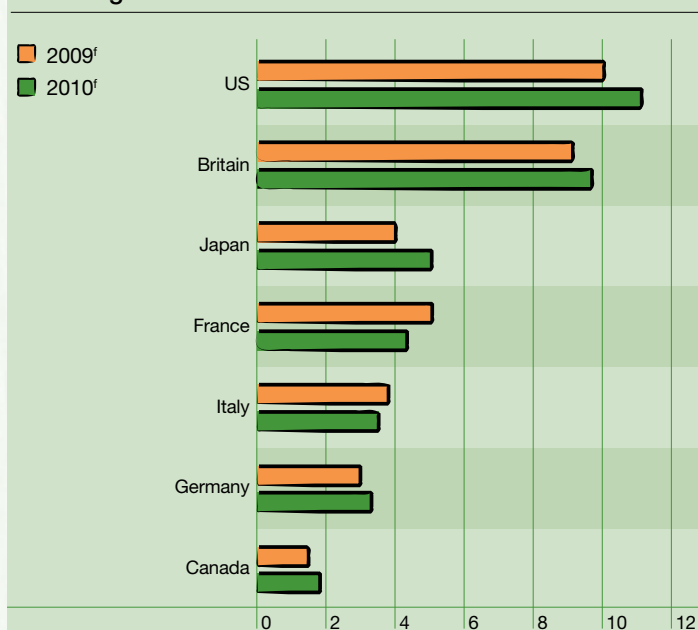
The US economy was in a political cycle in 2004, as the government used fiscal spending to stimulate the economy. Rates of growth in US government spending were back to where they were 35 years ago at the height of the Vietnam War. In 2005, the tragedy of Katrina, and the continuing demands of the wars in Afghanistan and Iraq continued to fuel the government spending spree. In 2006, the latter conflict continued the acceleration in government spending.

It is no accident that governments in many countries are the largest advertising spenders: ministries use marketing to reinforce their policies and build electoral popularity. Perhaps for political reasons, President Bush failed to deal with the twin fiscal and trade deficits. He chose not to raise taxes and Federal Reserve chairman Ben Bernanke did not hike interest rates even further.

All this was thrown into sharp relief by the sub-prime, insurance monoline, private equity and house price crises that started to hit hard in the third quarter of 2007. Everyone but Goldman Sachs seemed caught unawares – and even the masters of the universe were, for a short time. Economic policy is in sharp reverse, with massive injections of liquidity and significant lowering of interest rates being the cornerstones of the new economics, as banks continue to refuse to lend to one another and third parties.

Given the massive Keynesian fiscal stimulus of around \$13 trillion and counting being pumped into the world's

General government deficit as % of GDP



Source: Standard & Poor's
f Forecast.

economy through government spending and guarantees, there seems little doubt that the current difficulties will be overcome in the short term. After all, the US and UK have even resorted to quantitative easing or printing money. But what happens in the long term? There seem to be two possible routes. First, the hair shirt route of reducing government deficits by cutting state spending and increasing taxes, thus increasing unemployment and encouraging a higher propensity to save. All very painful stuff as we saw on a smaller scale in the 1970s and 1980s. (The three-day week and rubbish piling up in the streets is the nearest, I think, we have been to the current crisis since the Great Depression.)

Or, which seems more likely, we inflate our way out long term. It will be difficult for government or even central banks to know when to withdraw the current support, particularly as President Obama faces mid-term elections in 2010 and Prime Minister Brown by May 2010 and Chancellor Merkel this year.

It would be very unpopular politically to wear the hair shirt by increasing unemployment. Much easier to inflate our way out of it, reducing the real value of debt and increasing long-term interest rates. It is doubtful, however, that the redistributive policies of the new US president will be enough to deal with the debt burden and, in any event, may have harmful effects on entrepreneurial motivation and corporate activity or eventually be rejected at the ballot box.

If this scenario plays out, the high-saving countries – Brazil, Russia (getting its act together again as oil prices rise), India, China and even Japan – will benefit and pull further away from the West.

Inflation, of course, as long as it is controlled, is not bad for our clients or us. By giving our clients pricing power, branding and innovation become even more important, as long as private label does not become too dominant.

No end to consolidation

Mergers continue apace, albeit with a sharp deceleration of activity because of the credit crisis. NewsCorp took Dow Jones, Google took DoubleClick, Microsoft snapped up aQuantive, Yahoo! took Right Media, Microsoft took Yahoo!, Pfizer took Wyeth, Merck took Schering-Plough, InBev took Anheuser-Busch, Vodafone went for Hutchison Essar, Danone took Royal and Numico, Bank of America took Merrill Lynch, Carphone Warehouse took Best Buy and Thomson Corp merged with Reuters.

Consolidation among media owners also continues unabated. NewsCorp takes and disposes of DirecTV, Comcast tried to take Disney, Carlton and Granada merge to monopolise ITV and BSkyB takes a blocking stake.

Legislation has favoured more consolidation in the US and the UK, although recent events and changes in administrations may alter that. Even in Brazil, which has been fiercely protectionist, you can buy 30% of Globo or Editora Abril. And in Australia, recently introduced legislation relaxing media ownership rules triggered a media asset bidding frenzy. Germany allows foreign ownership of TV channels.

Italy concentrates further through the Gasparri Bill. Clients and media owners are not alone: retail consolidates, too. Morrison takes Safeway; Boots and Alliance merge and privatise shortly thereafter. In Latin America, Wal-Mart enters the north east of Brazil by acquiring part of Ahold's interests, Lider consumes Carrefour's Chilean interests, and Jumbo buys Disco in Argentina.

Rumours surround Wal-Mart and Carrefour and Home Depot and Kingfisher.

In line with the laws of big numbers, the challenge to Wal-Mart, Tesco and Home Depot will be how they can successfully manage expansion outside their home markets. Tesco already has over half its square footage outside Britain (but much less of its profits) and has sent its UK managing director to the West Coast to manage its US expansion as Fresh 'n Easy. It will not be simple; the demands are different and the model will be significantly based on rehabilitating blighted areas on the West Coast. And early signs are mixed.

As a result, it is no surprise that agencies are also consolidating. Certainly in the one area where there are big economies of scale – media buying – consolidation is significant. To negotiate with a Rupert Murdoch, Sumner Redstone, Mel Karmazin, Bob Iger or Jeff Zucker, larger scale is essential.

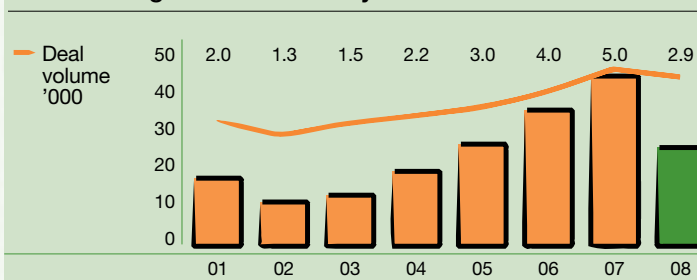
Media buying, or what we call Media Investment Management, is one of WPP's fastest-growing businesses, driven by clients looking for media-buying efficiencies –

Technology and media M&A deals 2008

Target name	Acquirer name	Value of transaction \$m
Clearwire Corp	Investor Group	3,200
Getty Images Inc	Hellman & Friedman LLC	2,037
CNET Networks Inc	CBS Corp	1,808
C&M Communications Co Ltd	Kookmin Cable Investment Inc	1,463
TriZetto Group Inc	Apax Partners Worldwide LLP	1,364
Teranet Income Fund	Borealis Infrastructure Mgmt	1,218
Sony BMG Music Entertainment	Sony Corp of America	1,200
Fast Search & Transfer ASA	Microsoft Corp	1,191
Liberty Surf Groupe SA	Illiad SA	1,135

Source: PricewaterhouseCoopers

Announced global M&A activity \$tn



Source: Thomson Financial, March 2008

rather than reductions in agency's commissions. Like-for-like revenue growth in the last four years has consistently been well above WPP's overall like-for-like growth. Often savings on gross media budgets of 5-10% are achievable.

Media savings are driving client centralisations and are a quick kill in showing efficiencies, as Nestlé and Unilever have shown. The traditional media owners are not only having to fend off disintermediation by new technologies, but the pricing pressure from significant consolidation of media budgets. But even on the creative side, voracious procurement departments and ill-judged price competition by agencies themselves are driving consolidation (the \$100 million pitch win headline in *AdAge* or *Campaign* is more satisfying than real revenue). We have seen two of our competitors desperately write cheques or subsidise account pitches to the tune of \$20 to \$28 million to retain accounts globally or in the UK.

Where does that leave us?

Growing consolidation in our industry is reducing the available resources for clients. It is ever more difficult to find co-ordinated resources that can deliver what clients require, particularly if they are an international, multinational or global company. Smaller, country- or city-based operations cannot offer the depth of coverage or breadth of resources.



One interesting recent development is the growing interest in outsourcing parts or all of the marketing function. Clearly this is an opportunity for us and is being driven by CEOs' focus on costs and their analysis of their investment in marketing services. Instead of concentrating solely on amounts spent outside the organisation, closer examination is being made of amounts spent inside the company. WPP has become involved recently in outsourcing projects in the automotive and internet services industries. In a number of other areas, including advertising, direct marketing and research, there is interest in what can be done in outsourcing costs. Clearly this tends to make internal marketing departments more defensive about their functions. We have seen much of this, for example, in the media buying area.

Super-agencies then and now

Formed initially in response to the pressures of consolidation and to house conflicting accounts, the super-agencies – or what we at WPP prefer to call the parent companies – really represent the full-service agencies of the 21st century. In the 1960s if you visited, for example, JWT in Berkeley Square, London, you would find a creative department, a marketing department, an account handling department, a media department and a public relations department. There would be a merchandising department, a direct mail department, a packaging department, a production department, an experimental film department, a market research department and a conference department. Even a home economics department with two fully equipped kitchens – plus an operations research department designing a factory for Mr Kipling cakes. Long before the phrase 'integrated communications' came into common use, integrated communications were exactly what such full service agencies provided.

Over time – and as a result of two pressures – these departments became unbundled. Clients sought to reduce costs – and the media and craft specialists within agencies, feeling under-recognised as members of a mother agency's department, looked for greater recognition and reward in free-standing, specialist companies of their own.

Importantly, this involved a split between the creative agency and the media agency, reducing costs from approximately 15% of gross media costs to about 12%. Good media people left and started independents such as Carat, Media Planning Group, CIA and Western International, which grew organically and by acquisition.

The same pattern was seen among packaging, market research, merchandising, PR and other specialist skills. Many such companies have now been re-absorbed into the superagencies, but in an inter-dependent or autonomous form. Strong media or marketing services specialists do not like, understandably, to be subsumed under advertising

professionals, particularly when they have enjoyed a taste of freedom.

As the new specialist media investment management agencies have grown in power, new media technologies have developed and the media agencies have developed strong client relationships. The creative agencies have become increasingly discomforted and called for re-integration. This is not possible in our view; the toothpaste is out of the tube. Media agencies have declared UDI and won their independence. They will not report again to account, planning or creative management. Similarly, media agencies should not develop traditional creative capabilities, even under the guise of digital.

If clients want better co-ordination between creative and media agency – which in some cases needs to be improved – the best way to do it is by housing the media planners in the creative agency, but with them remaining employed by the media agency. The creative agencies have paid a heavy price for ignoring the importance of media. The medium is increasingly becoming more important or as important as the message.

Today, the new super-agencies have a big opportunity. Clients still require, first and foremost, creativity and great creative ideas. Second, but increasingly, they want better co-ordination (although it is no good co-ordinating a lousy idea). Finally, they want it at the lowest possible price. The challenge is therefore to provide the best ideas in the best co-ordinated or integrated way at the lowest price.

Until recently, this might have been seen as a fad, but now the concept may be taking root. Four major multinational clients – three of them with origins or significant parts of their business in Asia – invited four or five of the largest holding or parent companies to present for their global advertising and marketing services business. In all cases the presentations included advertising and media investment management, and direct – and in one case research. All these clients were looking for an integrated global solution to their needs and for groups that can offer alternative solutions – potentially a weakness of the single network.

In all four pitches, a group or parent company solution was selected. WPP tribes were successful in two of them. In the third and fourth, we were constrained by significant conflict issues.

The CEO of one eliminated parent company in the first round of the first pitch declared that this was not a trend. After at least four similar pitches, he has changed his mind and is pursuing a holding company approach. In addition, many other group pitches have taken place – particularly in pharmaceuticals, and public relations and public affairs – that have been under the trade papers' radar. The only issue preventing this from being a trend is whether clients can be convinced of the benefits.

The middle of the road is becoming an increasingly difficult place to be, with traffic coming from both directions. Agencies excluded from the super-agency pitches



because they lack the scale and resources must be feeling uncomfortable. Our business is polarising between big and small. In 2007, this trend was reinforced, when a high-tech client called a high-profile competition among the top five holding or parent companies for its advertising and marketing services across the globe. It used over 800 agencies worldwide and spent \$1.5 billion on marketing, of which \$150 million was on agency fees. The account was bigger than a BBH, a Weiden & Kennedy or a Crispin Porter on its own. The objective is to create a totally new agency for its needs and we are currently doing just that, not only for the anchor client, but for others, too. Not easy to do, but an indication of where things are going.

Fees, outsourcing and procurement: the way forward?

The days of 15% gross commissions – 17.65% on cost – are long gone. Commission levels have receded to around 12% gross for full service, including media planning and buying, or, as we put it, Media Investment Management. Production commissions have largely been reduced or eliminated, although there are interesting procurement opportunities for agencies themselves in television production.

While commissions persist, fees are becoming more popular with clients, although that momentum seems to have slowed recently. They now represent at least 75% of our business. Usually time-based, with incentives, they are used almost exclusively in our marketing services business, which accounts for 56% of our revenues. In advertising, they account for well over half of our business.

Fees have a number of advantages and, on balance, we prefer them. They are not seasonal, in a business where spending tends to be concentrated in the second and fourth quarters. January, however, has generally become a more rewarding month. If clients cut or do not spend or continually re-brief us, we still get paid.

Finally, when fee-driven, we tend to plan our annual business better. Fees have also tended to dampen volatility in our operating margins. In the most recent cycle, our margins peaked at 14.5% and bottomed at 12.3%. In this cycle, they have already reached 16% ('old' UK GAAP basis). In the previous cycle in the early nineties, they peaked at 10.5% and bottomed at 5.6%.

I cannot remember a time, in the 30 or so years I have been in the industry, when clients have been so focused on cost. Given overcapacity, low inflation and lack of pricing power, and high management turnover and, most importantly, the current economic crisis, that is perhaps understandable.

However, the question remains whether the procurement process can successfully purchase creative services in the way door handles or widgets are bought. The emphasis on

procurement seemed to start in the pharmaceutical industry and then moved elsewhere. It may work in media buying, where there are clearly economies of scale, but not necessarily in media planning or other creative areas.

It is true we must improve our processes and eliminate waste, but can you buy ideas or our people's creativity in such a mechanical way? Increasingly, pressure on price will drive our best creative resources to clients and categories where their services are rewarded appropriately. Many marketing clients still appreciate that great advertising ideas and copy deliver outstanding results. Reducing marketing costs indiscriminately, particularly in industries with heavy fixed production costs, will only result in having to spread those costs over fewer unit sales.

The procurement process seems to be based on the idea that what we provide is low value-added, and that, because we are dependent on significant revenues from large clients, we can be squeezed. This thinking may be flawed. First, what we do is critical. There is a limit to how far costs can be reduced; but there is almost no limit (apart from 100% market share) to how far you can grow revenues. Second, in an increasingly undifferentiated world, what we do – differentiate products and services, tangibly and intangibly – is becoming more and more important, particularly in the slower-growth markets of the US and Western Europe, where overcapacity, commoditisation and retail concentration are more pressing issues.

Corporate responsibility: a no-brainer?

If you are in the business of building brands, products, services or corporate brands in the long term, corporate responsibility is surely a given. If you want to build long-term profitability, you dismiss the environment, society, government, NGOs or the press at your peril. Indeed, you would only ignore these constituencies if you were in business for a quick buck or short-term profit.

Many companies have made an increasingly important virtue and value of positioning their brand, goods or services as corporately responsible. BP in the oil and energy industry, HSBC in banking, and Wal-Mart and M&S in retail are good examples.

However, three recent events have heightened the importance and significance of CR or Global Corporate Citizenship and made them very fashionable. First, the deal between Warren Buffett and Bill Gates, involving an exchange of Microsoft and Berkshire Hathaway stocks, to enable the Gates Foundation to do even greater charitable work. Second, the decision by Sir Richard Branson, at the second Clinton Global Initiative in New York, to donate up to \$3 billion in profits from his Virgin companies to good causes. And finally, the decision by James Murdoch at BSkyB and his father Rupert Murdoch at NewsCorp to espouse

carbon neutrality – along with Al Gore's influential film *An Inconvenient Truth*. All of these events have made it fashionable for chairmen and CEOs to embrace corporate responsibility – and embarrassing for them if they do not.

Consumers will not consume luxury in the same way as they did recently, at least for some considerable time in the future. Responsible consumption will become more important, rather than conspicuous consumption. Consuming less in a more socially responsible way will be crucial – in relation to society, the environment and economy. Thus social responsibility will be more significant to the consumer, our clients, governments, NGOs and all constituencies.

Conclusion

The maxi-quadrennial year of 2008 was good but challenged, particularly in the second half, by the global crisis. 2009, especially in the first half, will be a very tough year. The second half will probably look relatively better, as the unprecedented fiscal stimulus kicks in and 2010 may see a recovery of sorts.

The question remains, however, over the long term. Do we make it easier for future generations by taking the pain now by cutting spending, increasing taxes and unemployment and saving? Or do we take the easiest way out by inflating, with long-term interest rates rising? Ironically, we are being asked to spend and lend our way out of this recession when that is what got us into this trouble in the first place.

In either scenario, new geographical markets, new media and consumer insights will become more important. So WPP's strategy remains appropriate. Furthermore, globalisation, overcapacity and the shortage of human capital, the web, internal communications, concentrating distribution, corporate responsibility, and a balance between global and local organisational structures will drive the importance of branding and differentiation, and advertising and marketing services to new heights. ■



“I’m Sorry – You’ve Lost Me”

Five Words No Brand Should Ever Have to Hear

By Jeremy Bullmore

2008 may be remembered as the year when numbers finally lost their capacity to shock. At the beginning of the year, two billion dollars was a lot of money. By the end of it, two trillion dollars was rather less: or so it seemed. Logically, the fact of a corporation facing losses of 100 billion should be four times more chilling than one facing losses of 25 billion – but logic doesn’t come into it. There comes a moment when numbers so distance themselves from personal experience that comprehension snaps. And when comprehension goes, so, more worryingly, does any sense of personal involvement. Unimaginable vastness is so remote from anything we’ve ever seen or touched that it simply doesn’t connect. It’s like being told that Planet Earth is just one of several million other planets out there. I’m sorry – you’ve lost me. If we were told that we were one of just five, that would be a different matter altogether. As it is, we shrug – and think of something else.

Children may get their heads round money by relating it to their pocket money or to the price of a candy bar. Their parents may try to keep one foot on the ground by mentally relating money to salaries or house prices. But two trillion? How many houses could you buy for two trillion? How much R&D could you finance?

I’m sorry – you’ve lost me.

As governments around the world finally and grudgingly acknowledged the existence of recession – and in most cases many months earlier – companies everywhere began ransacking their records, their lofts and their memories: what were the secrets of weathering recessions – even of coming out of them with greater strength? There are more than 150 published papers on the subject, spanning more than 70 years.

Most analyses agree. Tough times make people think more. When people think more, they re-assess their behaviour. Those companies who’ve confused customer habit with customer loyalty quickly discover that they’re not the same. Price: value relationships slither about a bit: price, which is both objective and quantifiable, becomes a lot easier to hang on to than something called value, which is neither. Unless underpinned by intrinsic quality, ‘added value’ begins to seem little more than fancy packaging.

In times of recession, the kaleidoscope is given a mighty shake.

The point of all this, and demonstrated over those last 70 years, is that the most successful recession marketers are those astute enough and nimble enough to find new patterns amid the confusion and seize the new chances. Every brand’s new chances will be slightly different and all gains made will be at someone else’s expense.

But probably the biggest single risk facing recession marketers is exactly the same as the biggest single risk that faces successful companies at all times – but with a frighteningly higher level of intensity: and that’s the risk of losing touch with their ultimate users. Success brings growth; greater size demands delegation and the introduction of departments; and real people stop being real people and become demographics. It needn’t happen but it does. Brands – and the companies behind those brands – slowly and imperceptibly come to seem as remote from reality as trillions of dollars do. And the ultimate consumer response is exactly the same: I’m sorry – you’ve lost me.

As many of those published papers demonstrate, it’s easier to lose users in times of recession than at any other time. Tough times make people think more. When people think more, they re-assess their behaviour. And if their brands have drifted away from them into some de-personalised stratosphere, it’s now that they’ll notice – and do something about it.

Suddenly, they’re lost; and as everyone has always known, to retrieve a lost user takes a great deal of time and a great deal of money.

However, there’s some surprisingly good news. Despite the continuing growth of marketing companies and their brands, it’s more possible now for them to keep in sensitive touch with their ultimate users – and to close any gaps that may have developed – than during any previous recession. Not simpler, certainly, and no cheaper; just more possible.

Two great interlocking things have happened to marketing communications since the last recession of this scale. We seem to have developed a rather deeper understanding of how the most persuasive marketing communications work. And there are now many more ways to engage with any given audience.

To simplify perhaps unfairly: there was a time when mass communication was thought to be something of a monologue. Transmitters transmitted and receivers received. The ability to transmit was limited to those in the possession of relatively few transmission facilities: just media owners – and advertisers who could afford to rent those facilities. The receiving public, that overwhelming majority, had little choice but to receive – and remain silent.

Unfortunately, their enforced silence was interpreted by many as passivity. A style of mass commercial communication developed that was often didactic, at times almost hectoring. Claims of product superiority were repeatedly asserted and consumers were instructed to consume.

Defendants of this style point to its effectiveness. Sales went up, they rightly say. Of course they did. Paid-for brand publicity has always contributed to brand fame. And brand fame has a simple competitive value.

But what this style of communication never managed to achieve, and never will, is that willing complicity between sender and receiver that's the mark of all the most effective persuasion. In the words of Arthur Koestler, "The artist rules his subjects by turning them into accomplices."

Receivers have never been passive. No receiving brain accepts claims and assertions without challenge. Every receiving brain filters such messages through its own experience and its own prejudices – and reaches its own conclusions.

And just as this long overdue insight (always intuitively understood by the best natural communicators) became more generally understood and legitimised, along came the internet. And suddenly, hallelujah, it wasn't just media owners and advertisers who had access to transmission facilities. Anyone with a computer and internet access was now a potential publisher. And publish they did, in their millions – and so they will for evermore.

The myth of the passive obedient consumer, however attractive to a certain kind of marketing mind, has been blown for good. And in its place is an infinitely more complicated but altogether healthier state of affairs. For companies deeply concerned not to lose touch with their users – wherever they may be and however disparate – things have never looked better. Through one set of lenses, the fragmentation of media is an advertiser's nightmare; and so is the ability of lowly consumers to answer back. Through another set of lenses, both developments offer an amazing new potential. After a century during which corporations got bigger and bigger, more and more global, and almost inevitably more and more remote from their ultimate users, the trend has begun to turn.

The pattern is far from fixed and even the vocabulary seems still to be in development stage. We'll probably look back on this time and realise that 'old' media and 'new' media had more in common than we realised and that

'digital' was a curious word to have emerged as the name for a form of mass communication that gets closer to conversation than anything before it. And we'll maybe even come to see that interactive media, with their ability to involve real people with real things and real ideas, have much in common with those most primitive of communications devices: demonstrations. Whether in market squares or jungle clearings, showing, involving, achieving participation and responding to feedback remain as powerful a way of keeping in touch with those all-important people out there as they ever have.

It won't be tidy. But there really shouldn't be any excuses, during recessionary times or not, for brands to lose their followers through becoming too remote. ■

Jeremy Bullmore is a member of the WPP Advisory Board



Who runs WPP

Non-executive chairman

Philip Lader

Chairman of the Nomination Committee
Member of the Compensation Committee

Executive directors

Sir Martin Sorrell

Chief executive

Paul Richardson

Finance director
Chairman of the Corporate Responsibility Committee

Mark Read

Strategy director
Chief executive, WPP Digital

Non-executive directors

Colin Day

Member of the Audit Committee

Esther Dyson

Member of the Compensation Committee and
Nomination Committee

Orit Gadiesh

Member of the Nomination Committee

David Komansky

(retired 6 February 2009)

Christopher Mackenzie

(retired 24 June 2008)

Stanley (Bud) Morten

Senior independent director

Koichiro Naganuma

Lubna Olayan

Member of the Nomination Committee

John Quelch

Jeffrey Rosen

Chairman of the Compensation Committee
Member of the Audit Committee

Timothy Shriver

Member of the Audit Committee

Paul Spencer

Chairman of the Audit Committee

Members of the Advisory Board

Jeremy Bullmore

John Jackson

Company Secretary

Marie Capes

Board of Directors

Philip Lader **Non-executive chairman Age 63**

Philip Lader was appointed chairman in 2001. The US Ambassador to the Court of St James's from 1997 to 2001, he previously served in several senior executive roles in the US Government, including as a Member of the President's Cabinet and as White House Deputy Chief of Staff. Before entering government service, he was executive vice president of the company managing the late Sir James Goldsmith's US holdings and president of both a prominent American real estate company and universities in the US and Australia.

A lawyer, he is also a Senior Advisor to Morgan Stanley, a director of Lloyd's of London, a director of RAND, Marathon Oil, Rusal, AES Corporations and Songbird Estates plc (Canary Wharf), a trustee of the Smithsonian Museum of American History and the Atlantic Council and a member of the Council on Foreign Relations.

Sir Martin Sorrell **Chief executive Age 64**

Sir Martin Sorrell joined WPP in 1986 as a director, becoming Group chief executive in the same year. He is a non-executive director of Formula One ■ msorrell@wpp.com

Paul Richardson **Finance director Age 51**

Paul Richardson became Group finance director of WPP in 1996 after four years with the Company as director of treasury. He is responsible for the Group's worldwide functions in finance, information technology, procurement, property, treasury, taxation, internal audit and corporate responsibility. He is also the Country Manager for Italy.

He is a chartered accountant and fellow of the Association of Corporate Treasurers. He is a non-executive director of CEVA Group plc, Chime Communications PLC and STW Communications Group Limited in Australia, the last two being companies associated with the Group ■ prichardson@wpp.com

Mark Read **Strategy director and CEO, WPP Digital Age 42**

Mark Read was appointed a director in March 2005. He has been WPP's director of strategy since 2002 and is also chief executive of WPP Digital. He is a member of the Supervisory Board of HighCo and a director of CHI & Partners. He worked at WPP between 1989 and 1995 in both parent company and operating company roles. Prior to rejoining WPP in 2002, he was a principal at the consultancy firm of Booz-Allen & Hamilton and founded and developed the company WebRewards in the UK ■ mread@wpp.com



Colin Day **Non-executive director Age 54**

Colin Day was appointed a director in July 2005. He is group finance director of Reckitt Benckiser plc, having been appointed to its board in September 2000 and became a non-executive director of Cadbury plc in December 2008. Prior to joining Reckitt Benckiser, he was group finance director of Aegis Group plc and previously held a number of senior finance positions with ABB Group plc and De La Rue Group plc. He was a non-executive director of Imperial Tobacco plc until February 2007 and of easyJet plc until 30 September 2005.

Esther Dyson **Non-executive director Age 57**

Esther Dyson was appointed a director in 1999. In 2004 she sold her company, EDventure Holdings, to CNET Networks, the US-based interactive media company. She left CNET at the end of 2006 and now operates as an independent investor and writer, again under the name of EDventure. She has been highly influential for the past 20 years on the basis of her insights into online/information technology markets and their social impact worldwide, including the emerging markets of Central and Eastern Europe and Asia.

An active investor as well as an analyst/observer, she participated in the sale of Flickr to Yahoo! and of Medstory to Microsoft. She sits on the boards of non-listed start-ups including Boxbe (US), Evernote (US), 23andMe (US), Airship Ventures (US), Eventful.com (US), Meetup Inc. (US), NewspaperDirect (Canada), CVO Group (Hungary), Voxiva (US) and Yandex (Russia). She sat on the consumer advisory board of Orbitz until its sale to Cendant. She is also active in public affairs and was founding chairman of ICANN, the domain name policy agency, from 1998 to 2000. She currently sits on the board of the Sunlight Foundation, which advocates transparency in government.

Orit Gadiesh **Non-executive director Age 58**

Orit Gadiesh was appointed a director in April 2004. She is chairman of Bain & Company, Inc. and a world-renowned expert on management and corporate strategy. She holds an MBA from Harvard Business School and was a Baker Scholar.

She is a member of the International Advisory Board at Haute Ecole Commerciale in France, as well as a member of the Foundation Board for the World Economic Forum and the Board of Directors of The Peres Institute for Peace. She is a member of the Council on Foreign Relations, a trustee for Eisenhower Fellowships and a member of the Business Committee of the Metropolitan Museum of Art, New York.

David H. Komansky **Non-executive director Age 69**

David Komansky was appointed a director in January 2003 and retired on 6 February 2009. He was chairman of the Board of Merrill Lynch & Co, Inc, serving until his retirement on 28 April 2003. He served as chief executive officer from 1996 to 2002, having begun his career at Merrill Lynch in 1968.

Among many professional affiliations, he serves as a director of Black Rock, Inc. and as a member of the International Advisory Board of the British American Business Council. Active in many civic and charitable organisations, he serves on the Board of the New York Presbyterian Hospital.

Christopher Mackenzie **Non-executive director Age 54**

Christopher Mackenzie was appointed a director in 2000 and did not seek re-election at the AGM on 24 June 2008. He is chairman and chief executive of Equilibrium Group, a London-based investor group and executive chairman of Borets, a leading international oil services group. He is also a board member of the Abdul Latif Jameel Group and KazMunaiGas Exploration and Production JSC. He is a member of Merrill Lynch's Global Advisory Board. He served as the chief executive of Brunswick Capital in Russia, the president and chief executive officer of Trizec Properties and as the president of GE Capital Europe.

Stanley (Bud) Morten **Non-executive director Age 65**

Bud Morten was appointed a director in 1991. He is a consultant and private investor. He is currently the Independent Consultant to Citigroup/Smith Barney with responsibility for its independent research requirements and is one of the five public members of the Investment Advisory Council of the State of Connecticut.

Previously he was the chief operating officer of Punk, Ziegel & Co, a New York investment banking firm with a focus on the healthcare and technology industries. Before that he was the managing director of the equity division of Wertheim Schroder & Co, Inc. in New York. He is a former non-executive director of Register.com, which was sold to a private equity firm in November 2005. He is also a non-executive director of The Motley Fool, Inc., a private company.

**Koichiro Naganuma** *Non-executive director Age 64*

Koichiro Naganuma was appointed a director in February 2004. He is president and group chief executive officer of Asatsu-DK, also known as ADK. Joining the agency in 1981, he began his career with the account service of global clients in the agency. His mandate thereafter expanded to the total operation of the group.

He replaced ADK chairman Masao Inagaki on the Board. ADK is Japan's third largest advertising and communications company and ninth largest in the world.

Lubna Olayan *Non-executive director Age 53*

Lubna Olayan was appointed a director in March 2005. Ms Olayan is the deputy chairman and chief executive officer of the Olayan Financing Company, a subsidiary and the holding entity for the Olayan Group's operations in the Kingdom of Saudi Arabia and the Middle East.

Ms Olayan is a Board Member of Saudi Hollandi Bank, a publicly listed company in Saudi Arabia. She is on the International Advisory Board of the Council on Foreign Relations, a member of the Board of Directors of INSEAD and a member of the Board of Trustees of Cornell University and KAUST (King Abdullah University of Science & Technology). Ms Olayan joined the International Advisory Board of Rolls-Royce in October 2006.

John Quelch *Non-executive director Age 57*

John Quelch was appointed a director in 1988. He is Senior Associate Dean and Lincoln Filene Professor of Business Administration at Harvard Business School. Between 1998 and 2001 he was Dean of the London Business School. He also serves as chairman of the Massachusetts Port Authority.

Professor Quelch's writings focus on global business practice in emerging as well as developed markets, international marketing and the role of the multinational corporation and the nation state. He is a non-executive director of Inverness Medical Innovations, Inc. and Pepsi Bottling Group Inc. He served previously on the boards of Blue Circle Industries plc, easyJet plc, Pentland Group plc and Reebok International Limited.

Jeffrey A. Rosen *Non-executive director Age 61*

Jeffrey Rosen was appointed a director in December 2004. He is a deputy chairman and managing director of Lazard. He has over 30 years' experience in international investment banking and corporate finance. He is a member of the Council on Foreign Relations and is President of the Board of Trustees of the International Center of Photography in New York.

Timothy (Tim) Shriver *Non-executive director Age 49*

Tim Shriver was appointed a director in August 2007. He is Chairman and CEO of Special Olympics, serving over three million Special Olympic athletes and their families in 180 countries. In recent years, he has produced films for Disney, Dream Works, Fox Searchlight and Hallmark Hall of Fame. Since January 2007 he has been writing a column for *The Washington Post/Newsweek.com*.

He co-founded the Collaborative for Academic, Social and Emotional Learning (CASEL) and currently chairs the CASEL Board. He is a member of the Council on Foreign Relations and is also a non-executive director of Malaria No More, Neogenix Oncology, and he is the founder and President of the Center for Interface Action on Global Poverty. He serves on the advisory committee of Main Street Advisors and Leeds Equity.

Paul Spencer *Non-executive director Age 59*

Paul Spencer was appointed a director in April 2004. He is a financier, with 20 years' experience in the financial management of a number of blue chip companies, including British Leyland PLC, Rolls-Royce PLC, Hanson PLC and Royal & Sun Alliance PLC.

He served as UK chief executive of Royal & Sun Alliance PLC between 1999 and 2002 and the chairman of State Street Managed Pension Funds Ltd. He is also chairman of the Association of Corporate Treasurers' Advisory Board, NS&I (National Savings), the UK government-owned retail savings institution, and Sovereign Reversions Group plc. He is also a non-executive director of TR Property Investment Trust plc and Nipponkoa Insurance (Europe) Limited and Independent Trustee of the Rolls Royce Group and BAT Group pension funds. Paul is a governor of Motability, a UK charity for the disabled.





Advisors to the Board

Investment bankers

Citigroup
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HSBC
8 Canada Square
London E14 5HQ

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

Morgan Stanley & Co Limited
20 Bank Street
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One Bishops Square
London E1 6AO

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New York NY 10019

Freshfields Bruckhaus Deringer
65 Fleet Street
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Fried, Frank, Harris, Shriver & Jacobson LLP
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New York NY 10004

Hammonds LLP
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Cutlers Gardens
London EC2M 4YH

Mourant du Feu & Jeune
22 Grenville Street
St Helier
Jersey JE4 8PX

Stockbrokers

Merrill Lynch International
Corporate Broking
2 King Edward Street
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Auditors and accountancy advisors

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Ernst & Young LLP
1 More London Place
London SE1 2AF

KPMG LLP
1 Puddle Dock
London EC4V 3DS

PricewaterhouseCoopers LLP
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London WC2N 6RH

Remuneration consultants

Towers Perrin
71 High Holborn
London WC1V 6TP

Property advisors

CB Richard Ellis
200 Park Avenue
New York NY 10166

James Andrew International
72/75 Marylebone High Street
London W1U 5JW

Jones Lang LaSalle
22 Hanover Square
London W1A 2BN

Cushman & Wakefield
51 West 52nd Street
New York NY 10019-6178





How we behave

Directors' report

Once again, this year the Directors' report includes reviews from the chairmen of three Board committees: Philip Lader, as chairman of the Company and its Nomination Committee; Paul Spencer, as chairman of the Audit Committee; and Jeffrey Rosen, as chairman of the Compensation Committee. It also contains an analysis of the Company's compliance with statutory and regulatory requirements.

Review of the Company's governance and the Nomination Committee

Dear share owner

A record year for your Company, 2008, in many ways; but in these times, WPP's directors have had little inclination or time to reflect on past achievements.

Current worldwide economic conditions underscore the Group chief executive's and Jeremy Bullmore's assertions earlier in this Annual Report that this period "won't be tidy."

- rigorous, "common-sense" corporate governance modeled on the continuing evolution of best practices, particularly in risk management;
- vigilant stewardship of WPP's considerable assets, tangible and intangible; and
- intense assessment and review of finance, industry, and operations indicators, as well as management's strategic initiatives and standards of creative services.

These practices contributed, in part, to 2008's record billings, record revenues and record operating profit.

One measure of your Board's commitment is that we met, as a full Board or in committees, 39 times in 2008, in addition to far more frequent informal contacts between directors, senior management, operating company leaders, professional advisors and share owners, among others. Especially noteworthy among the past year's tasks and issues were:

- evaluating and approving the acquisitions of Taylor Nelson Sofres plc and other companies which enhance our strategic position and provide attractive returns on investment;
- monitoring the integration and performance of prior additions to our diverse portfolio of complementary companies;





Report by Philip Lader (above)

Chairman of the Company
and chairman of the Nomination Committee

- attending to the details of Jersey statutory requirements and the Group's re-domicile in Ireland, which was authorized by share owners' overwhelming support;
- consulting with management on the Group's response to rapidly-changing general economic conditions, with particular focus on the most important income statement and balance sheet issues;
- increasing our understanding of new media and relatively new geographic markets which are transforming the global communications and marketing services industry in which the Group competes;
- devoting special attention to developments in interactive media, including a Board meeting in Silicon Valley with briefings by founders of major businesses in that arena;
- meeting face-to-face, through formal presentations and informal discussions, with more than 100 WPP business leaders, including the CEOs of the Group's principal brands, as well as with clients, government officials and executives of relevant companies;
- managing a performance-driven remuneration program that allows the Group to attract, motivate and retain the talented people upon whom our success depends: one which closely aligns their interests with those of share owners and optimizes the budgetary flexibility of variable personnel costs;
- reviewing and approving financial statements, critical accounting policies upon which they are based, and supporting systems of reporting and internal controls; and
- for each of the Group's major operating companies, focusing on their key people, major clients and principal competitors through a detailed "Brand Check," at every Board meeting, that measures performance, anticipates events, and gauges risk.

