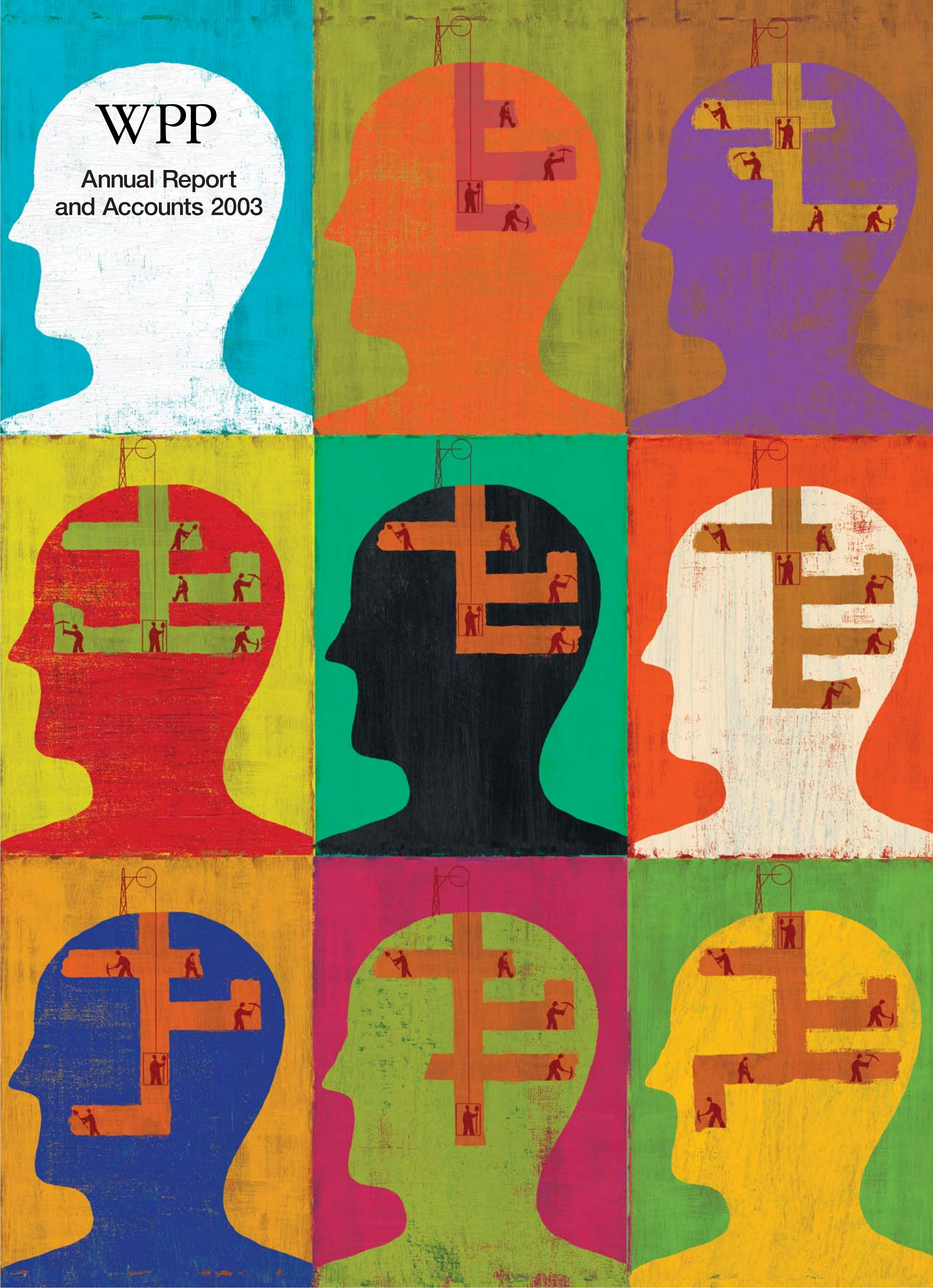
WPP

Annual Report and Accounts 2003



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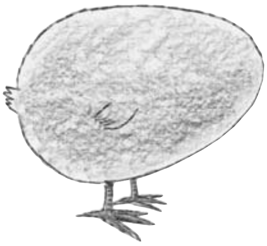

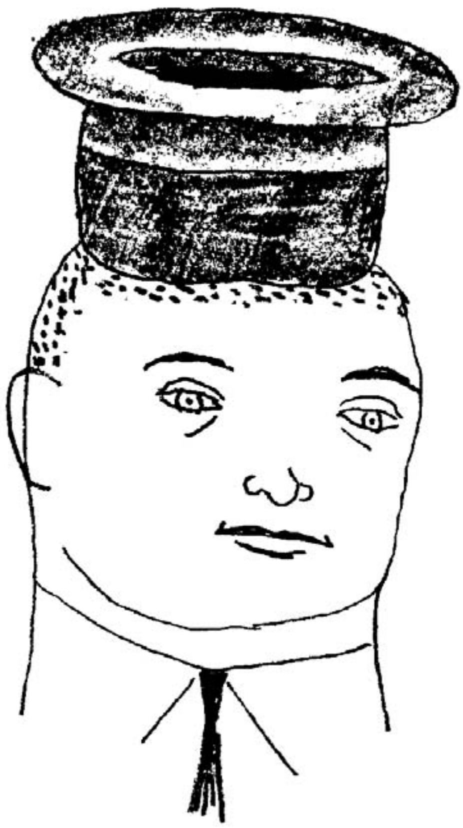

Current and historical financial information, including trading statements, news releases and presentations are available online at www.wppinvestor.com

You can receive WPP annual reports, financial statements and press releases by e-mail. To register, go to www.wppinvestor.com and follow the link to 'e-mail services.'

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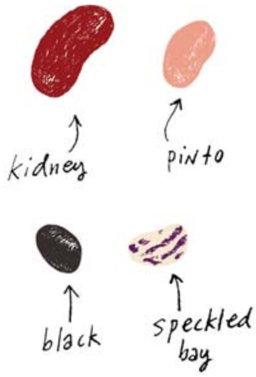
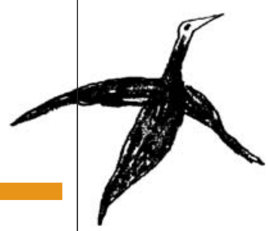




Our 2003 financial statements

About share ownership

Where to find us

The fast read

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.

Who we are

WPP is one of the world's largest communications services groups, made up of leading companies in:

- Advertising
- Media investment management
- Information, insight & consultancy
- Public relations & public affairs
- Branding & identity
- Healthcare communications
- Direct, promotion & relationship marketing
- Specialist communications

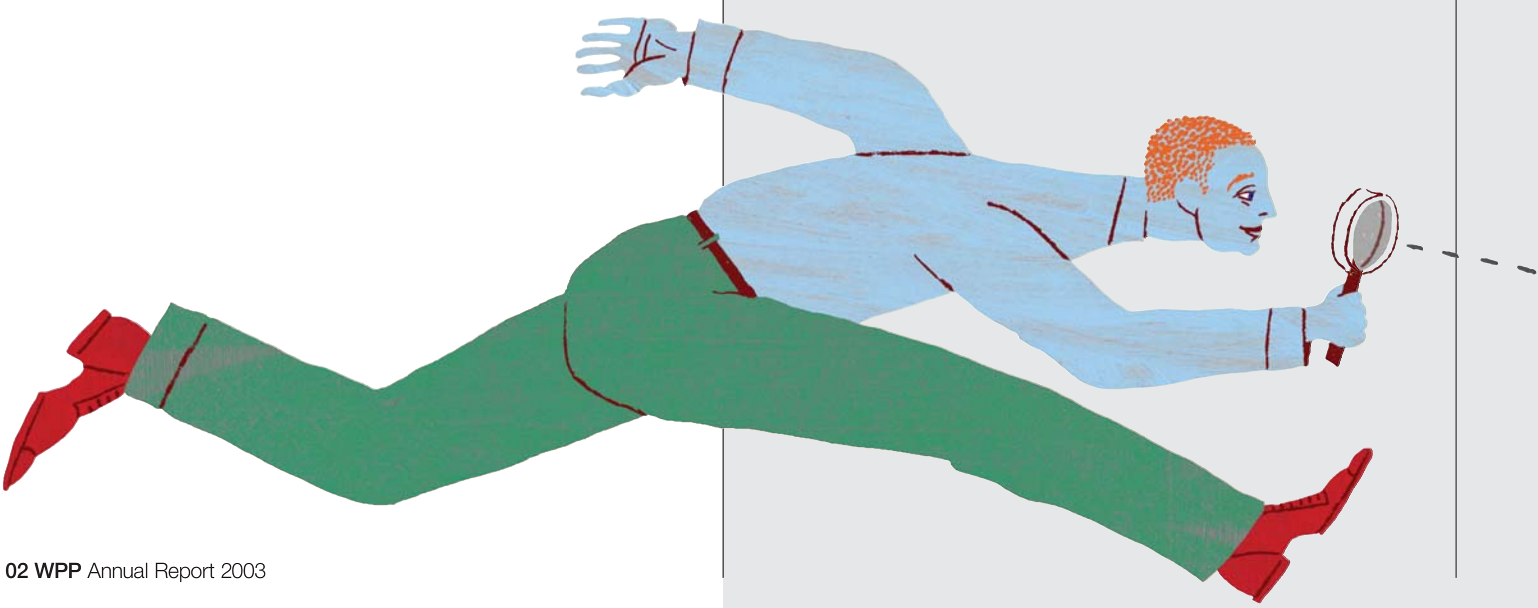
Collectively, the Group has 70,000* people working in 1,400 offices in 106 countries.