This level of Board attention, we believe, is appropriate to WPP's global breadth, functional scope, and complexity, especially amidst heightened standards of corporate governance, rapidly-changing economic conditions and the transformational strategic opportunities and threats to which your Company is responding.

Among the Board's most critical responsibilities is planning for the succession of the Group chief executive and other key executives. These individuals' skills, resourcefulness and dedication are particularly critical to WPP, a business built on creativity. The entire Board therefore devoted extensive time to this subject in 2008, as we have for the past six years.

Two separate Board meetings occasioned all non-executive directors' discussion of backgrounds, performance, development opportunities and potential roles for approximately 200 senior managers and "rising stars" of the parent and operating companies. For each such position, potential candidates were identified.





Not coincidentally, the Group's structure and devolution of responsibilities to leaders of each of our "tribes" – as well as the fact that some of these businesses, if independent, would rank among our industry's largest – provide extensive senior management experience to several dozen WPP executives, some of whom could readily undertake parent company roles.

The most comprehensive of these reviews was directed to the Group chief executive's position. From the internal field of proven talent and a range of potential external candidates, the non-executive directors and the Group chief executive exchanged views – in a totally frank, highly specific manner – about the candidates best qualified to succeed him. After that session, on several other structured occasions and at other times, the non-executive directors, in the absence of the Group chief executive, further discussed the succession candidates and process. We continue to believe strongly, however, that – lest public discussion of this subject foster speculation and distraction – the content of these ongoing deliberations should remain strictly confidential.

As to the Board's own performance, as well as the contributions of individual directors, Board committees, and the chairman, we undertook, once again in 2008, a rigorous self-evaluation. All directors completed a confidential questionnaire in this regard and identified opportunities for improvement. Separate conversations were then held between each director and either the chairman or the senior independent director, who also led the non-executive directors' assessment of my performance as chairman. Based on this process, we continued our tradition of implementing changes to enhance the Board's performance of its responsibilities.

Your Board is comprised of independent-minded men and women – from Europe, the US, Asia and the Middle East – with broad international experience, from academia, Wall Street and the City of London, management consulting, advertising and internet start-ups, consumer-products and manufacturing industries, government and non-profit organizations. The comparatively long tenure of several directors, in our judgment, has been instrumental to the Boards in-depth understanding of our unusually complex, global enterprise. Newcomers and long-serving directors alike challenge even our most well-tested assumptions and iconic executives.

We regretted that, after six years of service, David Komansky retired from the Board in early 2009. His observations invariably were insightful and unvarnished. Without hesitation, he "cut to the chase" and brought to our sessions not only compelling candor and wit, but also wisdom forged by long experience in the financial services industry, as CEO of a major public company and from boardrooms of prominent global companies. He always

helped us focus on what was practicable, what would best serve the share owners' interests, what was right and honorable.

Renewal is important for any Board, nonetheless; and while valuing the experience of long-term service, we have sought to recruit to your Board and its committees new directors with considerably different professional, regional and generational perspectives. To this end, during 2008, Esther Dyson and Lubna Olayan were appointed as members of the Nomination Committee; and following David Komansky's retirement, Orit Gadish also joined that committee. At that time, Bud Morten, having overseen the successful implementation of Sarbanes-Oxley compliance, stepped down from the Audit Committee and was replaced by Timothy Shriver, who – in his second year on this Board – brings a fresh view, demonstrated commitment to corporate social responsibility, and considerable other skills to that committee.

These changes in the Audit and Nomination Committees' membership, implementation of new rules governing the disclosure and approval of directors' conflicts-of-interest, revision of committee terms of reference, and the previously mentioned Board self-evaluation and succession planning illustrate the 2008 work of the Nomination Committee, which I also chair. Members converse regularly and informally. The full committee – and, by invitation, with the participation, in whole or in part, of the Group chief executive, the Company Secretary, the senior independent director, and the Group chief counsel – meets as required to monitor this agenda, to assess the Board's composition, and to consider potential new members, identified from a variety of both internal and external sources.

Committed to rigorous standards of corporate governance, the Board seeks to comply with the Combined Code on Corporate Governance; and in the Board's opinion, the Company has done so throughout the financial year ended 31 December 2008. Moreover, WPP Group plc and its successor, WPP plc, follow NASDAQ's rules, have devoted extensive time and resources to ensure compliance with the US Sarbanes-Oxley requirements, and, where practicable, seek to comply with guidelines issued by institutional investors and their representative bodies.

Several of these entities express the view that directors who have served for more than nine years should no longer be considered "independent"; nor, by definition, should the Group chairman. As I have stated before, this Board fully understands their positions, but respectfully does not agree. A worldwide enterprise of WPP's scale and range of commercial activities benefits enormously from long-term directors who are actively engaged in the Group's governance. I continue to submit, on behalf of the Board, that "independence" should be determined not by such an

arbitrary standard as tenure, but on a case-by-case basis, with full disclosure to share owners of any appearance of conflict with published guidelines.

Any share owner who could observe the contributions of our senior independent director, Bud Morten, for example, would attest that his experience, judgment and commitment of time constitute an invaluable asset of the Group. Only such a dedicated veteran can routinely comprehend important implications and connections in WPP's worldwide operations. Regularly provocative challenges to opinions and assumptions expressed in Board presentations would be welcome only from a respected colleague with such a longstanding record of diligence and discernment. Bud will, at some point, elect to devote less time to the Group, and our Board will then appoint a new senior independent director. Until then, my fellow directors and I appreciate the extent to which his efforts exceed customary board workloads and reiterate our conviction that share owners are well served by his genuine independence. We continue to require, nevertheless, that non-executive directors who have served on the Board for nine years or more submit themselves for re-election annually.

The Board does not view my position as non-executive chairman as compromising my independence. It is their considered judgment – one they formally review on an annual basis – that such continued service, as well as my chairmanship of the Nomination Committee and membership on the Compensation Committee, help ensure continuity and coordination of related Board matters.

Responsibilities of major public companies' non-executive directors have increased substantially in the past decade. Packs of WPP reading materials are distributed near-weekly; few days pass without substantive communications among your non-executive directors; fewer days still, between senior management's and our BlackBerrys' messages. Consequently, I am immensely grateful for the prompt attention and conscientious efforts of my colleagues, as well as those at WPP who directly support the Board's work and the very able professionals who meet the seemingly endless legal, regulatory, tax, accounting and administrative demands of more than 100 jurisdictions and 2,400 offices.

Share owners, of which management is a significant part, understandably, will not have been pleased by most of their investments' performance in this economic climate. With the indiscriminate collapse in stock markets around the globe, WPP's share price declined significantly, notwithstanding the Company's record achievements in 2008. To continue to create value, our Company must serve each client creatively, must compete effectively every day. For that commitment, the Board thanks each and every one of the Group's 135,000 people including associates. It is with their imaginations, hours, tenacity and dedication that WPP intends to generate superior returns for its share owners, however "untidy" these times may be.

We who serve on WPP's Board appreciate our fellow share owners' trust in our stewardship of your interests. ■

Philip Lader

14 April 2009





Review of the Audit Committee

Report by Paul Spencer

Chairman of the Audit Committee

Dear share owner

During 2008, Bud Morten, Jeffrey Rosen and Colin Day were my colleagues on the committee. Tim Shriver joined the committee on 12 February 2009 and Bud Morten stepped down at the same date.

We held eight meetings this year, which were also attended (by invitation for all or part of any meeting) by the external auditors, the Company's chairman, the Group finance director, the director of internal audit, the Group chief counsel and the Company Secretary. Preparatory meetings were also held with the internal and external auditors as well as members of the Company's senior management. The committee received presentations from the heads of Treasury and Legal. The committee also received reports from the Disclosure Committee in relation to the Disclosure Committee's review and work on financial reports. The Board received regular reports on all matters of particular significance arising at the committee meetings.

The committee's terms of reference, which are reviewed with the Board annually and were updated at the time of the Scheme of Arrangement in October 2008, are available for inspection on the Company's website at www.wpp.com and are on display prior to and at all general meetings of the Company.

During the year, the committee and its members were formally assessed by the chairman of the Company for their technical suitability to be members of the committee and also for the committee's overall effectiveness. The Board has designated me as the committee's financial expert for Sarbanes-Oxley Act (SOX) purposes and as having recent and relevant financial experience for the purposes of the Combined Code.

The committee has once again overseen the progress towards compliance with Section 404 of SOX for 2008, through regular status reports submitted by the internal and external auditors.

The committee received and reviewed regular reports on both our Right to Speak helpline, which is made available to our people to enable them to communicate confidentially on matters of concern and the actions taken in response to those calls.

The committee has established a policy regarding non-audit services that may be provided by the external auditors, which prohibits certain categories of work in line with relevant guidance on independence, such as ethical standards issued by the Auditing Practices Board and SOX. Other categories of work may be provided by the auditors if it is appropriate for them to do so. The provision of such services and associated fees are either pre-approved by the committee,

or for certain categories of work, are delegated to the director of internal audit for pre-approval. All fees are summarised periodically for the committee to assess the aggregate value of non-audit fees against audit fees. The level of fees for 2008 is shown in note 3 on page 152.

Other work carried out by the committee in 2008 included:

- monitoring the integrity of the Company's financial statements and reviewing significant financial reporting judgments;
- reviewing internal financial control and internal audit activities;
- assisting the Board in meeting its responsibilities in respect of reviewing and reporting on the systems and key elements of risk management as they affect the Group;
- the review and appointment of the external auditors and approval of their remuneration and terms of engagement;
- monitoring the external auditors' independence, objectivity and effectiveness;
- reviewing the Group Treasury policy with particular focus on debtors, funding and the continued ability of the Group to adopt the going concern basis in preparing financial statements;
- reviewing reports on any material litigation involving Group companies;
- reviewing any significant mergers and acquisitions and debt financing by the Group including the acquisition of Taylor Nelson Sofres plc in the preliminary stages before a full Board review;
- reviewing the Group's pension obligations;
- monitoring the accounting and legal reporting requirements, including all relevant regulations of the UK Listing Authority, the SEC and NASDAQ and the Jersey Financial Services Commission with which the Company must comply;
- in conjunction with Paul Richardson, the director responsible for corporate responsibility in 2008, ensuring systems are in place to monitor social, environmental and ethical issues which may affect the Group (other than issues which fall within the remit of the Compensation Committee) and receiving reports on new initiatives being implemented by the Group to reduce carbon emissions; and
- maintaining established procedures for the confidential receipt and treatment of concerns raised by our people.

I would like to thank my colleagues on the committee, the head office executives and the external advisors for their help in what has been a particularly turbulent year. I would also like to give special thanks to Bud Morten. His knowledge, wise comments and probing questions, coupled with his support to me, have been invaluable to the committee and the Company.

Paul Spencer

14 April 2009

The Board of Directors

The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's policy and strategy and is responsible to share owners for the Group's financial and operational performance. Responsibility for the development and implementation of Group policy and strategy and for day-to-day management issues is delegated by the Board to the Group chief executive and other executive directors.

For the year under review, Philip Lader continued as chairman of the Board, responsible for the leadership of the Board. Sir Martin Sorrell, as the Group chief executive, continued to be responsible for the development and implementation of policy and strategy and for the day-to-day operations of the Group. The biographies of the current Board members appear on pages 102 to 104.

All directors are fully briefed on important developments in the various business activities which the Group carries out worldwide and regularly receive extensive information concerning the Group's operations, finances, risk factors and its people, enabling them to fulfil their duties and obligations as directors. The directors are also frequently advised on regulatory and best practice requirements which affect the Group's businesses on a global basis, but particularly in the US and the UK.

During 2008, the Board met 15 times formally and held 24 committee meetings throughout the year. With the exception of John Quelch, Paul Spencer and Mark Read (each absent for one meeting), Orit Gadiesh (absent for two meetings), Colin Day and David Komansky (each absent for three meetings), Timothy Shriver (absent for four meetings), Lubna Olayan (absent for six meetings) and Koichiro Naganuma who was only able to attend one meeting, there was full attendance at all formal meetings of the Board during 2008.

The Board was composed of 15 directors in 2008 which has reduced to 14 following the retirement of David Komansky on 6 February 2009. Three members are executive directors and 10 plus the chairman, are non-executive directors. The Board considers that eight of the 10 non-executive directors, in addition to the chairman, are independent, with John Quelch and Koichiro Naganuma being the only non-executive directors considered by the Board to be not independent.

The shareholdings of non-executive directors are set out on page 137. Non-executive directors do not participate in the Company's pension, share option or other incentive plans, but may receive a part of their fees in ordinary shares of the Company and may participate in the Company's deferred compensation program.

The Board considers that the non-executive directors' remuneration conforms with the requirements of the Combined Code.

The fees payable to non-executive directors represent compensation in connection with Board and Board committee meetings, and where appropriate for devoting additional time and expertise for the benefit of the Group in a wider capacity.

Details of directors' remuneration and service contracts form part of the report of the Compensation Committee which commences on page 127.

Election of directors

As a matter of policy the Company requires all directors to submit themselves for re-election by an ordinary resolution of share owners at least every three years or every year in the case of those directors who have held office for more than nine years. Directors may be appointed by share owners by ordinary resolution or by the Board on the recommendation of the Nomination Committee and must then stand for re-election at the next Annual General Meeting where they may be re-elected by ordinary resolution of the share owners.

The Board recommends that share owners vote in favour of the Resolutions to re-elect the relevant directors, namely Colin Day, Lubna Olayan, Jeffrey Rosen, Esther Dyson, Stanley (Bud) Morten and John Quelch and sets out their reasons for this recommendation in the Appendix to the Notice of the Annual General Meeting.

Conflicts of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company (Situational Conflicts). The Board has a formal system in place for directors to declare Situational Conflicts to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a Situational Conflict, the non-conflicted directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate.

Any Situational Conflicts considered, and any authorisations given, are recorded in the relevant minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise Situational Conflicts and the Board believes that the systems it has in place for reporting and considering Situational Conflicts continue to operate effectively.



Committee meetings

The attendance of non-executive directors at meetings of the committees of the Board during 2008 was as follows:

	Nomination Committee	Audit Committee	Compensation Committee
Philip Lader ³	2	7	10
Bud Morten	n/a	8	n/a
Jeffrey Rosen	n/a	6	10
Paul Spencer	n/a	7	n/a
Esther Dyson ¹	1	n/a	7
David Komansky	2	n/a	n/a
Colin Day	n/a	7	n/a
Lubna Olayan ¹	1	n/a	n/a
Christopher Mackenzie ²	1	n/a	n/a

¹ Appointed to the Nomination Committee on 23 July 2008.

² Retired on 24 June 2008.

³ By invitation, the chairman attended all but one of the Audit Committee meetings.

During 2008, the Corporate Responsibility Committee, chaired by Paul Richardson, met once on a formal basis and had many informal discussions. Its report for 2008 starts on page 118.

The Disclosure Committee, which met six times during 2008, is comprised of senior executives from Group financial reporting, internal audit, treasury, legal, tax, human resource and investor relations departments. The purpose of the Disclosure Committee is to add further assurance to the Board and its committees in relation to the content of major financial public statements and advises the Audit Committee and the Board on their disclosure obligations generally and the Disclosure and Transparency Rules so as to enable the Board to comply with all relevant provisions.

Share owner relations

The relationship with share owners, potential share owners and investment analysts is given the highest priority by the Company.

The Company has a well-developed and continuous program to address the needs of share owners, investment institutions and analysts for a regular flow of information about the Company, its strategy, performance and competitive position. Given the wide geographic distribution of the Company's current and potential share owners, this program includes regular visits to investors, particularly by the Group chief executive, the Group finance director, the deputy Group finance director and the head of investor relations, in the UK, Continental Europe and the major financial centres in North America and also in Asia Pacific and Latin America. The Company provides a preliminary announcement, an interim management statement at the end of the first and third quarters which includes a trading

update, an interim report at half year and a trading update and presentation at the Annual General Meeting.

The Company ensures that it has a proper dialogue with share owners and their representative bodies through executive and non-executive directors in relation to remuneration and corporate governance matters as and when appropriate. The chairman provides feedback to the Board on issues raised with him by share owners.

WPP's website, www.wpp.com, provides current and historical financial information, including trading statements, news releases and presentations and the Company's statement of its corporate governance practices.

Internal control

WPP operates a system of internal control, which is maintained and reviewed in accordance with the Combined Code and the guidance in the Turnbull Report as well as Rules 13a-14 and 15 under the Securities Exchange Act 1934. In the opinion of the Board, the Company has complied throughout the year with the Turnbull Report and has also complied with the relevant provisions of the Securities Exchange Act 1934.

The Board (which receives advice from the Audit Committee) has overall responsibility for the system of internal control and risk management in the Group and has reviewed the effectiveness of the system during the year. In the context of the scope and complexity of this system, the Board can only give reasonable, not absolute, assurance against material misstatement or loss. The system of controls is designed to manage, but may not eliminate, the risks of failure to achieve WPP's objectives. For certain joint ventures and associates, WPP operates controls over the inclusion of their financial data but places reliance upon the systems of internal control operating within our partners' infrastructure and the obligations upon partners' boards relating to the effectiveness of their own systems.

The principal elements of internal control are described below.

Control environment

The quality and competence of our people, their integrity, ethics and behaviour are all vital to the maintenance of the Group's system of internal control.

The Code of Business Conduct (which is regularly reviewed by the Audit Committee and the Board) sets out the principal obligations of all employees. Directors and senior executives throughout the Group are required each year to sign this Code. The WPP Policy Book (which also is regularly updated) includes the Code of Business Conduct and human resource practices, as well as guidance on practices in many operational areas. Breaches or alleged



breaches of this Code of Conduct are investigated by the director of internal audit and the Group chief counsel.

The Group has an independently operated helpline, Right to Speak, to enable our people to report issues that they feel unable to raise locally. A number of issues have been raised during 2008 through this helpline, all of which have been followed through and investigated where appropriate and reported to the Audit Committee.

Risk assessment

Risk monitoring of all of the Group's operations throughout the world is given the highest priority by the Group chief executive, the Group finance director, the chairman of the Audit Committee and the Board, as it is essential to the creation and protection of share owner value and the development of the careers of our people. The Board realises that WPP is a service company and its ongoing prosperity depends on being able to continue to provide a quality service to its existing and potential clients in a creative, efficient and economic way.

At each Board meeting, the Group chief executive presents a Brand Check review of each of the business' operations, including a monitor of risk, providing feedback on the business risks and details of any change in the risk profile since the last Board meeting.

The Brand Check covers such issues as:

- the possibility of the loss or win of major business (e.g. as a result of a change of senior management at a major client);
- loss of a key executive of the Group;
- introduction of new legislation in an important market;
- corporate responsibility;
- political instability in an important market; and
- changes in accounting or corporate governance practice.

Each operating group undertakes monthly and quarterly procedures and day-to-day management activities to review their operations and business risks. These are formally communicated to the Group chief executive, other executive directors and senior executives in quarterly review meetings and, in turn, to the Board.

The Board is firmly of the opinion that the monitoring of risk is strongly embedded in the culture of the Company and of the operating companies, in a manner which the Board considers goes beyond the Turnbull recommendations and the requirements of Rules 13a-14 and 15 under the Securities Exchange Act 1934.

Principal risks and uncertainties

The Board has considered the principal risks and uncertainties affecting the Group as at 31 December 2008 and these are summarised below. As set out above, the Group has specific policies in place to ensure that risks are properly evaluated and managed at the appropriate level within the Group.

Global economic risk

- The Group is subject to recessionary economic cycles. The current global credit crisis could adversely impact our business, results of operations, ability to raise appropriate finance and financial condition.

Client risks

- The Group competes for clients in a highly competitive industry, and client loss may reduce market share and decrease profits.
- The Group receives a significant portion of its revenues from a limited number of large clients, and the loss of these clients could adversely impact the Group's prospects, business, financial condition and results of operations.
- The Group may be unable to collect balances due from any client that files for bankruptcy or becomes insolvent.
- A reduction on client spending and a slowdown in client payments could adversely affect the Group's working capital.

Employee risks

- The Group is dependent on its people and, like all service providers, is vulnerable to adverse consequences from the loss of key people.

International business risks

- The Group is exposed to the risks of doing business internationally.
- Currency exchange rate fluctuations could adversely affect the Group's consolidated results of operations.
- The Group may have difficulty repatriating the earnings of certain of its subsidiaries.

Mergers & acquisitions

- The Group may be unsuccessful in evaluating material risks involved in completed and future acquisitions.
- The Group may be unsuccessful in integrating any acquired operations with its existing businesses.
- Goodwill and other acquired intangible assets recorded on the Group's balance sheet with respect to acquired companies may become impaired.

Regulatory and legal risks

- The Group may be subject to certain regulations that could restrict the Group's activities.
- Changes in tax laws or their application may adversely affect the Group's reported results.
- The Group may be exposed to liabilities from allegations that certain of its clients' advertising claims may be false or misleading or that its clients' products may be defective.
- Civil liabilities or judgments against the Group or its directors or officers based on US federal or state securities laws may not be enforceable in the US or in England and Wales or in Jersey.



Control activities and monitoring

Policies and procedures for all operating companies are set out and communicated in the WPP Policy Book, internal control bulletins and accounting guidelines. The application of these policies and procedures is monitored within the individual businesses and by the Company's director of internal audit and the Group chief counsel.

Operating companies are required to maintain and update documentation of their internal controls and processes. This documentation incorporates an analysis of business risks, detailed control activities and monitoring, together with controls over security of data and the provision of timely and reliable information to management. IT and financial controls are also included.

The internal audit department was responsible for reviews and testing of the documentation and the relevant controls for a majority of the Group during 2008, the results of which were reported to the Audit Committee.

Financial reporting

Each operating company annually updates a three-year strategic plan which incorporates financial objectives. These are reviewed by the parent company's management and are agreed with the chief executive of the relevant operating company.

The Group operates a rigorous procedure for the development of operating company budgets which build up the Group's budget. During the final quarter of each financial year, operating companies prepare detailed budgets for the following year for review by the parent company. The Group's budget is reviewed by the Board before being adopted formally. Operating company results are reported monthly and are reviewed locally, regionally and globally by the business groups and by Group management on a consolidated basis and ultimately by the Board. The results are compared to budget and the previous year, with full-year forecasts prepared and updated quarterly throughout the year. The Company reports to share owners four times a year.

At each year-end, all operating companies supply their full-year financial results with such additional information as is appropriate. This information is consolidated to allow the Group to present the necessary disclosures for International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS).

The Disclosure Committee gives further assurance that publicly-released information is free from material omission or misstatement.

Sarbanes-Oxley section 404

The provisions of section 404 of the Sarbanes-Oxley Act require the Company's management to report on the effectiveness of internal control over financial reporting in its Annual Report on Form 20-F which is filed with the US Securities and Exchange Commission. The 2007 assessment and related report from the external auditors confirmed that the Company's internal control over financial reporting was effective and included in the Company's Annual Report on Form 20-F for the year ended 31 December 2007. The 2008 assessment and related report will be included in the Company's Annual Report on Form 20-F that will be published in the coming months.

Going concern

The directors are required to consider whether it is appropriate to adopt the financial statements on the basis that the Company and the Group are going concerns. As part of its normal business practice, the Group prepares annual and longer-term plans and in reviewing this information and in particular the 2009 three-year plan and budget the directors believe that the Company and the Group have adequate resources for the foreseeable future. Therefore the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

Further details of the Group's financial position and borrowing facilities are described in note 24 of the financial statements.

Responsibilities in respect of the preparation of financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations. The directors have elected to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and have also elected to prepare financial statements for the Company in accordance with UK accounting standards. Company law requires the directors to prepare such financial statements in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures, when compliance with the specific requirements in IFRSs is 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report.

The directors are responsible for the maintenance and integrity of the Company website. Jersey legislation and United Kingdom regulation governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

The directors confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all the steps that he or she ought to have taken, as a director, in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The following information, together with the letters from the chairmen of the Nomination, Audit and Compensation Committees, the statements regarding directors' responsibilities and statement of going concern set out above and the directors' remuneration and interests in the share capital of the Company set out on pages 133 to 137, are included in the Directors' report, which also includes the sections 'Letter to share owners,' 'Who runs WPP' and 'What we think'.

Substantial share ownership

As at 14 April 2009, the Company is aware of the following interests of 3% or more in the issued ordinary share capital:

Massachusetts Financial Services Company	4.84%
Invesco plc	4.60%
Legal & General	4.39%

The disclosed interests of all of the above refer to the respective combined holdings of those entities and to interests associated with them.

The Company has not been notified of any other holdings of ordinary share capital of 3% or more.

Profits and dividends

The profit before tax for the year was £746.8 million (2007: £719.4 million). The directors declared a second interim dividend of 10.28p (2007: 9.13p) per share to be paid on 6 July 2009 to share owners on the register at 5 June 2009 which, together with the first interim ordinary dividend of 5.19p (2007: 4.32p) per share paid on 10 November 2008, makes a total of 15.47p for the year (2007: 13.45p).

Parent company charitable donations

WPP, the parent company, made charitable donations of £201,000 (2007: £218,077). Collectively, WPP companies together with the parent company made an estimated £4.3 million of charitable donations in 2008. More detailed information regarding the Group's support of charities is set out in the section dealing with corporate responsibility on pages 118 to 125.

It is the Company's policy not to make payments for political purposes.

Significant agreements and change of control

In addition to the financing agreements to which the Company is a party, details of which are given in note 24 on page 162, the Company is a party to an agreement with Asatsu-DK Inc dated 3 August 1998 pursuant to which WPP subscribed for 20% (at that time) of the share capital of Asatsu and Asatsu subscribed for approximately 4% (at that time) of the issued share capital of WPP. The respective shareholdings may only be transferred following a procedure set out in the agreement. WPP and Asatsu are each entitled to nominate a non-executive director to the board of the other subject to retaining its shareholding in the other.



Each of the €600 million 4.375% bonds due in December 2013, £400 million 6% bonds due in April 2017, €500 million 5.25% bonds due in January 2015, €750 million 6.625% bonds due 2016 and the £200 million 6.375% bonds due November 2020, contain provisions which are triggered on a change of control of the Company. The holders of such bonds have the right to repayment at par if the Company is non-investment grade at the time of the change of control or becomes non-investment grade within 120 days of the announcement of the change of control.

In addition the Group has a \$1.6 billion Revolving Credit Facility due August 2012, a £650 million term facilities agreement expiring July 2010 and a £600 million Revolving Credit Facility agreement expiring July 2011, the terms of which require the consent of the majority of the lenders if a proposed merger or consolidation of the Company would alter its legal personality or identity.

The impact of a change of control on WPP's incentive plans is dealt with on page 132.

Articles of Association

There are no restrictions on amending the Articles of Association of the Company other than the need to pass a special resolution of the share owners.

Group activities

The principal activity of the Group continues to be the provision of communications services worldwide. The Company acts only as a parent company and does not trade.

Share capital

The Company's authorised share capital consists solely of 175,000,000 ordinary 10 pence shares. The Company operates an American Depositary Receipt program. The rights and obligations relating to the ordinary share capital are outlined in the Articles of Association; there are no restrictions on transfer, no restrictions on voting rights and no securities carry special voting rights with regard to control of the Company.

At the Annual General Meeting in June 2008, share owners passed resolutions authorising the Company, in accordance with its Articles of Association, to allot shares up to a maximum nominal amount of £43,812,326.40 of which £5,867,764.45 could be allotted for cash free of statutory pre-emption rights. These authorisations were replaced as part of the Scheme of Arrangement when resolutions were passed authorising the Company, in accordance with its

Articles of Association, to allot shares up to a maximum nominal amount of £41,216,440 of which £5,873,805 could be allotted for cash free of pre-emption rights. In the year under review no shares have been issued for cash free from pre-emption rights. Details of share capital movements are given in note 26 on pages 164 to 167.

Authority for purchase of own shares

At the Annual General Meeting in 2008 share owners passed a special resolution authorising the Company, in accordance with its Articles of Association, to purchase up to 117,155,289 of its own shares in the market. This authorisation was replaced as part of the Scheme of Arrangement when a resolution was passed, authorising the Company, in accordance with its Articles of Association to purchase up to 117,476,114 of its own shares in the market. In the year under review, 18,820,814 shares (all of which were cancelled) were purchased at an average price of £5.96 per share as part of the Company's share buy-back program.

Supplier payment policy

The Company has no trade creditors because it is a parent company and does not generate trading revenues. Accordingly, no disclosure can be made of year-end trade creditor days. However, the Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. The average trade creditors for the Group, expressed as a number of days, were 46 (2007: 48).

Auditors

Deloitte LLP were appointed as auditors of the Company on incorporation and the directors will propose a resolution at the AGM to re-appoint them.

By Order of the Board:

Marie Capes
Company Secretary
 14 April 2009

* The sections headed 'Letter to share owners,' 'Who we are' and 'What we think' should be read in conjunction with and as part of the section headed Directors' report.

Corporate responsibility

Business impact

The significance of corporate responsibility (CR) to WPP's business continues to increase, notwithstanding the economic downturn. Climate change continues to be a major concern for citizens, governments and businesses and is driving an increased focus on social and environmental issues. Our leading multinational and national clients are responding to this agenda in their operations, products, supply chains and marketing. Serving the CR communications needs of our clients is a growing business opportunity for WPP companies. In addition there are a number of CR issues – both risks and opportunities – that we manage across our own business.

Our CR activity supports our business strategy (see page 12) in a number of areas. These include:

■ Generating new business opportunities

Increasingly, leading companies require a communications services partner to help them communicate their social and environmental achievements. Our CR program enhances our understanding of these issues and supports our businesses in competitive pitches.

■ Attracting and retaining the best people

There is strong competition for talent in our industry and questions relating to CR are frequently raised by our people and new candidates during job interviews. Creating a diverse company culture, adopting leading talent practices and demonstrating our commitment to social and environmental issues can help us to attract and retain the best people. A diverse workforce also enhances our understanding of consumers in all markets.

■ Enhancing our reputation

We reduce the risk of adverse publicity by ensuring that our work complies fully with regulations and marketing standards and carefully evaluating the risk associated with new commissions. Our pro bono work and support for charities and community organizations reinforces our reputation for making a positive contribution in society.

■ Meeting investor expectations

WPP share owners continue to show interest in our CR practices and we aim to respond constructively to their requests for information. In 2008 this included requests for information from the following organizations:

- Carbon Disclosure Project
- Cooperative Insurance Services (CIS)
- Dow Jones Sustainability Index
- Ethical Investment Research Service (EIRIS)
- Governance Metrics International
- IWFFinancial
- Pensions Investment Research Consultants (PIRC)
- SiRi

Investors raised questions on a number of subjects including our climate change strategy, supply chain management, our approach to managing ethical issues in client work and our procedures for protecting human rights. WPP is included in the FTSE4Good Index.

■ Improving efficiency

Our climate change strategy is reducing costs associated with business travel and energy use.

How we manage CR risk and opportunity

Issue	How it is managed	Aims
The social and environmental impact of our work for clients.	Opportunities to advise clients on marketing with a social or environmental dimension are identified by our companies.	Be a centre of excellence for environmental and social communication.
Marketing ethics, compliance with marketing standards, and protection of personal, consumer and corporate data and increasing transparency about our marketing practices.	Currently managed by our operating companies with referral to Group directors as necessary. In 2009 we are introducing quarterly review meetings for senior Group managers to discuss potential ethical issues in our client work and identify risk areas (see below).	Comply with all laws and industry codes governing marketing material. Improve standards and measurement in marketing practices.
Employment, including diversity and equal opportunities, business ethics, employee development, remuneration, communication and health and safety.	Human resources policies are set and implemented at operating company level. WPP's chief talent officer has overall responsibility for attracting, developing and retaining our talent.	Improve standards and measurement in employment.
Social investment, including pro bono work, donations to charity and employee volunteering.	Pro bono projects are agreed between WPP companies and the charities concerned. Many of our companies have long-standing relationships with their pro bono partners. WPP the parent company helps to coordinate pro bono projects involving multiple WPP companies or cross-Group collaboration.	To make a significant contribution to good causes through pro bono application of our marketing skills and direct donations to charity.
Climate change, including the emissions from energy used in our offices and during business travel.	We have appointed cross-functional groupwide Energy Action Teams and a network of agency climate champions to help implement our climate change strategy.	Measure and reduce our CO ₂ emissions and continue to purchase high quality carbon offset. Our goal is to reduce CO ₂ emissions by 20% by 2010.



CR issues in our supply chain and our environmental impacts beyond climate change, are also important for WPP.

Paul Richardson is the Board director responsible for assessing corporate responsibility risks. He chairs WPP's Corporate Responsibility Committee, established in 2003. The committee is made up of senior representatives from our agencies. Its role is to advise on policy. The committee met once formally in 2008 and its members communicated frequently to discuss a range of issues including:

- our climate change strategy;
- privacy and data protection issues;
- managing ethical issues in our companies' work for clients;
- improving data collection; and
- employment and diversity.

Paul Richardson provides an annual assessment of corporate responsibility risks and performance to the Audit Committee. This is in addition to the business and financial reporting risks process described on pages 113 and 114.

WPP's Code of Business Conduct and CR Policy set out the standards we expect our people to meet in their work. They provide guidance in dealing with a wide range of ethical, social and environmental subjects. Both documents are publicly available on our website, www.wpp.com.

We have established a set of key performance indicators (KPIs) relating to employment, social investment, environment and climate change. We report performance against these in our annual Corporate Responsibility Report (see below).

CR data is collected quarterly through our Group financial reporting system. WPP's internal audit function assesses CR risks relating to employment, marketing ethics and business ethics during reviews of Group companies.

Reporting

We will publish our seventh Corporate Responsibility Report in 2009. This will provide a detailed and objective account of how we are implementing WPP's Corporate Responsibility Policy across our businesses. A summary of our progress is provided in the following report.

The impact of our work

The social and environmental impact of the work we undertake for clients is one of our most important CR issues. Our goal is for WPP to be a centre of excellence for environmental and social communication. Three areas of our work are significant:

Corporate responsibility in our client work

Successful brands have always needed creative and compelling marketing. Today, this is more important than ever. Concerns about climate change and poverty have fuelled interest in green and fair trade products. In many regions, businesses are subject to a growing volume of regulation and increased scrutiny from pressure groups, the media and the public on a wide range of social and environmental issues.

Leading companies are responding positively, by embedding ethical values in their brands and developing products with a reduced social or environmental footprint. They need effective marketing to communicate the social and environmental benefits and make these new products desirable to the mass market.

In our Corporate Responsibility Report we profile campaigns for clients which contain work with an environmental or social impact. This work is indicative of a trend emerging in many markets around the world.

Social marketing

These are campaigns with social or environmental objectives, usually undertaken for government or NGO clients. Campaigns often tackle issues related to public health, safety or the environment. They are designed to raise awareness or encourage people to change their behaviour. Several WPP companies specialise in social marketing, including Ogilvy Outreach, Ogilvy PR's social marketing practice and Thompson Social.

Examples of social marketing campaigns by WPP companies in 2008 are included in our Corporate Responsibility Report, available online at www.wpp.com from June 2009.

Tackling climate change will require a huge shift in mindset and a willingness among the public to make lifestyle changes. Effective communication will be essential. WPP is participating in Shaping the Message on Climate Change, an initiative of the UN and International Advertising Association, to improve communication on climate change and ensure a successful outcome at the Copenhagen Climate Conference in December 2009. As part of this, WPP's CEO Sir Martin Sorrell led the discussion session during the World Economic Forum in January 2009.



Cause-related marketing

Cause-related marketing links brands to charities, usually through a donation for every product purchased. Executed sensitively, these campaigns benefit both the brand and the charity. Many WPP companies work on cause-related marketing. Examples from 2008 are included in our Corporate Responsibility Report, available online at www.wpp.com from June 2009.

Marketing ethics

As a minimum our companies are expected to comply with all laws, regulations and codes of marketing practice. All advertising produced by WPP companies should present products fairly and accurately, comply with the relevant law and marketing codes, and reflect changing public attitudes to questions of taste and decency or marketing of sensitive products.

Our Code of Conduct and CR Policy set out our approach and provide guidance to employees on the standards we expect. Key excerpts include:

"We will not knowingly create work which contains statements, suggestions or images offensive to general public decency and will give appropriate consideration to the impact of our work on minority segments of the population, whether that minority be by race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability.

We will comply with all applicable local laws and regulations, and any other laws with an international reach, such as the US Foreign Corrupt Practices Act, where relevant.

WPP companies will comply with applicable regulations and self-regulatory codes of practice in the countries in which they operate.

WPP companies will not undertake work designed to mislead in any respect, including social, environmental and human rights issues."

Ethical issues in client work

Where we operate, who we work for and the type of work we undertake can give rise to ethical issues. Examples include: work undertaken for government clients; operating in countries with a poor human rights record; and marketing for sensitive or controversial products.

In cases where work may be a potential risk to WPP's reputation, employees are required to elevate the decision to the most senior person in the relevant office and then to the most senior executive of the WPP company in the country concerned, who will decide if further referral to a WPP director is required.

Zimbabwe

Following allegations that an agency in which one of our subsidiaries, Y&R, held a minority interest, and over which we had no legal control, may have advised Zanu-PF on its electoral campaign, we launched an urgent investigation in the course of which a senior member of the management of the agency notified us that she had been advising President Mugabe in a personal capacity.

WPP's Board and management have established clear guidelines for our companies on clients for which we are prepared to work and the Mugabe regime in Zimbabwe was not an acceptable client in accordance with these standards. We were not prepared to have any association with Robert Mugabe or Zanu-PF and we therefore took the immediate decision to divest Y&R's minority interests in Zimbabwe. This was actioned as quickly as possible.

Strengthening our decision-making processes

During 2008 we identified a number of improvements to our process for reviewing ethical issues in client work. Changes we will implement during 2009 include:

Referral procedures

Formalising our referral arrangements in a written procedure distributed to all company CEOs. We will include accountability for escalating concerns over client work in the Code of Business Conduct compliance form signed by all CEOs annually. Quarterly review meetings will be held for senior managers at Group level to discuss cases of concern and identify new risk areas. These will be communicated to company CEOs and CFOs via quarterly bulletins from Paul Richardson, Group finance director.

Benchmarking

Benchmarking our Code of Conduct against those of other leading companies and strengthening the code provisions as appropriate.

Training and support

Launching online ethics and risk training to raise awareness of the risks associated with client work and underline the importance of compliance with WPP's Code of Business Conduct. This will include prompts and guidance on when work should be referred to management. The intention is for training to reach a majority of our companies' employees on a regular basis.

Audit

Including client risk factors in our internal audit process.



Involvement in industry groups

Many professionals from within WPP companies play an important part in developing and revising industry codes in sensitive areas such as advertising to children and the marketing of food and pharmaceutical products.

Complaints

Few campaigns that we produce for clients provoke complaint, but occasionally complaints do occur relating to matters of taste or fact. In most countries these are arbitrated by government or industry organizations. Our Corporate Responsibility Report contains details of infringements in countries where these are available, and we intend to extend the scope of this.

Privacy

Privacy is particularly relevant for our digital, market research and direct marketing companies which collect data on consumers, or study lifestyles and purchasing habits, the better to target marketing campaigns.

As a minimum, our companies must comply with data protection laws and marketing codes of practice such as the UK Data Protection Act, the EU Data Protection Directive, the US Safe Harbor principles as certified by the US Department of Commerce, the ICC/ESOMAR International Code of Marketing and Social Research Practice, the US Direct Marketing Association Guidance and the UK Market Research Society Code of Conduct. Many companies have additional policies and procedures to safeguard privacy. Our digital agencies share information on privacy issues through the WPP Digital group and with others in our industry through organizations such as the Interactive Advertising Bureau, of which David Moore, chairman of 24/7 Real Media, is currently vice chairman.

In January 2009, Kantar Group created the role of chief privacy officer, to develop and implement a co-ordinated privacy and data protection policy across Kantar companies and work directly with clients on these issues. This is the first such appointment by a leading information, insight and consultancy business, and reflects the growing importance of privacy and data protection issues for our industry.

WPP as an employer

WPP employs over 135,000 people (including employees in our associate companies) in almost 2,400 offices in 107 countries. Attracting and retaining talent is a central business issue for WPP. Our approach includes competitive remuneration, investment in training and development and a commitment to an inclusive workplace culture.

Our turnover levels in 2007/8 remained at a similar level to previous years. In 2009, like all businesses in the current economy, we will monitor staff costs closely and re-size where appropriate.

Diversity and inclusion

A diverse workforce adds value to our business. It helps us understand consumers from all walks of life and create compelling marketing for our clients. An inclusive workplace culture helps us attract the most talented people from all backgrounds.

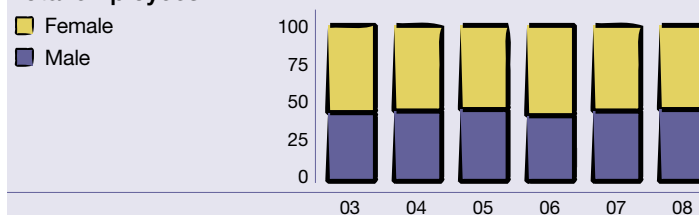
We introduced a non-discrimination policy in 1992. This commits all WPP companies to select, develop and promote people based on merit and regardless of race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability. Our Code of Business Conduct contains policies on harassment and non-discrimination. Where existing employees become disabled, our policy is to provide continuing employment and training wherever practicable.

Our people can report any concerns or suspected cases of discrimination or misconduct confidentially (and anonymously if desired) through our Right to Speak helpline.

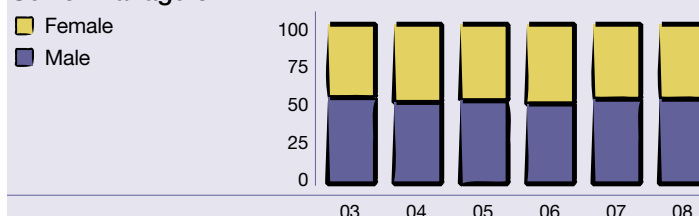
In 2008, women accounted for 32% of board members/executive leaders, 47% of senior managers and 54% of total employees. There are currently three women on WPP's Board and a female Company Secretary and Group chief counsel.

Gender diversity 2004-2008 %

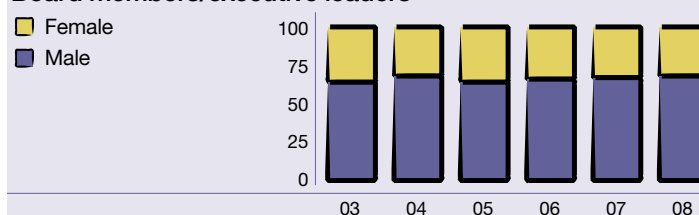
Total employees



Senior managers



Board members/executive leaders



All of our major companies in the US have internal programs to promote diversity and inclusion in their workforce. These include:

■ **Partnerships:** WPP companies work with diversity organizations and participate in initiatives to encourage diversity in the advertising industry. These include: the American Association of Advertising Agencies' (AAAA) Operation Success; the Leadership, Education and Development Program in Business; and the National Black Public Relations Society.

■ **Internships:** several WPP companies participate in the AAAA's multicultural Advertising Internship Program (MAIP) and other initiatives that allow minority students to gain experience in the marketing industry.

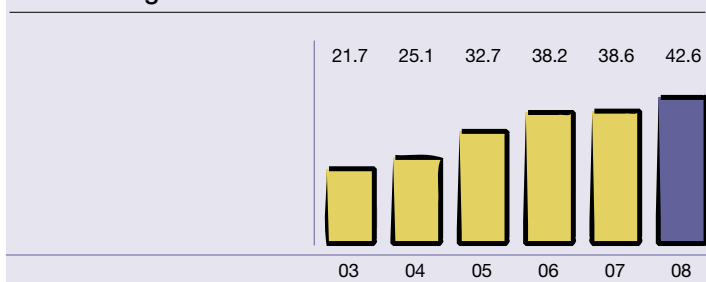
■ **Targeted recruitment:** many of our companies use specialist recruitment agencies and publications and attend minority recruitment fairs.

■ **Raising employee awareness:** our companies provide training and information to ensure that employees understand the importance of diversity.

Development and training

WPP is a people business and we aspire to high standards of employment progression and investment in the development of our teams. We offer development opportunities to enable our people to gain new skills and advance their careers. These include performance assessment, succession planning and training. Our goal is for our people at all levels to receive regular performance appraisals.

Staff training and welfare 2003-2008 £m



Training courses are co-ordinated at operating company level. These cover all aspects of company business and creative skills. In 2008, WPP invested £42.6 million in training and wellbeing across the Group.

Executive education helps our senior talent develop creative, client and personal leadership skills. Our flagship program is *Maestro: Orchestrating Client Value* – a five-day course aimed at strengthening the ability of our most senior client leaders to be valued and trusted advisors to their clients, colleagues and teams. Since the program's inception in 2003, it has reached more than 1,500 participants in 15 countries and involved 65 WPP companies.

In 2008, WPP formally launched its own 'Mini MBA' program, designed to build functional knowledge and abilities. It combines online tutorials and simulations with instructor-led classroom training. Business disciplines covered are commercial acumen, strategy, marketing, people and organizational development, creating client value and working across cultures.

Training and professional development opportunities are provided at both the parent and operating company levels, which together reach several thousand people in the Group.

Remuneration and share ownership

Competitive remuneration packages help us attract and retain the best people. We regularly benchmark our compensation against other companies in our sector.

We motivate our people by providing performance-related remuneration in addition to basic salaries. More senior employees are eligible for incentives based on their performance against annual or multi-year goals for the operations they lead.

Share ownership gives our people a financial stake in the company and a share in its success. WPP's Worldwide Ownership Plan, introduced in 1997, has granted share options to approximately 72,000 of our people.

Communication

With over 135,000 people in 107 countries, strong internal communication is essential. Some examples of our communications channels are:

■ WPP's public website (www.wpp.com), Group intranet site and professional knowledge communities.

■ WPP's annual journal of original thinking, the *Atticus Journal*; WPP's multi-award winning global newspaper, *The WIRE*; regular *FactFiles* profiling specialist services and resources within the Group.

■ WPP's public monthly online news bulletin – *e.wire*.

■ The WPP *Reading Room*, an extensive online library of thinkpieces (both public and original) from WPP professionals worldwide.

■ Regular communication on Group initiatives such as the Worldwide Partnership Program, BrandZ™, the Atticus Awards, The WPPED Cream awards, the WPP Marketing Fellowship Program and professional development workshops.

■ Periodic reports from Sir Martin Sorrell on topics of importance to all people participating in short- and long-term incentive plans.

■ Formal and informal meetings at operating company level.

■ Our multi-award winning Annual Report & Accounts, financial statements and Corporate Responsibility Report are widely distributed across WPP and are available on our websites.



Health and wellbeing

Promoting a healthy workforce benefits our business by increasing productivity and reducing the costs of people taking time off work due to illness. We have identified two main risks to health and wellbeing associated with office workplaces, where most of our people are based. These are work-related stress and injuries connected to workstation ergonomics. Our companies seek to create an environment where people feel able to discuss any issues, including stress, with their manager or human resources department. Our companies also assess the risk of work-related stress through regular staff surveys and by monitoring issues raised via our Right to Speak helpline, Employee Assistance Programs and during exit interviews.

Initiatives to combat workplace stress vary by company but include:

- Employee Assistance Programs – a source of confidential advice, support and counselling.
- Flexible benefit programs, including subsidised childcare.
- Flexible work arrangements enabling people to work part-time or from home.
- Medical checks and health screening.
- Training on stress and time management.

Ensuring our workstations follow good practice design reduces problems such as repetitive strain injury or back problems.

Employee external appointments

The Company recognises that its directors and senior executives may be invited to become non-executive directors of other companies, and that such experience may be beneficial to the Group. Consequently, executives are allowed to accept non-executive appointments with non-competing companies, subject to obtaining the approval of the Group chief executive in the case of senior executives and the approval of the Nomination Committee in the case of executive directors. Any fees receivable out of such appointments may be retained by the individuals concerned.

Environment

One of our priorities is reducing our impact on the environment. We have committed to:

- Reducing our CO₂ emissions by 20% by 2010 from a 2006 baseline.
- Achieving efficiency gains in our buildings and IT.
- Purchasing renewable electricity where available.
- Offsetting the balance of our emissions.

In addition to the environmental benefits, meeting these targets will achieve cost reductions and help in our efforts to recruit and retain environmentally-aware graduate talent.

Our climate change strategy also helps us win work with business and public sector clients, who are looking for suppliers with solid environmental credentials.

We have established Energy Action Teams in North America, Europe, Asia Pacific and Latin America. These include members of our IT, real estate and procurement functions. Their job is to identify energy-saving measures and provide technical guidance to our agencies on energy reduction. They are supported by a network of on-the-ground Climate Champions, who help to implement energy-saving measures in our companies.

Our carbon footprint and energy use

WPP's carbon footprint

	2006	2007	CO ₂ emissions (tonnes)	
			2008	2008 (renewable energy rated zero emissions)
Office energy use	144,354	120,032	112,901	94,376
Air travel ¹	81,733	92,269	89,500	89,500
Other (includes unmet impacts e.g. couriers and taxis)	33,913	31,845	30,360	27,581
Total	260,000	244,146	232,761	211,457

¹ Air travel data partially estimated.

WPP's office energy use (megawatt hours)

	2006	2007	2008
Energy use	297,406	251,685	223,720

In 2008, we emitted 232,761 tonnes of CO₂, a 10.5% reduction on our 2006 baseline level. Our main climate impact is from consumption of electricity and gas in our 2,400 offices and employee air travel. We add an additional 15% to our CO₂ footprint to account for unmeasured impacts, such as couriers and taxis.

In 2008, we used 223,720 megawatt hours of energy in our offices which resulted in emissions of 112,901 tonnes of CO₂, a 22% reduction on our 2006 baseline. This was achieved despite a 14.5% increase in our property portfolio by floor space since 2006. We estimate that we have saved over £6 million through reductions in office energy use between 2006 and 2008. The above emissions calculations follow new UK government guidelines, which state that emissions from renewable energy should be calculated using the same conversion factors as conventional grid energy, rather than rated as zero emissions. If the renewable energy we purchase is rated as zero emissions, we have reduced CO₂ emissions from energy use by 35% since 2006.

We collect our air travel data via an external provider, as part of our airline procurement process. We have detailed analysis covering our major cities relating to approximately



70% of our journeys. The balance we estimate based on internal records.

In 2008, we offset 195,000 tonnes of CO₂ through support for renewable energy projects.

We report our greenhouse gas emissions to the Carbon Disclosure Project (CDP), a collaboration of institutional investors and participate in the CDP's Supply Chain Leadership Collaboration.

Office energy efficiency

In 2008, we launched a global metering project to bring energy savings by cutting waste. We are investing £750,000 to install meters in 100 of our largest sites globally (representing 65% of our property portfolio by floor space) that centrally monitor energy use, enabling us to make savings of between 10% and 15%. Improved metering will also ensure that we are being charged accurately by our energy suppliers.

In 2008, we identified preferred suppliers in all regions, which our operating companies can use to buy and install low-energy light fittings. We will begin an installation program for low-energy fittings in 2009. We have set up procurement contracts with furniture and carpet suppliers to ensure the products we purchase come from renewable sources and can be disposed of in a responsible manner.

Where possible, we aim to ensure that any properties we purchase meet advanced environmental standards such as Leadership in Energy and Environmental Design (LEED) and BRE Environment Assessment Method (BREEAM). For example, a new purpose-built facility for nine of our companies in Singapore is being designed to the Green Mark Scheme Gold Standard, which is equivalent to LEED.

Sustainable IT

WPP's personal and network IT equipment accounts for a large proportion of our energy use. We aim to cut the energy used by our computers by up to 30%, and have introduced requirements to improve the energy efficiency of our IT equipment. In 2009 we will reduce the numbers of servers to less than 5,000. We will also improve the energy efficiency of data centres and server rooms.

In 2008, we ran a pilot project at the Ogilvy offices in Cabot Square, London, to find ways to reduce the amount of energy used by our printers. In 2009, we will implement similar projects across the Group.

Reducing travel through videoconferencing

We encourage our people to meet via videoconferencing, avoiding the environmental impacts of travelling to meetings. We have successfully trialled high-definition videoconferencing in London and New York, and we are now investing \$1.5 million to set up facilities in key cities around the world. By the end of 2008, we had set up four high-definition videoconferencing units in London and New York. By the end of 2009, we will have deployed 50 units around the world.

In 2009, we will launch a videoconferencing search and booking system on the WPP intranet. This will include a carbon calculator to show the amount of CO₂ avoided by using videoconferencing rather than flying to a meeting.

Buying renewable energy

We purchase renewable energy where we can, and regularly review energy sourcing across all markets to identify new opportunities. We estimate that 70% of the electricity we purchase in the UK is from renewable sources, compared to 50% in Germany and 22% in the US. We also negotiated a small renewable energy contract in Australia in 2008.

If this energy is rated at zero emissions it is equivalent to a reduction of approximately 18,525 tonnes of CO₂ (16% of the total emissions from office energy use) each year.

Carbon offset

After reducing our CO₂ emissions as much as possible, we offset the majority of the rest. This means paying someone else to reduce their carbon emissions by an amount equal to our own footprint – saving one tonne of CO₂ elsewhere in the world for one tonne that WPP creates.

Our operating companies meet the cost of offsetting their emissions. This provides an incentive to cut their climate impact as the more they reduce their emissions the less they will have to pay in offset costs.

All carbon offset projects supported by WPP are renewable energy projects. We do not support forestry offset. Through the CarbonNeutral Company we currently fund seven projects, including wind farm and hydroelectric projects in China and wind and solar generation in India.

One of these is the Jamnagar Wind Power Project, which is helping to reduce India's reliance on fossil fuels by building new wind turbines. It costs more to generate electricity from wind rather than coal in India, which means finance from offset projects is often key to making wind farms in the country commercially viable. The project will provide reliable, renewable power to the electricity grid and will provide jobs for people in nearby villages. The turbines being built in the states of Rajasthan, Gujarat and Karnataka will have a combined capacity of 147MW.



Supply chain

WPP spends around \$3 billion with suppliers each year. We want to do business with suppliers that meet high standards on environment and employment practices. We are committed to managing CR risks in our supply chain, both for ourselves and for our clients.

We focus our CR efforts on preferred suppliers that provide centrally-purchased goods and services such as IT, travel, telecommunications, professional services (e.g. consultancy and recruitment) and facilities management.

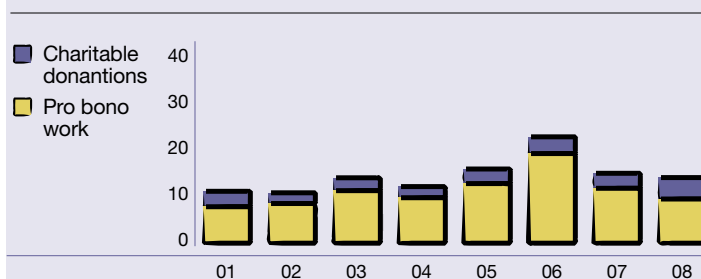
WPP's Global Procurement Policy contains ethical and environmental criteria, which our Group procurement teams use in supplier selection and management. We thoroughly evaluate companies against a set of business requirements before they can become a preferred supplier. These include assurance of supply, quality, service, cost, innovation and CR. We do not have a standard weighting for each criteria and they may vary from project to project. As part of this process we ask potential suppliers to complete a simple five-point CR questionnaire to raise awareness and make our requirements clear.

Social investment

In 2008, the total value of our social investment was £14.6 million compared with £16.3 million in 2007. This is equivalent to 2% of reported profit before tax and includes direct cash donations to charities of £4.3 million and £10.3 million worth of pro bono work. These figures are based on fees the organizations would have paid for our work. The reduction in pro bono work on last year is due to the worsening economic conditions, which placed pressure on our companies to focus on fee-paying work.

In addition, WPP media agencies negotiated £13 million of free media space on behalf of pro bono clients.

Social investment 2001-2008 £m



Pro bono work

Our companies have a long tradition of pro bono work – providing creative services to charities at little or no cost. This work can be invaluable – helping raise money and awareness for hundreds of good causes every year.

It also benefits WPP by showcasing our creative skills and ability to create compelling communications on a wide range of social and environmental issues. Our people gain a breadth of experience and the chance to contribute to their communities.

Examples of recent pro bono work by our companies are included in our Corporate Responsibility Report.

Pro bono work 2008 %



WPP the parent company

WPP, the parent company, supports a range of charities, with a particular focus on education, the arts and young people. These include:

- Education Africa UK
- Gambian Education Development Trust
- INSEAD Trust for European Management Education
- NABS (a charity which offers financial, practical and emotional support to those in the advertising industry)
- The London Business School
- The National Portrait Gallery
- The Paley Center for Media
- The Roundhouse Trust
- University of Oxford
- Woodrow Wilson International Center For Scholars

WPP is also a member of:

- Business in the Community (an organization that promotes responsible business practice)
- Employers Forum on Disability
- The Media Trust (which provides media support to over 5,000 charities)
- The Institute of Business Ethics

Many senior WPP executives also give pro bono advice and support. Sir Martin Sorrell is an active participant in programs at the following international business schools: London Business School; IESE, Spain; Indian Business School; Harvard Business School; and Boston University, School of Management.

For a number of years, donations from WPP have been used to support the Lower Basic School in Sanyang village and the regional health clinic at Medina Salaam, both in Gambia. During 2008, WPP funding provided computers for the school's internet centre and enabled the school to join the Eden Project Gardens for Life. ■



How we're rewarded

Compensation Committee report on behalf of the Board

Dear share owner

The work of the Compensation Committee in 2008 took place against a background of increasingly challenging business conditions in the economy as a whole and for the marketing services industry. In this environment, the committee maintained its focus on ensuring that the Company's compensation policies at all levels were aligned to share owner interests, were fair to the Company's employees, and enabled the Company (in a continuing competitive market for talent) to retain, incentivise, and recruit the talented people who are vital to the Company's success.

2008 highlights

The committee's work during 2008 included:

- a review of the total compensation packages of the Group's most senior executives relative to marketplace benchmarks to ensure competitiveness;
- a review of the total compensation packages of both Paul Richardson and Mark Read;
- a full review of the effectiveness and operation of all of WPP's share incentive plans;
- the approval of all incentives (including the Renewed Leadership Equity Acquisition Plan (LEAP)), payable in cash and in shares, for senior executives throughout the Group and setting appropriate targets for the Group chief executive and other executive directors;
- consideration of the design details for LEAP III – the incentive plan that, with share owner approval, would replace Renewed LEAP following its expiry in 2009; and
- a review of the fees for the chairman (in his absence), for the chief executive (in his absence), and a recommendation to the Board as to the fees for the non-executive directors.

What changed in 2008?

Details of all elements of compensation and any changes made to them are found in the following pages. To summarise, the key decisions and changes to compensation during the year were as follows:

- the first awards under Renewed LEAP vested in March 2008. The committee exercised its discretion under the fairness review to reduce the size of the payout;

- proposals for LEAP III, commencing in 2009 are being developed and will be put to share owners, probably at the AGM;

- following the reorganisation in November 2008, the executive directors became entitled to a fee for their services as directors of the Company (the Group's new holding company). The aggregate of each executive director's base salary and directorship fees became the same as that director's base salary alone before reorganisation;

- the base salary of Sir Martin Sorrell, Group chief executive, and the fees of Philip Lader, chairman, were scheduled for a normal bi-annual review in 2008. Before a formal review was taken, each of them separately advised the committee that he did not think it appropriate to be considered for an increase in view of the current business conditions. The committee agreed with their request despite being minded to consider an increase for each of them;

- the committee's policy is to review non-executive director fees bi-annually. Following its scheduled review and in light of current business conditions, the committee recommended to the board that the fees for non-executive directors not be increased other than for a small increase to the fee for the Audit Committee chairman;

- an increase to the base salary and fees for Paul Richardson from £500,000 to £550,000 was approved, effective 1 July 2008;

- as Mr Richardson is now based in the US, his base salary has been converted into US dollars. To avoid currency fluctuations, effective 1 January 2009, his base salary will be \$830,000; he also receives fees of £100,000 in respect of his directorship of WPP plc; and

- Mark Read's base salary and director's fees were reviewed and have been increased from £275,000 to £325,000 with effect from 1 January 2009.

As always, the time and support given by my fellow committee members, Philip Lader and Esther Dyson, and the ongoing advice and counsel of Bud Morten, the former chairman of the committee, are greatly appreciated. The committee's thanks also go to Marie Capes (the Company Secretary), Mark Linaugh (the chief talent officer) and Adrian Jackson (the director of compensation and benefits).

Jeffrey Rosen

Chairman of the Compensation Committee

14 April 2009



Composition of the Compensation Committee

During 2008, the Compensation Committee comprised the following:

- Jeffrey Rosen (chairman of the committee);
- Esther Dyson; and
- Philip Lader.

No member of the committee has any personal financial interest (other than as a share owner as disclosed on page 137) in the matters to be decided by the committee, potential conflicts of interest arising from cross-directorships or day-to-day involvement in running the Group's businesses.

The terms of reference for the Compensation Committee are available on the Company's website and will be on display at the AGM, as set out in the Notice of AGM.

Advisors to the Compensation Committee

The Compensation Committee regularly consults with Group executives, particularly the Group chief executive (who was not present when matters relating to his own compensation or contracts were discussed and decided), the chief talent officer and the director of compensation and benefits. The latter two individuals provide a perspective on information provided to the committee and are a conduit for requests for information and analysis from the Company's external advisors. During the year, the committee was advised by Towers Perrin. Advice was also received from Hammonds LLP on legal, tax and governance issues relating to compensation and benefits. Hammonds LLP provides legal advice on a range of matters to the Group.

The committee receives advice on the following:

- analysis of competitive compensation practices and determination of competitive positioning;
- base salary and fee levels;
- annual and long-term incentive plans and awards including awards made under Renewed LEAP;
- the policy for employees relating to WPP share ownership;
- pensions and executive benefits;
- changes in accounting, taxation, legal and regulatory practices;
- governance issues relating to compensation and the role of the committee; and
- policies for preventing and addressing employee harassment and discrimination.

The link between compensation and business objectives

All executive compensation at WPP is governed by three guiding principles:

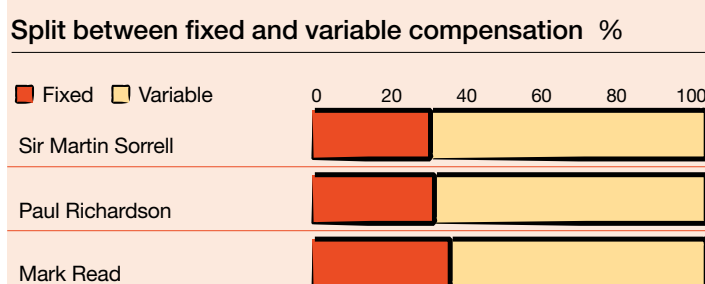
- the need to be competitive;
- being performance-driven; and
- alignment to share owner interests.

These three principles are themselves derived from both our mission statement (see page 12) and our six business objectives (see pages 24 to 28).

WPP competes on the basis of its intellectual capital. This intellectual capital is created entirely by its people, and the committee endeavours to strike the right balance of fairness for both employees and share owners. For this reason, compensation plans are designed to be competitive, performance-driven and aligned to share owner interests.

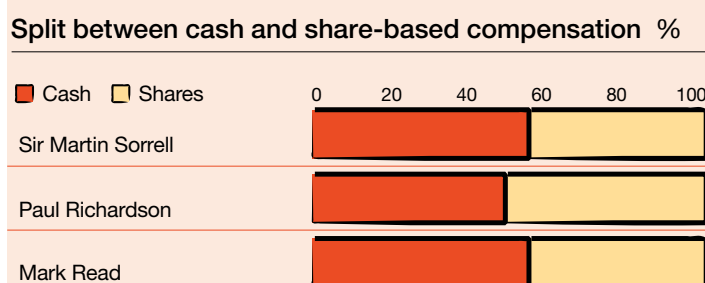
The committee regularly reviews fixed and variable compensation against appropriate benchmarks.

The chart below shows the proportion of total remuneration which is variable (due to the linkage to performance) compared to fixed remuneration.



WPP is committed to aligning executive performance and reward with share owner interests. From a compensation perspective, this is encouraged in a number of ways:

- TSR is the sole performance target for both Renewed LEAP and LEAP III (to be proposed to share owners);
- share ownership is encouraged for the WPP Leaders (approximately the top 200 executives), all of whom have ownership goals of 40,000 ordinary shares;
- all employees are given a share focus through the use of the Worldwide Ownership Plan; and
- almost 50% of the compensation package of executive directors is paid in the form of shares (the value of ESA and expected value of Renewed LEAP).



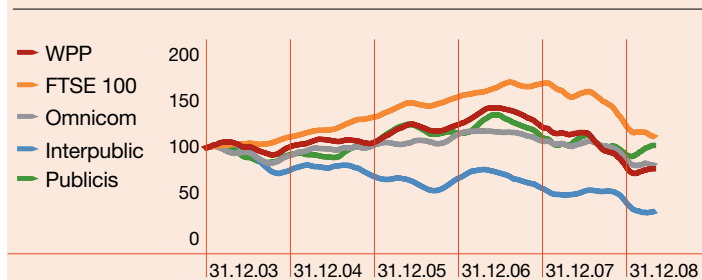
TSR performance

The Company's TSR for the period from 31 December 2003 to March 2009 is shown on the graph on the opposite page, top left. The FTSE 100 is the Index the Board considers most



relevant for the purpose of comparison and Omnicom, Interpublic and Publicis are shown as these are the companies with whom the Company's performance is most commonly compared.

Relative TSR Rebased to 31 December 2003*



* Measured on a common currency basis.

Key elements of short- and long-term remuneration

The principal elements of WPP executive remuneration currently comprise the following:

- base salaries and fees (fixed);
- short-term incentives paid in both cash and shares which vest in the medium-term of two years (variable); and
- long-term incentives paid in shares (variable, and in certain instances, subject to both co-investment and performance conditions).

Pension contributions, life assurance, health and disability, and other benefits are also provided.

Base salary and fees

	Current salary and fees	Effective date
Sir Martin Sorrell	£1,000,000	1 Jan 2007
Paul Richardson	\$830,000 and £100,000	1 Jul 2008
Mark Read	£325,000	1 Jan 2009

Fees are paid to executive directors in respect of their directorships of WPP plc. Base salaries and fees for the senior people at WPP are normally reviewed every 24 months. When salaries are reviewed this is done so within the context of:

- total compensation;
- the current mix of fixed and variable compensation;
- the performance of the relevant business unit;
- pay and employment conditions elsewhere in the Group; and
- general market conditions.

In determining suitable benchmarks the committee looks at similar roles in competitor organisations and, if appropriate, general industry data for organisations of comparable size and complexity.

Sir Martin Sorrell's base salary was last increased on 1 January 2007 (and prior to that on 1 September 1999). Although he was due a review in 2008, he informed the committee that an increase would not be appropriate in

light of current business conditions. His compensation package therefore remains unchanged.

As reported last year, Paul Richardson's base salary was reviewed during 2007 and an increase from £450,000 to £500,000 effective 1 July 2007 was approved. This was over four years from his previous increase. It was also agreed that an additional increase of £50,000 would be considered effective 1 July 2008 depending on a further review at that time. The committee considered that the revised base salary of £550,000 appropriately positioned him relative to both the FTSE 100 and WPP's closest industry competitors. Since December 2008, Mr Richardson has been entitled to annual fees of £100,000 in respect of his directorship of WPP plc, and his base salary became £450,000 at that time. Effective 1 January 2009, the committee changed Mr Richardson's base salary to \$830,000 as Mr Richardson is now based in the US; his £100,000 fee remains unchanged. This change was designed to protect Mr Richardson from the exchange rate variations that have been very volatile. His base salary was calculated using an exchange rate of \$1.85 to £1 (which was the exchange rate used by the Company for the purposes of its accounts during 2008, as detailed on page 146) and subsequently cross-checked against appropriate US benchmarks to ensure that it did not result in his remuneration exceeding those benchmarks. Mr Richardson's next regular review will not be before July 2010.

Mark Read's base salary was last increased on 1 January 2007. As with Sir Martin Sorrell and Paul Richardson, Mark Read became entitled to fees of £100,000 in respect of his directorship of WPP plc. His base salary at that time became £175,000. When reviewing his compensation the committee felt that his base salary and fees were considerably below the median for his role and position as a director of the company. Since his appointment to the Board in 2005, Mr Read had grown substantially both in experience and in strategic importance. It was therefore felt that an increase in his base salary from £175,000 to £225,000 was justified. The implementation of this increase was, however, deferred until 1 January 2009. The £100,000 fee remains unchanged.

Salary increases throughout the Group in 2009 will be authorised on a performance and competitive basis.

Retirement benefits

All pension benefits for the Company's executive directors are currently on a defined contribution basis and only the aggregate of base salary and fees is pensionable under any Company retirement plan. Details of pension contributions for the period under review in respect of executive directors are set out on page 133.

The form and level of Company-sponsored retirement programs vary depending on historical practices and local market considerations. The level of retirement benefits is regularly considered when reviewing total executive remuneration levels.



Short-term incentives

Each year WPP sets challenging financial performance conditions for each operating company. Performance against these targets determines the size, if any, of the incentive pool for that unit. In aggregate, incentive payments in 2008 were down compared with 2007. This trend was also reflected in the bonuses paid to executive directors.

Individual targets (both financial and strategic) for the operating company CEOs are also set by WPP and in turn, these CEOs set similar targets for their direct reports. Payment is in the form of both cash bonuses and Performance Share Awards (PSA) which vest a further two years after grant.

In a similar way, the Compensation Committee sets objectives for Sir Martin Sorrell and the other executive directors. The extent to which these objectives are met will determine the size of both the annual cash bonus (STIP) and the Executive Share Award (ESA), the portion of the annual bonus paid in shares which vest a further two years after grant.

Consistent with previous years, for 2008 each director was measured in the three areas shown below:

■ Group financial objectives

Determined at the start of each year; examples of measure include margin improvement and operating profit growth.

■ Individual strategic objectives

Determined at the start of each year; examples of measure include relative financial performance, advancing CSR strategy and improving back office synergies.

■ Key business objectives

Determined at the end of each year; examples of measure include improving creative reputation and developing digital strategy.

Each of these three elements is equally weighted for cash bonus purposes (i.e. one third of the bonus is payable for the achievement of each objective). Except for the Group financial objectives, the exact measures differ by each individual executive director.

No changes were made in 2008 to the levels of short-term incentive payouts for achieving either target or maximum performance.

After considering each of these areas and the respective measures for each executive, the committee assessed the following levels of performance against target bonus payable in cash (shown as a percentage of target bonus):

	Group financial objectives		Individual strategic objectives		Key business objectives	
	% of target	Cash amount £000	% of target	Cash amount £000	% of target	Cash amount £000
Sir Martin Sorrell	75%	250	120%	400	180%	600
Paul Richardson	75%	110	100%	147	125%	183
Mark Read	75%	34	150%	69	150%	69

This resulted in the following bonus payments in respect of 2008, shown as a percentage of salary:

	Bonus percentage paid in cash			Bonus percentage paid in shares (ESA)		
	Target	Max	Actual	Target	Max	Actual
Sir Martin Sorrell	100	200	125	67	100	75
Paul Richardson	80	120	80	100	133	100
Mark Read	50	75	62.5	67	100	83.5

In some countries an opportunity exists to defer part of the annual bonus for four years in the form of WPP shares. At the end of the deferral period a 25% match is applied to the original shares subject to continuous employment. No executive director participated in this plan in relation to the bonus paid for 2008.

Long-term incentives

During the year the committee reviewed the operation and effectiveness of all share-based plans including ESAs and PSAs. A similar review had previously taken place in 2005 which led to significant changes in the design of the incentive plans.

In contrast this review found that the current plans were:

- effective in their operation;
- valued by participants, particularly for their simplicity;
- competitive within the marketplace; and
- aligned to the overall business objectives of the Company.

No major structural adjustments were therefore felt necessary at this time although the committee will continue to keep this under review.

As part of the Group reorganisation completed in November 2008, a new Executive Stock Option Plan and a new Worldwide Ownership Plan were adopted to replace the earlier versions of these plans, under which new awards could not be granted after the reorganisation.

Renewed Leadership Equity Acquisition Plan (Renewed LEAP)

2008 was the fifth year of operation for Renewed LEAP and awards were once again granted to the Group's key executives. Details of these awards can be found on page 135.

Under Renewed LEAP, which was approved by share owners in 2004, participants have to commit and retain WPP shares (investment shares) in order to have the opportunity to earn additional WPP shares (matching shares). The number of matching shares that a participant can receive at the end of the investment and performance period depends on the Company's TSR performance measured over five years (four years in the case of awards made in 2004).

Because relative TSR may not always reflect the true performance of the Company, the Compensation Committee is required to perform a 'fairness review' on the basis of



which it may, in exceptional circumstances, decide to vary the number of matching shares that will vest. Factors the committee considers in its fairness review of any awards include, amongst others, various measures of the Group's financial performance (such as growth in revenues and in earnings per share) and any evidence of distortions in the share price of either WPP or the peer group (such as bid price premia).

The first award cycle for the 2004 to 2007 performance period vested at the start of 2008. Details of the payout can be found in the table on page 135. However, it should be noted that (as was fully disclosed in last year's Report & Accounts), although the result of the TSR calculation indicated a vesting level of 3.27 matching shares, after the operation of the fairness review there was a net reduction of 0.67 such that the final number of matching shares awarded was 2.60. These figures take into account the impact of both the bid premium contained in two of the comparator companies and the large currency swings over the performance period.

The second award cycle for the 2005 to 2009 performance period vests at the start of 2010.

Restricted Stock Plan

Other than to satisfy awards under the short-term plans (ESA and PSA), the principal use of the Restricted Stock Plan is for awards under the WPP Leaders and WPP Partners programs. These programs are used to further align the interests of about 1,100 of our key executives with the interests of share owners.

In both programs awards are made to participants that vest three years after grant provided the participant is still employed within the Group. Some executives at the head office participate in these programs but no awards are made to executive directors.

Executive Stock Option Plan

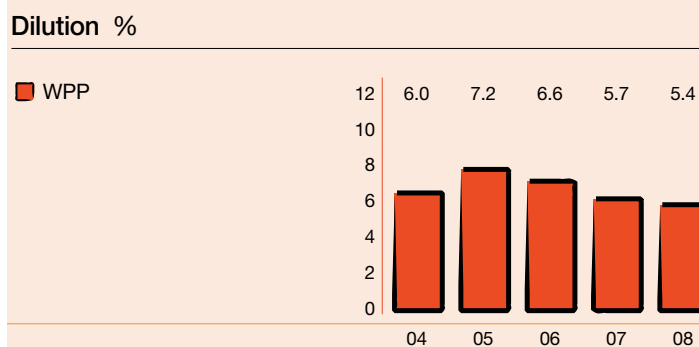
In order to attract or retain key talent it is sometimes necessary to make special grants of options. Only 15 grants were made in 2008 and none of these were to executive directors.

Worldwide Ownership Plan

The Worldwide Ownership Plan is an all-employee plan that makes annual grants of stock options to employees with two years of service who work in wholly owned subsidiaries. As at 31 December 2008 options under this plan had been granted to approximately 72,000 employees over 34 million ordinary shares. Any executive who participates in one of the other share plans described above does not receive grants in this plan.