WPP companies provide communications services to clients worldwide including more than 300 of the Fortune Global 500; over one-half of the NASDAQ 100 and over 30 of the Fortune e-50.

Our companies work with over 330 clients in three or more disciplines; more than 130 clients in four disciplines and over 100 clients in six or more countries.

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

* Including associates.



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 organisation, 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 two distinct ways.

First, it relieves them of much administrative work. Financial matters (such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions, investor relations) are co-ordinated centrally. Every administrative hour saved is an extra hour to be devoted to the pursuit of professional excellence.

Secondly, and increasingly, the parent company encourages and enables operating companies of different disciplines to work together for the benefit of clients and our people.

In the management of talent (including recruitment and training), property, procurement, information technology and knowledge sharing, the parent company also has a significant across-the-Group part to play.

Read more about our role on page 12.

What we think

The Advertising and Marketing Services Industry: Outlook Good and Getting Even Better

WPP CEO Martin Sorrell believes that with recessionary forces abating in 2003, the short-term picture for communications services improved and quadrennial opportunities in 2004 will strengthen our business. 2005 should show further improvement. In the longer term, advancing Americanisation and the growth of Asia Pacific, overcapacity and the shortage of human capital, the web, the demand for internal communications, and retail concentration should together underline and assure the importance of our industry and its constituent parts, advertising and marketing services.

Martin Sorrell's article begins on page 52.

The Steak & Kidney Pie That Wasn't

Over-enthusiasm for sizzle marketing is more dangerous today than ever because there's a growing and clearly detectable popular thirst for what is usually summed up as authenticity. Increasingly, people like to know the provenance of what they buy. Countries of origin and regions of origin provide valued reassurance. Knowledge of a brand's history and the people behind it can contribute a great deal to belief in the brand's worth.

Artificiality is suspect; authenticity welcome: as long, of course, as the authenticity is authentic.

Jeremy Bullmore's essay can be read in full on pages 68 to 71.

How we're doing

	2003	2002	Change %
Revenues	£4,106m	£3,908m	+5.1
Headline EBITDA[1]	£661m	£586m	+12.8
Headline operating profit[2]	£493m	£450m	+9.5
Reported operating profit	£415m	£273m	+52.4
Headline PBIT[2]	£534m	£480m	+11.1
Headline PBIT margin	13.0%	12.3%	+0.7
Headline PBT[2]	£473m	£401m	+18.2
Reported PBT	£350m	£205m	+70.4
Diluted headline earnings per share[4]	29.0p	24.9p	+16.5
Diluted headline earnings per ADR[3, 4]	$2.37	$1.87	+26.7
Ordinary dividend per share	6.48p	5.40p	+20.0
Ordinary dividend per ADR[3]	53.0¢	40.6¢	+30.5
Net debt at year-end	£362m	£723m	-50.0
Average net debt[5]	£1,222m	£1,343m	-9.0
Share price at year-end	548.5p	474.5p	+15.6
Market capitalisation at year-end	£6,513m	£5,492m	+18.6

Notes

1 Headline EBITDA: profit on ordinary activities before taxation, net interest payable and similar charges of £71.6 million (2002: £86.4 million), depreciation of £127.5 million (2002: £116.6 million), and goodwill amortisation and impairment of £112.0 million (2002: £177.7 million).

2 Headline operating profit: Operating profit before goodwill amortisation and impairment of subsidiaries of £77.7 million (2002: £177.7 million).

Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment of £112.0 million (2002: £177.7 million), fixed asset gains of £nil (2002: £9.2 million) and write-downs of £nil (2002: £19.9 million).

Headline PBT: Profit on ordinary activities before taxation, goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes of £11.5 million (2002: £6.8 million). The calculation of Headline PBIT and Headline PBT is set out in note 28 of the financial statements.

3 One American Depositary Receipt represents five ordinary shares. These figures have been translated for convenience purposes only, using the profit and loss exchange rates shown on page 115. 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 Headline earnings per ordinary share and ADR excludes goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. Earnings per share is disclosed in note 8 of the financial statements.

5 See definition on page 143.

Key performance indicators

Revenues were up over 5% to £4.1 billion. Operating margin was up 0.7 of a margin point from 12.3% to 13.0%. Headline PBIT – that is before interest, tax, goodwill amortisation and impairment, fixed asset gains and investment write-downs – was up over 11% to £534 million.

Headline profit before tax was up over 18% to £473 million. Profit before tax was up over 70% to almost £350 million. Diluted headline earnings per share were up over 16% to 29p and reported diluted earnings per share were up over 136% to 18.2p. Total share owner return improved significantly, with the share price rising by almost 16% to 548.5p over the year, and dividends rising by 20% to 6.48p.

Based on constant currency comparisons, on a like-for-like basis, revenues were up almost 1% for the year as a whole, flat in the first half and up over 1% in the second half. This appears to have been in line with the worldwide market, with the Group maintaining its market share.

Headline PBIT margins rose to 13% from 12.3% – less than our pre-Cordiant objective of 13.3%, but in line with our post-Cordiant objective. WPP excluding Cordiant achieved the 13.3% margin objective.

Sector and geographic performance

Media investment management continued to lead the recovery, followed by Advertising. Information, insight & consultancy also started to pick up, partly reflecting the successful re-structuring of our call centre operations. Healthcare and Specialist communications (principally direct, interactive and internet) continued to show relative strength, whilst Branding & identity was more patchy. Public relations & public affairs continued to be our toughest sector, although as the year progressed, it showed some improvement.

By geography, the US, Asia Pacific, Africa and the Middle East, Latin America and Central and Eastern Europe all picked up more strongly than Western Europe. The UK, France and Germany were particularly difficult and showed more muted signs of recovery, even in the first quarter of 2004. As a result, markets outside North America grew to around 58% of our business, as compared to 56% in the previous year.

Cash flow

Free cash flow was up sharply, by over 28% to £447 million from £349 million in 2002. We more than achieved our recently introduced cash flow objective of covering all acquisition payments and share re-purchases, and managed to cover dividend payments too.

Future objectives

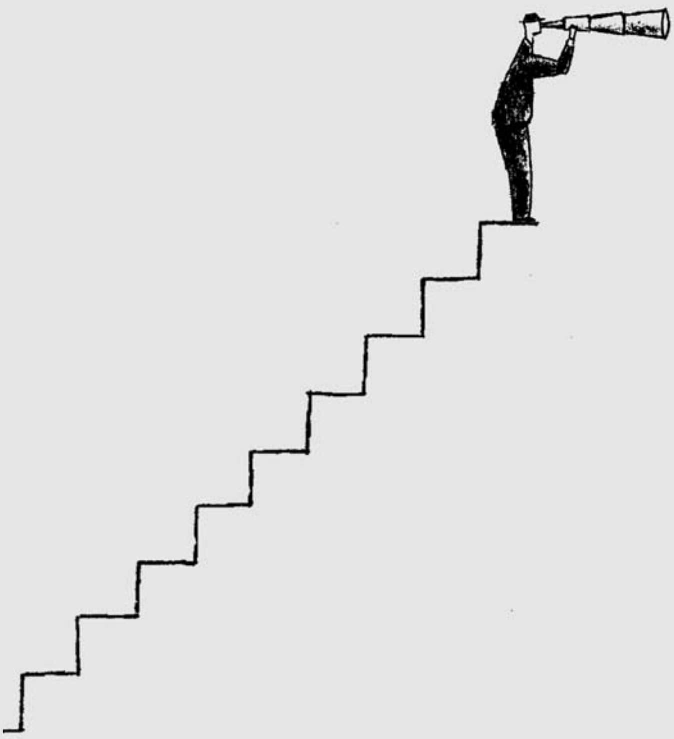
We will continue to focus on our key objectives – improving operating profits and margins, increasing cost flexibility, using free cash flow to enhance share owner value and improve return on capital employed, continuing to develop the role of the parent company in adding value to our clients and people, developing our portfolio in high-revenue growth areas, both geographically and functionally, and improving our creative quality and capabilities.

Outlook

If 2003 showed some improvement, 2004 should be even better, despite the challenges we face. Given heavy US government deficit spending and its potential impact on the dollar and inflation, 2005 remains difficult to predict, although it should be better. However, the underlying strategic case with our clients for our industry and our company is becoming stronger and stronger.

Our letter to share owners starts on page 17.

Our 2003 operating & financial review and financial statements are presented in full on pages 100 to 143 and at www.wppinvestor.com.