Share incentive dilution for 2004 to 2008

The dilution, as at 14 April 2009, was well below 10%. It is intended that Renewed LEAP awards, the ESAs, the PSAs and Restricted Stock Plan awards will all be satisfied with purchased shares held either in the employee share ownership plans (ESOPs) or in Treasury.





Key elements of short- and long-term remuneration

	Objective	Participation	Performance period	Conditions	Change of control
Short-term					
Base salary	To maintain package competitiveness at all levels within the Group.	All employees.	n/a	Salary levels are determined by taking a number of relevant factors into account, including individual and business unit performance, level of experience, scope of responsibility and the competitiveness of total remuneration.	n/a
Cash bonus	To incentivise delivery of value at all levels within the Group.	Approximately 10% of employees are eligible to receive a performance bonus.	1 year	Achievement of challenging performance goals (financial and non-financial) at the individual and business unit level.	The cash bonuses of executive directors do not crystallise on a change of control.
Performance share awards	To incentivise delivery of value and to align with interests of share owners.	Key operating company executives.	1 year	Achievement of challenging performance goals (financial and non-financial) at operating company level. Further two-year retention period.	See note below for Restricted Stock Plan.
Executive share awards	To incentivise delivery of value and to align with interests of share owners.	Key head office executives and executive directors.	1 year	Achievement of challenging individual annual bonus objectives. Further two-year retention period.	See note below for Restricted Stock Plan.
Long-term					
Renewed LEAP	To incentivise long-term performance by comparing WPP's TSR against the TSR of key comparators and to maximise alignment with share owner interests through a high level of personal financial commitment.	Participation offered only to those key executives (currently no more than 20 people) whose contributions transcend their day-to-day role, including executive directors.	5 years	Relative TSR performance against a group of key communication services comparator companies, subject to a fairness review by the Compensation Committee.	On a change of control, the investment period for all outstanding awards ends, the number of vesting shares are determined at that date and any other rights cease. The number of shares that vest may be reduced to prevent adverse US tax provisions applying. The Compensation Committee may determine that outstanding awards are exchanged for equivalent awards.
Restricted Stock Plan	To encourage a share ownership culture and long-term retention as well as supporting recruitment.	Directors and senior executives of the operating companies and senior executives of the head office.	n/a	Typically three-year retention period.	The vesting period for all outstanding awards is deemed to end. The Compensation Committee may determine that outstanding awards are exchanged for equivalent awards or that outstanding awards are unaffected by the change of control.
Executive Stock Option Plan	To provide a tool to promote retention and recruitment.	Occasional use only to deal with special situations.	3 years	Conditions, if any, are determined at the time of grant of the award.	The number of shares or ADRs is pro-rated down in accordance with the change of control date. The Compensation Committee may determine that outstanding awards are unaffected by the change of control.
Worldwide Ownership Plan	To develop a stronger ownership culture.	Employees with at least two years' employment. Not offered to those participating in other share programs or to executive directors.	n/a	Three-year vesting period.	The number of shares or ADRs is pro-rated down in accordance with the change of control date. The Compensation Committee may determine that outstanding awards are unaffected by the change of control.



Directors' remuneration and other statutory information

The following tables and information are either required by statute or recommended by best practice guidelines. All information in this section has been audited.

Executive directors' emoluments

The value of salary and fees, benefits, annual incentives paid both in cash (STIP) and shares (ESA) and pension contributions for the year ending 31 December 2008 are set out in the table below. The table also shows comparative numbers for 2007. In the case of STIP and ESA, the figures shown are the value of the awards in respect of the year in question but received in the following year. Benefits include such items as healthcare, life assurance and allowances for cars and housing. Both Sir Martin Sorrell and Paul Richardson currently receive part of their remuneration in pounds sterling and part in US dollars. Any US dollar amounts received in 2008 have been converted into sterling at \$1.8524 to £1 (\$2.0019 for 2007). No compensation payments for loss of office have been made during 2008 to any individuals who have been directors of the Company.

	Salary and fees		Other benefits		Short-term incentive plans (annual bonus)		Value of ESA		Total annual remuneration		Pension contributions	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
Executive directors												
Sir Martin Sorrell ^{1,2,3}	1,033	1,003	110	35	1,250	1,650	753	885	3,146	3,573	398	400
Paul Richardson	563	469	89	82	440	481	550	567	1,642	1,599	158	95
Mark Read	275	275	1	1	172	191	230	255	678	722	28	27
Total remuneration	1,871	1,747	200	118	1,862	2,322	1,533	1,707	5,466	5,894	584	522

¹ During 2008 an amount of approximately £7,000 was paid to Sir Martin Sorrell in respect of tax liabilities incurred by him on expenditure on various items considered by the UK Tax authorities as benefits in kind but which the committee consider to be essential to his ability to deliver his services successfully to the Group (£6,000 in 2007).

² Payments of amounts equal to the dividends that would be payable (totalling £859,981) were made to Sir Martin Sorrell in respect of the shares reflected in the UK and US Deferred Stock Units Awards Agreements (which are the agreements that now comprise the awards granted under the Capital Investment Plan in 1995) during 2008 (£731,806 during 2007).

³ The Company has agreed to contribute to the expenses of maintaining an apartment in New York purchased by Sir Martin Sorrell, in lieu of his contractual right to be provided with accommodation whilst working there, as he is required to spend a considerable amount of time in New York due to the size of the Company's business in the US. The Company did not make any such payments in 2008, although it could have been required to do so.

Policy on directors' service contracts, notice periods, termination payments and external appointments

The Company's policy on the duration of directors' service contracts is that no executive directors have fixed-term contracts and the notice period for each is shown in the table below. None of the contracts of head office executive directors contain liquidated damages provisions. There were no payments in 2008 in respect of termination of employment of any executive director.

Executive director	Effective from	Notice period
Sir Martin Sorrell	19 Nov 2008	"At will"
Paul Richardson	19 Nov 2008	12 months
Mark Read	19 Nov 2008	6 months

Executive directors are permitted to serve as non-executives on the boards of other organisations. If the Company is a share owner in that organisation, non-executive fees for these roles are waived. However, if the Company is not a share owner in that organisation, any non-executive fees can be retained by the office holder.



Option awards held by executive directors in the year ended 31 December 2008

These awards were made to Mark Read before he became a director of the Company.

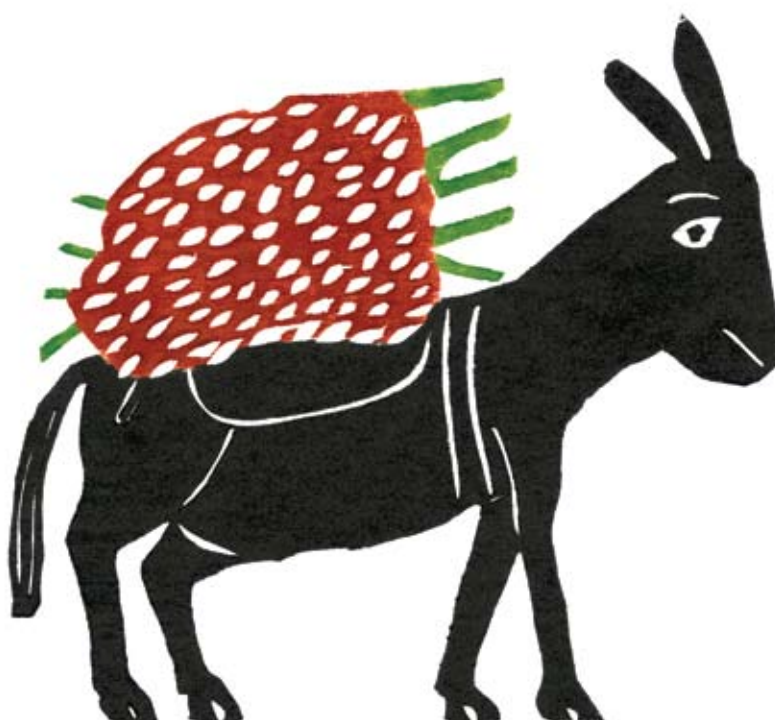
	Grant/ award date	End of exercise period	Exercise price	At 1 Jan 2008 (no. of shares)	Granted/ (lapsed) 2008 (no. of shares)	Exercised 2008 (no. of shares)	At 31 Dec 2008 (no. of shares)	Share price 31 Dec 2008 ¹
Mark Read	17.11.03	17.11.13	£5.595	10,615	–	–	10,615	£4.025
	29.10.04	29.10.14	£5.535	9,879	–	–	9,879	£4.025

¹ Share price 12-month high/low: £6.48/£3.1025.

ESA and Restricted Stock Awards held by executive directors in the year ended 31 December 2008

All awards made under this plan are made on the satisfaction of previous performance conditions and are subject to continuous employment until the vest date. The table does not include grants in relation to the 2008 ESA as these were not made until 9 March 2009.

	Award date	Share plan	Share price on grant date	No. of shares originally awarded	Value on grant day £000	Shares granted in lieu of dividends	Total shares vesting	Vesting date	Share price on vesting	Value on vesting £000
Sir Martin Sorrell	24.02.06	ESA	£6.6775	119,505	798	3,803	123,308	06.03.08	£6.025	743
	23.02.07	ESA	£7.7925	104,587	815			02.03.09	–	–
	03.03.08	ESA	£5.9025	149,851	885			06.03.10	–	–
Paul Richardson	24.02.06	ESA	£6.6775	67,390	450	2,144	69,534	06.03.08	£6.025	419
	08.05.07	ESA	£7.5025	75,441	566			02.03.09	–	–
	03.03.08	ESA	£5.9025	96,094	567			06.03.10	–	–
Mark Read	06.03.05	Special incentive	£6.2300	19,262	120	900	20,162	06.03.08	£6.017	121
	24.02.06	ESA	£6.6775	32,684	218	1,040	33,724	06.03.08	£6.017	203
	16.03.06	Deferred bonus	£6.7950	3,601	24			16.03.10	–	–
	23.02.07	ESA	£7.7925	30,798	240			02.03.09	–	–
	27.04.07	Deferred bonus	£7.4775	9,526	71			16.03.11	–	–
	03.03.08	ESA	£5.9025	43,202	255			06.03.10	–	–





Other Long-Term Incentive Plan awards

Renewed Leadership Equity Acquisition Plan

Name	Grant/ award date	Investment and performance period	Number of investment shares	Share price on grant date	Maximum number of matching units at 1 Jan 2008	During 2008			Maximum number of matching units at 31 Dec 2008	Share price on vest /deferral date	Value on vest /deferral date £000
						Granted/ (lapsed) units	Additional dividend shares	Vested or deferred shares			
Sir Martin Sorrell	28.10.04	01.01.04 – 31.12.07	1,032,416	£5.535	4,129,664	(1,445,382)	139,504	2,823,786 ¹	–	£5.865	16,562
	15.12.05	01.01.05 – 31.12.09	203,394	£6.175	1,016,970				1,016,970		
	15.11.06	01.01.06 – 31.12.10	156,536	£6.84	782,680				782,680		
	11.12.07	01.01.07 – 31.12.11	148,742	£6.23	743,710				743,710		
	31.10.08	01.01.08 – 31.12.12	218,596	£3.749		1,092,980			1,092,980		
Paul Richardson	28.10.04	01.01.04 – 31.12.07	30,973	£5.535	123,892	(43,362)	4,185	84,715	–	£5.865	497
	15.12.05	01.01.05 – 31.12.09	81,358	£6.175	406,790				406,790		
	15.11.06	01.01.06 – 31.12.10	66,102	£6.84	330,510				330,510		
	11.12.07	01.01.07 – 31.12.11	59,497	£6.23	297,485				297,485		
	31.10.08	01.01.08 – 31.12.12	109,298	£3.749		546,490			546,490		
Mark Read	15.12.05	01.01.05 – 31.12.09	10,170	£6.175	50,850				50,850		
	15.11.06	01.01.06 – 31.12.10	16,525	£6.84	82,625				82,625		
	11.12.07	01.01.07 – 31.12.11	14,874	£6.23	74,370				74,370		
	31.10.08	01.01.08 – 31.12.12	21,859	£3.749		109,295			109,295		

¹ Sir Martin Sorrell deferred receipt of these shares until 30 November 2011.

The comparator groups used for the various awards under Renewed LEAP are shown in the following table. Where a company delists during the performance period, the Compensation Committee deems this to be a disposal and the proceeds are treated as being reinvested in an index that tracks the TSR of the remaining companies.

Grant year	Comparator group
2004	Aegis, Arbitron, Dentsu, Gfk, Grey Advertising, Havas Advertising, Interpublic, Ipsos, Omnicom Group, Publicis, Taylor Nelson Sofres and VNU
2005	Aegis, Arbitron, Dentsu, Gfk, Havas Advertising, Interpublic, Ipsos, Omnicom Group, Publicis, Taylor Nelson Sofres and VNU
2006	Aegis, Arbitron, Dentsu, Gfk, Havas Advertising, Interpublic, Ipsos, Omnicom Group, Publicis and Taylor Nelson Sofres
2007	Aegis, Arbitron, Dentsu, Gfk, Havas Advertising, Interpublic, Ipsos, Omnicom Group, Publicis and Taylor Nelson Sofres
2008	Aegis, Arbitron, Dentsu, Gfk, Havas Advertising, Interpublic, Ipsos, Omnicom Group and Publicis

The vesting schedules used for the various awards under Renewed LEAP are shown in the following tables. When actual performance falls between these positions, the match is calculated on a pro-rata basis.

Awards granted in 2004		Awards granted in 2005, 2006 & 2007		Awards granted in 2008	
Rank compared to peer group	Number of matching shares	Rank compared to peer group	Number of matching shares	Rank compared to peer group	Number of matching shares
1	4	1	5	1	5
2	4	2	5	2	5
3	3.6	3	4.5	3	4
4	2.8	4	3.5	4	3
5	2	5	2.5	Median	1.5
6	1.6	Median	1.5	Below median	0
Median	1.2	Below median	0		
Below median	0				



Non-executive directors' remuneration

The fee structure used to compensate the non-executive directors is as follows:

Chairman's fee	£300,000
Fee for Board membership	£60,000
Additional fee for committee membership	£5,000
Additional fee for committee chairmanship	£10,000
Additional fee for senior independent director	£10,000

The fees paid to non-executive directors (NEDs) are normally reviewed every two years and any changes are approved by the Board. As the current fee structure has been effective since 1 January 2007 it was reviewed towards the end of the year against companies of similar size to determine if a new structure should be put in place for 2009. However, in light of the current conditions it was considered that, other than an increase in the fees paid to the head of the Audit Committee (which will increase to £20,000), the existing structure should remain in place for 2009. NEDs receive no payments or benefits other than the fees detailed in the table below.

The table below shows actual fees paid for the year 2008. Pursuant to the reorganisation completed in November 2008, all of the NEDs signed new letters of engagement with WPP plc. The notice period for all non-executive directors is two months.

Director	Date of original contract	Committee membership	Fee for 2008 £000	Fee for 2007 £000
P Lader	26.02.01	Chairman of the Company, chairman of Nomination Committee and member of Compensation Committee	315	313
C Day	25.07.05	Member of Audit Committee	65	62
E Dyson	29.06.99	Member of Compensation Committee, and from 23 July 2008 member of Nomination Committee	66	68
O Gadiesh	28.04.04	Member of Nomination Committee from 12 February 2009	60	60
D Komansky	28.01.03	Member of Nomination Committee until he left the board on 6 February 2009	65	65
C Mackenzie	14.03.00	Member of Nomination Committee until he left the board on 24 June 2008	33	68
S W Morten	02.12.91	Senior independent director and member of Audit Committee until 12 February 2009	75	75
K Naganuma ¹	23.01.04		–	–
L Olayan ²	18.03.05	Member of Nomination Committee from 23 July 2008	–	60
J A Quelch ³	10.07.91		80	70
J Rosen	20.12.04	Chairman of Compensation Committee and member of Audit Committee	75	75
T Shriver	06.08.07	Member of Audit Committee from 12 February 2009	60	24
P Spencer	28.04.04	Chairman of Audit Committee	70	70

¹ Received no fees in 2008.

² Waived fees in 2008.

³ Fee includes £20,415 (£10,016 in 2007) for consulting services. Mr Quelch also received benefits in 2007 with a value of £64,000.



Directors' interests

Directors' interests in the Company's ordinary share capital, all of which were beneficial, are shown in the following table. Save as disclosed in this table and in the report of the Compensation Committee, no director had any interest in any contract of significance with the Group during the year. Each executive director has a technical interest as an employee and potential beneficiary in shares in the Company held under the ESOPs. As at 31 December 2008, the Company's ESOPs held in total 33,167,446 shares in the Company (43,889,384 in 2007). Further details of the long-term incentive plans are given in the notes on pages 134 and 135.

	At 1 Jan 2008 or appointment date	Shares acquired through long-term incentive plan awards in 2008		Movement during 2008 inc. shares purchased in 2008	At 31 Dec 2008 or earlier retirement or resignation	Shares acquired through long-term incentive plan awards in 2009		Other movements since 31 Dec 2008	At 14 Apr 2009
		Vested	(sold)			Vested	(sold)		
C Day	5,240				5,240				5,240
E Dyson	35,000				35,000				35,000
O Gadiesh									
D Komansky ¹	10,000				10,000				
P Lader	11,950				11,950				11,950
C Mackenzie ²	30,000				30,000				
S W Morten	20,000				20,000				20,000
K Naganuma ³									
L Olayan									
J A Quelch	12,000				12,000				12,000
M Read ⁴	28,442	53,886	(22,138)		60,190	32,388	(13,306)		79,272
P W G Richardson ^{4,5}	214,350	154,249	(77,280)		291,319	79,335	(39,747)		330,907
J Rosen	12,000				12,000				12,000
T Shriver				5,000	5,000				5,000
P Spencer	10,000				10,000				10,000
Sir Martin Sorrell ^{4,6,7,8}	13,608,087	2,947,094		(259,825)	16,295,356	109,986			16,405,342

¹ D Komansky retired from the Board on 6 February 2009.

² C Mackenzie retired from the Board on 24 June 2008.

³ K Naganuma is a director of Asatsu-DK, which at 14 April 2009 had interests in 31,295,646 shares representing 2.49% of the issued share capital of the Company.

⁴ Interests include investment shares committed to the 2005, 2006, 2007 and 2008 awards under Renewed LEAP but do not include matching shares from these plans, if any.

⁵ In December 2008, Paul Richardson charged to AIB Group (UK) plc 256,319 shares in the Company as security for certain facilities made available to him by AIB.

⁶ Includes 2,823,786 shares pursuant to the vesting of LEAP 2004-2007, the receipt of which has been deferred until November 2011.

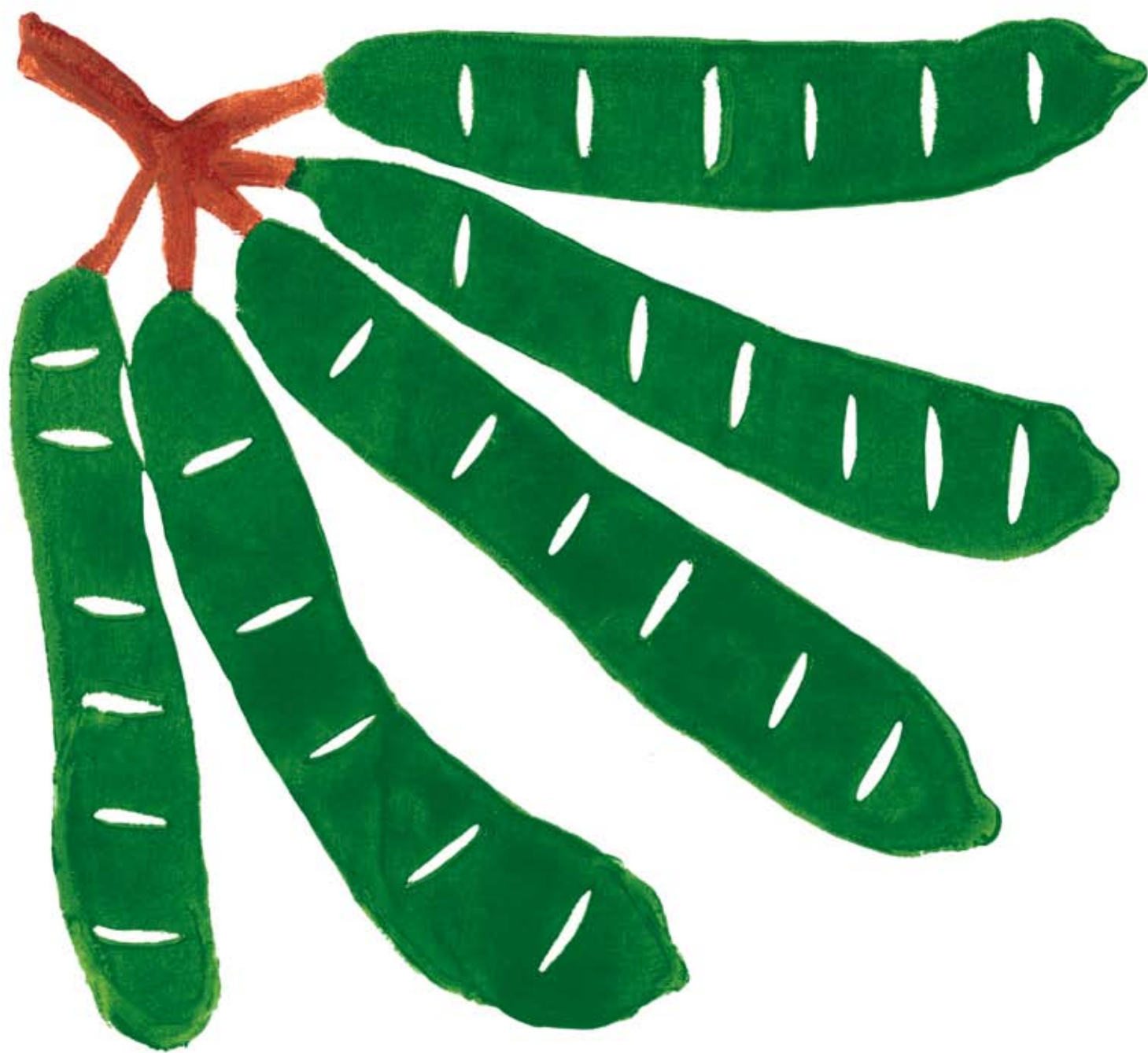
⁷ Includes 3,636,950 shares which originally formed part of the Capital Investment Plan (an award in respect of 4,691,392 shares in total, some of which have been received by Sir Martin Sorrell) and now comprise the UK and US Deferred Stock Units Awards Agreements.

⁸ In December 2005, Sir Martin Sorrell and the trustees of two family life interest trusts of Sir Martin Sorrell charged to AIB Group (UK) plc 3,771,214 and 3,863,147 ordinary shares in the Company respectively as security for facilities. In November 2008, Sir Martin Sorrell charged to AIB a further 232,595 shares as security in relation to the renewal of certain of those facilities. In December 2008, Sir Martin Sorrell gifted 259,825 shares to the JMMRJ Charitable Foundation and those shares were released by AIB from the security held by them.

Jeffrey Rosen

Chairman of the Compensation Committee
on behalf of the Board of Directors of WPP plc

14 April 2009



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Our 2008 financial statements

Accounting policies

The consolidated financial statements of WPP plc and its subsidiaries (the Group) for the year ended 31 December 2008 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 2008.

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

Basis of preparation

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

Basis of consolidation

In November 2008, pursuant to a Scheme of Arrangement under Part 26 of the Companies Act 2006, a new parent company was introduced which is now called WPP plc (Newco). The previous parent company has been renamed and re-registered as WPP 2008 Limited (Oldco).

The introduction of a new holding company constitutes a Group reconstruction and has been accounted for using merger accounting principles. Therefore, although the Group reconstruction did not become effective until November 2008, the consolidated financial statements of WPP plc are presented as if Newco and Oldco had always been part of the same Group. Accordingly, the results of the Group for the entire year ended 31 December 2008 are shown in the consolidated income statement and the comparative figures for the years ended 31 December 2007 and 2006 are also prepared on this basis. Earnings per share are unaffected by the reorganisation.

The consolidated financial statements include the results of Newco and all its subsidiary undertakings made up to the same accounting date. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation.

The results of subsidiary undertakings acquired or disposed of during the period are included or excluded from the income statement from the effective date of acquisition or disposal.

Goodwill and other intangible assets

Intangible assets comprise goodwill, certain acquired separable corporate brand names, acquired customer relationships and capitalised computer software not integral to a related item of hardware.

Goodwill represents the excess of fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the underlying net assets, including intangible assets, at the date of their acquisition. Acquisitions complement and give rise to synergies with our existing portfolio of businesses, and bring skilled staff to deliver services to our clients. Goodwill arising on acquisitions before the date of transition to IFRS (1 January 2004) has been retained at the previous UK GAAP amounts subject to being tested for impairment. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the net present value of future cash flows derived from the underlying assets using a projection period of up to five years for each cash-generating unit. After the projection period a steady growth rate representing an appropriate long-term growth rate for the industry is applied. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Corporate brand names and customer relationships acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.



Certain corporate brands of the Group are considered to have an indefinite economic life because of the institutional nature of the corporate brand names, their proven ability to maintain market leadership and profitable operations over long periods of time and the Group's commitment to develop and enhance their value. The carrying value of these intangible assets is reviewed at least annually for impairment and adjusted to the recoverable amount if required.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

Acquired intangibles

- Brand names – 10-20 years.
- Customer related intangibles – 3-10 years.
- Other proprietary tools – 3-10 years.
- Other (including capitalised computer software) – 3-5 years.

Contingent consideration

Future anticipated payments to vendors in respect of contingent consideration (earnouts) are based on the directors' best estimates of future obligations, which are dependent on the future performance of the interests acquired and assume the operating companies improve profits in line with directors' estimates. When earnouts are to be settled by cash consideration, the fair value of the consideration is obtained by discounting to present value of the amounts expected to be payable in the future. The resulting interest charge is included within finance costs.

Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment with the exception of freehold land which is not depreciated. The Group assesses the carrying value of its property, plant and equipment to determine if any impairment has occurred. Where this indicates that an asset may be impaired, the Group applies the requirements of IAS 36 in assessing the carrying amount of the assets. This process includes comparing its recoverable amount with its carrying value.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life, as follows:

- Freehold buildings – 50 years.
- Leasehold land and buildings – over the term of the lease or life of the asset, if shorter.
- Fixtures, fittings and equipment – 3-10 years.
- Computer equipment – 3-5 years.

Interests in associates and joint ventures

The Group's share of the profits less losses of associate undertakings net of tax, interest and minority interest is included in the consolidated income statement and the Group's share of net assets is shown within interests in associates in the consolidated balance sheet. The Group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the Group.

The Group assesses the carrying value of its associate undertakings to determine if any impairment has occurred. Where this indicates that an investment may be impaired, the Group applies the requirements of IAS 36 in assessing the carrying amount of the investment. This process includes comparing its recoverable amount with its carrying value.

The Group accounts for joint venture investments under the equity method which is consistent with the Group's treatment of associates.

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

Inventory and work in progress

Work in progress is valued at cost, which includes outlays incurred on behalf of clients and an appropriate proportion of directly attributable costs and overheads on incomplete assignments. Provision is made for irrecoverable costs where appropriate. Inventory is stated at the lower of cost and net realisable value.



Trade receivables

Trade receivables are stated net of provisions for bad and doubtful debts.

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.

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

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

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

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

Liabilities in respect of option agreements

Option agreements that allow the Group's equity partners to require the Group to purchase a minority interest are treated as derivatives over equity instruments and are recorded in the balance sheet at fair value and the valuation is remeasured at each period end. Fair value is based on the present value of expected cash outflows and the movement in the fair value is recognised as income or expense within finance costs in the income statement.

Derecognition of financial liabilities

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





Convertible debt

Convertible debt is assessed according to the substance of the contractual arrangements and is classified into liability and equity elements on the basis of the initial fair value of the liability element. The difference between this figure and the cash received is classified as equity.

The income statement charge for the finance cost is spread evenly over the term of the convertible debt so that at redemption the liability equals the redemption value.

Bank borrowings

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

Borrowing costs

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

Revenue recognition

Revenue comprises commission and fees earned in respect of amounts billed. Direct costs include fees paid to external suppliers where they are retained to perform part or all of a specific project for a client and the resulting expenditure is directly attributable to the revenue earned. Revenue is stated exclusive of VAT, sales taxes and trade discounts.

Advertising and Media Investment Management

Revenue is typically derived from commissions on media placements and fees for advertising services. Revenue may consist of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client.

Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement. Incentive-based revenue typically comprises both quantitative and qualitative elements; on the element related to quantitative targets, revenue is recognised when the quantitative targets have been achieved; on the element related to qualitative targets, revenue is recognised when the incentive is received or receivable.

The Group receives volume rebates from certain suppliers for transactions entered into on behalf of clients that, based on the terms of the relevant contracts and local law, are either remitted to clients or retained by the Group. If amounts are passed on to clients they are recorded as liabilities until settled or, if retained by the Group, are recorded as revenue when earned.

Information, Insight & Consultancy

Revenue recognised in proportion to the level of service performed for market research contracts is based on proportional performance. In assessing contract performance, both input and output criteria are reviewed. Costs incurred are used as an objective input measure of performance. The primary input of all work performed under these arrangements is labour. As a result of the relationship between labour and cost, there is normally a direct relationship between costs incurred and the proportion of the contract performed to date. Costs incurred as a proportion of expected total costs is used as an initial proportional performance measure. This indicative proportional performance measure is subsequently validated against other more subjective criteria (i.e. relevant output measures) such as the percentage of interviews completed, percentage of reports delivered to a client and the achievement of any project milestones stipulated in the contract. In the event of divergence between the objective and more subjective measures, the more subjective measures take precedence since these are output measures.

While most of the studies provided in connection with the Group's market research contracts are undertaken in response to an individual client's or group of clients' specifications, in certain instances a study may be developed as an off-the-shelf product offering sold to a broad client base. For these transactions, revenue is recognised when the product is delivered. Where the terms of transaction provide for licensing the product on a subscription basis, revenue is recognised over the subscription period on a straight-line basis or, if applicable, based on usage.

Substantially all services are provided on a fixed price basis. Pricing may also include a provision for a surcharge where the actual labour hours incurred in completing a project are significantly above the labour hours quoted in the project proposal. In instances where this occurs, the surcharge will be included in the total revenue base on which to measure proportional performance when the actual threshold is reached provided that collectibility is reasonably assured.



Public Relations & Public Affairs and Branding & Identity, Healthcare and Specialist Communications

Revenue is typically derived from retainer fees and services to be performed subject to specific agreement. Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement. Revenue is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the income statement revenue and related costs as contract activity progresses.

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 currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences unless specifically excepted by IAS 12. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on enacted or substantively enacted legislation. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

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

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

Where defined benefit schemes are funded, the assets of the scheme are held separately from those of 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.

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

Finance leases

Assets held under finance leases are recognised as assets of the Group at the inception of the lease at the lower of their fair value and the present value of the minimum lease payments. Depreciation on leased assets is charged to the income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement as it is incurred.



Operating leases

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

Translation of foreign currencies

Foreign currency transactions arising from normal trading activities are recorded at the rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the year-end exchange rate. Foreign currency gains and losses are credited or charged to the income statement as they arise.

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

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

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

Share-based payments

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

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

New IFRS accounting pronouncements

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

- IFRIC 13 Customer Loyalty;
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation;
- IFRIC 17 Distributions of Non-cash Assets to Owners;
- IFRIC 18 Transfers of Assets from Customers;
- IFRS 1 (amended)/IAS 27 (amended): Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
- IFRS 2 (amended): Share-Based Payment-Vesting Conditions and Cancellations;
- IFRS 8 Operating Segments;
- IAS 1 (revised) Presentation of Financial Statements;
- IAS 23 (revised) Borrowing Costs; and
- IAS 32 (amended)/IAS 1 (amended): Puttable Financial Instruments and Obligations arising on Liquidation.

The Group does not consider that these Standards and Interpretations will have a significant impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect for periods commencing on or after 1 January 2009.

In addition, IFRS 3 (revised) Business Combinations and IAS 27 (revised) Consolidated and Separate Financial Statements become effective for the Group in the year ended 31 December 2010. The revisions to these standards will apply to business combinations completed after 1 January 2010. The main changes under the revised standards are:

- all acquisition-related costs must be recognised as an expense in the period;
- contingent consideration payable is to be measured at fair value at the acquisition date. Any subsequent movements in the fair value of such consideration as a result of post-acquisition events (such as changes in estimates of earnout consideration) must be recognised as a gain or loss in the income statement;
- equity interests held prior to control being obtained must be re-measured to fair value at the acquisition date, with any gain or loss recognised in the income statement; and
- increases in ownership interest in a subsidiary that do not result in a change of control are treated as transactions among equity holders and are reported within equity. No gain or loss is recognised on such transactions and goodwill is not re-measured.



The revisions to the standards apply prospectively to business combinations for which the acquisition date is on or after the first annual financial reporting period beginning on or after 1 July 2009. Consequently, the impact that these revised standards will have on the financial statements of the Group will depend on the circumstances of business combinations occurring on or after 1 January 2010.

In the current year, the following interpretations issued became effective:

■ IFRIC 11: IFRS 2 – Group and Treasury Share Transactions; and

■ IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction.

The adoption of these interpretations has not led to any changes 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 areas where such judgements have been necessary are revenue recognition, goodwill and other intangibles, acquisition reserves, taxation and accounting for pension liabilities. 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.

Directors' responsibility statement

We confirm that to the best of our knowledge:

■ the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

■ the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Sir Martin Sorrell
Group chief executive
14 April 2009

Paul Richardson
Group finance director





Consolidated income statement

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m	2006 £m	2008 \$m ³	2007 \$m ³	2006 \$m ³
Billings¹		36,929.0	31,665.5	30,140.7	67,381.0	63,536.8	55,435.0
Revenue	2	7,476.9	6,185.9	5,907.8	13,598.4	12,395.4	10,910.9
Direct costs		(467.5)	(335.5)	(296.8)	(827.2)	(672.7)	(547.2)
Gross profit		7,009.4	5,850.4	5,611.0	12,771.2	11,722.7	10,363.7
Operating costs	3	(6,133.4)	(5,045.7)	(4,869.4)	(11,195.2)	(10,104.2)	(8,982.8)
Operating profit	2	876.0	804.7	741.6	1,576.0	1,618.5	1,380.9
Share of results of associates	4	46.0	41.4	41.1	83.7	82.9	76.3
Profit before interest and taxation		922.0	846.1	782.7	1,659.7	1,701.4	1,457.2
Finance income	6	169.6	139.4	111.0	316.9	280.3	200.9
Finance costs	6	(344.8)	(266.1)	(211.7)	(625.7)	(535.0)	(386.9)
Profit before taxation		746.8	719.4	682.0	1,350.9	1,446.7	1,271.2
Taxation	7	(232.9)	(204.3)	(199.4)	(416.7)	(409.5)	(371.6)
Profit for the year		513.9	515.1	482.6	934.2	1,037.2	899.6
Attributable to:							
Equity holders of the parent		439.1	465.9	435.8	803.5	938.2	812.4
Minority interests		74.8	49.2	46.8	130.7	99.0	87.2
		513.9	515.1	482.6	934.2	1,037.2	899.6
Headline PBIT	31	1,118.2	928.0	859.0	1,984.4	1,865.0	1,600.9
Headline PBIT margin	31	15.0%	15.0%	14.5%	14.6%	15.0%	14.7%
Headline PBT	31	968.4	817.3	766.3	1,712.8	1,642.7	1,430.5
Earnings per share²	9						
Basic earnings per ordinary share		38.4p	39.6p	36.3p	70.3¢	79.7¢	67.6¢
Diluted earnings per ordinary share		37.6p	38.0p	35.2p	68.7¢	76.6¢	65.6¢

Notes

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

¹ Billings is defined on page 176.² The calculations of the Group's earnings per share and headline earnings per share are set out in note 9.³ The consolidated income statement above is also expressed in US dollars for information purposes only and is unaudited. It has been prepared assuming the US dollar is the reporting currency of the Group, whereby local currency results are translated into US dollars at actual monthly average exchange rates in the period presented. Among other currencies, this includes an average exchange rate of US\$1.8524 to the pound sterling for the year 2008 (2007: US\$2.0019; 2006: US\$1.8432).



Consolidated cash flow statement

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m	2006 £m
Net cash inflow from operating activities	11	922.7	891.3	661.4
Investing activities				
Acquisitions and disposals	11	(1,049.1)	(674.8)	(215.6)
Purchases of property, plant and equipment		(196.8)	(151.1)	(167.8)
Purchases of other intangible assets (including capitalised computer software)		(23.8)	(19.7)	(16.7)
Proceeds on disposal of property, plant and equipment		11.5	8.3	22.4
Net cash outflow from investing activities		(1,258.2)	(837.3)	(377.7)
Financing activities				
Share option proceeds		10.6	34.8	70.9
Share repurchases and buy-backs	11	(105.3)	(415.4)	(257.7)
Net increase in borrowings	11	810.4	498.9	382.1
Financing and share issue costs		(19.4)	(8.3)	(3.7)
Equity dividends paid	8	(161.8)	(138.9)	(118.9)
Dividends paid to minority shareholders in subsidiary undertakings		(63.5)	(38.9)	(28.8)
Net cash inflow/(outflow) from financing activities		471.0	(67.8)	43.9
Net increase/(decrease) in cash and cash equivalents		135.5	(13.8)	327.6
Translation differences		120.3	119.2	(50.3)
Cash and cash equivalents at beginning of year		1,062.3	956.9	679.6
Cash and cash equivalents at end of year	11	1,318.1	1,062.3	956.9
Reconciliation of net cash flow to movement in net debt:				
Net increase/(decrease) in cash and cash equivalents		135.5	(13.8)	327.6
Cash inflow from increase in debt financing		(796.6)	(493.5)	(380.1)
Debt acquired		(577.8)	(7.5)	–
Other movements		(94.5)	33.5	9.3
Translation difference		(448.5)	10.2	32.6
Movement of net debt in the year		(1,781.9)	(471.1)	(10.6)
Net debt at beginning of year		(1,285.7)	(814.6)	(804.0)
Net debt at end of year	10	(3,067.6)	(1,285.7)	(814.6)

Note

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



Consolidated statement of recognised income and expense

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m	2006 £m
Profit for the year		513.9	515.1	482.6
Exchange adjustments on foreign currency net investments	(i)	1,379.2	68.7	(352.3)
(Loss)/gain on revaluation of available for sale investments		(51.3)	108.1	9.5
Actuarial (loss)/gain on defined benefit pension schemes	(ii)	(82.2)	30.0	11.3
Deferred tax credit/(charge) on defined benefit pension schemes		0.7	(9.9)	5.3
Net income/(expense) recognised directly in equity		1,246.4	196.9	(326.2)
Total recognised income and expense relating to the year		1,760.3	712.0	156.4
Attributable to:				
Equity holders of the parent		1,685.5	662.8	109.6
Minority interests		74.8	49.2	46.8
		1,760.3	712.0	156.4

Notes

The accompanying notes form an integral part of this statement of recognised income and expense.