2003 revenue[1] by geography %

North America	42
UK	16
Continental Europe	25
Asia Pacific, Latin America, Africa & Middle East	17

2003 Headline PBIT[1,2] by geography %

North America	48
UK	14
Continental Europe	21
Asia Pacific, Latin America, Africa & Middle East	17

2003 revenue[1] by sector %

Advertising and Media investment management	47
Information, insight & consultancy	17
Public relations & public affairs	11
Branding & identity, Healthcare and Specialist communications	25

2003 Headline PBIT[1,2] by sector %

Advertising and Media investment management	55
Information, insight & consultancy	9
Public relations & public affairs	11
Branding & identity, Healthcare and Specialist communications	25

Notes

1 Percentages are calculated on a constant currency basis. See definition on page 143.

2 Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. The calculation of Headline PBIT is set out in note 28 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
Member of the Nomination committee

Paul Richardson
Finance director

Beth Axelrod
Chief talent officer
Member of the Nomination committee

Howard Paster
Executive vice-president,
WPP Public relations & public affairs

Non-executive directors
Jeremy Bullmore

Esther Dyson

Orit Gadiesh

John Jackson
Chairman of the Audit committee

Michael Jordan
Member of the Audit committee

David H Komansky

Christopher Mackenzie
Member of the Compensation committee
Member of the Nomination committee

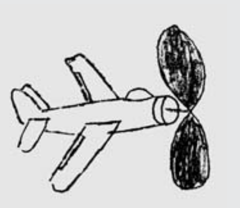
Stanley (Bud) Morten
Chairman of the Compensation committee
Member of the Audit committee
Member of the Nomination committee

Koichiro Naganuma

John Quelch

Paul Spencer

Directors' biographies appear on pages 72 to 74.



How we behave

Corporate governance
WPP's Board of directors is accountable to share owners for good corporate governance and is committed to achieve compliance with the principles of corporate governance set out in the Combined Code in the Listing Rules of the Financial Services Authority.

The Company complies with the US Sarbanes-Oxley Act of 2002 and the regulations that relate to it, as they affect foreign registrants, and seeks to comply with the principles of good corporate governance and various guidelines such as those issued by the Association of British Insurers, the National Association of Pension Funds and with the Hermes Principles.

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 as they currently apply to the Company.

Corporate social responsibility
WPP recognises the importance of high standards of social, ethical and environmental behaviour. Being a responsible corporate citizen is not only the right thing to do, it also adds to the success of the Company.

During 2003 we established a CSR committee to strengthen management of these issues. The CSR committee is chaired by Howard Paster, a director of the Company, who is responsible for the implementation of the CSR policy.

WPP in society
Our operating companies, together with the parent company, make a substantial social investment through pro bono work for charitable organisations.

We estimate the value of our 2003 pro bono work to be £12.3 million, based on the fees the benefiting organisations would normally have paid for these services. WPP companies also collectively donated over £2.6 million in cash to charities and community organisations. In total, WPP companies contributed an estimated £14.9 million worth of time, skills, materials and money to social and community causes in 2003.

WPP as an employer
The Group's employment policies are designed to attract, retain and motivate the most talented individuals. We invest significantly in communications, training and development programs at parent and operating company levels.

In 2003 our people received training and professional development totalling £21.8 million. We encourage an ownership culture through WPP stock option and other incentive plans.

Full details of our governance policies and practices can be found on pages 76 to 85.

How we're rewarded

Executive remuneration policy is set by WPP's Compensation committee, based on the following principles:

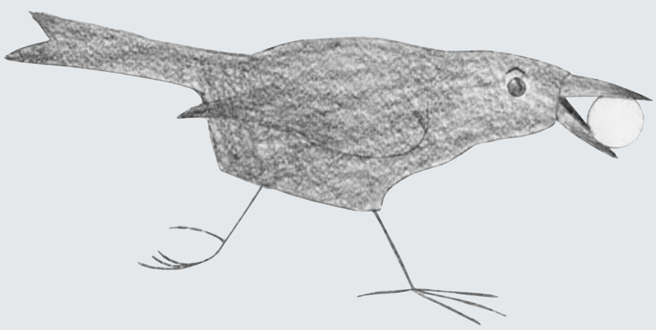
- Total remuneration opportunities are designed to be fully competitive in the relevant market.
- All remuneration packages have a very significant performance-related or variable element.
- Incentives are based on meeting specific, measurable and stretching performance objectives, and align executive rewards with creating value for our share owners.
- The total remuneration program includes significant opportunities to acquire WPP stock, building a strong ownership culture.

Annual grants of WPP performance shares are made to all executive directors and other senior executives in the parent company.

The Executive Stock Option Plan is used annually to make option grants to key executives in our operating companies and parent company, excluding WPP Board directors.

Our Worldwide Ownership Plan provides annual stock option grants to all people in 100%-owned operating companies with more than two years' service. Options under this Plan have been granted to approximately 45,000 people for over 20.5 million WPP ordinary shares.

Our directors' remuneration and interests are described on pages 86 to 99. A full report from the Compensation committee starts on page 87.



About share ownership

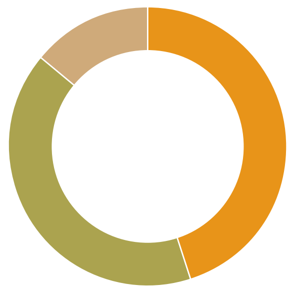
WPP is quoted on the London Stock Exchange and NASDAQ in New York.

Analysis of shareholdings

Issued share capital as at 31 December 2003: 1,187,432,353 ordinary shares, owned by 13,789 share owners.

Share owners by geography

UK	45%
US	41%
Asia Pacific, Latin America, Africa & Middle East and Continental Europe	14%



Substantial share ownership

As at 10 May 2004, the Company is aware of the following interests of 3% or more in the issued ordinary share capital of the Company:

WPP ESOP	4.8%
Legg Mason	3.8%
Legal & General	3.4%

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 well-developed continuous program to address the needs of share owners, investment institutions and analysts, supplying a regular flow of information about the company, its strategy, performance and competitive position.

Our website, www.wppinvestor.com, has been created specifically for WPP's share owners and the worldwide financial community. It provides current and historical financial information including trading statements, news releases and presentations. ■

More information relating to share ownership can be found on pages 144 to 147.

Who we are

WPP is one of the world's largest communications services groups, made up of leading companies in:

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- Media investment management
- Information, insight & consultancy
- Public relations & public affairs
- Branding & identity
- Healthcare communications
- Direct, promotion & relationship marketing
- Specialist communications

Every WPP company is a distinctive brand in its own right; all with their own identities and own areas of expertise. That is their strength. What they have in common is in harnessing intelligence, talent and experience to bring competitive advantage to their clients.

Through our companies and associates, WPP offers a comprehensive and, when appropriate, integrated range of communications services to national, multinational and global clients.

Our companies work with more than 300 of the Fortune Global 500; over one-half of the NASDAQ 100 and over 30 of the Fortune e-50. Over 330 clients are served in three or more disciplines; more than 130 clients are served in four disciplines and over 100 clients are served in six or more countries.

Collectively, the Group has 70,000* people working in 1,400 offices in 106 countries. ■

* Including associates.


GroupM
CommonHealth
PACE
IMRB
The Henley Centre
wwg
THEXCHANGE
DOVETAIL
Chime Communications PLC
store
SOHO SQUARE
Ogilvy Public Relations Worldwide
PSB Penn, Schoen & Berland Associates, Inc.
Première Group
kmr
pFour
marsteller
Q uadra A dvisory
AGB Group
BMRB International
Ogilvy Primary Contact
equus red cell
media INSIGHT
einsonfreeman
SPAFAX
Mando
Headcount
Glendinning
FINSBURY
Wexler & Walker public policy associates
addison
THE CHANNEL
HILL & KNOWLTON
HEALTHWORLD Communications Group
rmg:connect The Relationship Marketing Group
The Geppetto Group
BRIERLEY & PARTNERS
VML
BatesAsia
The Bravo Group
ROBINSON LERER & MONTGOMERY
red cell
SHINE
Millward Brown
Mediafax, Inc.
The Mattson Jack Group
Kantar
Y&R
The Grass Roots Group PLC
Landor
THE PARTNERS
berlin cameron / red cell
MindShare
Ogilvy
ThompsonConnect Worldwide
Think the Unthinkable
금강기획
PORTLAND
J. Walter Thompson JWT Specialized Communications
THE EVENT UNION
WUNDERMAN
rtc relationship marketing
141 worldwide
FORWARD
Center Partners
LAMBIE-NAIRN
J. Walter Thompson
OgilvyOne worldwide
DY&R
fullsix
MAXX MARKETING
FUSION
LIGHTSPEED RESEARCH
Enterprise IG
Burson-Marsteller
Ogilvy Healthcare
COLEY PORTER BELL
EWA Bespoke Communications
mjm
SHIRE HEALTH GROUP
SAVATAR
CLARION COMMUNICATIONS
pci : live
RESEARCH INTERNATIONAL
:) HIGH CO.
BDG workfutures
Buchanan communications
Quinn Gillespie & Associates LLC
PRISM
GLOBAL SPORTNET
WalkerGroup
A. Eicoff & Company A Division of Ogilvy & Mather
metro
Ziment
ohal
DR Diagnostic Research
The Campaign Palace.
Farm
BATEY
BROUILLARD COMMUNICATIONS
IBOPE
syzygy
OakleyYoung
B·K·S·H & Associates
THE FOOD GROUP
icon brand navigation
fitch :
Warwicks
gt
dialogue
MD MendozaDillon
Feinstein Kean Healthcare An Ogilvy PR Worldwide Company
Kang & Lee Advertising
Cohn & Wolfe
ADK
BLANC & OTUS
the:digitaledge
ADDED VALUE
KnowledgeBase MARKETING, INC. A WUNDERMAN COMPANY
mediaedge:cia
Banner Corporation
imaginet
S&H
LG Ad
bpri
m P MEDIA pro
MAXUS

Our companies and associates

Advertising

Asatsu-DK[1]
www.asatsu-dk.co.jp

Bates Asia
www.batesasia.com

Batey/Red Cell
www.batey.com.sg

Berlin Cameron/Red Cell
www.bc-p.com

The Campaign Palace
www.thecampaignpalace.com.au

Dentsu Young & Rubicam (DY&R)[1,2,■]
www.yandr.com

Diamond Ad
www.diamond.co.kr

Equus/Red Cell[1]

LG Ad[1]
www.lgad.co.kr

J. Walter Thompson Company
www.jwt.com

Marsteller Advertising■
www.marsteller.com

Ogilvy & Mather Worldwide
www.ogilvy.com

Red Cell
www.redcellnetwork.com

Soho Square
www.sohosq.com

Y&R■
www.yandr.com

Media investment management

GroupM:

BJK&E▲
www.bjke.co.uk

The Digital Edge▲
www.thedigitaledge.com

MAXUS
www.maxusglobal.com

Mediaedge:cia
www.mecglobal.com

Media Insight
www.mediainsight.com

MindShare
www.mindshareworld.com

mOne Worldwide

Outrider▲
www.outrider.com

Portland Outdoor
www.portlandoutdoor.com

Information, insight & consultancy

The Kantar Group:
www.kantargroup.com

Added Value
www.added-value.com

BPRI
www.bprigroup.com

Center Partners
www.centerpartners.com

Diagnostic Research
www.diagnostic.com

Fusion 5
www.fusion5.com

Glendinning
www.glendinning.com

The Henley Centre
www.henleycentre.com

icon brand navigation
www.icon-brand-navigation.com

IMRB International
www.imrbint.com

Kantar Media Research
– AGB Group[1]
www.agbgroup.com

– BMRB International
www.bmrb.co.uk

– IBOPE Media Information[1]
www.ibope.com.br

– Marktest[1]

– Mediafax
www.mediafax-pr.com

Lightspeed Research
www.lightspeedresearch.com

Management Ventures
www.mventures.com

Mattson Jack Group
www.mattsonjack.com

Millward Brown
www.millwardbrown.com

pFour Consultancy
www.pfour.co.uk

Research International
www.research-int.com

Ziment
www.zimentgroup.com

Other marketing consultancies

OHAL
www.ohal-group.com

Quadra Advisory[1]
www.quadraadvisory.com

Public relations & public affairs

BKSH■
www.bksh.com

Blanc & Otus
www.blancandotus.com

Buchanan Communications
www.buchanan.uk.com

Bulletin
www.bulletin.com

Burson-Marsteller■
www.bm.com

Chime Communications PLC[1]
www.chime.plc.uk

Clarion Communications
www.clarioncomms.co.uk

Cohn & Wolfe■
www.cohnwolfe.com

Finsbury
www.finsbury.com

Hill & Knowlton
www.hillandknowlton.com

Ogilvy Public Relations Worldwide
www.ogilvypr.com

Penn, Schoen & Berland
www.psbsurveys.com

Quinn Gillespie
www.quinngillespie.com

Robinson Lerer & Montgomery■
www.rlmnet.com

Timmons and Company

Wexler & Walker Public Policy Associates
www.wexlergroup.com

Branding & identity

CB'a
www.cba.tm.fr

Enterprise IG
www.enterpriseig.com

Landor Associates■
www.landor.com

The Partners■
www.thepartners.co.uk

Addison Corporate Marketing
www.addison.co.uk

BDG workfutures
www.bdgworkfutures.com

Coley Porter Bell
www.cpb.co.uk

Dovetail
www.dovetailfurniture.com

Fitch
www.fitchww.com

Lambie-Nairn
www.lambie-nairn.com

MJM Creative
www.mjmcreative.com

Oakley Young
www.oakley-young.co.uk

Walker Group
www.wgcni.com

Warwicks
www.warwicks-uk.com

Healthcare

CommonHealth
www.commonhealth.com

Feinstein Kean Healthcare
www.fkhealth.com

Healthworld Communications Group
www.healthworld.com

Ogilvy Healthcare

Shire Health Group
www.shirehealth.com

Sudler & Hennessey■
www.sudler.com

Direct, promotion & relationship marketing

A. Eicoff & Co
www.eicoff.com

Brierley & Partners[1]
www.brierley.com

Dialogue Marketing
www.dialmkg.com

Einson Freeman
www.einsonfreeman.com

EWA
www.ewa.ltd.uk

Good Technology▲
www.goodtechnology.com

The Grass Roots Group[1]
www.grg.com

Headcount Worldwide Field Marketing
www.headcount.co.uk

High Co[1]
www.highco.fr

Imaginet
www.imaginet.com

FullSIX[3]
www.fullsix.com

KnowledgeBase Marketing■
www.knowledgebasemarketing.com

Mando Brand Assurance
www.mando.co.uk

Maxx Marketing
www.maxx-marketing.com

OgilvyOne Worldwide
www.ogilvy.com

rmg:connect
www.rmgconnect.com

RTC
www.rtcrm.com

Savatar
www.savatar.com

syzygy[1]
www.syzygy.net

ThompsonConnect Worldwide

VML
www.vml.com

Wunderman■
www.wunderman.com

141 Worldwide
www.141worldwide.com

Specialist communications

Corporate/B2B

Brouillard
www.brouillard.com

Ogilvy Primary Contact
www.primary.co.uk

Custom media

Forward
www.theforwardgroup.com

Shine:M[2]
www.shinelimited.com

Spafax
www.spafax.com

Demographic marketing

The Bravo Group■
www.thebravogroupyr.com

The Geppetto Group
www.geppettogroup.com

Kang & Lee■
www.kanglee.com

Mendoza Dillon
www.mendozadillon.com

UniWorld[1]
www.uniworldgroup.com

Employer branding/recruitment

JWT Specialized Communications
www.jwtworks.com

Face-to-face/event marketing

The Event Union

– MJM Creative
www.mjmcreative.com

– Pro Deo
www.prodeo.com

– facts + fiction
www.factsfiction.de

Pci:Live
www.pci-live.com

Foodservice

The Food Group
www.thefoodgroup.com

Sports marketing

Global Sportnet
www.globalsportnet.com

MEDIApro Group[1]
www.mediapro.es

Première Group
www.premiere-group.co.uk

PRISM Group
www.prismteam.com

Real estate

Pace
www.paceadv.com

Technology

Banner Corporation■
www.b1.com

Media & production services

Clockwork Capital[1]
www.clockworkcapital.com

The Farm Group
www.farmpost.co.uk

Metro Group
www.metrobroadcast.co.uk

WPP Knowledge Communities

The Channel
mpooler@wpp.com

Digital Communications Group
sspirit@wpp.com

The Exchange
kcullum@wpp.com

The Store
m.johnson@the-store.org

[1] Associate
[2] Joint venture
[3] Minority investment
■ Part of Young & Rubicam Brands
▲ A Mediaedge:cia company
As at 10 May 2004

Why we exist

Our clients all live in competitive worlds.

Whether Fortune 500 multinationals or single-nation charities, their first requirement, as always, is an intrinsically appealing product.