⁽ⁱ⁾ Exchange adjustments on foreign currency net investments of £1,379.2 million in the year ended 31 December 2008 (2007: £68.7 million, 2006: £(352.3) million) largely arises from the retranslation at year-end exchange rates of the Group's opening, non-sterling assets and liabilities. During 2008 the US dollar and the euro strengthened against sterling by over 26% and 23% respectively. This had a significant impact on the Group's balance sheet and the amount taken into equity in respect of the retranslation of net assets.

⁽ⁱⁱ⁾ The actuarial loss on defined benefit pension schemes of £82.2 million for the year ended 31 December 2008 (2007: gain of £30.0 million, 2006: gain of £11.3 million) was largely due to a decrease in pension scheme asset values in 2008 and reflects the deterioration in the global economic environment during the year. Approximately £58.0 million or 70% of this actuarial loss arose on the Group's pension plans in North America.



Consolidated balance sheet

At 31 December 2008

	Notes	2008 £m	2007 £m
Non-current assets			
Intangible assets:			
Goodwill	12	9,093.2	6,071.7
Other	12	2,295.8	1,154.6
Property, plant and equipment	13	690.7	449.6
Interests in associates	14	714.3	540.1
Other investments	14	310.9	268.6
Deferred tax assets	15	65.6	56.0
Trade and other receivables	17	185.2	149.3
		13,355.7	8,689.9
Current assets			
Inventory and work in progress	16	343.9	343.9
Corporate income tax recoverable		53.1	37.2
Trade and other receivables	17	8,138.1	6,140.8
Cash and short-term deposits		2,572.5	2,040.2
		11,107.6	8,562.1
Current liabilities			
Trade and other payables	18	(10,407.7)	(8,248.9)
Corporate income tax payable		(87.8)	(70.0)
Bank overdrafts and loans	20	(1,640.8)	(1,585.9)
		(12,136.3)	(9,904.8)
Net current liabilities		(1,028.7)	(1,342.7)
Total assets less current liabilities		12,327.0	7,347.2
Non-current liabilities			
Bonds and bank loans	20	(3,999.3)	(1,740.0)
Trade and other payables	19	(553.9)	(460.4)
Corporate income tax liability		(489.0)	(336.2)
Deferred tax liabilities	15	(917.1)	(464.0)
Provision for post-employment benefits	23	(272.0)	(135.0)
Provisions for liabilities and charges	21	(135.9)	(116.8)
		(6,367.2)	(3,252.4)
Net assets		5,959.8	4,094.8
Equity			
Called-up share capital	26, 27	125.5	119.2
Share premium account	27	8.6	103.9
Shares to be issued	27	8.7	5.3
Merger reserve	27	(5,138.8)	(1,365.9)
Other reserves	27	1,250.5	(114.9)
Own shares	27	(189.8)	(255.3)
Retained earnings	27	9,697.5	5,482.1
Equity share owners' funds		5,762.2	3,974.4
Minority interests		197.6	120.4
Total equity		5,959.8	4,094.8

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 14 April 2009.

Signed on behalf of the Board:

Sir Martin Sorrell
Group chief executive

Paul Richardson
Group finance director



Notes to the consolidated financial statements

For the year ended 31 December 2008

1. General information

WPP plc is a company incorporated in Jersey. The address of the registered office is 22 Grenville Street, St Helier, Jersey, JE4 8PX and the address of the principal executive office is 6 Ely Place, Dublin 2, Ireland. The nature of the Group's operations and its principal activities are set out in note 2. These financial statements are presented in pounds sterling.

2. Segment information

The Group is a leading worldwide communications services organisation offering national and multinational clients a comprehensive range of communications services.

For management purposes, the Group is currently organised into four operating segments – Advertising and Media Investment Management; Information, Insight & Consultancy; Public Relations & Public Affairs; and Branding & Identity, Healthcare and Specialist Communications. These disciplines are the basis on which the Group reports its primary information. The Group's operations are located in North America; the UK; Continental Europe; and Asia Pacific, Latin America, Africa & Middle East and the Group's performance has historically been linked with the economic performance of these regions. These geographic divisions are the basis on which the Group reports its secondary information.

Operating sectors

Segment information about these businesses is presented below:

	Revenue ¹	Operating profit	Share of result of associates	Profit before interest and taxation	Finance income	Finance costs	Profit before taxation	Taxation	Profit for the year
	£m	£m	£m	£m	£m	£m	£m	£m	£m
2008									
Advertising and Media Investment Management	3,329.5	501.0	32.7	533.7					
Information, Insight & Consultancy	1,301.8	119.3	5.4	124.7					
Public Relations & Public Affairs	752.3	117.9	4.1	122.0					
Branding & Identity, Healthcare and Specialist Communications	2,093.3	137.8	3.8	141.6					
	7,476.9	876.0	46.0	922.0	169.6	(344.8)	746.8	(232.9)	513.9

2007

Advertising and Media Investment Management	2,871.3	384.4	28.1	412.5					
Information, Insight & Consultancy	905.4	99.2	3.9	103.1					
Public Relations & Public Affairs	641.4	101.7	2.1	103.8					
Branding & Identity, Healthcare and Specialist Communications	1,767.8	219.4	7.3	226.7					
	6,185.9	804.7	41.4	846.1	139.4	(266.1)	719.4	(204.3)	515.1

2006

Advertising and Media Investment Management	2,806.9	365.2	21.9	387.1					
Information, Insight & Consultancy	892.9	89.0	1.9	90.9					
Public Relations & Public Affairs	595.7	83.5	3.2	86.7					
Branding & Identity, Healthcare and Specialist Communications	1,612.3	203.9	14.1	218.0					
	5,907.8	741.6	41.1	782.7	111.0	(211.7)	682.0	(199.4)	482.6

Note

¹ Intersegment sales have not been separately disclosed as they are not material.

	Headline PBIT ¹	Headline PBIT margin	Headline PBIT ¹	Headline PBIT margin	Headline PBIT ¹	Headline PBIT margin
	2008 £m	2008 %	2007 £m	2007 %	2006 £m	2006 %
Advertising and Media Investment Management	581.3	17.5	466.9	16.3	443.7	15.8
Information, Insight & Consultancy	147.6	11.3	104.3	11.5	98.7	11.1
Public Relations & Public Affairs	124.9	16.6	106.5	16.6	89.5	15.0
Branding & Identity, Healthcare and Specialist Communications	264.4	12.6	250.3	14.2	227.1	14.1
	1,118.2	15.0	928.0	15.0	859.0	14.5

Note

¹ Headline PBIT is defined in note 31.



Other information	Share-based payments	Goodwill additions	Acquired intangibles additions	Capital additions ¹	Depreciation and amortisation	Goodwill impairment & write-downs	Interest in associates
	£m	£m	£m	£m	£m	£m	£m
2008							
Advertising and Media Investment Management	33.3	90.0	14.0	93.3	117.8	9.1	474.9
Information, Insight & Consultancy	7.5	1,179.4	715.6	50.9	43.5	3.0	96.7
Public Relations & Public Affairs	4.3	–	0.5	13.3	16.0	–	59.6
Branding & Identity, Healthcare and Specialist Communications	17.2	81.7	–	63.1	74.1	73.5	83.1
	62.3	1,351.1	730.1	220.6	251.4	85.6	714.3
2007							
Advertising and Media Investment Management	35.0	56.8	3.9	96.5	100.0	33.2	328.9
Information, Insight & Consultancy	7.4	39.3	2.3	19.9	18.1	–	90.8
Public Relations & Public Affairs	4.3	35.9	–	10.7	14.1	0.6	59.0
Branding & Identity, Healthcare and Specialist Communications	15.7	471.7	79.5	45.2	52.5	12.0	61.4
	62.4	603.7	85.7	172.3	184.7	45.8	540.1
2006							
Advertising and Media Investment Management	43.7	60.9	4.5	105.8	114.3	28.7	257.1
Information, Insight & Consultancy	7.7	12.9	0.4	19.5	17.2	5.6	83.1
Public Relations & Public Affairs	4.7	55.5	6.0	15.1	13.8	0.9	18.7
Branding & Identity, Healthcare and Specialist Communications	14.8	78.3	9.4	44.1	40.6	9.1	52.5
	70.9	207.6	20.3	184.5	185.9	44.3	411.4

Note

¹ Capital additions include purchases of property, plant and equipment and other intangible assets (including capitalised computer software).

Balance sheet	Assets			Liabilities		
	Segment assets	Unallocated corporate assets ¹	Consolidated total assets	Segment liabilities	Unallocated corporate liabilities ¹	Consolidated total liabilities
	£m	£m	£m	£m	£m	£m
2008						
Advertising and Media Investment Management	12,034.5			(8,757.8)		
Information, Insight & Consultancy	3,830.0			(1,022.3)		
Public Relations & Public Affairs	1,583.3			(363.7)		
Branding & Identity, Healthcare and Specialist Communications	4,324.3			(1,225.7)		
	21,772.1	2,691.2	24,463.3	(11,369.5)	(7,134.0)	(18,503.5)
2007						
Advertising and Media Investment Management	8,963.4			(7,238.5)		
Information, Insight & Consultancy	1,008.9			(395.5)		
Public Relations & Public Affairs	1,307.2			(296.0)		
Branding & Identity, Healthcare and Specialist Communications	3,839.1			(1,031.1)		
	15,118.6	2,133.4	17,252.0	(8,961.1)	(4,196.1)	(13,157.2)

Note

¹ Included in unallocated corporate assets and liabilities are corporate income tax, deferred tax and net interest-bearing debt. The debt has not been allocated as it is held centrally and specifically allocating it to individual segments is not considered to be a fair representation of the net assets of those segments.



Our 2008 financial statements

Notes to the consolidated financial statements

Contributions by geographical area were as follows:

	2008 £m	2007 £m	2006 £m
Revenue¹			
North America	2,603.2	2,266.7	2,291.1
UK	954.2	890.3	856.3
Continental Europe	2,127.3	1,657.4	1,532.9
Asia Pacific, Latin America, Africa & Middle East	1,792.2	1,371.5	1,227.5
	7,476.9	6,185.9	5,907.8

	Margin		Margin		Margin
Headline PBIT²					
North America	16.8%	438.3	17.3%	391.5	17.0%
UK	13.0%	124.1	12.0%	107.1	11.4%
Continental Europe	14.3%	303.5	13.5%	223.0	12.7%
Asia Pacific, Latin America, Africa & Middle East	14.1%	252.3	15.0%	206.4	14.5%
	15.0%	1,118.2	15.0%	928.0	14.5%

Segment assets			
North America	7,430.5	5,494.4	4,536.0
UK	2,499.2	1,691.4	1,693.8
Continental Europe	7,304.1	4,748.5	3,946.0
Asia Pacific, Latin America, Africa & Middle East	4,538.3	3,184.3	2,721.1
	21,772.1	15,118.6	12,896.9

Capital additions³			
North America	93.5	74.8	90.1
UK	27.3	28.2	29.4
Continental Europe	54.6	31.2	28.7
Asia Pacific, Latin America, Africa & Middle East	45.2	38.1	36.3
	220.6	172.3	184.5

Notes

¹ Intersegment sales have not been separately disclosed as they are not material.

² Headline PBIT is defined in note 31.

³ Capital additions include purchases of property, plant and equipment and other intangible assets (including capitalised computer software).

3. Operating costs

	2008 £m	2007 £m	2006 £m
Total staff costs (note 5)	4,351.8	3,607.9	3,474.4
Establishment costs	521.3	427.2	419.1
Other operating costs (net)	1,260.3	1,010.6	975.9
Total operating costs	6,133.4	5,045.7	4,869.4
Operating costs include:			
Goodwill impairment	84.1	44.1	35.5
Goodwill write-down relating to utilisation of pre-acquisition tax losses (note 12) ¹	1.5	1.7	8.8
Investment write-downs	30.5	–	–
Cost of changes to corporate structure	4.6	–	–
Amortisation and impairment of acquired intangible assets (note 12)	78.4	40.3	43.3
Amortisation of other intangible assets (note 12)	23.4	18.1	13.5
Depreciation of property, plant and equipment	145.4	123.7	127.3
Losses/(gains) on sale of property, plant and equipment	1.9	1.0	(3.7)
Gains on disposal of investments	(3.4)	(3.4)	(7.3)
Net foreign exchange (gains)/losses	(18.3)	1.1	5.0
Operating lease rentals:			
Land and buildings	325.2	261.1	251.7
Plant and machinery	26.5	25.8	30.4
	351.7	286.9	282.1

Notes

¹ The goodwill write-down in relation to the utilisation of pre-acquisition tax losses is due to the better than expected performance of certain acquisitions in the year. This enabled the utilisation of pre-acquisition tax attributes that previously could not be recognised at the time of acquisition due to insufficient evidence that they were recoverable.

In 2008, operating profit includes credits totalling £23.7 million (2007: £16.8 million, 2006: £10.6 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2007. Further details of the Group's approach to acquisition reserves, as required by IFRS 3 'Business combinations', are given in note 28. All of the operating costs of the Group are related to administrative expenses.

Auditors' remuneration:

	2008 £m	2007 £m	2006 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	1.7	1.7	1.7
The audit of the Company's subsidiaries pursuant to legislation	13.3	11.4	10.8
	15.0	13.1	12.5
Other services pursuant to legislation	3.8	3.5	4.0
Fees payable to the auditors pursuant to legislation	18.8	16.6	16.5
Tax advisory services	2.2	2.7	2.8
Tax compliance services	0.9	0.9	1.1
	3.1	3.6	3.9
Corporate finance services	1.5	1.0	–
Other services	4.4	3.0	3.3
Total non-audit fees	9.0	7.6	7.2
Total fees	27.8	24.2	23.7

Minimum committed annual rentals

Amounts payable in 2009 under the foregoing leases will be as follows:

	Plant and machinery			Land and buildings		
	2009 £m	2008 £m	2007 £m	2009 £m	2008 £m	2007 £m
In respect of operating leases which expire:						
– within one year	6.6	6.4	6.9	63.4	27.9	30.8
– within two to five years	14.2	12.9	13.5	168.3	115.5	95.5
– after five years	0.3	0.3	1.8	107.5	75.0	75.8
	21.1	19.6	22.2	339.2	218.4	202.1

Future minimum annual amounts payable under all lease commitments in existence at 31 December 2008 are as follows:

	Minimum rental payments £m	Less sub-let rentals £m	Net payment £m
Year ending 31 December			
2009	360.3	(25.3)	335.0
2010	326.4	(22.4)	304.0
2011	273.8	(20.8)	253.0
2012	241.9	(19.5)	222.4
2013	199.2	(11.2)	188.0
Later years	1,151.6	(20.7)	1,130.9
	2,553.2	(119.9)	2,433.3

4. Share of results of associates

Share of results of associates include:

	2008 £m	2007 £m	2006 £m
Share of profit before interest and taxation	71.5	65.8	61.4
Share of exceptional (losses)/gains	(0.5)	0.8	4.0
Share of interest and minority interest	0.5	0.5	0.9
Share of taxation	(25.5)	(25.7)	(25.2)
	46.0	41.4	41.1

5. Our people

Our staff numbers averaged 97,438 against 84,848 in 2007 and 77,686 in 2006, including acquisitions. Their geographical distribution was as follows:

	2008	2007	2006
North America	24,493	23,294	22,477
UK	8,971	8,543	8,484
Continental Europe	23,562	21,367	19,935
Asia Pacific, Latin America, Africa & Middle East	40,412	31,644	26,790
	97,438	84,848	77,686

Their operating sector distribution was as follows:

	2008	2007	2006
Advertising and Media Investment Management	45,754	42,948	41,030
Information, Insight & Consultancy	14,934	11,524	10,869
Public Relations & Public Affairs	7,682	7,167	6,616
Branding & Identity, Healthcare and Specialist Communications	29,068	23,209	19,171
	97,438	84,848	77,686

At the end of 2008 staff numbers were 112,262 (2007: 90,182, 2006: 79,352). Including all employees of associated undertakings, this figure was approximately 135,000 at 31 December 2008 (2007: 111,000, 2006: 98,000).



Total staff costs were made up as follows:

	2008 £m	2007 £m	2006 £m
Wages and salaries	3,044.6	2,492.6	2,385.8
Cash-based incentive plans	151.4	168.3	176.0
Share-based incentive plans (note 22)	62.3	62.4	70.9
Social security costs	346.4	288.3	281.7
Other pension costs (note 23)	98.3	80.7	81.7
Other staff costs	648.8	515.6	478.3
	4,351.8	3,607.9	3,474.4
Staff cost to revenue ratio	58.2%	58.3%	58.8%

Included above are charges of £5.1 million (2007: £6.5 million, 2006: £5.3 million) for share-based incentive plans in respect of key management personnel (who comprise the directors of the Group). Further details of compensation for key management personnel is disclosed on pages 133 to 137.

6. Finance income and finance costs

Finance income includes:

	2008 £m	2007 £m	2006 £m
Expected return on pension scheme assets (note 23)	31.3	28.1	25.2
Income from available for sale investments	9.7	9.2	5.7
Interest income	128.6	102.1	80.1
	169.6	139.4	111.0

Finance costs include:

	2008 £m	2007 £m	2006 £m
Interest on pension scheme liabilities (note 23)	38.9	33.8	32.4
Interest on other long-term employee benefits	1.6	1.5	0.4
Interest payable and similar charges ¹	278.9	214.8	170.9
Finance charges (excluding revaluation of financial instruments)	319.4	250.1	203.7
Revaluation of financial instruments accounted at fair value through profit or loss	25.4	16.0	8.0
	344.8	266.1	211.7

The following are included in the revaluation of financial instruments accounted at fair value through profit and loss shown above:

	2008 £m	2007 £m	2006 £m
Movements in fair value of treasury instruments	13.9	6.7	3.3
Revaluation of put options over minority interests	11.5	9.3	4.7
	25.4	16.0	8.0

Note

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

The majority of the Group's long-term debt is represented by \$650 million of US dollar bonds at an interest rate of 5.875% (prior to any interest rate swaps or cross-currency swaps), €1,850 million of Eurobonds at an average of 5.52% (prior to any interest rate or currency swaps) and £600 million of sterling bonds at 6.13%.

Average borrowings under the Revolving Credit Facilities (note 10) amounted to \$774 million at an average interest rate of 5.28% inclusive of margin.

Average borrowings under the US Commercial Paper Program (note 10) amounted to \$10 million at an average interest rate of 2.83% inclusive of margin.

7. Taxation

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

	2008 £m	2007 £m	2006 £m
Corporation tax			
Current year	217.7	240.4	253.5
Prior years	7.0	(52.2)	(52.5)
	224.7	188.2	201.0
Deferred tax			
Current year	(8.4)	10.2	(17.6)
Net credit in relation to the amortisation of acquired intangible assets and other goodwill items	(12.4)	(2.8)	(9.1)
	(20.8)	7.4	(26.7)
Prior years	29.0	8.7	25.1
	8.2	16.1	(1.6)
Tax charge	232.9	204.3	199.4

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

	2008 £m	2007 £m	2006 £m
Profit before taxation	746.8	719.4	682.0
Tax at the blended UK corporation tax rate of 28.5% (2007, 2006: UK 30%)	212.8	215.8	204.6
Tax effect of share of results of associates	(13.4)	(12.4)	(12.3)
Tax effect of expenses that are not (taxable)/deductible	(11.7)	34.7	25.4
Tax effect of utilisation or recognition of tax losses not previously recognised	(6.5)	(29.6)	(24.4)
Effect of different tax rates of subsidiaries operating in other jurisdictions	3.5	26.7	19.9
Unused tax losses carried forward	12.2	12.5	13.7
Prior period adjustments	36.0	(43.4)	(27.5)
Tax charge	232.9	204.3	199.4
Effective tax rate on profit before tax	31.2%	28.4%	29.2%
Effective tax rate on headline PBT ^{1,2}	25.3%	25.3%	27.2%

Notes

¹ Headline PBT and the effective tax rate on headline PBT are defined in note 31.

² Excluding the net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items.

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

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

8. Ordinary dividends

Amounts recognised as distributions to equity holders in the year:

	2008 £m	2007 £m	2006 £m
Per share			
Pence per share			
2007 Final dividend paid	9.13p	7.61p	6.34p
2008 First interim dividend paid	5.19p	4.32p	3.60p
	14.32p	11.93p	9.94p
2008			
Cents per ADR			
2007 Final dividend paid	91.4¢	70.1¢	57.7¢
2008 First interim dividend paid	48.1¢	43.2¢	33.2¢
	139.5¢	113.3¢	90.9¢
2008			
Cents per ADR			
2007 Final dividend paid	91.4¢	70.1¢	57.7¢
2008 First interim dividend paid	48.1¢	43.2¢	33.2¢
	139.5¢	113.3¢	90.9¢

Second interim dividend for the year ended 31 December 2008:

	2008 £m	2007 £m	2006 £m
Per share			
Pence per share			
2008 Second interim dividend	10.28p	9.13p	7.61p
2008			
Cents per ADR			
2008 Second interim dividend	95.24¢	91.4¢	70.1¢

Note

¹ These figures have been translated for convenience purposes only, using the approximate average rate for the year shown on page 146. This conversion should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

The payment of this dividend will not have any tax consequences for the Group.

9. Earnings per share

Basic EPS

The calculation of basic Reported and headline EPS is as follows:

	2008 £m	2007 £m	2006 £m
Reported earnings ¹ (£m)	439.1	465.9	435.8
Headline earnings (£m) (note 31)	648.3	561.0	511.0
Average shares used in Basic EPS calculation (m)	1,143.4	1,176.9	1,201.0
Reported EPS	38.4p	39.6p	36.3p
Headline EPS	56.7p	47.7p	42.5p

Note

¹ Reported earnings is equivalent to profit for the year attributable to equity holders of the parent.



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Diluted EPS

The calculation of diluted reported and headline EPS is set out below:

	2008	2007	2006
Diluted reported earnings (£m)	439.9	466.8	436.9
Diluted headline earnings (£m)	649.1	561.9	512.1
Average shares used in diluted EPS calculation (m)	1,169.6	1,227.1	1,242.2
Diluted reported EPS	37.6p	38.0p	35.2p
Diluted headline EPS	55.5p	45.8p	41.2p

Diluted EPS has been calculated based on the diluted reported and diluted headline earnings amounts above. For the years ended 31 December 2008, 31 December 2007 and 31 December 2006, the \$150 million Grey convertible bonds were dilutive and earnings were consequently increased by £0.8 million, £0.9 million and £1.1 million respectively for the purpose of this calculation. These bonds were redeemed on 28 October 2008. For the year ended 31 December 2007 and the year ended 31 December 2006, the £450 million convertible bonds were accretive to earnings and therefore excluded from the calculation of dilutive earnings; these bonds were redeemed on their due date of 11 April 2007. In addition, at 31 December 2008, options to purchase 28.0 million ordinary shares (2007: 16.4 million, 2006: 7.6 million) were outstanding, but were excluded from the computation of diluted earnings per share because the exercise prices of these options were greater than the average market price of the Group's shares and, therefore, their inclusion would have been accretive.

A reconciliation between the shares used in calculating basic and diluted EPS is as follows:

	2008 m	2007 m	2006 m
Average shares used in basic EPS calculation	1,143.4	1,176.9	1,201.0
Dilutive share options outstanding	2.9	16.6	14.9
Other potentially issuable shares	16.0	24.7	17.4
\$150 million Grey convertible bonds	7.3	8.9	8.9
Shares used in diluted EPS calculation	1,169.6	1,227.1	1,242.2

At 31 December 2008 there were 1,255,343,263 ordinary shares in issue.

10. Sources of finance

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

	Shares		Debt	
	2008 £m	2007 £m	2008 £m	2007 £m
Analysis of changes in financing				
Beginning of year	223.1	199.0	2,348.0	1,771.5
Shares issued in respect of acquisitions (note 28)	267.7	2.3	-	-
Other issues of share capital	8.5	30.2	-	-
Reclassification due to changes in corporate structure ¹	(362.5)	-	-	-
Share cancellations	(1.9)	(5.7)	-	-
Share issue costs paid	(0.8)	(2.7)	-	-
Net increase in drawings on bank loans, corporate bonds and convertible bonds	-	-	810.4	498.9
Debt acquired	-	-	577.8	7.5
Net amortisation of financing costs included in net debt	-	-	(0.6)	5.5
Other movements	-	-	81.1	(44.2)
Exchange adjustments	-	-	569.0	108.8
End of year	134.1	223.1	4,385.7	2,348.0

Notes

¹ Further details on the changes to corporate structure are given in note 26.

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 2008, the Company's share base was entirely composed of ordinary equity share capital and share premium of £134.1 million (2007: £223.1 million, 2006: £199.0 million), further details of which are disclosed in notes 26 and 27.

Debt

US\$ bonds The Group has in issue \$650 million of 5.875% bonds due June 2014. With the acquisition of Taylor Nelson Sofres plc (TNS) in October 2008 the Group took on \$103 million of 6.34% Senior Notes, \$62 million of 6.46% Senior Notes, \$10 million of floating rate Senior Notes and \$20 million of floating rate Guaranteed Senior Notes, which were all repaid in January 2009. With the acquisition of TNS, the Group also took on \$30 million of 6.22% Senior Notes due July 2012 and \$25 million of 6.34% Senior Notes due July 2014. During the year, the Group repaid \$100 million of 6.875% bonds on their due date of July 2008.

Eurobonds In May 2008, the Group issued €750 million of 6.625% bonds due May 2016. The Group has in issue €600 million of 4.375% bonds due December 2013 and €500 million of 5.25% bonds due January 2015. With the acquisition of TNS in October 2008 the Group took on €20 million of floating rate Senior Notes, which were repaid in January 2009. During the year, the Group repaid €650 million of 6.0% bonds on their due date of June 2008.

Sterling bonds The Group has in issue £400 million of 6% bonds due April 2017 and £200 million of 6.375% bonds due November 2020. With the acquisition of TNS in October 2008 the Group took on £25 million of 6.51% Senior Notes, which were repaid in January 2009.

Revolving Credit Facilities The Group has a \$1.6 billion seven year Revolving Credit Facility due August 2012. During the year, £1,250 million was raised from the Group's bankers to assist in the acquisition of TNS. This amount is made up of a £650 million term facility with a final maturity date of July 2010 and a £600 million amortising Revolving Credit Facility maturing in July 2011. The Group's borrowing under these facilities, which are drawn down predominantly in US dollars, euros, Canadian dollars and pounds sterling, averaged \$774 million in 2008. The Group had available undrawn committed credit facilities of £1,074 million at December 2008 (2007: £759 million).

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

US Commercial Paper Program

The Group has a \$1.4 billion US Commercial Paper Program using the \$1.6 billion Revolving Credit Facility as a backstop. The Group's borrowings under this program are notes issued in US dollars and swapped into other currencies as required. The average commercial paper outstanding during the year was \$10 million. There was no US Commercial Paper outstanding at 31 December 2008.

Convertible bonds

In March 2005, with the purchase of Grey Global Group Inc, the Group acquired \$150 million of 5% convertible debentures due 2033. Each debenture holder had the right to require Grey and WPP (as co-obligor) to repurchase on each of 28 October 2008, 2010 and 2013 all or a portion of the holder's then outstanding debentures at par (\$1,000 per debenture) plus the amount of accrued and unpaid interest. This right was exercised during the year and the debentures were subsequently repurchased.

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:

	2008 £m	2007 £m
Within one year	(569.7)	(719.4)
Between one and two years	(1,073.9)	(94.6)
Between two and three years	(369.1)	(94.6)
Between three and four years	(216.6)	(94.6)
Between four and five years	(735.4)	(94.6)
Over five years	(2,567.5)	(2,030.1)
Debt financing under the Revolving Credit Facility and in relation to unsecured loan notes		
	(5,532.2)	(3,127.9)
Short-term overdrafts – within one year	(1,254.4)	(977.9)
	(6,786.6)	(4,105.8)
Effect of discount/financing rates	1,146.5	779.9
Debt financing	(5,640.1)	(3,325.9)
Cash and short-term deposits	2,572.5	2,040.2
Net debt	(3,067.6)	(1,285.7)

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

2008		£m	Fixed rate ¹	Floating basis	Period (months) ¹
Currency					
\$	– fixed	578.0	5.79%	n/a	56
	– floating	1,521.7	n/a	LIBOR	n/a
£	– fixed	400.0	5.69%	n/a	88
	– floating	376.7	n/a	LIBOR	n/a
€	– fixed	742.0	6.80%	n/a	58
	– floating	603.9	n/a	LIBOR	n/a
¥	– fixed	68.0	2.07%	n/a	5
\$C ²	– floating	53.6	n/a	LIBOR	n/a
Other		41.8	n/a	LIBOR	n/a
		4,385.7			

2007		£m	Fixed rate ¹	Floating basis	Period (months) ¹
Currency					
\$	– fixed	528.9	5.64%	n/a	103
	– floating	384.5	n/a	LIBOR	n/a
£	– fixed	400.0	6.19%	n/a	135
	– floating	213.7	n/a	LIBOR	n/a
€	– fixed	165.3	7.39%	n/a	51
	– floating	605.7	n/a	EURIBOR	n/a
¥	– fixed	40.6	2.07%	n/a	72
Other		9.3	n/a	LIBOR	n/a
		2,348.0			

Notes

¹ Weighted average. These rates do not include the effect of gains on interest rate swap terminations that are written to income over the life of the original instrument. At 31 December 2008 the amounts still to be written to income were £2.7 million in respect of US dollar swap terminations, to be written to income evenly until June 2014.

² Represents Canadian dollars.



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:

2008	Financial liabilities		Financial assets	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	828.2	814.2	483.0	613.9
Between one and two years	62.5	58.8	93.3	131.1
Between two and three years	69.6	66.1	66.5	93.2
Between three and four years	73.3	69.2	92.3	114.2
Between four and five years	425.0	478.4	817.9	903.3
Over five years	1,401.4	1,186.6	1,107.3	1,152.5
	2,860.0	2,673.3	2,660.3	3,008.2

2007	Financial liabilities		Financial assets	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	422.8	411.3	581.2	588.5
Between one and two years	133.8	131.7	146.2	158.9
Between two and three years	78.3	76.0	60.8	63.4
Between three and four years	82.0	77.1	62.8	65.4
Between four and five years	83.1	77.7	63.9	65.6
Over five years	1,717.9	1,644.9	1,319.7	1,381.4
	2,517.9	2,418.7	2,234.6	2,323.2

11. Analysis of cash flows

The following tables analyse the items included within the main cash flow headings on page 147.

Net cash from operating activities:

	2008 £m	2007 £m	2006 £m
Profit for the year	513.9	515.1	482.6
Taxation	232.9	204.3	199.4
Finance costs	344.8	266.1	211.7
Finance income	(169.6)	(139.4)	(111.0)
Share of results of associates	(46.0)	(41.4)	(41.1)
Operating profit	876.0	804.7	741.6
Adjustments for:			
Non-cash share-based incentive plans (including share options)	62.3	62.4	70.9
Depreciation of property, plant and equipment	149.6	126.3	129.1
Impairment of goodwill	84.1	44.1	35.5
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.5	1.7	8.8
Amortisation and impairment of acquired intangible assets	78.4	40.3	43.3
Amortisation of other intangible assets	23.4	18.1	13.5
Investment write-downs	30.5	–	–
Gains on disposal of investments	(3.4)	(3.4)	(7.3)
Losses/(gains) on sale of property, plant and equipment	1.9	1.0	(3.7)
Operating cash flow before movements in working capital and provisions	1,304.3	1,095.2	1,031.7
Decrease/(increase) in inventories and work in progress	65.6	29.4	(83.0)
Decrease/(increase) in receivables	492.6	(886.7)	(489.1)
(Decrease)/increase in payables – short term	(628.9)	897.6	433.4
(Decrease)/increase in payables – long term	(23.1)	7.6	17.6
Decrease in provisions	(15.5)	(22.5)	(50.0)
Cash generated by operations	1,195.0	1,120.6	860.6
Corporation and overseas tax paid	(182.5)	(151.0)	(162.0)
Interest and similar charges paid	(269.2)	(212.0)	(135.1)
Interest received	133.0	102.6	75.2
Investment income	1.8	3.1	2.4
Dividends from associates	44.6	28.0	20.3
Net cash inflow from operating activities	922.7	891.3	661.4

Acquisitions and disposals:

	2008 £m	2007 £m	2006 £m
Initial cash consideration	(891.9)	(520.4)	(120.5)
Cash and cash equivalents acquired (net)	(6.1)	60.5	21.4
Earnout payments	(67.8)	(93.9)	(91.6)
Loan note redemptions	(2.6)	(2.1)	(11.7)
Purchase of other investments (including associates)	(91.7)	(128.0)	(28.7)
Proceeds on disposal of investments	11.0	9.1	15.5
Net cash outflow	(1,049.1)	(674.8)	(215.6)

Share repurchases and buy-backs:

	2008 £m	2007 £m	2006 £m
Share cancellations (excluding brokerage fees)	(112.2)	(402.7)	(218.8)
Purchase of own shares by ESOP trust	–	–	(38.9)
Shares purchased into treasury	–	(12.7)	–
Proceeds on disposal of treasury shares	6.9	–	–
Net cash outflow	(105.3)	(415.4)	(257.7)

Net increase in borrowings:

	2008 £m	2007 £m	2006 £m
Increase in drawings on bank loans	1,273.3	–	–
Repayment of €650 million bonds	(515.1)	–	–
Repayment of \$100 million bonds	(50.5)	–	–
Repayment of \$150 million convertible debt	(96.2)	–	–
Repayment of TNS debt	(395.7)	–	–
Proceeds from issue of €750 million bonds	594.6	–	–
Repayment of £450 million bonds	–	(450.0)	–
Proceeds from issue of £400 million bonds	–	400.0	–
Proceeds from issue of £200 million bonds	–	200.0	–
Proceeds from issue of €500 million bonds	–	348.9	–
Increase in drawings on bank loans	–	–	(21.8)
Proceeds from issue of €600 million Eurobonds	–	–	403.9
Net cash inflow	810.4	498.9	382.1

Cash and cash equivalents:

	2008 £m	2007 £m	2006 £m
Cash at bank and in hand	2,485.9	1,957.4	1,476.8
Short-term bank deposits	86.6	82.8	186.9
Overdrafts ¹	(1,254.4)	(977.9)	(706.8)
Cash and cash equivalents at end of year	1,318.1	1,062.3	956.9

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.



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12. Intangible assets

Goodwill

The movements in 2008 and 2007 were as follows:

	£m
Cost:	
1 January 2007	5,823.6
Additions ¹	603.7
Exchange differences	59.9
31 December 2007	6,487.2
Additions ¹	1,351.1
Exchange differences	1,802.3
31 December 2008	9,640.6

Accumulated impairment losses and write-downs:

1 January 2007	389.1
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.7
Impairment losses for the year	33.7
Exchange differences	(9.0)
31 December 2007	415.5
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.5
Impairment losses for the year	79.7
Exchange differences	50.7
31 December 2008	547.4

Net book value:

31 December 2008	9,093.2
31 December 2007	6,071.7
1 January 2007	5,434.5

Note

¹ Additions represent goodwill arising on the acquisition of subsidiary undertakings. Goodwill arising on the acquisition of associate undertakings is shown within interests in associates and joint ventures in note 14.

Significant components of goodwill as at 31 December 2008 and 2007 are:

	2008 £m	2007 £m
Young & Rubicam	3,207.0	2,372.6
Grey	1,247.7	1,010.2
Mediaedge:cia	1,208.3	879.7
TNS	1,132.7	–
Other	2,297.5	1,809.2
Total goodwill	9,093.2	6,071.7

Other goodwill represents goodwill on a large number of acquisitions, none of which is individually significant in comparison to the total carrying value of goodwill.

Other intangible assets:

The movements in 2008 and 2007 were as follows:

	Brands with an indefinite useful life £m	Acquired intangibles £m	Other £m	Total £m
Cost:				
1 January 2007	811.4	336.5	96.5	1,244.4
Additions	–	–	21.2	21.2
Disposals	–	(9.1)	–	(9.1)
New acquisitions	–	85.7	8.4	94.1
Other movements	–	–	(1.1)	(1.1)
Exchange differences	(13.4)	0.5	2.7	(10.2)
31 December 2007	798.0	413.6	127.7	1,339.3
Additions	–	–	23.8	23.8
Disposals	–	–	(9.2)	(9.2)
New acquisitions	–	730.1	9.6	739.7
Other movements	–	–	2.2	2.2
Exchange differences	275.2	233.9	49.5	558.6
31 December 2008	1,073.2	1,377.6	203.6	2,654.4

Amortisation and impairment:

1 January 2007	–	64.6	64.4	129.0
Charge for the year	–	40.3	18.1	58.4
Disposals	–	(2.4)	–	(2.4)
Other movements	–	(0.6)	(1.6)	(2.2)
Exchange differences	–	(0.5)	2.4	1.9
31 December 2007	–	101.4	83.3	184.7
Charge for the year	–	78.4	23.4	101.8
Disposals	–	–	(8.1)	(8.1)
Other movements	–	(0.9)	2.8	1.9
Exchange differences	–	42.8	35.5	78.3
31 December 2008	–	221.7	136.9	358.6

Net book value:

31 December 2008	1,073.2	1,155.9	66.7	2,295.8
31 December 2007	798.0	312.2	44.4	1,154.6
1 January 2007	811.4	271.9	32.1	1,115.4

Brands with an indefinite life represent JWT, Hill & Knowlton, Ogilvy & Mather Worldwide and the Young & Rubicam Group. These assets are carried at historical cost in accordance with the Group's accounting policy for intangible assets. The most significant of these is the Young & Rubicam Group with a carrying value of £641.9 million at 31 December 2008 (2007: £481.6 million). The carrying values of the JWT, Hill & Knowlton and Ogilvy & Mather Worldwide brands are not individually significant in comparison with the total carrying value of brands with an indefinite useful life.