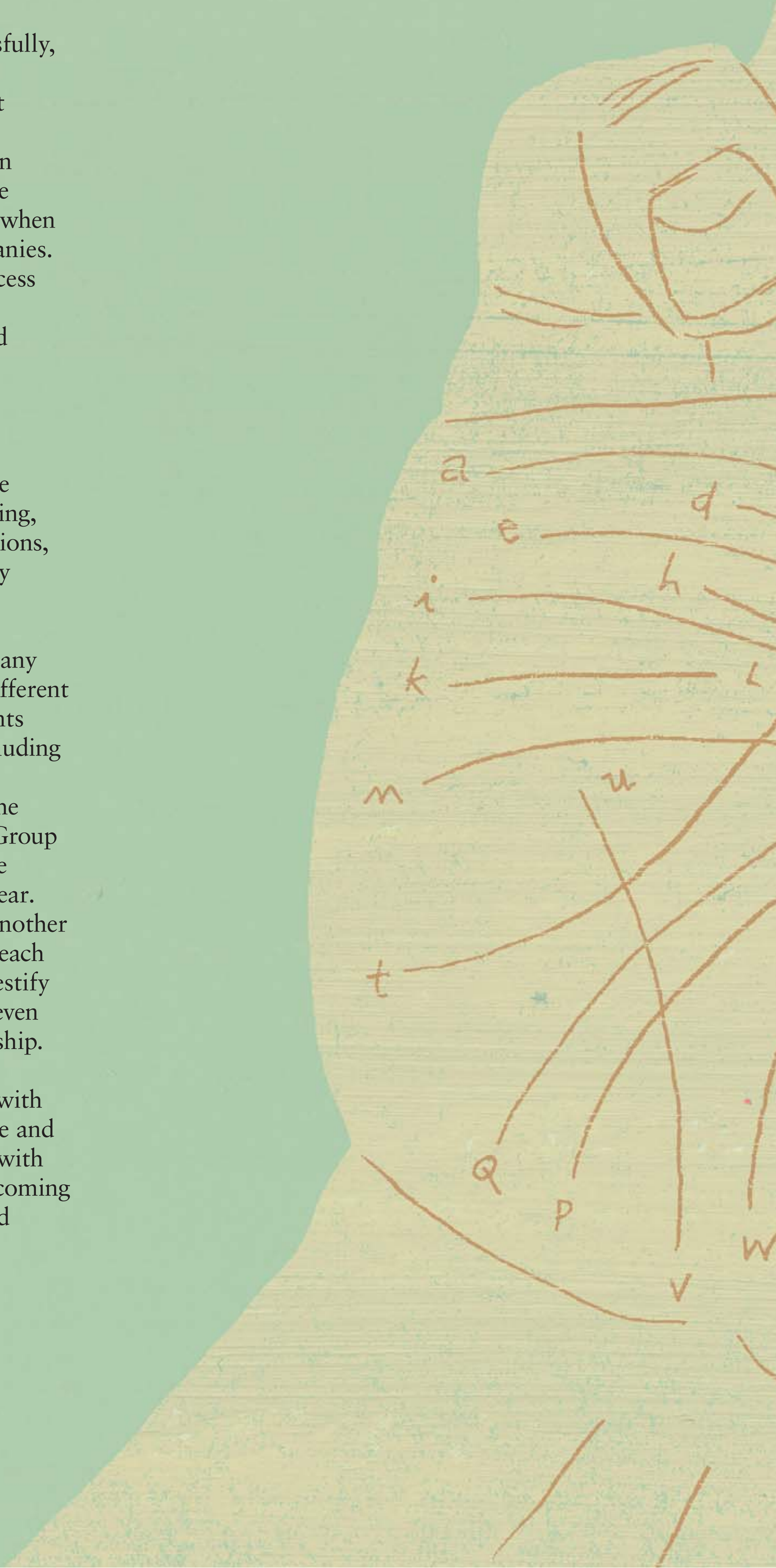
But for many years now, to compete successfully, they have needed more. They need access to high quality information, strategic advice and specialist communications skills. And it is in the nature of specialist talent that it is unlikely to flourish within the confines of a single marketing company. People of specialist skills work best and contribute more when recruited, trained and inspired by specialist companies.

Within the WPP Group, our clients have access to companies of 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 two distinct ways.

First, it relieves them of much administrative work. Financial matters (such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions, investor relations) are co-ordinated centrally. Every administrative hour saved is an extra hour to be devoted to the pursuit of professional excellence.

Secondly, and increasingly, the parent company encourages and enables operating companies of different disciplines to work together for the benefit of clients and our people. In the management of talent, (including recruitment and training), property, procurement, information technology and knowledge sharing, the parent company also has a significant across-the-Group part to play. One example of working together, the WPP Partnership Program, is now in its seventh year. Already there are 36 published case studies, and another 139 unpublished for reasons of confidentiality, in each of which the respective client has been happy to testify to the benefits derived from working with up to seven different WPP companies in co-ordinated partnership. We are extremely grateful to all those clients for granting us permission to share such experiences with a wider world. There can be no doubt that discrete and sharply-honed specialist talents working together with single-minded unity towards a common end is becoming a rapidly growing contributor to client success and therefore to Group revenues. ■

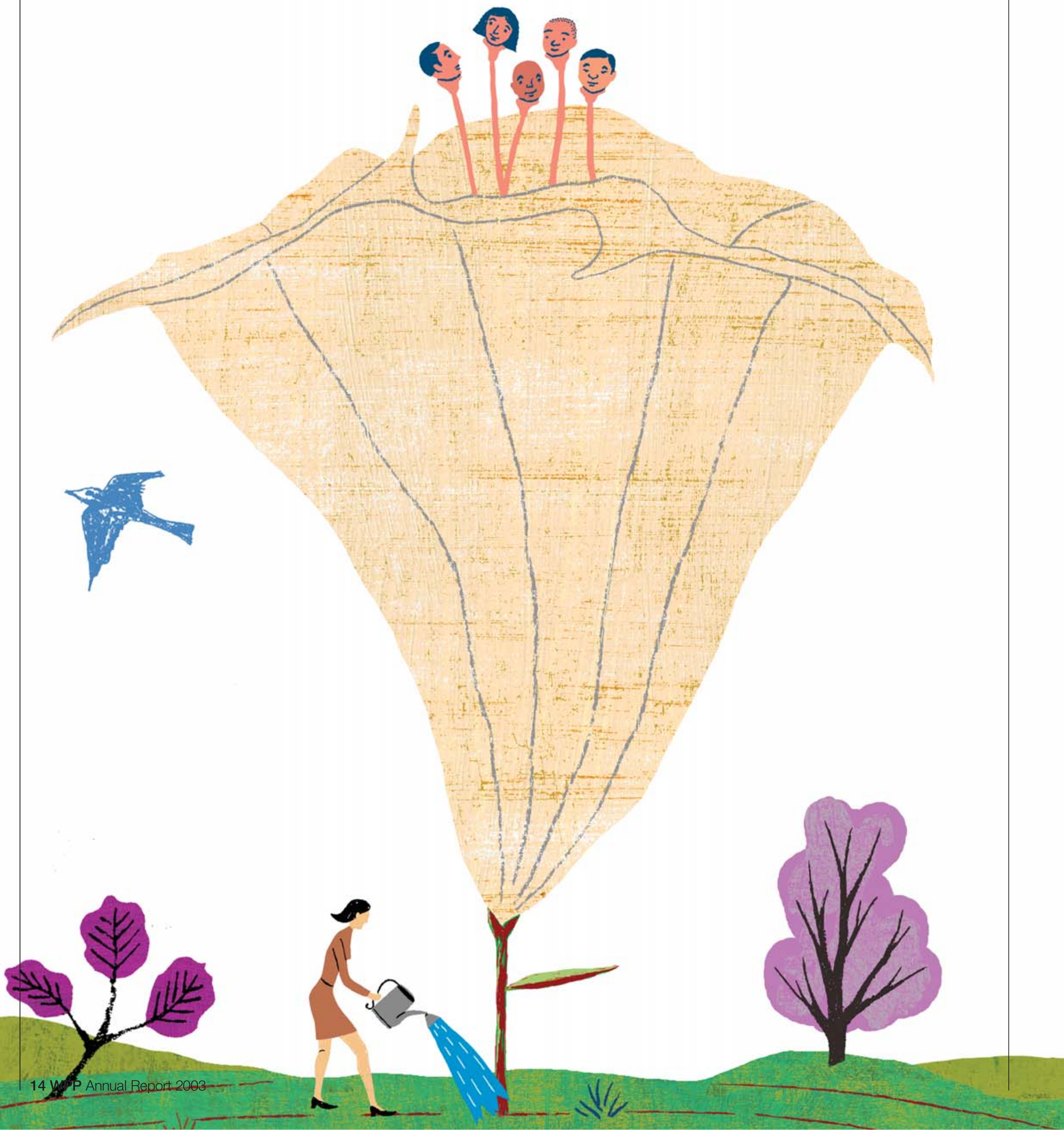


Our mission

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.

How we're doing

Our financial performance in 2003 reflected the continuing improvement in economic conditions in most of our major markets.



Financial summary

	2003	2002	Change %
Revenues	**£4,106m**	£3,908m	+5.1
Headline EBITDA[1]	**£661m**	£586m	+12.8
Headline operating profit[2]	**£493m**	£450m	+9.5
Reported operating profit	**£415m**	£273m	+52.4
Headline PBIT[2]	**£534m**	£480m	+11.1
Headline PBIT margin	**13.0%**	12.3%	+0.7
Headline PBT[2]	**£473m**	£401m	+18.2
Reported PBT	**£350m**	£205m	+70.4
Diluted headline earnings per share[4]	**29.0p**	24.9p	+16.5
Diluted headline earnings per ADR[3, 4]	**$2.37**	$1.87	+26.7
Ordinary dividend per share	**6.48p**	5.40p	+20.0
Ordinary dividend per ADR[3]	**53.0¢**	40.6¢	+30.5
Net debt at year-end	**£362m**	£723m	-50.0
Average net debt[5]	**£1,222m**	£1,343m	-9.0
Share price at year-end	**548.5p**	474.5p	+15.6
Market capitalisation at year-end	**£6,513m**	£5,492m	+18.6

Notes

1 Headline EBITDA: profit on ordinary activities before taxation, net interest payable and similar charges of £71.6 million (2002: £86.4 million), depreciation of £127.5 million (2002: £116.6 million), and goodwill amortisation and impairment of £112.0 million (2002: £177.7 million)..