In accordance with the Group's accounting policy, the carrying values of goodwill and intangible assets with indefinite useful lives are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The carrying values of brands with an indefinite useful life are assessed for impairment purposes by using the royalty and loyalty methods of valuation, both of which utilise the net present value of future cash flows associated with the brands.

The 2008 goodwill impairment review was initially undertaken as at 30 June 2008 and then updated as at 31 December 2008. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows, using a pre-tax discount rate of 11.5% and management forecasts for a projection period of up to five years, followed by an assumed annual long-term growth rate of 3.0% and no assumed improvement in operating margin. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry. In relation to the Young and Rubicam Group, for impairment testing purposes, the methodology above indicated an amount of £775 million as the excess of recoverable amount over carrying value at 31 December 2008. For an impairment charge to arise the actual cumulative annual growth in Young and Rubicam cashflows over the next five years would have to be less than half the level assumed in the management forecasts over that period.

An impairment charge is required for both goodwill and other indefinite lived intangible assets when the carrying amount exceeds the recoverable amount. Goodwill impairment charges of £84.1 million and £44.1 million were recorded in the years ended 31 December 2008 and 2007 respectively. The impairment charges relate to certain under-performing businesses in the Group. In certain markets, the impact of current local economic conditions and trading circumstances on these businesses was sufficiently severe to indicate impairment to the carrying value of goodwill. For the year ended 31 December 2008, an impairment charge of £8.4 million (2007: £1.5 million) was recorded in relation to acquired intangible assets. This charge resulted from a decline in value of certain brands and customer relationships held within Branding & Identity, Healthcare and Specialist Communications.



Under IFRS, an impairment charge is required for both goodwill and other indefinite-lived assets when the carrying amount exceeds the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use. Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of cash-generating unit we identify for impairment testing and the criteria we use to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss. Changes in our business activities or structure may also result in changes to the level of testing in future periods. Further, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Group's financial condition and results of operations.

In 2007, the Group acquired 24/7 Real Media, Inc. for consideration of approximately £330 million. 24/7 significantly enhances the Group's digital capability and has made a major contribution to winning new business for the Group, primarily our Advertising and Media Investment Management businesses. For this reason, goodwill relating to 24/7 was reviewed for impairment against the net present value of future cash flows of this segment as the appropriate cash-generating unit.

Historically our impairment losses have resulted from a specific event, condition or circumstance in one of our companies, such as the loss of a significant client. As a result, changes in the assumptions used in our impairment model have not had a significant effect on the impairment charges recognised. The carrying value of goodwill and other intangible assets will continue to be reviewed at least annually for impairment and adjusted to the recoverable amount if required.

13. Property, plant and equipment

The movements in 2008 and 2007 were as follows:

	Land £m	Freehold buildings £m	Lease- hold buildings £m	Fixtures, fittings and equip- ment £m	Com- puter equip- ment £m	Total £m
Cost:						
1 January 2007	9.3	34.2	354.4	228.2	346.9	973.0
Additions	–	0.7	56.7	34.9	58.8	151.1
New acquisitions	–	0.1	2.2	3.0	6.5	11.8
Disposals	(0.5)	(0.2)	(23.4)	(30.1)	(32.7)	(86.9)
Exchange adjustments	–	1.7	1.5	6.4	19.4	29.0
31 December 2007	8.8	36.5	391.4	242.4	398.9	1,078.0
Additions	–	11.4	62.4	42.6	80.4	196.8
New acquisitions	3.9	25.9	9.9	30.7	26.2	96.6
Disposals	(0.3)	(0.3)	(31.1)	(34.5)	(65.4)	(131.6)
Exchange adjustments	–	9.6	123.7	103.9	139.0	376.2
31 December 2008	12.4	83.1	556.3	385.1	579.1	1,616.0
Depreciation:						
1 January 2007	–	15.6	147.6	141.6	252.9	557.7
Charge for the year	–	1.7	38.9	28.0	57.7	126.3
Disposals	–	(0.2)	(17.7)	(25.6)	(34.2)	(77.7)
Exchange adjustments	–	0.6	5.9	3.8	11.8	22.1
31 December 2007	–	17.7	174.7	147.8	288.2	628.4
Charge for the year	–	2.0	25.7	32.9	89.0	149.6
Disposals	–	(0.2)	(25.9)	(30.6)	(61.5)	(118.2)
Exchange adjustments	–	7.8	91.3	68.7	97.7	265.5
31 December 2008	–	27.3	265.8	218.8	413.4	925.3
Net book value:						
31 December 2008	12.4	55.8	290.5	166.3	165.7	690.7
31 December 2007	8.8	18.8	216.7	94.6	110.7	449.6
1 January 2007	9.3	18.6	206.8	86.6	94.0	415.3

At the end of the year, capital commitments contracted, but not provided for in respect of property, plant and equipment were £154.9 million (2007: £24.1 million). The increase is due to a number of significant property development projects in North America.

14. Interests in associates, joint ventures and other investments

The movements in 2008 and 2007 were as follows:

	Net assets of associates and joint ventures £m	Goodwill and other intangibles of associates and joint ventures £m	Total associates and joint ventures £m	Other invest- ments £m
1 January 2007	185.8	225.6	411.4	136.5
Additions	25.3	–	25.3	61.9
Goodwill arising on acquisition of new associates	–	45.2	45.2	–
Share of results of associate undertakings (note 4)	41.4	–	41.4	–
Dividends and other movements	(24.7)	(4.5)	(29.2)	–
Exchange adjustments	7.2	12.9	20.1	–
Disposals	(0.4)	–	(0.4)	(1.1)
Reclassification from other investments to associates	0.6	36.2	36.8	(36.8)
Reclassification to subsidiaries	0.3	(0.4)	(0.1)	–
Revaluation of other investments	–	–	–	108.1
Goodwill impairment	–	(10.4)	(10.4)	–
31 December 2007	235.5	304.6	540.1	268.6
Additions	42.1	–	42.1	50.0
Goodwill arising on acquisition of new associates	–	52.8	52.8	–
Share of results of associate undertakings (note 4)	46.0	–	46.0	–
Dividends and other movements	(36.2)	10.1	(26.1)	–
Exchange adjustments	76.5	76.8	153.3	73.9
Disposals	(18.5)	(63.7)	(82.2)	(1.1)
Reclassification from associates to other investments	(0.1)	–	(0.1)	0.1
Reclassification to subsidiaries	(3.7)	(0.3)	(4.0)	–
Revaluation of other investments	–	–	–	(51.3)
Goodwill impairment	–	(4.4)	(4.4)	–
Amortisation of other intangible assets	–	(2.0)	(2.0)	–
Write-downs	(1.2)	–	(1.2)	(29.3)
31 December 2008	340.4	373.9	714.3	310.9

The investments included above as 'other investments' represent investments in equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices. For unlisted securities, where 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 cash flow models where appropriate.

The carrying values of goodwill and other intangible assets in relation to associates and joint ventures are reviewed for impairment in accordance with the Group's accounting policies.

The Group's principal associates and joint ventures at 31 December 2008 included:

	% owned	Country of incorporation
Asatsu-DK	24.0	Japan
Chime Communications PLC	19.3	UK
Dentsu, Young & Rubicam Inc.	49.0	Japan
High Co S.A.	33.5	France
Ibope Latinoamericana SA	42.2	Brazil
Kinetic Worldwide Limited	50.0	UK
GIIR, Inc	20.0	Korea
The Grass Roots Group PLC	44.8	UK
Singleton, Ogilvy & Mather (Holdings) Pty Limited	33.3	Australia
STW Communications Group Limited	20.1	Australia

The market value of the Group's shares in its principal listed associate undertakings at 31 December 2008 was as follows: Asatsu-DK: £155.9 million, Chime Communications PLC: £5.8 million, High Co S.A.: £18.5 million, GIIR, Inc: £18.1 million and STW Communications Group Limited: £13.2 million (2007: Asatsu-DK: £146.0 million, Chime Communications PLC: £19.9 million, High Co S.A.: £22.8 million, GIIR, Inc.: £20.1 million and STW Communications Group Limited: £41.6 million).

The carrying value (including goodwill and other intangibles) of these equity interests in the Group's balance sheet at 31 December 2008 was as follows: Asatsu-DK: £242.8 million, Chime Communications PLC: £19.0 million, High Co S.A.: £31.9 million, GIIR, Inc: £14.4 million and STW Communications Group Limited: £37.3 million (2007: Asatsu-DK: £145.3 million, Chime Communications PLC: £17.5 million, High Co S.A.: £23.1 million and GIIR, Inc: £17.2 million and STW Communications Group Limited: £37.3 million).



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Where the market value of the Group's listed associates is less than the carrying value, an impairment review is performed utilising the discounted cash flow methodology discussed in note 12.

The Group's investments in its principal associate undertakings are represented by ordinary shares.

Summarised financial information

The following tables present a summary of the aggregate financial performance and net asset position of the Group's associate undertakings and joint ventures. These have been estimated and converted, where appropriate, to an IFRS presentation based on information provided by the relevant companies at 31 December 2008.

	2008 £m	2007 £m	2006 £m
Income statement			
Revenue	1,588.3	1,171.5	1,231.9
Operating profit	221.3	181.0	152.6
Profit before taxation	221.3	204.7	200.4
Profit for the year	147.6	136.9	138.8

	2008 £m	2007 £m
Balance sheet		
Assets	3,985.1	3,013.2
Liabilities	(2,386.8)	(1,708.9)
Net assets	1,598.3	1,304.3

The application of equity accounting is ordinarily discontinued when the investment is reduced to zero and additional losses are not provided for unless the investor has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee.

At the end of the year, capital commitments contracted, but not provided for in respect of interests in associates and other investments were £32.4 million (2007: £34.7 million).

15. Deferred tax

The Group's deferred tax assets and liabilities are measured at the end of each period in accordance with IAS 12. The recognition of deferred tax assets is determined by reference to the Group's estimate of recoverability, using models where appropriate to forecast future taxable profits.

Deferred tax assets are recognised in relation to an element of the Group's defined benefit pension provisions. Assets have only been recognised for territories where the Group considers that it is probable there would be sufficient taxable profits for the future deductions to be utilised.

Certain deferred tax assets and liabilities have been offset as they relate to the same tax group. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Gross £m	Offset £m	As reported £m
2008			
Deferred tax assets	68.7	(3.1)	65.6
Deferred tax liabilities	(920.2)	3.1	(917.1)
	(851.5)	—	(851.5)
2007			
Deferred tax assets	109.6	(53.6)	56.0
Deferred tax liabilities	(517.6)	53.6	(464.0)
	(408.0)	—	(408.0)

The following are the major gross deferred tax assets recognised by the Group and movements thereon in 2008 and 2007:

	Tax losses £m	Retirement benefit obligations £m	Deferred comp- ensation £m	Other short-term temporary differences £m	Total £m
At 1 January 2007	24.3	20.8	49.0	36.6	130.7
Credit/(charge) to income	10.0	1.5	(5.2)	(20.7)	(14.4)
Charge to equity	—	(9.9)	(0.5)	—	(10.4)
Exchange differences	1.9	1.0	(0.4)	1.2	3.7
At 31 December 2007	36.2	13.4	42.9	17.1	109.6
Acquisition of subsidiaries	—	1.6	—	13.1	14.7
(Charge)/credit to income	(27.1)	—	(26.6)	1.2	(52.5)
Credit/(charge) to equity	—	0.7	(9.0)	—	(8.3)
Exchange differences	—	0.3	4.9	—	5.2
At 31 December 2008	9.1	16.0	12.2	31.4	68.7

Other short-term temporary differences comprise a number of items, none of which is individually significant to the Group's balance sheet. At 31 December 2008 £22.3 million of this balance related to temporary differences in relation to accounting provisions.

In addition the Group has recognised the following gross deferred tax liabilities and movements thereon in 2008 and 2007:

	Brands and other intangibles £m	Associate earnings £m	Goodwill £m	Other short-term temporary differences £m	Total £m
At 1 January 2007	442.8	17.0	19.3	10.5	489.6
Acquisition of subsidiaries	25.4	—	—	—	25.4
(Credit)/charge to income	(15.9)	2.3	0.2	15.1	1.7
Exchange differences	(9.9)	—	—	—	(9.9)
Transfer to current tax	—	(0.8)	13.0	(1.4)	10.8
At 31 December 2007	442.4	18.5	32.5	24.2	517.6
Acquisition of subsidiaries	214.3	—	20.7	13.9	248.9
(Credit)/charge to income	(25.5)	0.8	14.6	(34.2)	(44.3)
Exchange differences	180.0	1.8	14.1	2.1	198.0
At 31 December 2008	811.2	21.1	81.9	6.0	920.2

At the balance sheet date, the Group has gross tax losses and other temporary differences of £4,002.8 million (2007: £3,141.5 million) available for offset against future profits. Deferred tax assets have been recognised in respect of the tax benefit of £206.2 million (2007: £290.5 million) of such tax losses and other temporary differences. No deferred tax asset has been recognised in respect of the remaining £3,796.6 million (2007: £2,851.0 million) of losses and other temporary differences as the Group considers that there will not be enough taxable profits in the entities concerned such that any additional asset could be considered recoverable. Included in the total unrecognised temporary differences are losses of £61.8 million that will expire by 2017, £225.5 million that will expire by 2020, £255.6 million that will expire by 2022 and an additional £27.3 million that will expire by 2028. £2,553.7 million of losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £18,173.0 million (2007: £6,754.0 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

16. Inventory and work in progress

The following are included in the net book value of inventory and work in progress:

	2008 £m	2007 £m
Work in progress	341.0	340.7
Inventory	2.9	3.2
	343.9	343.9

17. Trade and other receivables

The following are included in trade and other receivables:

Amounts falling due within one year:

	2008 £m	2007 £m
Trade receivables	5,934.5	4,691.0
VAT and sales taxes recoverable	87.7	86.5
Prepayments and accrued income	1,382.6	753.5
Other debtors	733.3	609.8
	8,138.1	6,140.8

The ageing of our trade receivables and other financial assets is as follows:

	Carrying amount at 31 December 2008 £m	Neither past due nor impaired £m	Past due but not impaired				
			0-30 days £m	31-90 days £m	91-180 days £m	181 days- 1 year £m	Greater than 1 year £m
Trade receivables	5,934.5	3,618.5	1,507.8	603.5	146.6	38.2	19.9
Other financial assets	739.6	481.8	136.4	41.5	21.1	23.7	35.1
	6,674.1	4,100.3	1,644.2	645.0	167.7	61.9	55.0

	Carrying amount at 31 December 2007 £m	Neither past due nor impaired £m	Past due but not impaired				
			0-30 days £m	31-90 days £m	91-180 days £m	181 days- 1 year £m	Greater than 1 year £m
Trade receivables	4,691.0	2,082.4	1,658.6	728.4	164.3	43.6	13.7
Other financial assets	600.7	339.8	123.8	49.9	30.7	22.8	33.7
	5,291.7	2,422.2	1,782.4	778.3	195.0	66.4	47.4

Other financial assets are included in other debtors.

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

**Amounts falling due after more than one year:**

	2008 £m	2007 £m
Prepayments and accrued income	7.3	3.4
Other debtors	72.3	83.8
Fair value of derivatives	105.6	62.1
	185.2	149.3

Movements on bad debt provisions were as follows:

	2008 £m	2007 £m
Balance at beginning of year	69.9	71.7
New acquisitions	19.7	1.0
Charged to operating costs	30.8	15.1
Exchange adjustments	21.3	2.3
Utilisations and other movements	(17.3)	(20.2)
Balance at end of year	124.4	69.9

The allowance for bad and doubtful debts is equivalent to 2.1% (2007: 1.5%) of gross trade accounts receivable.

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

18. Trade and other payables: amounts falling due within one year

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

	2008 £m	2007 £m
Trade payables	7,121.0	5,843.6
Other taxation and social security	382.7	276.4
Payments due to vendors (earnout agreements)	89.8	57.3
Loan notes due to vendors	0.1	2.7
Liabilities in respect of put option agreements with vendors	67.5	45.0
Other creditors and accruals	1,958.3	1,358.6
Deferred income	788.3	600.5
Share repurchases – close period commitments (note 27)	–	64.8
	10,407.7	8,248.9

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

19. 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:

	2008 £m	2007 £m
Payments due to vendors (earnout agreements)	286.2	261.7
Liabilities in respect of put option agreements with vendors	54.6	37.0
Fair value of derivatives	86.2	79.0
Other creditors and accruals	126.9	82.7
	553.9	460.4

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

The following table sets out payments due to vendors, comprising deferred consideration and the directors' best estimates of future earnout-related obligations:

	2008 £m	2007 £m
Within one year	89.8	57.3
Between one and two years	128.0	62.8
Between two and three years	97.2	85.4
Between three and four years	53.4	65.0
Between four and five years	7.6	48.5
Over five years	–	–
	376.0	319.0

20. Bank overdrafts, bonds and bank loans

Amounts falling due within one year:

	2008 £m	2007 £m
Bank overdrafts	1,254.4	977.9
Convertible bonds	–	81.5
Corporate bonds and bank loans	386.4	526.5
	1,640.8	1,585.9

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:

	2008 £m	2007 £m
Corporate bonds and bank loans	3,999.3	1,740.0

The Group estimates that the fair value of convertible and corporate bonds is £3,630.0 million at 31 December 2008 (2007: £2,319.1 million). The Group considers that the carrying amount of bank loans approximates their fair value.

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

	2008 £m	2007 £m
Within one year	1,640.8	1,585.9
Between one and two years	845.5	–
Between two and three years	200.5	–
Between three and four years	53.8	–
Between four and five years	586.7	–
Over five years	2,312.8	1,740.0
	5,640.1	3,325.9

21. Provisions for liabilities and charges

The movements in 2008 and 2007 were as follows:

	Property £m	Other £m	Total £m
1 January 2007	61.8	43.0	104.8
Charged to the income statement	7.6	14.7	22.3
New acquisitions	(0.3)	6.1	5.8
Utilised	(6.2)	(2.6)	(8.8)
Released to the income statement	(5.2)	(5.3)	(10.5)
Transfers	0.9	2.1	3.0
Exchange adjustments	0.1	0.1	0.2
31 December 2007	58.7	58.1	116.8
Charged to the income statement	4.1	19.0	23.1
New acquisitions	10.8	9.8	20.6
Utilised	(8.5)	(20.0)	(28.5)
Released to the income statement	(7.4)	(3.0)	(10.4)
Transfers	3.4	(18.7)	(15.3)
Exchange adjustments	5.5	24.1	29.6
31 December 2008	66.6	69.3	135.9

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. These include provisions for vacant space, sub-let losses and other property-related liabilities. Also included are other provisions, such as certain long-term employee benefits and legal claims, where the likelihood of settlement is considered probable.

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings and claims will have a material adverse effect on the Group's financial position or on the results of its operations.

22. Share-based payments

Charges for share-based incentive plans were as follows:

	2008 £m	2007 £m	2006 £m
Share-based payments	62.3	62.4	70.9

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

As of 31 December 2008, there was £84.0 million (2007: £93.9 million) of total unrecognised compensation cost related to the Group's restricted stock plans. That cost is expected to be recognised over a weighted-average period of 12 months (2007: 12 months).

Further information on stock options is provided in note 26.

Restricted stock plans

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

Renewed Leadership Equity Acquisition Plan (Renewed LEAP)

Under Renewed LEAP, the most senior executives of the Group, including certain executive directors, commit WPP shares ('investment shares') in order to have the opportunity to earn additional WPP shares ('matching shares'). The number of matching shares which a participant can receive at the end of the fixed performance period (five years in the case of the 2005, 2006, 2007 and 2008 grants; four years for the 2004 grant) is dependent on the performance (based on the Total Share Owner Return (TSR)) of the Company over that period against a comparator group of other listed communications services companies. The maximum possible number of matching shares for each of the 2008, 2007, 2006 and 2005 grants is five shares for each investment share. The 2004 Renewed LEAP plan vested in March 2008 at a match of 2.6 shares for each investment share.



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Performance Share Awards (PSA)

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

Leaders, Partners and High Potential Group

Stock option grants under the executive stock option plan were not significant in 2008, 2007 or 2006 as the Group made grants of restricted stock (to be satisfied by stock from one of the Group's ESOP trusts) to participants instead. Performance conditions include continued employment over the three-year vesting period.

Valuation methodology

For all of these schemes, the valuation methodology is based upon fair value on grant date, which is determined by the market price on that date or the application of a Black-Scholes model, depending upon the characteristics of the scheme concerned. The assumptions underlying the Black-Scholes model are detailed in note 26, including details of assumed dividend yields. Market price on any given day is obtained from external, publicly available sources.

Market/Non-market conditions

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

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

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

Movement on ordinary shares granted for significant restricted stock plans

	Non-vested 1 January 2008 number (m)	Granted number (m)	Lapsed number (m)	Vested number (m)	Non-vested 31 December 2008 number (m)
Renewed LEAP ¹	3.2	3.4	–	(3.8)	2.8
Performance Share Awards (PSA)	7.3	4.2	(0.6)	(4.2)	6.7
Leaders, Partners and High Potential Group	8.4	6.1	(0.7)	(2.6)	11.2
Weighted average fair value (pence per share):					
Renewed LEAP ¹	598p	496p	–	545p	548p
Performance Share Awards (PSA)	719p	571p	683p	649p	674p
Leaders, Partners and High Potential Group	628p	373p	619p	563p	504p

Note

¹ The number of shares granted represents the 'investment shares' committed by participants at grant date for the 2008 Renewed LEAP plan in addition to matched shares awarded on vest date for the 2004 Renewed LEAP plan which vested in March 2008. The actual number of shares that vest for each Renewed LEAP plan is dependent on the extent to which the relevant performance criteria are satisfied.

The total fair value of shares vested for all the Group's restricted stock plans during the year ended 31 December 2008 was £58.6 million (2007: £31.7 million, 2006: £46.7 million).

23. Provision for post-employment benefits

Companies within the Group operate a large number of pension schemes, the forms and benefits of which vary with conditions and practices in the countries concerned. The Group's pension costs are analysed as follows:

	2008 £m	2007 £m	2006 £m
Defined contribution schemes	79.7	66.4	63.2
Defined benefit schemes charge to operating profit	18.6	14.3	18.5
Pension costs (note 5)	98.3	80.7	81.7
Expected return on pension scheme assets (note 6)	(31.3)	(28.1)	(25.2)
Interest on pension scheme liabilities (note 6)	38.9	33.8	32.4
	105.9	86.4	88.9

Defined benefit schemes

The pension costs are assessed in accordance with the advice of local independent qualified actuaries. The latest full actuarial valuations for the various schemes were carried out as at various dates in the last three years. These valuations have generally been updated by the local independent qualified actuaries to 31 December 2008.

The Group has a policy of closing defined benefit schemes to new members which has been effected in respect of a significant number of the schemes.

Contributions to funded schemes are determined in line with local conditions and practices. Certain contributions in respect of unfunded schemes are paid as they fall due. In 2006 the Group implemented a funding strategy under which our objective is to fully eliminate the deficit for funded schemes by 31 December 2010. The total contributions (for funded schemes) and benefit payments (for unfunded schemes) paid for 2008 amounted to £44.2 million (2007: £47.0 million, 2006: £48.6 million). Employer contributions and benefit payments in 2009 are expected to be in the range of £63 million to £90 million depending on the performance of the assets.

(a) Assumptions

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

	2008 % pa	2007 % pa	2006 % pa	2005 % pa
UK				
Discount rate	6.0	5.8	5.1	4.7
Rate of increase in salaries	3.0	4.8	4.5	4.3
Rate of increase in pensions in payment	3.9	4.1	3.9	3.8
Inflation	2.8	3.3	3.0	2.8
Expected rate of return on equities	7.3	7.3	7.3	7.3
Expected rate of return on bonds ¹	4.9	5.3	5.0	4.5
Expected rate of return on insured annuities	6.0	5.8	5.1	4.7
Expected rate of return on property	6.9	5.0	7.0	7.0
Expected rate of return on cash and other	4.9	4.8	4.8	4.3
Weighted average return on assets	5.7	5.8	5.6	5.2
North America				
Discount rate	6.3	6.1	5.7	5.5
Rate of increase in salaries	3.0	4.6	4.0	4.0
Inflation	2.5	2.5	2.5	2.5
Expected rate of return on equities	7.9	7.9	7.9	7.9
Expected rate of return on bonds ¹	5.1	5.1	4.8	4.7
Expected rate of return on cash and other	3.4	3.0	3.0	3.0
Weighted average return on assets	6.6	6.7	6.8	6.7
Continental Europe				
Discount rate	5.7	5.5	4.6	4.2
Rate of increase in salaries	2.8	2.9	2.8	2.9
Rate of increase in pensions in payment	2.1	2.1	2.0	1.6
Inflation	2.1	2.2	2.1	2.0
Expected rate of return on equities	7.2	7.2	7.2	6.7
Expected rate of return on bonds ¹	4.5	4.5	4.4	4.3
Expected rate of return on property	6.0	5.5	6.1	6.2
Expected rate of return on cash and other	5.3	4.3	3.4	2.5
Weighted average return on assets	5.3	5.3	5.5	5.4
Asia Pacific, Latin America, Africa & Middle East				
Discount rate	3.4	3.9	3.1	3.5
Rate of increase in salaries	3.9	4.0	3.7	3.6
Inflation	4.5	4.6	1.2	2.0
Expected rate of return on equities	10.0	10.0	–	–
Expected rate of return on bonds ^{1,2}	5.3	6.2	5.3	8.2
Expected rate of return on property	–	–	10.0	11.0
Expected rate of return on cash and other ²	2.1	1.6	2.0	1.6
Weighted average return on assets	3.1	3.7	3.2	3.3

Notes

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

² Insurance instruments are classified in cash and other. In the financial statements for the years 2006 and 2005 they were classified in bonds.

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

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



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

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

Also, we periodically commission detailed asset and liability studies performed by third-party professional investment advisors and actuaries, which generate probability-adjusted expected future returns on those assets. These studies also project our estimated future pension payments and evaluate the efficiency of the allocation of our pension plan assets into various investment categories.

The studies performed at the time we set these assumptions supported the reasonableness of our return assumptions based on the target allocation of investment classes and the then current market conditions.

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

Years life expectancy after age 65	All plans	North America	UK	Europe	Asia Pacific
– current pensioners – male	20.0	19.0	22.3	18.4	19.3
– current pensioners – female	22.2	21.0	23.7	21.9	24.7
– future pensioners (current age 45) – male	21.3	19.8	23.5	20.7	21.4
– future pensioners (current age 45) – female	23.2	21.5	25.0	23.7	28.2

The life expectancies after age 65 at 31 December 2007 were 19.6 years and 22.2 years for male and female current pensioners respectively, and 20.5 years and 23.2 years for male and female future pensioners (current age 45) respectively.

In the determination of mortality assumptions, management use the most up-to-date mortality tables available in each country and consistently allows for expected generational improvement.

For a 0.25% increase or decrease in the discount rate at 31 December 2008, the 2009 pension expense would be broadly unchanged as the change in service cost and interest cost are similar. The effect on the year-end 2008 pension deficit would be a decrease or increase, respectively, of approximately £22.5 million.

(b) Assets and liabilities

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

Group	2008 £m	%	2007 £m	%	2006 £m	%
Group						
Equities	162.6	29.6	174.2	34.6	173.7	36.9
Bonds	245.1	44.5	203.8	40.4	198.0	42.1
Insured annuities	64.9	11.8	65.0	12.9	70.8	15.1
Property	12.6	2.3	16.6	3.3	18.7	4.0
Cash	65.2	11.8	44.4	8.8	9.2	1.9
Total fair value of assets	550.4	100.0	504.0	100.0	470.4	100.0
Present value of scheme liabilities	(819.1)		(637.6)		(657.0)	
Deficit in the schemes	(268.7)		(133.6)		(186.6)	
Irrecoverable surplus	(2.4)		(0.5)		(1.0)	
Unrecognised past service cost	(0.9)		(0.9)		–	
Net liability ¹	(272.0)		(135.0)		(187.6)	
Schemes in surplus	0.4		8.4		4.7	
Schemes in deficit	(272.4)		(143.4)		(192.3)	

Notes

¹ The related deferred tax asset is discussed in note 15.

The total fair value of assets, present value of scheme liabilities and deficit in the schemes were £453.2 million, £684.6 million and £231.4 million in 2005 and £329.9 million, £595.2 million and £202.3 million in 2004, respectively.

Deficit in schemes by region

	2008 £m	2007 £m	2006 £m
UK	(24.8)	(24.2)	(50.0)
North America	(153.4)	(59.6)	(82.3)
Continental Europe	(80.0)	(46.7)	(51.2)
Asia Pacific, Latin America, Africa & Middle East	(10.5)	(3.1)	(3.1)
Deficit in the schemes	(268.7)	(133.6)	(186.6)

Some of the Group's defined benefit schemes are unfunded (or largely unfunded) by common custom and practice in certain jurisdictions. In the case of these unfunded schemes, the benefit payments are made as and when they fall due. Pre-funding of these schemes would not be typical business practice.

The following table shows the split of the deficit at 31 December 2008, 2007 and 2006 between funded and unfunded schemes.

	2008 Deficit £m	2008 Present value of scheme liabilities £m	2007 Deficit £m	2007 Present value of scheme liabilities £m	2006 Deficit £m	2006 Present value of scheme liabilities £m
Funded schemes by region						
UK	(24.8)	(269.5)	(24.2)	(274.2)	(50.0)	(295.8)
North America	(71.0)	(266.8)	1.6	(183.5)	(15.0)	(178.9)
Continental Europe	(30.1)	(126.5)	(16.2)	(77.6)	(19.3)	(72.5)
Asia Pacific, Latin America, Africa & Middle East	(3.3)	(16.8)	(1.6)	(9.1)	(2.1)	(9.6)
Deficit/liabilities in the funded schemes	(129.2)	(679.6)	(40.4)	(544.4)	(86.4)	(556.8)
Unfunded schemes by region						
UK	–	–	–	–	–	–
North America	(82.4)	(82.4)	(61.2)	(61.2)	(67.3)	(67.3)
Continental Europe	(49.9)	(49.9)	(30.5)	(30.5)	(31.9)	(31.9)
Asia Pacific, Latin America, Africa & Middle East	(7.2)	(7.2)	(1.5)	(1.5)	(1.0)	(1.0)
Deficit/liabilities in the unfunded schemes	(139.5)	(139.5)	(93.2)	(93.2)	(100.2)	(100.2)
Deficit/liabilities in the schemes	(268.7)	(819.1)	(133.6)	(637.6)	(186.6)	(657.0)

In accordance with IAS 19, schemes that are wholly or partially funded are considered funded schemes. In the financial statements for 2006, schemes with funding levels of less than 50% were considered unfunded schemes.

(c) Pension expense

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

	2008 £m	2007 £m	2006 £m
Group			
Current service cost	16.7	16.2	18.3
Past service cost/(income)	2.5	(1.1)	0.3
Gain on settlements and curtailments	(0.6)	(0.8)	(0.1)
Charge to operating profit	18.6	14.3	18.5
Expected return on pension scheme assets	(31.3)	(28.1)	(25.2)
Interest on pension scheme liabilities	38.9	33.8	32.4
Charge to profit before taxation for defined benefit schemes	26.2	20.0	25.7
(Loss)/gain on pension scheme assets relative to expected return	(93.7)	(6.0)	9.3
Experience gains arising on the scheme liabilities	4.4	0.1	3.5
Changes in assumptions underlying the present value of the scheme liabilities	8.0	35.4	(0.5)
Change in irrecoverable surplus	(0.9)	0.5	(1.0)
Actuarial (loss)/gain recognised in SORIE	(82.2)	30.0	11.3

Movements in exchange rates are included in exchange adjustments on foreign currency net investments in the SORIE. In previous financial statements, they were included in the actuarial (loss)/gain.

As at 31 December 2008 the cumulative amount of net actuarial losses recognised in equity since 1 January 2001 was £173.1 million (31 December 2007: £90.9 million, 31 December 2006: £120.9 million). Of this amount, a net loss of £72 million was recognised since the 1 January 2004 adoption of IAS 19.

(d) Movement in scheme obligations

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

	2008 £m	2007 £m	2006 £m
Change in benefit obligation			
Benefit obligation at beginning of year	637.6	657.0	684.6
Service cost	16.7	16.2	18.3
Interest cost	38.9	33.8	32.4
Plan participants' contributions	0.6	0.5	0.5
Actuarial gain	(12.4)	(35.5)	(3.0)
Benefits paid	(40.7)	(40.2)	(40.1)
Loss/(gain) due to exchange rate movements	133.8	7.2	(37.8)
Plan amendments	2.8	(2.0)	0.3
Acquisitions	44.3	0.3	–
Reclassification	3.6	1.1	5.8
Settlements and curtailments	(6.1)	(0.8)	(4.0)
Benefit obligation at end of year	819.1	637.6	657.0

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



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(e) Movement in scheme assets

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

	2008 £m	2007 £m	2006 £m
Change in plan assets			
Fair value of plan assets at beginning of year	504.0	470.4	453.2
Expected return on plan assets	31.3	28.1	25.2
Actuarial (loss)/gain on plan assets	(93.7)	(6.0)	9.3
Employer contributions	44.2	47.0	48.6
Plan participants' contributions	0.6	0.5	0.5
Benefits paid	(40.7)	(40.2)	(40.1)
Gain/(loss) due to exchange rate movements	79.0	4.2	(23.1)
Acquisitions	29.4	–	–
Reclassification	1.8	–	0.7
Settlements	(5.5)	–	(3.9)
Fair value of plan assets at end of year	550.4	504.0	470.4

Actual return on plan assets	(62.4)	22.1	34.5
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(f) History of experience gains and losses

	2008 £m	2007 £m	2006 £m
(Loss)/gain on pension scheme assets relative to expected return:			
Amount	(93.7)	(6.0)	9.3
Percentage of scheme assets	17.0%	1.2%	2.0%

Experience gains arising on the scheme liabilities:

Amount	4.4	0.1	3.5
Percentage of the present value of the scheme liabilities	0.5%	0.0%	0.5%

Total (loss)/gain recognised in SORIE:

Amount	(82.2)	30.0	11.3
Percentage of the present value of the scheme liabilities	(10.0%)	4.7%	1.7%

The experience gains on pension scheme assets and scheme liabilities were £22.4 million and £3.6 million in 2005 and £13.5 million and £1.2 million in 2004 respectively.

24. 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 Group seeks to mitigate the effect of these structural currency exposures by borrowing in the same currencies as the operating (or 'functional') currencies of its main operating units. The majority of the Group's debt is therefore denominated in US dollars, pounds sterling and euros. Borrowings in these currencies represented 97.18% of the Group's gross indebtedness at 31 December 2008 (at \$3,060 million, £749 million and €1,405 million) and 96.48% of the Group's average gross debt during the course of 2008 (at \$1,944 million, £819 million and €1,137 million).

The 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 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 benefitting 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, 27.53% of the year-end US dollar net debt is at fixed rates averaging 5.79% for an average period of 56 months; and 51.50% of the sterling net debt is at a fixed rate of 5.69% for an average period of 88 months; and 55.13% of the euro net debt is at fixed rates averaging 6.80% for an average period of 58 months.

Other than fixed rate debt, the Group's other fixed rates are achieved principally through interest rate swaps with the Group's bankers. The Group also uses forward rate agreements and interest rate caps to manage exposure to interest rate changes. At 31 December 2008 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 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

In considering going concern and liquidity risk, the directors have reviewed the Group's future cash requirements and earnings projections. The directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance. The directors have concluded that the Group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future and therefore believe it is appropriate to prepare the financial statements of the Group on a going concern basis.

At 31 December 2008, the Group has access to £5.2 billion of committed bank facilities with maturity dates spread over the years 2009 to 2020 as illustrated below.

	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015+ £m
£ bonds £200m (6.375% '20)	200.0						200.0
£ bonds £400m (6% '17)	400.0						400.0
Eurobonds €750m (6.625% '16)	718.3						718.3
Eurobonds €500m (5.25% '15)	478.8						478.8
US bond \$650m (5.875% '14)	446.0					446.0	
Eurobonds €600m (4.375% '13)	574.6				574.6		
Bank revolver \$1,600m	1,097.8		1,097.8				
TNS acquisition facilities £1,250m	1,250.0	200.0	850.0	200.0			
Total committed facilities available	5,165.5	200.0	850.0	200.0	1,097.8	574.6	1,797.1
Drawn down facilities at 31 December 2008	4,091.0	170.0	850.0	200.0	53.3	574.6	1,797.1
Undrawn committed credit facilities	1,074.4						
Drawn down facilities at 31 December 2008	4,091.0						
Net cash at 31 December 2008	(1,318.1)						
TNS private placement debt	215.7						
Other adjustments	79.0						
Net debt at 31 December 2008	3,067.6						

The Group's borrowings are evenly distributed between fixed and floating rate debt. Given the strong cash generation of the business, its debt maturity profile and available facilities, the Directors believe the Group has sufficient liquidity to match its requirements for the foreseeable future.

Treasury activities

Treasury activity is managed centrally, from the parent company's London, New York and Hong Kong offices, and is principally concerned with the monitoring of working capital, managing external and internal funding requirements and the monitoring and management of financial market risks, in particular interest rate and foreign exchange exposures.

The treasury operation is not a profit centre and its activities are carried out in accordance with policies approved by the Board of directors and subject to regular review and audit.

Financings completed in the year included a new 8 year bond issued in May for €750 million bearing a coupon of 6.625%. This new bond refinanced the €650 million 6% bonds redeemed in June and the \$100 million 6.875% bonds redeemed in July. In addition, £1,250 million was raised from the Group's bankers to assist in financing the acquisition of TNS. The amount is made up of a £650 million term facility with a final maturity date of July 2010 and a £600 million amortising Revolving Credit Facility with a final maturity of July 2011. The \$150 million 5% Grey convertible was also redeemed in October in accordance with its terms.

The fall out from the subprime crisis has resulted in difficulties from the credit markets generally, however WPP is taking steps to ensure it is in a position to meet its requirements.

The Group manages liquidity risk by ensuring continuity and flexibility of funding even in difficult market conditions. Undrawn committed borrowing facilities 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 Group's major operations.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 10, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 26 and 27.



Credit risk

The Group's principal financial assets are cash and short-term deposits, trade and other receivables 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 25.

The Group's credit risk is primarily attributable to its trade receivables. The majority of the Group's trade receivables are due from large national or multinational companies where the risk of default is considered low. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. A relatively small number of clients make up a significant percentage of the Group's debtors, but no single client represents more than 5% of total trade receivables as at 31 December 2008.

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.

A relatively small number of clients contribute a significant percentage of the Group's consolidated revenues. The Group's clients generally are able to reduce advertising and marketing spending or cancel projects at any time for any reason. There can be no assurance that any of the Group's clients will continue to utilise the Group's services to the same extent, or at all, in the future. A significant reduction in advertising and marketing spending by, or the loss of one or more of, the Group's largest clients, if not replaced by new client accounts or an increase in business from existing clients, would adversely affect the Group's prospects, business, financial condition and results of operations.

Sensitivity analysis

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

Currency risk

A 10% weakening of sterling against the Group's major currencies would result in the following losses, which would be posted directly to equity. These losses would arise on the retranslation of foreign currency denominated borrowings and derivatives designated as effective net investment hedges of overseas net assets. These losses would be offset in equity by a corresponding gain arising on the retranslation of the related hedged foreign currency net assets. 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.

	2008 £m	2007 £m
US dollar	183.8	51.8
Euro	96.3	44.0

Interest rate risk

A one percentage point increase or decrease in market interest rates for all currencies in which the Group had cash and borrowings at 31 December 2008 would decrease or increase profit before tax respectively by approximately £0.4 million (2007: £11.1 million). The effect on equity as at 31 December 2008 would be £11.7 million (2007: £22.7 million). This has been calculated by applying the interest rate change to the Group's variable rate cash and borrowings.

25. Financial instruments

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows and the exchange risk arising on translation of the 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 Group's principal markets.

At 31 December 2008, the fair value of the Group's currency derivatives is estimated to be a net liability of approximately £14.2 million (2007: £7.2 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £25.8 million (2007: £50.3 million) assets included in trade and other receivables and £40.0 million (2007: £57.5 million) liabilities included in trade and other payables. The fair value movement of currency derivatives during the year that are designated and effective as net investment hedges amounts to £293.3 million (2007: £44.7 million) and has been charged to and deferred in equity.

Changes in the fair value relating to the ineffective portion of the currency derivatives amounted to a gain of £2.7 million (2007: charge of £7.0 million, 2006: charge of £1.3 million) which is included in finance costs for the year. This gain resulted from a £54.7 million loss on hedging instruments and a £57.4 million gain on hedged items.

The Group currently designates its 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 £965.8 million (2007: £412.6 million). The Group estimates the fair value of these contracts is £1.7 million (2007: £1.5 million).

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

Interest rate swaps

The Group uses interest rate swaps as hedging instruments in fair value hedges to manage its exposure to interest rate movements on its borrowings. Contracts with

nominal values of €600 million have fixed interest receipts at 4.38% up until December 2013 and have floating interest payments averaging EURIBOR plus 0.56%. Contracts with a nominal value of €500 million have fixed interest receipts of 5.25% up until January 2015 and have floating interest payments averaging EURIBOR plus 0.80%. Contracts with a nominal value of €100 million have fixed interest payments of 5.56% until June 2014 and have floating rate receipts averaging LIBOR plus 0.96%.

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%. Contracts with a nominal value of £25 million have fixed interest receipts of 6.51% up until July 2017 and floating rate payments averaging LIBOR plus 0.67%.

Contracts with a nominal value of \$140 million have fixed interest receipts averaging 6.36% up until September 2014 and have a floating rate payments averaging LIBOR plus 0.62%. Contracts with a nominal value of \$30 million have fixed payments averaging 5.48% up until July 2009 and have floating interest receipts of LIBOR plus 1.35%.

The fair value of interest rate swaps entered into at 31 December 2008 is estimated to be a net asset of approximately £78.2 million (2007: £0.4 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £124.7 million (2007: £22.7 million) assets included in trade and other receivables and £46.5 million (2007: £22.3 million) liabilities included in trade and other payables.

Changes in the fair value relating to the ineffective portion of interest rate swaps amounted to £13.0 million (2007: £0.1 million, 2006: £1.3 million) which has been charged to finance costs for the year. This charge resulted from a £83.8 million gain on hedging instruments and a £96.8 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
2008						
Other investments	–	–	–	310.9	–	310.9
Cash and short-term deposits	–	–	2,572.5	–	–	2,572.5
Bank overdrafts and loans	–	–	–	–	(1,640.8)	(1,640.8)
Bonds and bank loans	–	–	–	–	(3,999.3)	(3,999.3)
Trade and other receivables: amounts falling due within one year	–	–	6,605.8	–	–	6,605.8
Trade and other receivables: amounts falling due after more than one year	–	–	68.3	–	–	68.3
Trade and other payables: amounts falling due within one year	–	–	–	–	(7,171.1)	(7,171.1)
Trade and other payables: amounts falling after more than one year	–	–	–	–	(16.7)	(16.7)
Derivative assets	150.5	–	–	–	–	150.5
Derivative liabilities	(86.5)	–	–	–	–	(86.5)
Liabilities in respect of put options	–	(122.1)	–	–	–	(122.1)
	64.0	(122.1)	9,246.6	310.9	(12,827.9)	(3,328.5)

	Derivatives in designated hedge relationships	Held for trading	Loans & receivables	Available for sale	Amortised cost	Carrying value
	£m	£m	£m	£m	£m	£m
2007						
Other investments	–	–	–	268.6	–	268.6
Cash and short-term deposits	–	–	2,040.2	–	–	2,040.2
Bank overdrafts and loans	–	–	–	–	(1,585.9)	(1,585.9)
Bonds and bank loans	–	–	–	–	(1,740.0)	(1,740.0)
Trade and other receivables: amounts falling due within one year	–	–	5,219.1	–	–	5,219.1
Trade and other receivables: amounts falling due after more than one year	–	–	72.6	–	–	72.6
Trade and other payables: amounts falling due within one year	–	–	–	–	(5,883.0)	(5,883.0)
Trade and other payables: amounts falling after more than one year	–	–	–	–	(12.6)	(12.6)
Derivative assets	73.0	5.5	–	–	–	78.5
Derivative liabilities	(79.8)	–	–	–	–	(79.8)
Share repurchases – close period commitments	–	(64.8)	–	–	–	(64.8)
Liabilities in respect of put options	–	(82.0)	–	–	–	(82.0)
	(6.8)	(141.3)	7,331.9	268.6	(9,221.5)	(1,769.1)



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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.

26. Authorised and issued share capital

	Equity ordinary shares	Nominal value £m
Authorised		
At 1 January 2007 – WPP 2008 Limited (formerly WPP Group plc)	1,750,000,000	175.0
At 31 December 2007 – WPP 2008 Limited (formerly WPP Group plc)	1,750,000,000	175.0
At 31 December 2008 – WPP plc (formerly Project Air Limited)	1,750,000,000	175.0
Issued and fully paid		
At 1 January 2007	1,240,605,187	124.1
Exercise of share options	7,773,345	0.7
Share cancellations	(57,193,623)	(5.7)
Acquisitions	305,354	0.1
Other	1,000	0.0
At 1 January 2008	1,191,491,263	119.2
Exercise of share options	2,103,054	0.2
Acquisitions	77,879,143	7.8
Share cancellations	(18,820,814)	(1.9)
At 19 November 2008 – shares in WPP 2008 Limited (formerly WPP Group plc) of 10p each	1,252,652,646	125.3
On formation of WPP plc		
Group reconstruction – shares in WPP 2008 Limited (formerly WPP Group plc) exchange for shares in WPP plc of 10p each	1,252,652,646	125.3
Exercise of share options	49,827	0.0
Acquisitions	2,640,790	0.2
At 31 December 2008	1,255,343,263	125.5

On 19 November 2008 under a scheme of arrangement between WPP 2008 Limited (formerly WPP Group plc), the former holding company of the Group, and its shareholders under Part 26 of the Companies Act 2006, and as sanctioned by the High Court, all the issued shares in that company were cancelled and the same number of new shares were issued to WPP plc in consideration for the allotment to shareholders of one ordinary share in WPP plc for each ordinary share in WPP 2008 Limited held on the record date, 18 November 2008.

In the above table the figures up to 19 November 2008 relate to shares in WPP 2008 Limited. Subsequent movements relate to shares in WPP plc.

WPP plc was incorporated on 12 September 2008 with an authorised share capital of £10,000 and 20 issued ordinary shares of 10 pence each. The authorised share capital of WPP plc was increased by written resolution from £10,000 to £175,000,000 by the creation of an additional 1,749,900,000 ordinary shares of 10 pence each.

On 19 November 2008 as part of the scheme of arrangement noted above, a further 1,252,652,646 ordinary shares were issued at a price of 340.75 pence each, whereby WPP plc was interposed as the new holding company of the WPP Group.

On 24 November 2008 the entire balance standing to the credit of the share premium account was transferred to retained earnings as sanctioned by The Royal Court of Jersey. As a result £4,143.1 million was added to retained earnings for both WPP plc and the Group. For the Company this amount is distributable.

Share options

WPP Executive Share Option Scheme

As at 31 December 2008, unexercised options over ordinary shares of 10,736,711 and unexercised options over ADRs of 3,408,168 have been granted under the WPP Executive Share Option Scheme as follows:

	Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
	12,195	3.414	2012-2018
	21,197	3.763	2006-2013
	4,239	3.763	2006-2013
	92,804	4.210	2005-2012
	1,254,487	4.210	2005-2012
	53,652	4.210	2006-2012
	30,658	4.210	2005-2013
	3,832	4.210	2005-2012
	32,385	4.210	2005-2012
	4,597	4.210	2005-2012
	3,832	4.210	2005-2012
	77,552	4.438	2005-2012
	6,759	4.438	2005-2012
	41,170	4.615	2006-2013
	51,247	4.615	2007-2013
	55,165	4.865	2004-2011
	945,881	4.865	2004-2011
	31,558	4.865	2005-2011
	31,429	5.185	2002-2009
	2,000,000	5.490	2007-2014
	27,288	5.520	2008-2014
	162,589	5.535	2007-2014
	968,949	5.535	2007-2014
	883,737	5.535	2007-2014
	37,932	5.535	2008-2014
	6,124	5.535	2007-2015
	24,390	5.535	2007-2014
	2,469	5.535	2007-2014
	235,355	5.535	2007-2014
	194,057	5.595	2006-2013
	1,612,345	5.595	2006-2013
	17,194	5.595	2006-2014
	39,698	5.595	2007-2013
	13,348	5.595	2006-2013
	15,868	5.595	2006-2013
	24,680	5.595	2006-2013
	285,808	5.595	2006-2013
	213,034	5.700	2002-2009
	7,740	5.725	2007-2014
	7,257	5.725	2007-2014
	11,423	5.775	2009-2015
	14,826	5.818	2008-2015
	2,964	5.818	2008-2015
	8,940	5.895	2008-2015
	6,705	5.895	2008-2015
	2,235	5.895	2008-2015
	10,907	5.895	2008-2015
	6,402	5.903	2011-2018
	6,402	5.903	2011-2018
	4,268	5.903	2011-2018
	4,389	6.105	2008-2015
	11,396	6.105	2008-2015
	4,914	6.105	2008-2015
	802	6.228	2010-2017
	7,876	6.228	2011-2017
	4,817	6.228	2010-2017
	4,280	6.718	2009-2016
	8,560	6.718	2009-2016
	23,480	6.718	2009-2016
	69,369	6.718	2009-2016
	19,566	6.718	2011-2016
	2,062	6.938	2009-2016
	45,153	7.180	2005-2012
	28,050	7.550	2005-2012
	23,562	7.550	2005-2012



Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
57,072	7.550	2005-2012
240,447	7.550	2005-2012
3,741	7.550	2006-2012
14,283	7.723	2010-2017
21,372	8.110	2004-2011
34,982	8.110	2004-2011
5,694	8.193	2004-2011
17,505	8.193	2004-2011
337,056	9.010	2003-2010
11,575	9.010	2004-2010
97,303	9.010	2003-2010
18,836	10.770	2003-2010
8,996	10.770	2003-2010

Number of ADRs under option	Exercise price per ADR (\$)	Exercise dates
11,294	30.080	2006-2013
2,692	30.080	2006-2013
1,644	30.410	2011-2018
486,796	33.200	2005-2012
7,227	33.200	2005-2012
2,881	34.702	2005-2012
295,457	35.380	2004-2011
185,688	46.475	2002-2009
859,550	47.410	2006-2013
28,047	47.410	2006-2013
38,688	47.410	2006-2013
3,163	47.410	2006-2013
1,548	48.450	2007-2014
14,006	50.670	2008-2015
197	50.670	2008-2015
878,136	50.800	2007-2014
196	50.800	2007-2014
14,858	50.800	2007-2014
2,952	50.800	2007-2014
39,754	50.800	2007-2014
32,402	51.220	2007-2014
14,280	53.030	2005-2012
13,764	54.050	2005-2012
118,486	54.050	2005-2012
18,439	54.230	2008-2015
458	54.570	2008-2015
4,581	54.570	2008-2015
7,178	55.740	2008-2015
898	55.740	2008-2015
898	55.740	2008-2015
2,691	57.020	2008-2015
21,992	57.020	2008-2015
6,976	57.338	2003-2010
15,564	58.238	2004-2011
856	58.460	2009-2016
22,666	58.460	2009-2016
856	58.460	2009-2016
8,630	58.886	2004-2011
844	59.170	2011-2018
1,267	59.170	2011-2018
16,210	61.690	2009-2016
30,820	62.110	2003-2010
2,415	62.110	2005-2010
796	62.810	2010-2017
167,709	63.263	2003-2010
468	63.900	2009-2016
2,423	63.900	2009-2016
2,007	74.720	2010-2017
4,936	75.940	2010-2017
11,884	84.485	2003-2010

WPP Worldwide Share Ownership Program

As at 31 December 2008, unexercised options over ordinary shares of 6,598,264 and unexercised options over ADRs of 923,010 have been granted under the WPP Worldwide Share Ownership Program as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
197,550	3.903	2006-2013
1,400	3.903	2006-2013
3,000	3.903	2006-2013
4,800	3.903	2007-2013
8,350	4.210	2005-2012
1,625	4.210	2005-2013
56,000	4.819	2011-2018
875	5.210	2004-2011
87,625	5.315	2002-2009
338,225	5.435	2007-2013
7,250	5.775	2008-2015
31,800	5.913	2011-2018
129,500	5.917	2011-2018
3,125	5.990	2004-2011
1,555,124	6.028	2011-2018
840,512	6.195	2008-2015
10,794	6.668	2008-2015
95,323	6.740	2008-2015
911,714	6.938	2008-2015
35,637	7.005	2008-2015
375,500	7.180	2005-2012
7,250	7.180	2006-2012
102,802	7.478	2008-2015
1,138,583	7.718	2008-2015
367,075	7.790	2003-2010
286,825	7.960	2004-2011

Number of ADRs under option	Exercise price per ADR (\$)	Exercise dates
42,530	30.800	2006-2013
52,660	49.880	2006-2013
30,255	53.030	2005-2012
29,645	56.480	2004-2011
277,280	59.500	2011-2018
122,546	59.520	2008-2015
159,556	60.690	2008-2015
208,538	75.760	2008-2015

Young & Rubicam Inc 1997 Incentive Compensation Plan

As at 31 December 2008, unexercised options over ordinary shares of 430,584 and unexercised options over ADRs of 381,298 have been granted under the Young & Rubicam Inc 1997 Incentive Compensation Plan as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
178,482	6.1630	2000-2009
41,750	6.3284	2000-2009
189,477	7.0523	2000-2010
10,437	7.5693	2000-2009
10,438	8.9963	2000-2010

Number of ADRs under option	Exercise price per ADR (\$)	Exercise dates
104,605	44.6108	2000-2009
9,485	46.5569	2000-2009
11,481	48.2036	2000-2010
132,855	51.0479	2000-2010
25,050	53.4431	2000-2009
83,500	54.0419	2000-2009
1,044	59.6557	2000-2010
6,263	60.4790	2000-2010
2,923	63.7725	2000-2010
1,587	72.6048	2000-2010
2,505	84.7305	2000-2010

Tempus Group plc 1998 Long Term Incentive Plan

As at 31 December 2008, unexercised options over ordinary shares of 56,468 have been granted under the Tempus Group plc 1998 Long Term Incentive Plan as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
24,306	4.920	2001-2011
12,153	5.580	2001-2011
20,009	6.000	2001-2010



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The Grey Global Group, Inc 1994 Stock Incentive Plan

As at 31 December 2008, unexercised options over ordinary shares of 54,365 and unexercised options over ADRs of 97,726 have been granted under the Grey Global Group, Inc 1994 Stock Incentive Plan as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
54,365	3.499	2007-2011

Number of ADRs under option	Exercise price per ADR (\$)	Exercise dates
7,524	14.3700	2005-2009
16,461	19.5400	2005-2010
2,914	27.2900	2005-2011
7,089	28.2100	2006-2013
1,827	28.3000	2007-2012
4,545	29.4100	2005-2011
7,046	30.2700	2008-2011
3,632	30.8300	2007-2012
6,371	31.4200	2005-2012
17,396	31.7500	2008-2011
6,264	31.9400	2007-2011
3,610	33.5000	2009-2011
13,047	36.1100	2008-2010

24/7 Real Media, Inc 2002 Stock Incentive Plan

As at 31 December 2008, unexercised options over ADRs of 164,068 have been granted under the 24/7 Real Media, Inc. 2002 Stock Incentive Plan as follows:

Number of ADRs under option	Exercise price per ADR (\$)	Exercise dates
8	1.3400	2007-2013
1,024	15.8800	2007-2014
427	17.1500	2007-2014
229	18.2300	2007-2015
76	19.3100	2007-2015
30	19.3700	2007-2015
217	19.4400	2007-2015
69	20.0100	2007-2015
187	20.0700	2007-2015
414	20.3300	2007-2015
137	20.6400	2007-2015
46	20.7700	2007-2014
12	20.8400	2007-2014
90	20.9600	2007-2015
112	21.0300	2007-2014
66	21.6000	2007-2014
66	22.4900	2007-2015
66	22.8700	2007-2015
79	23.1800	2007-2015
167	23.4400	2007-2015
19	23.8200	2007-2014
6	23.9500	2007-2014
369	24.2000	2007-2014
146	24.3300	2007-2014
50	25.1500	2007-2015
177	25.4100	2007-2014
118	25.6000	2007-2015
315	25.9200	2007-2015
316	26.1100	2007-2015
98	26.8700	2007-2015
1,023	27.1200	2007-2015
36,169	27.5000	2007-2015
153	28.5200	2007-2014
148	28.7700	2007-2015
170	34.6200	2007-2015
102	34.9300	2007-2015
205	35.0600	2007-2015
629	37.7300	2007-2015
92	37.8500	2007-2015
89	38.8700	2007-2015
104,678	40.6500	2007-2016
110	41.4700	2007-2015
343	44.7100	2007-2015
533	45.2900	2007-2016
426	45.4100	2007-2016
118	46.0500	2007-2016
69	46.6200	2007-2016

Number of ADRs under option	Exercise price per ADR (\$)	Exercise dates
345	48.3300	2007-2016
472	48.5900	2007-2016
157	48.6500	2007-2016
78	48.9700	2008-2017
157	49.5400	2007-2016
115	49.6000	2007-2016
314	49.6700	2007-2016
89	50.4900	2007-2016
471	50.6800	2007-2016
236	50.7500	2008-2017
32	51.0000	2008-2017
550	51.3800	2008-2017
78	52.4000	2007-2016
156	52.5900	2008-2017
99	52.9100	2007-2016
92	53.1000	2006-2017
70	53.4100	2007-2016
157	53.4800	2008-2017
78	53.6700	2008-2017
591	53.7900	2007-2016
314	54.1100	2007-2016
944	54.2400	2007-2016
758	54.5600	2007-2016
629	55.2600	2007-2016
78	55.3800	2007-2016
179	55.6400	2007-2016
59	55.7600	2007-2016
105	55.8900	2007-2016
235	56.2700	2007-2016
78	56.3400	2007-2016
574	56.7200	2007-2016
138	56.9100	2007-2016
78	57.4800	2008-2017
157	58.1100	2007-2016
549	58.9400	2007-2017
314	59.0700	2007-2016
393	60.0200	2007-2016
156	61.2300	2008-2017
324	61.9200	2007-2016
471	62.0500	2007-2016
786	62.9400	2008-2017
314	63.1300	2008-2017
157	63.3200	2008-2017
708	63.8900	2008-2017
112	64.2700	2007-2016
54	64.6500	2007-2016
56	64.8500	2007-2016
78	64.9700	2007-2016
78	65.5400	2007-2016
157	66.4300	2007-2016
112	67.5800	2007-2016
157	70.5000	2008-2017
236	74.2400	2008-2017

Taylor Nelson Sofres plc

2005 Long Term Incentive Plan

As at 31 December 2008, unexercised options over ordinary shares of 74,421 have been granted under the Taylor Nelson Sofres plc 2005 Long Term Incentive Plan as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
11,587	–	2011
29,854	–	2012
32,980	–	2013

2008 New Share Plan

As at 31 December 2008, unexercised options over ordinary shares of 28,649 have been granted under the Taylor Nelson Sofres plc 2008 New Share Plan as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
28,649	–	2012

**2005 Key Employee Equity Plan**

As at 31 December 2008, unexercised options over ordinary shares of 4,520 have been granted under the Taylor Nelson Sofres plc 2005 Key Employee Equity Plan as follows:

	Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
	245	–	2011
	4,275	–	2012

1999 Worldwide Employee Sharesave Plan

As at 31 December 2008, unexercised options over ordinary shares of 1,844,183 have been granted under the Taylor Nelson Sofres plc 1999 Worldwide Employee Sharesave Plan as follows:

	Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
	46,826	1.2700	2010
	872,518	1.7300	2013-2015
	299,707	1.9500	2011-2012
	226,825	2.2900	2009-2011
	1,382	2.3900	2009
	96,334	2.5600	2009-2012
	168,014	2.6500	2012-2014
	24,085	2.9900	2010-2011
	101,891	3.0000	2011-2013
	1,596	3.2000	2009
	5,005	3.7400	2009

The aggregate status of the WPP Share Option Schemes during 2008 was as follows:

Movement on options granted (represented in ordinary shares)

	1 January 2008 number	Granted number	Exercised number	Lapsed number	Outstanding 31 December 2008 number	Exercisable 31 December 2008 number
WPP	31,731,876	48,042	(1,076,103)	(2,926,264)	27,777,551	27,306,901
WWOP	9,859,310	3,752,125	(102,750)	(2,295,371)	11,213,314	8,054,490
Y&R	2,981,529	–	(356,331)	(288,124)	2,337,074	2,337,074
Tempus	106,295	–	(49,827)	–	56,468	56,468
Grey	791,335	–	(237,465)	(10,875)	542,995	362,941
24/7	1,184,110	–	(268,805)	(94,965)	820,340	699,990
TNS	–	1,951,773 ¹	–	–	1,951,773	1,382
	46,654,455	5,751,940	(2,091,281)	(5,615,599)	44,699,515	38,819,246

Note

¹ Granted as consideration for acquisition of TNS.

Weighted-average exercise price for options over:

	1 January 2008	Granted	Exercised	Lapsed	Outstanding 31 December 2008	Exercisable 31 December 2008
Ordinary shares (£)						
WPP	5.454	4.865	3.553	5.944	5.543	5.527
WWOP	6.875	5.984	4.831	6.757	6.632	6.871
Y&R	6.389	n/a	6.648	5.114	6.673	6.673
Tempus	3.952	n/a	2.260	n/a	5.445	5.445
Grey	3.499	n/a	n/a	n/a	3.499	3.499
TNS	n/a	1.902	n/a	n/a	1.931	2.390
ADRs (\$)						
WPP	46.940	46.578	37.543	42.819	46.948	46.716
WWOP	62.109	59.500	41.061	63.058	61.202	61.932
Y&R	50.774	n/a	50.284	54.621	50.485	50.485
Grey	29.024	n/a	30.456	30.830	28.289	25.970
24/7	36.753	n/a	29.767	42.229	38.409	37.283

Options over ordinary shares**Outstanding**

	Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
	nil-10.770	5.569	64

Options over ADRs**Outstanding**

	Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
	1.340-84.731	49.216	59

As at 31 December 2008 there was £5.5 million (2007: £7.7 million) of total unrecognised compensation cost related to share options. That cost is expected to be recognised over a weighted average period of 17 months (2007: 17 months).

Share options are satisfied out of newly issued shares.

The weighted average fair value of options granted in the year calculated using the Black-Scholes model, was as follows:

	2008	2007	2006
Fair value of UK options (shares)	129.5p	188.3p	203.5p
Fair value of US options (ADRs)	\$8.36	\$17.85	\$20.15
Weighted average assumptions:			
UK Risk-free interest rate	3.93%	5.26%	4.72%
US Risk-free interest rate	2.25%	4.53%	4.47%
Expected life (months)	48	48	48
Expected volatility	25%	25%	35%
Dividend yield	1.75%	1.5%	1.7%

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

The weighted average share price of the Group for the year ended 31 December 2008 was £5.12 (2007: £7.09, 2006: £6.58) and the weighted average ADR price for the same period was \$48.26 (2007: \$71.04, 2006: \$60.60).

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

Expected life is based on a review of historic exercise behaviour in the context of the contractual terms of the options, as described in more detail below.

Terms of share option plans

The Worldwide Share Ownership Program is open for participation to employees with at least two years' employment in the Group. It is not available to those participating in other share-based incentive programs or to executive directors. The vesting period for each grant is three years and there are no performance conditions other than continued employment with the Group.

The Executive Stock Option Plan has historically been open for participation to WPP Group Leaders, Partners and High Potential Group. It is not currently offered to parent company executive directors. The vesting period is three years and performance conditions include achievement of various TSR (Total Share Owner Return) and EPS (Earnings per Share) objectives, as well as continued employment. In 2005, the Group moved away from the issuance of stock options for Leaders, Partners and High Potential Group and has since largely made grants of restricted stock instead (note 22).

The Group grants stock options with a life of ten years, including the vesting period. The terms of stock options with performance conditions are such that if, after nine years and eight months, the performance conditions have not been met, then the stock option will vest automatically.



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27. Equity share owners' funds

The movements during 2008 and 2007 were as follows:

	Ordinary share capital £m	Share premium account £m	Shares to be issued £m	Merger reserve £m	Other reserves £m	Own Shares ¹ £m	Retained earnings £m	Total £m
Balance at 1 January 2007	124.1	74.9	7.5	(1,370.0)	(170.1)	(288.5)	5,449.0	3,826.9
Ordinary shares issued in respect of acquisitions	0.1	2.2	5.7	–	–	–	–	8.0
Other ordinary shares issued	0.7	29.5	(7.9)	4.2	–	–	1.7 ²	28.2
Share issue/cancellation costs	–	(2.7)	–	(0.1)	–	–	–	(2.8)
Share cancellations	(5.7)	–	–	–	5.7	–	(402.7)	(402.7)
Exchange adjustments on foreign currency net investments	–	–	–	–	71.7	–	–	71.7
Net profit for the year	–	–	–	–	–	–	465.9	465.9
Dividends paid	–	–	–	–	–	–	(138.9)	(138.9)
Non-cash share-based incentive plans (including stock options)	–	–	–	–	–	–	62.4	62.4
Tax adjustment of share-based payments	–	–	–	–	–	–	0.9	0.9
Net movement in own shares held by ESOP Trusts	–	–	–	–	–	45.9	(45.9)	–
Shares purchased into treasury	–	–	–	–	–	(12.7)	–	(12.7)
Actuarial gain on defined benefit pension schemes	–	–	–	–	–	–	27.0	27.0
Deferred tax on defined benefit pension schemes	–	–	–	–	–	–	(9.9)	(9.9)
Revaluation of other investments	–	–	–	–	108.1	–	–	108.1
Share purchases – close period commitments ³	–	–	–	–	(64.8)	–	–	(64.8)
Recognition of financial instruments during the year	–	–	–	–	3.4	–	3.9	7.3
Reclassification of equity component of convertible bond redeemed during the year	–	–	–	–	(68.7)	–	68.7	–
Other movements	–	–	–	–	(0.2)	–	–	(0.2)
Balance at 31 December 2007	119.2	103.9	5.3	(1,365.9)	(114.9)	(255.3)	5,482.1	3,974.4
Reclassification due to Group reconstruction	–	3,780.6	–	(3,769.2)	(11.4)	–	–	–
Transfer of share premium to retained earnings as part of the scheme of arrangement	–	(4,143.1)	–	–	–	–	4,143.1	–
Ordinary shares issued in respect of acquisitions	8.0	259.7	2.8	–	–	–	–	270.5
Other ordinary shares issued	0.2	8.3	(2.8)	1.1	–	–	1.1 ²	7.9
Share issue/cancellation costs	–	(0.8)	–	(4.8)	–	–	–	(5.6)
Share cancellations	(1.9)	–	–	–	1.9	–	(112.2)	(112.2)
Exchange adjustments on foreign currency net investments	–	–	–	–	1,379.2	–	–	1,379.2
Transfer to goodwill	–	–	3.4	–	–	–	–	3.4
Net profit for the year	–	–	–	–	–	–	439.1	439.1
Dividends paid	–	–	–	–	–	–	(161.8)	(161.8)
Non-cash share-based incentive plans (including stock options)	–	–	–	–	–	–	62.3	62.3
Tax adjustment of share-based payments	–	–	–	–	–	–	(9.0)	(9.0)
Net movement in own shares held by ESOP Trusts	–	–	–	–	–	52.8	(56.4)	(3.6)
Treasury shares disposals	–	–	–	–	–	12.7	(5.8)	6.9
Actuarial loss on defined benefit schemes	–	–	–	–	–	–	(82.2)	(82.2)
Deferred tax on defined benefit pension schemes	–	–	–	–	–	–	0.7	0.7
Revaluation of other investments	–	–	–	–	(51.3)	–	–	(51.3)
Share purchases – close period commitments ³	–	–	–	–	64.8	–	(5.0)	59.8
Recognition of financial instruments during the year	–	–	–	–	(17.8)	–	1.5	(16.3)
Balance at 31 December 2008	125.5	8.6	8.7	(5,138.8)	1,250.5	(189.8)	9,697.5	5,762.2

Notes

¹ The Company's holdings of own shares are stated at cost and represent shares held in treasury and purchases by the Employee Share Ownership Plan ("ESOP") trusts of shares in WPP plc for the purpose of funding certain of the Group's share-based incentive plans, details of which are disclosed in the Compensation Committee report on pages 127 to 137. The trustees of the ESOP purchase the Company's ordinary shares in the open market using funds provided by the Company. The Company also has an obligation to make regular contributions to the ESOP to enable it to meet its administrative costs. The number and market value of the ordinary shares of the Company held by the ESOP at 31 December 2008 was 33,167,446 (2007: 43,889,384), and £133.5 million (2007: £284.0 million) respectively. The number and market value of ordinary shares held in treasury at 31 December 2008 was nil (2007: 2,000,000) and £nil million (2007: £12.9 million) respectively.

² Represents the difference between the legal share capital and premium, recorded on the issue of new shares to satisfy option exercises, and the cash proceeds received on exercise.

³ During 2007, the Company entered into an arrangement with its broker to conduct share buy-backs on the Company's behalf in the close period commencing on 2 January 2008 and ending on 28 February 2008, in accordance with UK listing rules. Under IAS 39, the commitment resulting from this agreement constitutes a financial liability at 31 December 2007 which must be recognised at fair value at that date. This liability is included in Trade and other payables: amounts falling due within one year in 2007 and has been recognised as a movement in equity, along with the payments in relation to these buy-backs in 2008.

**Other reserves comprise the following:**

	Equity reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Translation reserve £m	Total other reserves £m
Balance at 1 January 2007	0.4	30.5	3.8	(204.8)	(170.1)
Share cancellations	–	–	5.7	–	5.7
Exchange adjustments on foreign currency net investments	–	–	–	71.7	71.7
Gain on revaluation of available for sale investments	–	108.1	–	–	108.1
Recognition of financial instruments during the year	3.4	–	–	–	3.4
Share purchases – close period commitments	(64.8)	–	–	–	(64.8)
Reclassification of equity component of convertible bond redeemed during the year	(68.7)	–	–	–	(68.7)
Other movements	(0.2)	–	–	–	(0.2)
Balance at 31 December 2007	(129.9)	138.6	9.5	(133.1)	(114.9)
Reclassification due to Group reconstruction	–	–	(11.4)	–	(11.4)
Share cancellations	–	–	1.9	–	1.9
Exchange adjustments on foreign currency net investments	–	–	–	1,379.2	1,379.2
Revaluation of other investments	–	(51.3)	–	–	(51.3)
Recognition of financial instruments during the year	(17.8)	–	–	–	(17.8)
Share purchases – close period commitments	64.8	–	–	–	64.8
Balance at 31 December 2008	(82.9)	87.3	–	1,246.1	1,250.5

Reconciliation of movements in consolidated equity share owners' funds for the year ended 31 December 2008:

	2008 £m	2007 £m	2006 £m
Net profit for the year	439.1	465.9	435.8
Dividends paid	(161.8)	(138.9)	(118.9)
	277.3	327.0	316.9
Non-cash share-based incentive plans (including stock options)	62.3	62.4	70.9
Tax adjustment of share-based payments	(9.0)	0.9	32.3
Exchange adjustments on foreign currency net investments	1,379.2	68.7	(352.3)
Ordinary shares issued in respect of acquisitions	270.5	8.0	–
Share issue/cancellation costs	(5.6)	(2.8)	(1.7)
Other ordinary shares issued	7.9	28.2	73.0
Share cancellations	(112.2)	(402.7)	(218.8)
Treasury shares disposals/additions	6.9	(12.7)	–
Actuarial (loss)/gain on defined benefit pension schemes	(82.2)	30.0	11.3
Deferred tax on defined benefit pension schemes	0.7	(9.9)	5.3
Net movement in own shares held by ESOP Trusts	(3.6)	–	(38.9)
Transfer to goodwill	3.4	–	–
Revaluation of other investments	(51.3)	108.1	9.5
Shares repurchases – close period commitments	59.8	(64.8)	–
Recognition of financial instruments during the year	(16.3)	7.3	14.9
Other movements	–	(0.2)	–
Net additions/(reductions) to equity share owners' funds	1,787.8	147.5	(77.6)
Opening equity share owners' funds	3,974.4	3,826.9	3,904.5
Closing equity share owners' funds	5,762.2	3,974.4	3,826.9

28. Acquisitions

The Group accounts for acquisitions in accordance with IFRS 3 'Business Combinations'. IFRS 3 requires the acquirer's identifiable assets, liabilities and contingent liabilities (other than non-current assets or disposal groups held for sale) to be recognised at fair value at acquisition date. In assessing fair value at acquisition date, management make their best estimate of the likely outcome where the fair value of an asset or liability may be contingent on a future event. In certain instances, the underlying transaction giving rise to an estimate may not be resolved until some years after the acquisition date. IFRS 3 requires the release to profit of any acquisition reserves which subsequently become excess in the same way as any excess costs over those provided at acquisition date are charged to profit. At each period end management assess provisions and other balances established in respect of acquisitions for their continued probability of occurrence and amend the relevant value accordingly through the income statement or as an adjustment to goodwill as appropriate under IFRS 3.

The fair value adjustments for certain acquisitions included in the following tables, including TNS, have been determined provisionally at the balance sheet date.

Acquisition of Taylor Nelson Sofres plc

On 29 October 2008 the Group completed its acquisition of the issued share capital of Taylor Nelson Sofres plc (TNS). The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group.

	Book Value at Acquisition	Accounting policy alignments ¹	Fair Value adjustments ²	Fair Value to Group
Intangible assets	17.4	–	708.3	725.7
Property, plant and equipment	88.8	(7.9)	10.3	91.2
Interests in associates and other investments	2.8	15.1	(1.4)	16.5
Deferred tax assets	44.1	–	(29.4)	14.7
Current assets	601.8	(119.0)	(9.3)	473.5
Total assets	754.9	(111.8)	678.5	1,321.6
Current liabilities	(548.2)	115.9	(51.7)	(484.0)
Bonds and bank loans ³	(577.8)	–	–	(577.8)
Trade and other payables due after one year	(18.7)	0.1	(38.0)	(56.6)
Deferred tax liabilities	(34.3)	–	(210.2)	(244.5)
Provisions	(41.2)	0.4	(16.0)	(56.8)
Total liabilities	(1,220.2)	116.4	(315.9)	(1,419.7)
Net (liabilities)/assets	(465.3)	4.6	362.6	(98.1)
Minority interest				(9.6)
Goodwill				1,132.7
Consideration				1,025.0
Consideration satisfied by:				
Cash				737.0
Shares ⁴				267.7
Shares to be issued				2.8
Capitalised acquisition costs				17.5

Notes

¹ Accounting policy alignments comprise adjustments to bring the assets and liabilities of TNS into compliance with WPP plc's accounting policies. These were principally in relation to revenue recognition and the application of the equity method of accounting to joint ventures which had been previously accounted for under the proportional method.