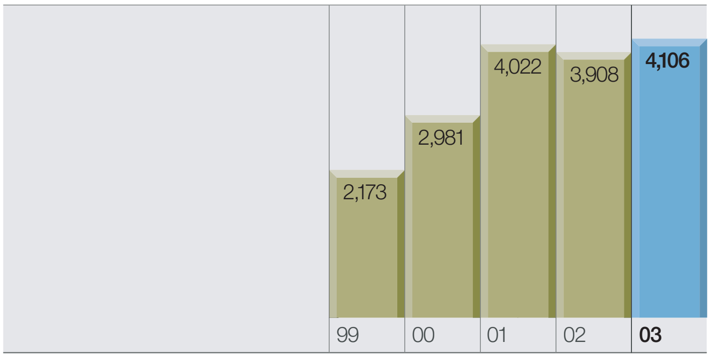
2 Headline operating profit: Operating profit before goodwill amortisation and impairment of subsidiaries of £77.7 million (2002: £177.7 million).
Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment of £112.0 million (2002: £177.7 million), fixed asset gains of £nil (2002: £9.2 million) and write-downs of £nil (2002: £19.9 million).
Headline PBT: Profit on ordinary activities before taxation, goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes of £11.5 million (2002: £6.8 million). The calculation of Headline PBIT and Headline PBT is set out in note 28 of the financial statements.

3 One American Depositary Receipt represents five ordinary shares. These figures have been translated for convenience purposes only using the profit and loss exchange rates shown on page 115. 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.

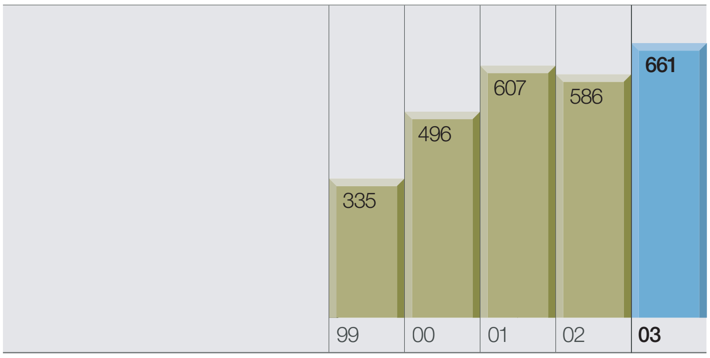
4 Headline earnings per ordinary share and ADR excludes goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. Earnings per share is disclosed in note 8 of the financial statements.

5 Average net debt is defined on page 143.

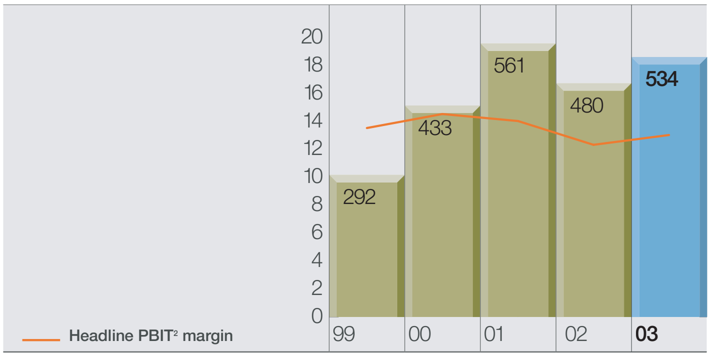
Revenue £m



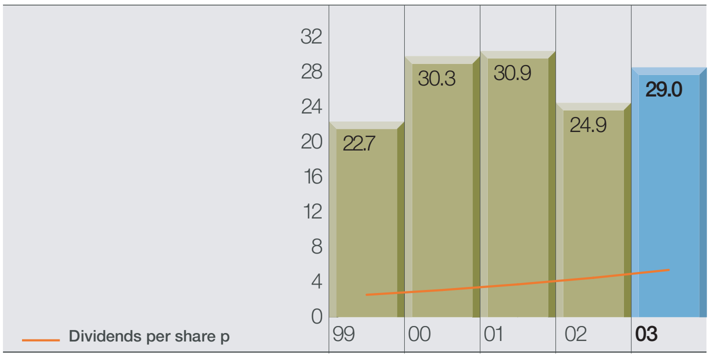
Headline EBITDA[1] £m



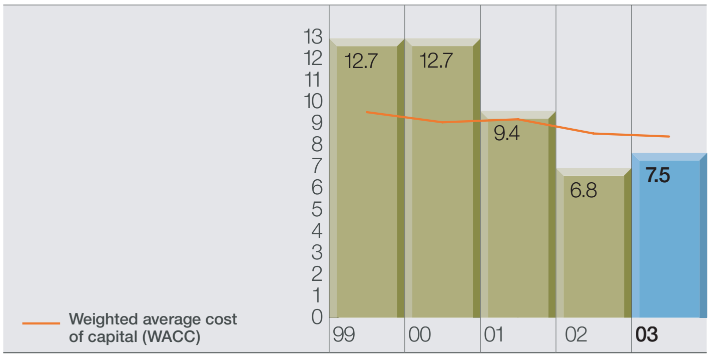
Headline PBIT[2] £m



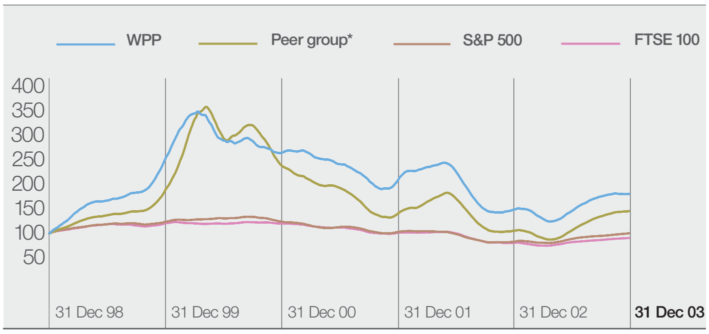
Diluted headline earnings per share[3] p



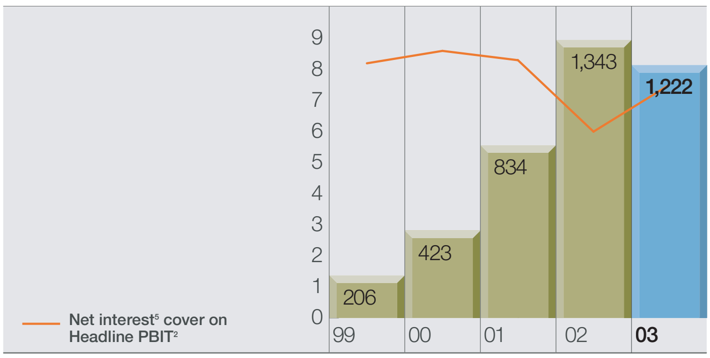
After tax return on average capital employed[4] %



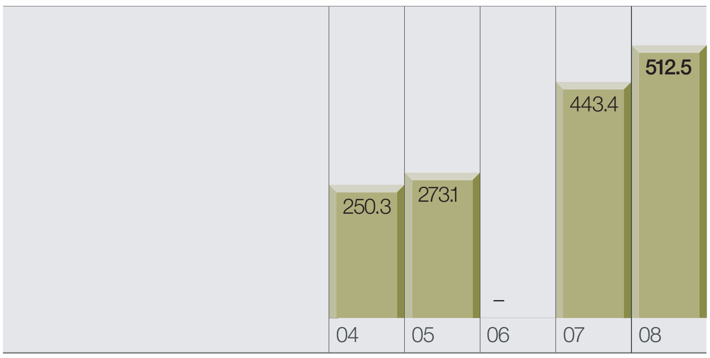
WPP total return to share owners relative to peer group
rebased to 31 December 1998



Average net debt £m **and interest cover** multiples



Debt maturity[6] £m



Notes

[1] Headline EBITDA: profit on ordinary activities before taxation, net interest payable and similar charges of £71.6 million (2002: £86.4 million), depreciation of £127.5 million (2002: £116.6 million), and goodwill amortisation and impairment of £112.0 million (2002: £177.7 million)

[2] Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. The calculation of Headline PBIT is set out in note 28 of the financial statements.

[3] Headline earnings per ordinary share excludes goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. The calculation of headline earnings is set out in note 28 of the financial statements.

[4] Calculated gross of goodwill, revaluation reserve and using profit after taxation before goodwill amortisation and impairment, fixed asset gains and write-downs.

[5] Interest excludes net interest charges on defined benefit pension schemes.

[6] Includes corporate bonds, convertible bonds and bank loans.

* Peer Group comprises 2004 LEAP comparator group (Aegis, Arbitron, Dentsu, Digitas, GfK, Grey, Havas, Interpublic, Ipsos, Omnicom, Publicis, Taylor Nelson Sofres, VNU). During the 1999-2003 performance period of Original LEAP (as defined on pages 91 and 92) the Company was the ninth best performing company in the FTSE 100, measured by TSR.

2003 revenue[1] by geography %

North America	42
UK	16
Continental Europe	25
Asia Pacific, Latin America, Africa & Middle East	17

2003 Headline PBIT[1,2] by geography %

North America	48
UK	14
Continental Europe	21
Asia Pacific, Latin America, Africa & Middle East	17

2003 revenue[1] by sector %

Advertising and Media investment management	47
Information, insight & consultancy	17
Public relations & public affairs	11
Branding & identity, Healthcare and Specialist communications	25

2003 Headline PBIT[1,2] by sector %

Advertising and Media investment management	55
Information, insight & consultancy	9
Public relations & public affairs	11
Branding & identity, Healthcare and Specialist communications	25

Notes

[1] Percentages are calculated on a constant currency basis. See definition on page 143.

[2] Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. The calculation of Headline PBIT is set out in note 28 of the financial statements.

Letter to share owners

Dear Share Owner

Our eighteenth year was a good one. All the key measures were better. Revenues were up over 5% to £4.1 billion. Operating margin was up 0.7 of a margin point from 12.3% to 13.0%. Headline PBIT – that is before interest, tax, goodwill amortisation and impairment, fixed asset gains and investment write-downs (what a mouthful!) – was up over 11% to £534 million. Headline profit before tax was up over 18% to £473 million. Profit before tax was up over 70% to almost £350 million. Diluted headline earnings per share were up over 16% to 29.0p and reported diluted earnings per share were up over 136% to 18.2p. Most importantly, total share owner return improved significantly, with the share price rising by almost 16% to 548.5p over the year, and dividends rising by 20% to 6.48p.

These results reflected the end of the recession in the US, continued growth in Asia Pacific, the Middle East and Central and Eastern Europe, and recovery in Latin America. The one weak spot was Western Europe. Our operations in Advertising, Media investment management, Information, insight & consultancy, Branding & identity, Healthcare and Specialist communications all improved as a result, whilst Public relations & public affairs showed limited revenue growth. The results also reflected improved productivity, with like-for-like revenues up almost 1% and average headcount down 4%; improved liquidity, with average net debt down by over £120 million; and significantly improved underlying operating margins, as the income statement absorbed approximately 1.5 margin points of incremental incentive, severance and re-structuring expenses.

The rest of this letter to you is based on constant currency comparisons, which are more meaningful given the relative weakness of the US dollar and strength of the euro in 2003. On a like-for-like basis, revenues were up almost 1% for the year as a whole, flat in the first half and up over 1% in the second half. This appears to have been in line with the worldwide market, with the Group maintaining its market share.

Revenue growth has also strengthened in successive quarters, flat in the first two and up over 1% in the last two, a trend that has continued into 2004, with the first quarter up almost 2%. Our like-for-like revenue growth objective for 2004 remains at 3-4%, in line with the forecasts for the advertising and marketing services industry and worldwide GNP growth.

“Revenue growth, cost control, productivity, liquidity, and balance sheet strength all improved last year and continue to do so in 2004”

Media leads recovery

By sector, Media investment management continued to lead the recovery, followed by Advertising. Information, insight & consultancy also started to pick up, partly reflecting the successful re-structuring of our call centre operations. Healthcare and Specialist communications (principally direct, interactive and internet) continued to show relative strength, whilst Branding & identity was more patchy. Public relations & public affairs continued to be our toughest sector, although as the year progressed, it showed some improvement and in the final quarter of 2003 achieved revenue growth for the first time for 11 quarters. Marketing services remained at around 53% of our business in 2003.

By geography, the US, Asia Pacific, Africa and the Middle East, Latin America and Central and Eastern Europe all picked up more strongly than Western Europe. The UK, France and Germany were particularly difficult and showed more muted signs of recovery, even in the first quarter of 2004. As a result, markets outside North America grew to around 58% of our business, as compared to 56% in the previous year.

Headline PBIT margins rose to 13% from 12.3% – less than our pre-Cordiant acquisition objective of 13.3%, but in line with our post-Cordiant objective. WPP excluding Cordiant achieved the 13.3% margin objective. This margin improvement was particularly creditable as our major competitor's operating margins were shrinking and our income statement reflected increased incentive payments and restructuring expenses. Incentive payments rose by £40 million to £130 million, or one margin point, as incentive pools were re-filled following the recession and improved results. Total incentive payments were 20% of operating profit before bonus and taxes, compared to 16% in the previous year. Our target remains to pay out 20% at maximum and 15% at target. Variable staff costs (freelance, consultants and incentive payments) now account for 6.3% of revenues, close to the pre-recession level of 6.6% achieved in 2000.

We continue to charge severance and re-structuring expenses to the income statement rather than show them as exceptional or extraordinary expenses, as some competitors do, since doing so causes considerable analytical confusion. What you see is what you get. Although we do not give details of severance and restructuring expenses, you can assume that the 2003 income statement reflects a further half a margin point of such expense: an extra margin cushion for this year.

“If any of us were starting a multinational company from scratch today, we would probably focus on the US and Asia”

Profits up

As a result, headline PBIT rose to £534 million, up 12% in constant currencies. In 2003, some of our first generation businesses continued to suffer the effects of the three-year recession from 2001 to 2003. We therefore decided to take a further goodwill impairment non-cash charge of £79 million, although this was substantially less than the £146 million taken in 2002. Pre-tax profit after such charges, therefore, rose by over 70% to £350 million and diluted earnings per share by over 136% to 18.2p. Free cash flow was up sharply, by over 28% to £447 million from £349 million in 2002.

We more than achieved our recently introduced cash flow objective of covering all acquisition payments and share re-purchases, and managed to cover dividend payments too. This new free cash flow objective was introduced at a time when the advertising and marketing services holding company model was coming under closer scrutiny.

Liquidity improved strongly in 2003. Average net debt fell £121 million to £1,222 million from £1,343 million, the previous year. Year-end net debt fell even more sharply to £362 million from £723 million, reflecting a strong fourth quarter and improved working capital management at the end of the year. In the first quarter of 2004, liquidity has continued to strengthen, with average net debt down by over £370 million against the first quarter of 2003. Your company is now comfortably geared. Headline interest cover last year was over seven times.

Prospects for 2004 have already been improved by the so-called quadrennial factors: the US Presidential election (no incumbent president wants to go to the country without a strong economy); the Athens Olympic Games (despite the dislocated build-up); the European Football Championships in Portugal; and political advertising, which crowds out media time and pushes up media rates. Most pundits predict growth of 3-4% in communications services, with advertising and marketing services growing at similar rates.

2003 was not an easy year, but your company did well. 2004 will also pose challenges, but will see WPP strengthen further. The company is in its strongest position to take advantage of market opportunities since 2000. Revenue growth, cost control, productivity, liquidity, and balance sheet strength all improved last year and continue to do so in 2004. Most importantly, our talent base continues to strengthen.

A couple of clouds

Two clouds remain on the horizon. First, Western Europe shows little sign of recovery. Whilst Eastern Europe, particularly Russia and the CIS countries are growing, Western Europe remains weak. The geographically peripheral markets of Scandinavia, Holland, Belgium, Austria, Portugal, Greece and Turkey are particularly difficult. But the big five remain difficult too, especially the UK, France and Germany – although your company seems to have done well in comparison to our competition in these markets. Recovery looks difficult unless relative interest rates change; that is, US rates rise or euro rates fall. In addition, the longer-term problems of lower birth-rates and ageing populations, resultant increasing healthcare and pension costs, and heavy social security costs which make restructuring very expensive, all make Western Europe a less and less attractive investment opportunity. If any of us were starting a multinational company from scratch today, we would probably focus on the US and Asia.

The second cloud is what happens after the first Tuesday after the first Monday in November. Whether President Bush is re-elected or Senator Kerry elected, either will have to deal with the huge fiscal deficit (driven by the political cycle we are in), the weak dollar, the trade deficit and possible inflationary pressures. As a result, excessive government spending may be reined in and the economic implications may make life more difficult. Some believe there will be a 'hard' landing, others a 'soft' one. Perhaps improved corporate profitability and liquidity will result in increased capital spending (as it has started to do in the first quarter of 2004), which will offset any consequent reduction in consumer spending as a result of credit tightening. We shall see.

Despite the improving environment, client managements remain cautious. Profitability is improving sharply. For example, US companies' profitability was up 29% in the fourth quarter of 2003 and 20% so far in the first quarter of 2004. Liquidity and balance sheets, like our own, are improving as well, but most of the improvement has come from cost-cutting, particularly over the last three years. Hence the rise of the procurement function. However, there are signs of a shift in focus to the top-line or revenues. This recognises that there is a finite limit to cost reduction, whilst there is no limit to revenue growth, at least until you reach 100% market share!

There seem to be two reasons. First, advisors are encouraging it. McKinsey and others have shifted their clients' attention to the top line, encouraging them to build market share. Many clients are moving from 'managing for value' programs to 'managing for growth' programs. Focus on cost does not electrify institutional investors or investment analysts. The key variable for total shareholder return or share price growth seems to be organic or like-for-like growth. However, in a low inflationary environment, it is exceptionally difficult to increase volume significantly, with little pricing power and pressure from increasingly concentrating distribution channels. Some growth programs, particularly amongst packaged-goods companies, have floundered already. To some extent we will all have to focus on real growth rather than nominal growth. We still tend to look at growth rates with 1980s or 1990s eyes, when higher inflation meant higher nominal growth rates. Three or 4% nominal growth in a 3% inflationary environment is not bad.