² Fair value adjustments comprise adjustments to bring the book value of the assets and liabilities of TNS to fair value, principally through the recognition of intangible assets (comprising customer relationships, proprietary tools and brands), their related deferred tax liabilities and other provisions including taxes.

³ At acquisition date TNS had £577.8 million of debt, of which £395.7 million was paid off by WPP in November 2008 out of its own debt facilities. The total of consideration and debt acquired for TNS is therefore £1,602.8 million.

⁴ Share consideration comprises 80.5 million ordinary shares.

Net cash (outflows)/inflows in respect of TNS comprised:

	£m
Cash consideration	(737.0)
Cash and cash equivalents (net)	18.2
Acquisition costs	(17.5)
	(736.3)

The post-acquisition contribution of TNS was £269.6 million to revenue, £12.4 million to operating profit and £33.2 million to headline PBIT. Operating profit is stated after charging £18.5 million amortisation of acquired intangible assets.

Other acquisitions

The Group acquired a number of other subsidiaries in the year. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group.

	Book value at acquisition £m	Fair value adjustments £m	Fair value to Group £m
Intangible assets	1.7	18.7	20.4
Property, plant and equipment	5.5	(0.1)	5.4
Current assets	147.1	–	147.1
Total assets	154.3	18.6	172.9
Current liabilities	(106.3)	(0.3)	(106.6)
Trade and other payables due after one year	(4.2)	(19.7)	(23.9)
Deferred tax liabilities	(0.2)	(4.3)	(4.5)
Provisions	(1.2)	–	(1.2)
Total liabilities	(111.9)	(24.3)	(136.2)
Net assets/(liabilities)	42.4	(5.7)	36.7
Minority interest			(15.8)
Goodwill			132.4
Consideration			153.3
Consideration satisfied by:			
Cash			108.2
Payments due to vendors			37.4
Capitalised acquisition costs			7.7



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In aggregate, other acquisitions completed in 2008 contributed £106.7 million to revenues, £17.9 million to operating profit and £19.8 million to headline PBIT. There were no material acquisitions completed between 31 December 2008 and the date the financial statements have been authorised for issue.

If all acquisitions, including TNS, had been completed on the first day of the financial year, Group revenues for the period would have been £8,534.4 million, operating profit would have been £824.8 million and headline PBIT would have been £1,207.8 million.

29. Principal subsidiary undertakings

The principal subsidiary undertakings of the Group are:

	Country of Incorporation
Grey Global Group, Inc	US
J. Walter Thompson Company, Inc	US
GroupM Worldwide, Inc	US
The Ogilvy Group, Inc	US
Young & Rubicam, Inc	US
Taylor Nelson Sofres plc	UK

All of these subsidiaries are operating companies and are 100% owned by the Group.

A more detailed listing of the operating subsidiary undertakings is given on pages 10 and 11. The Company directly or indirectly holds controlling interests in the issued share capital of these undertakings with the exception of those specifically identified.

30. Related party transactions

From time to time the Group enters into transactions with its associate undertakings. These transactions were not material for any of the years presented.

In the year ended 31 December 2008, the Group paid costs of £nil (2007: £0.5 million, 2006: £0.3 million) in connection with an action for the misuse of private information and an action for libel, in which Sir Martin Sorrell was a claimant. These costs were authorised by the Board as an integral part of the broader legal actions to protect the commercial interests of the Group. The total amount incurred of £0.8 million was disclosed in the 2006 Annual Report and has not increased.

31. Reconciliation to non-GAAP measures of performance

Reconciliation of profit before interest and taxation to headline PBIT:

	2008 £m	2007 £m	2006 £m
Profit before interest and taxation	922.0	846.1	782.7
Gains on disposal of investments	(3.4)	(3.4)	(7.3)
Goodwill impairment	84.1	44.1	35.5
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.5	1.7	8.8
Amortisation and impairment of acquired intangible assets	78.4	40.3	43.3
Share of exceptional losses/(gains) of associates	0.5	(0.8)	(4.0)
Investment write-downs	30.5	–	–
Cost of changes to corporate structure	4.6	–	–
Headline PBIT	1,118.2	928.0	859.0
Finance income	169.6	139.4	111.0
Finance charges (excluding revaluation of financial instruments)	(319.4)	(250.1)	(203.7)
	(149.8)	(110.7)	(92.7)
Interest cover on headline PBIT	7.5 times	8.4 times	9.3 times

Reconciliation of profit before taxation to headline PBT and headline earnings:

	2008 £m	2007 £m	2006 £m
Profit before taxation	746.8	719.4	682.0
Gains on disposal of investments	(3.4)	(3.4)	(7.3)
Goodwill impairment	84.1	44.1	35.5
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.5	1.7	8.8
Investment write-downs	30.5	–	–
Amortisation and impairment of acquired intangible assets	78.4	40.3	43.3
Costs of changes to corporate structure	4.6	–	–
Share of exceptional losses/(gains) of associates	0.5	(0.8)	(4.0)
Revaluation of financial instruments	25.4	16.0	8.0
Headline PBT	968.4	817.3	766.3
Taxation ¹	(245.3)	(207.1)	(208.5)
Minority interests	(74.8)	(49.2)	(46.8)
Headline earnings	648.3	561.0	511.0
Ordinary dividends paid	161.8	138.9	118.9
Dividend cover on headline earnings	4.0 times	4.0 times	4.4 times

Note

¹ Excluding net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items.

Calculation of headline EBITDA:

	2008 £m	2007 £m	2006 £m
Headline PBIT (as above)	1,118.2	928.0	859.0
Depreciation of property, plant and equipment	149.6	126.3	129.1
Amortisation of other intangible assets	23.4	18.1	13.5
Headline EBITDA	1,291.2	1,072.4	1,001.6

Headline PBIT margins before and after share of results of associates:

	Margin %	2008 £m	Margin %	2007 £m	Margin %	2006 £m
Revenue		7,476.9		6,185.9		5,907.8
Headline PBIT	15.0%	1,118.2	15.0%	928.0	14.5%	859.0
Share of results of associates (excluding exceptional losses/gains)		(46.5)		(40.6)		(37.1)
Headline operating profit	14.3%	1,071.7	14.3%	887.4	13.9%	821.9

Calculation of effective tax rate on headline PBT¹:

	2008 £m	2007 £m	2006 £m
Taxation (note 7)	(232.9)	(204.3)	(199.4)
Net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items	(12.4)	(2.8)	(9.1)
Taxation ¹	(245.3)	(207.1)	(208.5)
Headline PBT	968.4	817.3	766.3
Effective tax rate on headline PBT ¹	25.3%	25.3%	27.2%

Note

¹ Excluding net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items.

Headline diluted earnings per ordinary share:

	2008 £m	2007 £m	2006 £m
Headline earnings	648.3	561.0	520.1
Earnings adjustment:			
Dilutive effect of convertible bonds	0.8	0.9	1.1
Weighted average number of ordinary shares	1,169,602,949	1,227,016,974	1,242,232,290
Headline diluted earnings per ordinary share	55.5p	45.8p	41.2p

Reconciliation of free cash flow:

	2008 £m	2007 £m	2006 £m
Cash generated by operations	1,195.0	1,120.6	860.6
Plus:			
Interest received	133.0	102.6	75.2
Investment income	1.8	3.1	2.4
Movement in working capital and provisions	109.3	(25.4)	171.1
Dividends from associates	44.6	28.0	20.3
Issue of shares	10.6	34.8	70.9
Proceeds on disposal of treasury shares	6.9	–	–
Proceeds on disposal of property, plant and equipment	11.5	8.3	22.4
Less:			
Interest and similar charges paid	(269.2)	(212.0)	(135.1)
Purchases of property, plant and equipment	(196.8)	(151.1)	(167.8)
Purchases of other intangible assets (including capitalised computer software)	(23.8)	(19.7)	(16.7)
Corporation and overseas tax paid	(182.5)	(151.0)	(162.0)
Dividends paid to minority shareholders in subsidiary undertakings	(63.5)	(38.9)	(28.8)
Free cash flow	776.9	699.3	712.5



Company profit and loss account

For the period ended 31 December 2008

	2008 £m
Turnover	–
Operating costs	(0.3)
Operating loss	(0.3)
Loss on ordinary activities before taxation	(0.3)
Taxation on loss on ordinary activities	–
Loss on ordinary activities after taxation	(0.3)

All results are derived from continuing activities.

There are no recognised gains or losses other than the loss shown above and accordingly no statement of total recognised gains and losses has been prepared.

Company balance sheet

As at 31 December 2008

	Notes	2008 £m
Fixed assets		
Investments	33	4,293.3
		4,293.3
Current assets		
Debtors	34	0.2
Cash at bank and in hand		0.1
		0.3
Creditors: amounts falling due within one year	35	(0.5)
Net current liabilities		(0.2)
Total assets less current liabilities		4,293.1
Net assets		4,293.1
Capital and reserves		
Called-up share capital	36	125.5
Share premium account	36	8.6
Shares to be issued	36	8.7
Profit and loss account	36	4,150.3
Equity share owners' funds		4,293.1

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 14 April 2009.

Sir Martin Sorrell
Group chief executive

Paul Richardson
Group finance director



Notes to the Company balance sheet

32. Accounting policies

The principal accounting policies of WPP plc (the Company) are summarised below. These accounting policies have all been applied consistently throughout the period.

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 (Jersey) Law 1991.

b) Translation of foreign currency

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

c) Investments

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

d) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

e) UITF 44: Group and treasury share transactions

Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, UITF 44 requires the subsidiary to record an expense for such compensation in accordance with FRS 20 (Share-based payments), with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent (WPP plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £7.2 million in 2008, with a credit to equity for the same amount.

33. Fixed asset investments

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

	Subsidiary undertakings £m
Additions	4,293.3
31 December 2008	4,293.3

Fixed asset investments primarily represent 100% of the issued share capital of WPP Air 1 Limited, a company incorporated in Ireland. Fixed asset investments were purchased in a share-for-share exchange. At 31 December 2008 cost and net book value were the same. Details of indirect subsidiaries are given in note 29.

34. Debtors

The following are included in debtors:

	2008 £m
Prepayments and accrued income	0.2

35. Creditors: amounts falling due within one year

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

	2008 £m
Bank loans and overdrafts	0.3
Amounts due to subsidiary undertakings	0.2
	0.5

36. Equity share owners' funds

Movements during the period were as follows:

	Ordinary share capital £m	Share premium account £m	Shares to be issued £m	Profit and loss account £m
Ordinary shares issued under the scheme of arrangement	125.3	4,143.1	–	–
Capital reduction to 10p per ordinary share	–	(4,143.1)	–	4,143.1
Shares to be issued in respect of acquisitions	–	–	8.9	–
Ordinary shares issued in respect of acquisitions	0.2	8.5	–	–
Other ordinary shares issued	0.0	0.1	(0.2)	0.3
Retained loss for the period	–	–	–	(0.3)
Equity granted to employees of subsidiaries	–	–	–	7.2
At 31 December 2008	125.5	8.6	8.7	4,150.3

At 31 December 2008 the Company's distributable reserves amounted to £4,143.1 million. Further details of the Company's share capital and the scheme of arrangement are shown in notes 26 and 27.

Reconciliation of movements in equity share owners' funds for the period ended 31 December 2008:

	2008 £m
Loss for the period	(0.3)
Ordinary shares issued under the scheme of arrangement	4,268.4
Shares to be issued in respect of acquisitions	8.9
Equity granted to employees of subsidiaries	7.2
Shares issued in respect of acquisitions	8.7
Other ordinary shares issued	0.2
Net additions to equity share owners' funds	4,293.1
Closing equity share owners' funds	4,293.1

37. Guarantees and other financial commitments

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



Independent auditors' report

Independent Auditors' report to the members of WPP plc

We have audited the Group and parent company financial statements (the "financial statements") of WPP plc for the year ended 31 December 2008 which comprise the Accounting Policies, the Consolidated Income Statement (excluding the US dollar information), the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Parent Company Profit and Loss Account and Balance Sheet and the related notes 1 to 37. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. 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

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 (Jersey) Law 1991 and the part of the directors remuneration report to be audited has been prepared in accordance with the requirements of the UK Companies Act 1985, that would have applied if WPP plc were a UK incorporated company. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.



Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the directors remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group and 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 and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31 December 2008 and of the Group's profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the Group and parent company financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991; and
- the part of the directors remuneration report to be audited has been prepared in accordance with the requirements of the UK Companies Act 1985, that would have applied if WPP plc were a UK incorporated company.

Separate opinion in relation to IFRS:

As explained in the accounting policies to the financial statements, the Group, in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended.

Deloitte LLP

Chartered Accountants

London, United Kingdom

14 April 2009



Five-year summary

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Income statement					
Billings ¹	36,929.0	31,665.5	30,140.7	26,673.7	19,598.0
Revenue	7,476.9	6,185.9	5,907.8	5,373.7	4,299.5
Operating profit	876.0	804.7	741.6	652.8	475.5
Headline PBIT ²	1,118.2	928.0	859.0	754.8	560.2
Profit before taxation	746.8	719.4	682.0	592.0	434.4
Headline PBT ³	968.4	817.3	766.3	669.0	489.6
Profit for the year	513.9	515.1	482.6	398.0	299.4
Balance sheet					
Non-current assets	13,355.7	8,689.9	7,732.3	8,196.9	6,026.4
Net current liabilities	(1,028.7)	(1,342.7)	(1,120.4)	(1,150.5)	(504.0)
Non-current trade and other payables	(1,042.9)	(796.6)	(715.6)	(703.0)	(536.6)
Provisions for liabilities and charges (including provision for post-employment benefits)	(407.9)	(251.8)	(292.4)	(363.1)	(289.2)
Net assets	5,959.8	4,094.8	3,918.4	3,985.8	3,065.7
Net debt	(3,067.6)	(1,285.7)	(814.6)	(804.0)	(300.4)
Average net debt	(2,206.0)	(1,458.0)	(1,214.0)	(1,212.0)	(1,083.0)
	2008	2007	2006	2005	2004
Our people					
Revenue per employee (£000)	76.7	72.9	76.0	75.8	74.4
Gross profit per employee (£000)	71.9	69.0	72.2	72.4	70.5
Average headcount	97,438	84,848	77,686	70,936	57,788
Share information					
Headline ⁴ – basic earnings per share	56.7p	47.7p	42.5p	36.0p	28.9p
– diluted earnings per share	55.5p	45.8p	41.2p	35.2p	27.9p
Reported – basic earnings per share	38.4p	39.6p	36.3p	30.3p	24.0p
– diluted earnings per share	37.6p	38.0p	35.2p	29.7p	23.4p
Dividends per share ⁵	15.47p	13.45p	11.21p	9.34p	7.78p
Share price – high	648.0p	787.5p	706.5p	630.5p	643.0p
– low	310.3p	576.5p	609.0p	534.5p	469.5p
Market capitalisation at year-end (£m)	5,052.8	7,708.9	8,566.4	7,880.7	6,792.0

Notes

¹ Billings is defined on page 176.

² The calculation of headline PBIT for 2008, 2007 and 2006 is set out in note 31 of the financial statements.

³ The calculation of headline PBT for 2008, 2007 and 2006 is set out in note 31 of the financial statements.

⁴ Headline earnings per share for 2008, 2007 and 2006 is set out in note 9 of the financial statements.

⁵ Dividends per share represents the dividends declared in respect of each year.

The information on this page is unaudited.

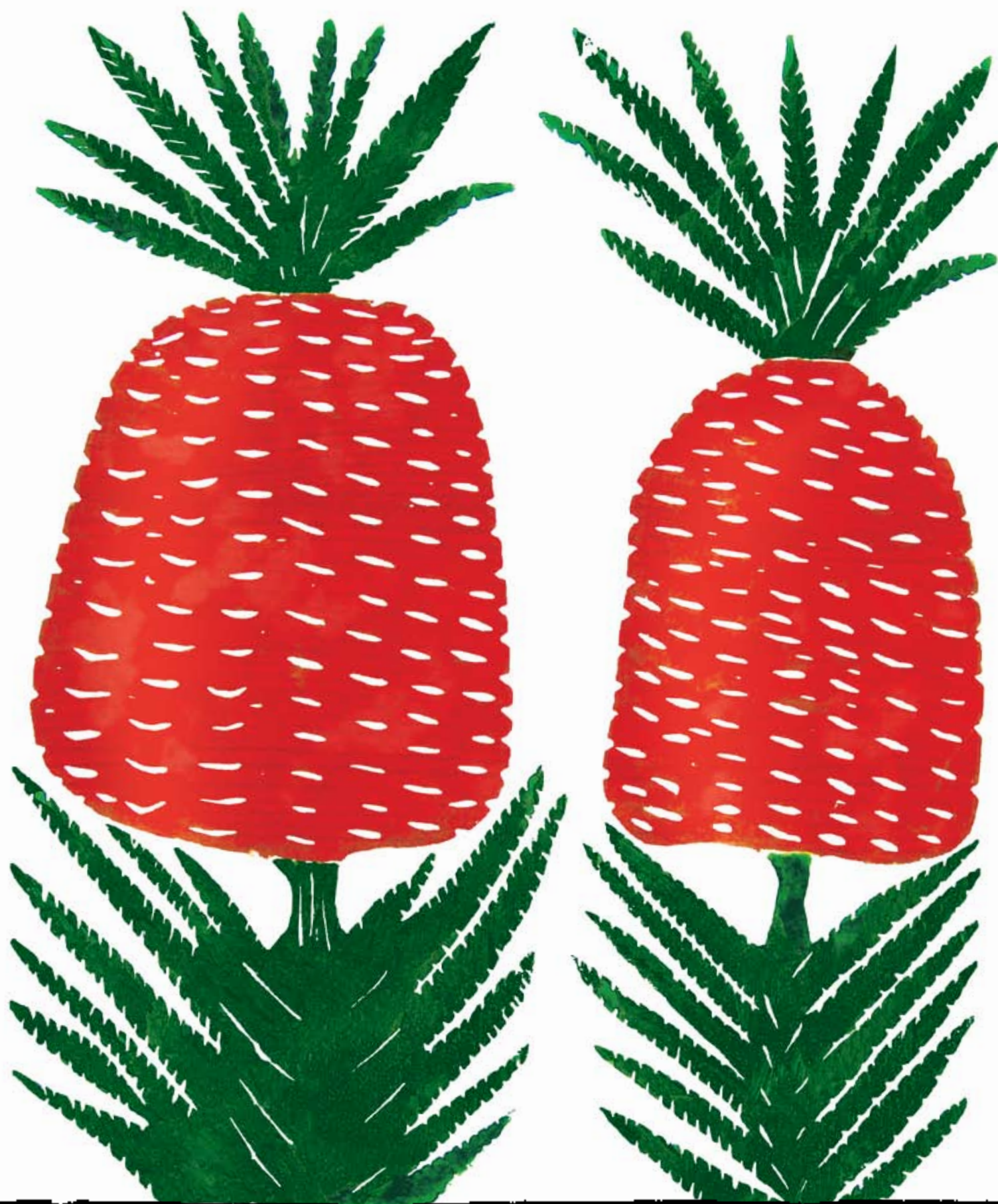


Financial glossary

Term used in Annual Report	US equivalent or brief description
Allotted	Issued
ADRs/ADSs	American Depositary Receipts/American Depositary Shares. The Group uses the terms ADR and ADS interchangeably. One ADR/ADS represents five ordinary shares
Average net debt and net debt	Average net debt is calculated as the average daily net bank borrowings of the Group, derived from the Group's automated banking system. Net debt at a period end is calculated as the sum of the net bank borrowings of the Group, derived from the cash ledgers and accounts in the balance sheet
Billings	Billings comprise the gross amounts billed to clients in respect of commission-based/fee-based income together with the total of other fees earned
Called-up share capital	Ordinary shares, issued and fully paid
Capital allowances	Tax term equivalent to US tax depreciation allowances
Combined Code	The 'Principles of Good Governance' and the provisions of the 'Code of Best Practice' issued by the Hampel Committee on Corporate Governance and the London Stock Exchange
Constant currency	The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying budgeted 2008 exchange rates to local currency reported results for the current and prior year. This gives a US dollar-denominated income statement and balance sheet which exclude any variances attributable to foreign exchange rate movements
ESOP	Employee share ownership plan
Estimated net new billings	Net new billings represent the estimated annualised impact on billings of new business gained from both existing and new clients, net of existing client business lost. The estimated impact is based upon initial assessments of the clients' media budgets, which may not necessarily result in actual billings of the same amount
EURIBOR	The euro area inter-bank offered rate for euro deposits
Finance lease	Capital lease
Free cash flow	Free cash flow is calculated as headline operating profit before non cash charges for share-based incentive plans, depreciation of property, plant and equipment and amortisation of other intangible assets, including dividends received from associates, interest received, investment income received, proceeds from the issue of shares, and proceeds from the disposal of property, plant and equipment, less corporation and overseas tax paid, interest and similar charges paid, dividends paid to minority shareholders in subsidiary undertakings, purchases of property, plant and equipment and purchases of other intangible assets
Freehold	Ownership with absolute rights in perpetuity
Hampel Committee	UK committee on corporate governance established in November 1995 to review the implementation of the findings of the Cadbury and Greenbury Committees
Headline earnings	Headline PBT less taxation (excluding net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items) and minority interests
Headline EBITDA	Profit before finance income/costs, taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of intangible assets, share of exceptional losses/gains of associates, costs incurred in 2008 in changing the corporate structure of the Group and depreciation of property, plant and equipment



Term used in Annual Report	US equivalent or brief description
Headline operating profit	PBIT excluding share of results of associates before investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, and amortisation and impairment of acquired intangible assets and costs incurred in 2008 in changing the corporate structure of the Group
Headline PBIT	Profit before finance income/costs, taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, and amortisation and impairment of acquired intangible assets, share of exceptional losses/gains of associates and costs incurred in 2008 in changing the corporate structure of the Group
Headline PBT	Profit before taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, share of exceptional losses/gains of associates, costs incurred in 2008 in changing the corporate structure of the Group and losses/gains arising from the revaluation of financial instruments
Higgs Report	Report in the UK by Derek Higgs on the role and effectiveness of non-executive directors
IFRS/IAS	International Financial Reporting Standard/International Accounting Standard
LIBOR	The London inter-bank offered rate
Operating margin	Headline PBIT as a percentage of revenue
Profit	Income
Profit attributable to equity holders of the parent	Net income
Pro forma ('like-for-like')	Pro forma comparisons are calculated as follows: current year, constant currency actual results (which include acquisitions from the relevant date of completion) are compared with prior year, constant currency actual results, adjusted to include the results of acquisitions for the commensurate period in the prior year. The Group uses the terms 'pro forma' and 'like-for-like' interchangeably
Provision against deferred tax assets	Valuation allowance
Sarbanes-Oxley Act	An Act passed in the US to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes
Scheme of Arrangement	The scheme of arrangement on 19 November 2008 between WPP 2008 Limited (formerly WPP Group plc) and its share owners under Part 26 of the Companies Act 2006, as sanctioned by the High Court, whereby all the issued shares in WPP 2008 Ltd were cancelled and the same number were issued to WPP plc in consideration for the allotment to share owners of 1 ordinary share in WPP plc for each ordinary share in WPP 2008 Ltd
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Share premium account	Additional paid-in capital or paid-in surplus (not distributable)
Shares in issue	Shares outstanding
Short leasehold	A short lease is where the portion of the term remaining unexpired at the end of the financial year is less than 50 years
Smith Report	Report in the UK by Sir Robert Smith on the role of audit committees
SORIE	Consolidated statement of recognised income and expense
Turnbull Report	Guidance issued by the Institute of Chartered Accountants in England & Wales on the implementation of the internal control requirements of the Combined Code on Corporate Governance at the request of the London Stock Exchange



About share ownership

Information for share owners

Share owners' register

A register of share owners' interests is kept at the Company's registrars office in Jersey and is available for inspection on request. The register includes information on nominee accounts and their beneficial owners.

Analysis of shareholdings at 31 December 2008

Issued share capital as at 31 December 2008: 1,255,343,263 ordinary shares.

Number of shares held	Number of holders	% owners	Shareholdings	% Outstanding
1-100	2,610	19.17%	91,996	0.01%
101-250	1,458	10.71%	264,124	0.02%
251-500	1,656	12.16%	627,140	0.05%
501-1,000	1,771	13.01%	1,369,216	0.11%
1,001-5,000	2,274	16.70%	5,137,499	0.41%
5,001-10,000	547	4.02%	3,935,837	0.31%
10,001-25,000	658	4.83%	9,904,928	0.79%
25,001-50,000	554	4.07%	19,247,371	1.53%
50,001-100,000	600	4.41%	37,468,851	2.98%
100,001-500,000	1,024	7.52%	240,736,586	19.18%
500,001-1,000,000	226	1.66%	166,952,151	13.30%
1,000,001-2,000,000	131	0.96%	182,615,743	14.55%
2,000,001-3,000,000	42	0.31%	103,896,175	8.28%
3,000,001-4,000,000	19	0.14%	63,423,312	5.05%
4,000,001 and above	47	0.35%	419,672,334	33.43%
Total	13,617	100.00%	1,255,343,263	100.00%

Share owners by geography	%	Share owners by type	%
UK	38	Institutional investors	95
US	30	Employees	4
Asia Pacific, Latin America, Africa & Middle East, Canada and Continental Europe	32	Other individuals	1
Total	100	Total	100

Share owners by geography %

■ UK	38
■ US	30
■ Asia Pacific, Latin America, Africa & Middle East, Canada and Continental Europe	32

Share owners by type %

■ Institutional investors	95
■ Employees	4
■ Other individuals	1



Dividends

Ordinary share owners have received the following dividends in respect of each financial year:

	2008	2007	2006	2005	2004
First interim dividend per ordinary share	5.19p	4.32p	3.60p	3.00p	2.50p
Second interim dividend per ordinary share	10.28p	9.13p	7.61p	6.34p	5.28p
Total	15.47p	13.45p	11.21p	9.34p	7.78p

Income access share arrangements have been put in place by the Company. The mechanics of the income access share arrangements mean that the Company will declare a second interim rather than a final dividend. The Board has no plans to announce any additional dividend in respect of the year ended 31 December 2008.

Share owners who hold more than 100,000 shares and who wish to receive their dividend from a UK source must make an election and should contact Computershare Investor Services for the relevant forms. Share owners who held 100,000 or fewer WPP ordinary shares on the date of admission of the Company'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 share owners have made, or are deemed to have made, an election under the Dividend Access Plan, their dividend will be paid from an Irish source and will be taxed accordingly.

American Depositary Receipts (ADRs)

Each ADR represents five ordinary shares.

ADR holders receive the annual and interim reports issued by WPP plc.

WPP plc is subject to the informational requirements of the US securities laws applicable to foreign companies and files an annual report on Form 20-F and other information with the US Securities and Exchange Commission. These documents are available at the Commission's website, www.sec.gov. Our reports on Form 20-F are also available from our Investor Relations department in New York.

ADR dividends

ADR holders are eligible for all stock dividends or other entitlements accruing on the underlying WPP plc shares and receive all cash dividends in US dollars. These are normally paid twice a year.

Dividend cheques are mailed directly to the ADR holder on the payment date if ADRs are registered with WPP's US depository. Dividends on ADRs that are registered with brokers are sent to the brokers, who forward them to ADR holders. WPP's US depository is Citibank N.A. (address on page 181).

Dividends per ADR in respect of each financial year are set out below.

	2008	2007	2006	2005	2004
In £ sterling					
First interim	25.95p	21.60p	18.00p	15.00p	12.50p
Second interim ¹	51.40p	45.65p	38.05p	31.70p	26.40p
Total	77.35p	67.25p	56.05p	46.70p	38.90p
In US dollars ²					
First Interim	48.07¢	43.24¢	33.18¢	27.28¢	22.91¢
Second interim ¹	95.21¢	91.39¢	70.13¢	57.66¢	48.38¢
Total	143.28¢	134.63¢	103.31¢	84.94¢	71.29¢

Notes

¹ Prior to 2008, final dividend.

² These figures have been translated for convenience purposes only, using the approximate average rate for the year shown on page 146. This conversion should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

Dollar amounts paid to ADR holders depend on the sterling/dollar exchange rate at the time of payment.

No withholding tax is imposed on dividends paid to ADR holders and there will be no entitlement to offset any part of the notional UK taxation credit against any US taxation liability. The dividend received will be subject to US taxation.

Following the Jobs and Growth Tax Relief Reconciliation Act of 2003, certain dividends subject to US taxation may be taxed at a reduced rate of 15% if various conditions are met; share owners are advised to consult their professional advisors accordingly.

Financial calendar

- The 2008 second interim dividend will be paid on 6 July 2009 to share owners on the register at 5 June 2009.
- Interim statements for the half-year ending 30 June are issued in August.
- Quarterly trading announcements are issued in April and October.
- First interim dividends are paid in November.
- Preliminary announcements of results for the financial year ending 31 December are issued in the first quarter.
- Annual Reports are posted to share owners in April.
- Annual General Meetings are held in Dublin in June.

Share price

The mid-market price of the shares at 31 December was as follows:

	2008	2007	2006	2005	2004
Ordinary 10p shares	402.5p	647.0p	690.5p	629.0p	573.0p

Within the UK, the latest ordinary share price information is available on Ceefax and Teletext and also the Cityline service operated by the *Financial Times* (telephone 0905 817 1690; calls charged at 75p per minute at all times).

Share price information is also available online at www.wpp.com/investor.



Access numbers/Ticker symbols

	NASDAQ	Reuters	Bloomberg
Ordinary shares	–	WPP.L	WPP LN
American Depositary Shares	WPPGY	WPPGY.O	WPPGY US

Online information

WPP's public website, www.wpp.com, provides current and historical financial information, news releases, trading reports and share price information. Go to www.wpp.com/investor.

Registrar and transfer office

Computershare Investor Services (Channel Islands) Limited
PO Box 83
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW
Enquiry number: 0870 707 1411

American Depositary Receipts (ADRs) office

Citibank N.A.
PO Box 43077
Providence
RI 02940-3077

Telephone enquiries: within the US +1 877 248 4237
Telephone enquiries: outside the US +1 781 575 4555
E-mail enquiries: citibank@shareholders-online.com

WPP registered office

22 Grenville Street
St Helier
Jersey JE4 8PX

The Company's registered number is 101749.

Tax information

UK taxation

Income tax credits on dividends

For dividends received direct from WPP plc or from WPP DAS Limited via the Dividend Access Plan, the tax credit available to individual share owners resident in the UK is one-ninth of the dividend; tax credits are not repayable to UK holders with no tax liability. Individuals whose income is within the lower or basic tax rate bands are liable to tax at 10% on the dividend income and the tax credit will satisfy their income tax liability on UK dividends. The higher rate of tax on dividend income is 32.5% with relief available for the tax credit referred to above. The gross amount of the dividend will be regarded as the top slice of the WPP share owner's income and will be subject to UK income tax as set out above.

Dividends paid by WPP plc will generally be subject to Irish dividend withholding tax (DWT) at the standard rate of income tax (currently 20%) unless the share owner is within one of the categories of exempt share holders as provided in Irish law or by virtue of a relevant tax treaty. DWT is not payable where an exemption applies provided that WPP plc has received all necessary documentation required by the relevant legislation from a WPP share owner prior to the payment of the dividend. Share owners are advised to consult their professional advisors on this point. Where a non-Irish resident share owner is entitled to exemption from DWT but DWT has to be deducted from the dividend by WPP, a claim may be made for a refund of the DWT to the Irish tax authorities.

Dividends received from WPP plc by individual share owners resident in the UK will generally be subject to United Kingdom income tax on the gross amount of any dividends paid by WPP before deduction of Irish withholding tax (if any). UK resident WPP share owners may be able to apply for an exemption from withholding taxes under Irish domestic law or the UK-Ireland double tax treaty. Her Majesty's Revenue & Customs will generally give credit (such credit being limited to the UK-Ireland double tax treaty rate) for any Irish dividend withholding tax withheld from the payment of a dividend (if any) and not recoverable from the Irish tax authorities against the UK income tax payable in respect of gross amount of the dividend.



Capital gains tax

The market value of an ordinary share at 31 March 1982 was 39p. Since that date rights issues have occurred in September 1986, August 1987 and April 1993. For capital gains tax purposes the acquisition cost of ordinary share's is adjusted to take account of such rights issues. Since any adjustments will depend on individual circumstances, share owners are advised to consult their professional advisors.

Republic of Ireland taxation

Income tax credits on dividends

An Irish resident or ordinarily resident individual WPP share owner who is an individual who does not make, or is not deemed to have made, an election to receive dividends via the Dividend Access Plan will be subject to Irish income tax on the gross dividend at their marginal rate of tax plus the health levy and, in certain circumstances, PRSI (pay related social insurance). The gross dividend is the dividend received plus DWT withheld. Irish resident individual WPP share owners are generally entitled to credit for the DWT deducted against their income tax liability and to have refunded to them any amount by which DWT exceeds such income tax liability.

If a WPP share owner makes, or is deemed to have made, an election in accordance with the terms of the Dividend Access Plan in respect of dividends to be paid by WPP, such WPP share owner will receive dividends direct from WPP DAS Limited. No DWT will be levied on dividends paid by WPP DAS Limited.

An Irish resident or ordinarily resident individual WPP share owner who receives dividends from WPP DAS Limited via the Dividend Access Plan will be taxed upon the cash dividend received at their marginal rate of tax plus the health levy and, in certain circumstances, PRSI. Irish resident taxpayers will not be entitled to claim credit for, or repayment of, the one-ninth UK tax credit attaching to such dividends for UK tax purposes.

Capital gains

As liability to capital gains tax on a disposal of WPP shares will depend on individual circumstances, share owners are advised to consult their professional advisors.





Recognition for recent WPP Annual Reports

2007	2006	2005	2004
<p>■ <i>LACP Vision Awards</i> Gold Award, in Top 100 Annual Reports.</p> <p>■ <i>International ARC Awards</i> Winner, Best International (Western Hemisphere); Gold, Silver, Bronze and two Honors Awards.</p> <p>■ <i>Annual Report on Annual Reports</i> ("A rating First Rate").</p> <p>■ <i>Smiths Ratings</i> Ranked 15 out of 100 of FTSE 100 Online Annual Reports.</p>	<p>■ <i>Accountancy Age</i>, Winner.</p> <p>■ <i>LACP Vision Awards</i> Platinum Award. Ranked 6 (out of 2,500 worldwide entries) in Top 100 Annual Reports.</p> <p>■ <i>International ARC Awards</i> Ranked 19 (out of 425 worldwide entries) with a Gold, Silver and Bronze.</p>	<p>■ <i>LACP Vision Awards</i> Platinum Award. Ranked 4 (out of 1,957 worldwide entries) in Top 100 Annual Reports.</p> <p>■ <i>International ARC Awards</i> Four Golds.</p> <p>■ <i>Annual Report on Annual Reports</i> Ranked 9 in Global Top 300 ("A+ World Class").</p>	<p>■ <i>Accountancy Age</i>, Winner.</p> <p>■ <i>LACP Vision Awards</i> Ranked 9 (out of 1,435 worldwide entries) in Top 100 Annual Reports. Platinum Award for Best in Class. Platinum Award for Most Engaging Annual Report across all categories of companies.</p> <p>■ <i>Annual Report on Annual Reports</i> Ranked 5 in Global Top 200 ("A+ World Class").</p>





Where to find us

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Investor information

Investor relations material
and our financial statements
are available online at
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About the artist

José Francisco Borges, whose woodblock prints illustrate this Report, started work at eight in the fields of north-east Brazil. It was, he says, "a place where telephones were shouts and medicine, tea from weeds".

He went to school at 12, learning to read and write in 10 months, before going on to be a herb seller, bricklayer, carpenter and potter. In his early 20s, however, he started trading *literatura de cordel* – a move that would lead him from Brazil's backlands to exhibitions at the Louvre and Smithsonian Institution.

Literatura de cordel are pamphlets of popular poetry, the name deriving from twine used to display the booklets in markets. Distinctive art accompanies the verse, whose subjects range from legend to current events.

At 29, Borges wrote and illustrated his first, selling 5,000 copies in two months. He has created 200 more. Originally, cordel illustrations were small and in black ink, but in the 1960s Borges and others started producing folio-sized prints from their woodcuts, transforming them into a free-standing art form.

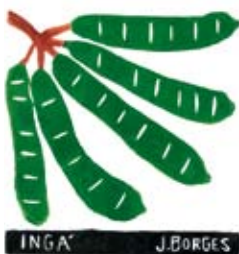
Borges's bold, naive compositions, inspired by politics and folklore, have titles such as *The Hillbilly's Honeymoon*, *The Woman Who Put The Devil In The Bottle* and *The Monster Of The Backlands*. They are prized by collectors and shown in exhibitions around the world, including the Stähli in Zurich and Santa Fé's Museum Of International Folk Art. In 2000, Borges received a UNESCO cultural award and two years later he illustrated the UN calendar.

Woodblock art is often a family affair.

Borges' nephew Marcelo Soares, whose pieces are on pages 30 and 90, and his brother and sons also work in the medium.

Borges, who at 73 shows no sign of retiring, still lives in Bezerras, the city where he was born. He retains a plain view of his inspiration, saying: "I carve what I see."

In recent years, WPP Annual Reports have taken their visual cues from individual markets important to our company and to our clients: in 2005, India; in 2006, China; and in 2007, Africa. This year we've looked to Latin America, specifically Brazil. So WPP takes very great pleasure in showcasing the arresting work, in the woodcut medium, of Brazil's best-known folk artist, José Francisco Borges.



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