Secondly, managements are just plain tired of debilitating cost reduction. It is just not much fun and there has already been three years of it. Hence, the increase in merger and acquisition activity and focus on sales growth.

Cordiant benefits

At WPP, revenues have grown by about 2% in the first quarter of 2004, almost 4% excluding Cordiant, which lost significant amounts of business prior to the acquisition in August of last year. After including disposal proceeds, the net cash cost was insignificant. It also gave us reinforced relationships with a number of major multinational clients, strong agencies in Europe to develop Red Cell, Bates Asia (a vigorous Asian-based multinational agency for Asian-based local and multinational clients), a number of ex-Zenith media planning and buying operations, effective healthcare and retail-rooted branding and identity operations, and a number of good specialist public relations and event management capabilities.

On margins

Our 2004 budgets predict modest organic growth, equally balanced between the first and second halves, and between advertising and marketing services. Operating margins are budgeted to increase to 13.8%.

So far, we are ahead of budget.

When we announce our half-year profits at the end of August, we will give margin guidance for 2005, probably in the 14-15% range. At the same time, we will give guidance for 2006, probably at 15% or above. We will also outline our thoughts on whether there is life after 15% margins, and how our long-term, big hairy goal of 20% margins might be achieved. Not easy, but not impossible. For example, if we were to assign our strongest current margin in each sector to every operating company in that sector, the Group's overall margin would already be 16-17%.

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 and preferred provider of communications services to both multinational and local companies.

Our goal remains to be the world's most successful and preferred provider of communications services

Our priorities

We have three strategic priorities. First, in the short term, having weathered the recession successfully, we need to build on the even stronger base we have established. Our people are better, they are better resourced, better motivated and better incentivised than when we exited the last recession in the early 1990s. The company is also more profitable, more liquid, less leveraged and better structured than then. In this last economic cycle margins peaked at 14.5% and bottomed at 12.3%, as opposed to 10.5% and 5.6% last time.

Second, in the medium term, we need to continue to integrate successfully the acquisitions of Young & Rubicam Brands (as the group is now known), Tempus and Cordiant. Really this task is largely completed, particularly at Tempus (where Mediaedge:cia is starting to motor) and at Cordiant, as described above. At Young & Rubicam Brands, the job is largely done, too, the one remaining task being to further strengthen the Y&R advertising agency, which is definitely gaining momentum following recent changes in account and creative leadership.

Our third priority, in the long term or over the next five to 10 years, is to increase the combined geographic share of revenues of Asia Pacific, Latin America, Africa and the Middle East, and Central and Eastern Europe, from around 20% to one-third; to increase the share of revenues of marketing services from around 53% to two-thirds; and to increase the share of more measurable marketing services – such as information, insight and consultancy, direct, interactive and internet – from around one-third of our total revenues to 50%.

WPP is not just a holding company focused on planning, budgeting, reporting and financial issues, but a parent company that can add value to both our clients and our people

Our six objectives

Our six objectives remain as follows:

- First, to continue to raise operating margins to the levels of the best performing competition. As indicated before, we will be issuing guidance for 2005 and 2006 and longer term at the end of August. 15% is definitely achievable. 20% 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.
- Second, to continue to increase the flexibility in the cost structure. Great strides were made in 2003 on this. Peak flexibility historically was in 2000, at 6.6% of revenues in variable staff costs. Now at 6.3%, 2004 might see a new peak; once again we have a sufficient 'shock absorber' in our cost structure if revenue growth weakens.
- Third, to improve total share owner return by maximising the return on investment on the company's £400 million-plus free cash flow. There are broadly three alternative uses of funds:
  - – Capital expenditure, which usually approximates to the depreciation flow and where pressure has eased as technology pricing has fallen.
  - – Mergers and acquisitions, which have historically taken the lion's share of free cash flow, and where we have made it a little more difficult for ourselves by raising the hurdle rate return on capital, in order to increase our return on capital employed. Even so, there are still interesting opportunities, particularly outside the US, where pricing remains lower 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.
  - – Dividends or share buy-backs. Given dividend cover of 4.3 times headline earnings and a dividend yield of only 1%, we can continue to increase the dividend. However, a rolling share buy-back program appears to offer a more significant benefit to total share owner returns.
- Fourth, we will continue to enhance the contribution of the parent company. WPP is not just a holding company focused on planning, budgeting, reporting and financial issues, but a parent company that can add

value both to our clients and our people. We will continue to do this through a limited group of 200 or so people at the centre in London, New York, Hong Kong and São Paulo.

Many of the initiatives we take 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 direct to parent companies. Such assignments present great opportunities for groups such as ours. It is absolutely essential that we have the professional resources and the practice development capability to serve such clients immaculately.

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

Talent remains key

Talent and its management remain the lynchpin of our reason for existence: that is what our clients pay us for. The development of our people and the way we manage that talent is a critical driver of performance; and here we continue to make significant progress. In the creation of extremely attractive working environments, with highly competitive incentive approaches, we increasingly differentiate ourselves from our competitors and confirm WPP as an attractive destination for talent.

With all this in mind, we have restructured our quarterly reviews with the operating companies, dedicating more time and attention to talent and to clients. Our recruiting efforts throughout 2003 were energetic and fruitful – we targeted and attracted top talent from within and beyond our industry. The competitive environment is not only our own industry but areas like private equity too (a factor that some UK institutional investors fail to acknowledge).

We completed the blueprint for our executive development curriculum and successfully introduced our new client leadership training program. 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 the feedback, coaching and mentoring they receive and providing for orderly succession. We continued to scrutinise and modify our compensation practices: both to offer competitive and justly-based rewards to our existing people and to attract outstanding talent from elsewhere.

The drive to develop both externally and internally an understanding of the vast resources of the Group continues to be dynamic through a raft of regular communications: our weekly *FactFiles* profiling Group resources/companies/products; our monthly public online news bulletin, *e.wire;* : our quarterly global newspaper, *The WIRE;* our annual *Atticus* Journal of original marketing thinking; and, new in 2003, our annual *CSR Review*. We also continue to expand our online communications with an improved intranet and Group website (www.wpp.com).

In property management, we continue to implement the *WPP Space Program*, which together with planned investment in property database and systems, innovative design and continuous review of key locations, seeks to improve the return on our investment in real estate. The Group continues to release surplus space from its portfolio, inherited as part of recent acquisitions, with a reduction of 1.4m square feet during the last two years, and a further release of 600,000 square feet expected during 2004.

In procurement we have set ourselves the goal of becoming the undisputed leader of procurement practice in the global advertising and marketing services industry, by delivering tangible value for our operating companies and our clients. We have intensified our internal training in this area and selected our major markets and categories for global, regional or country contracts such as IT, telecoms, facilities, travel, professional services and production, where we can make significant and near term improvements.

In information technology, we continue to integrate core infrastructure support across our offices. The Cordiant operations were quickly integrated into our IT platforms, which has allowed the operating companies to concentrate on client-related IT systems development. The

> **Talent and its management remain the lynchpin of our reason for existence: that is what our clients pay us for**

> **We continued to scrutinise and modify our compensation practices: both to offer competitive and justly-based rewards to our existing people and to attract outstanding talent from elsewhere**

convergence of transmission of electronic data, internet, wireless, IP and traditional voice telephony presents us with a further opportunity to standardise our approach to technology at the regional if not global level, taking advantage of the current overcapacity in the majority of these sectors.

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 investment management, retail, financial services and high technology, we are sharing insights and developing initiatives across our companies through The Channel, The Store, The Exchange and Digital Communications Group respectively. In sports marketing and sponsorship, the launch of *SPORTZ* has successfully supported our companies' new business initiatives in this growing area.

In key geographical markets we are increasingly co-ordinating our activities through WPP Country Managers. In addition, we are appointing a small number of WPP Global Client Leaders to co-ordinate our efforts on behalf of clients and to ensure that clients get the maximum benefit from their relationships with WPP operating brands.

Furthermore, we continue to encourage internal strategic alliances and promote co-operation to reinforce our practice development initiatives in areas such as healthcare, internal communications, and media and entertainment, and to manage our portfolio of direct investments in new media.

All these initiatives are designed to ensure that we, the parent company, really do (and are perceived to) inspire, motivate, coach, encourage, support and incentivise our operating companies to achieve their strategic and operational goals.

■ Fifth, as we move up the margin curve, we intend to place greater emphasis on revenue growth. One legitimate criticism of our performance against the best performing competition is an inability to deliver the highest levels 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. In 2003 we were one of only two of the major companies that showed revenue growth. 2004 has started well with a number of major, high profile wins.

Our practice development activities are also aimed at helping us to achieve our objective of positioning our portfolio in the faster-growing functional and geographical areas, and acquisitions so far in 2004 – in Advertising and Media investment management and in Public relations & public affairs – are also key.

“In key geographical markets we are increasingly co-ordinating our activities through WPP Country Managers”

“Our objective is to position our portfolio in the faster-growing functional and geographical areas”

Achieving our strategic priorities, referred to previously, by 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, is also critical.

We will expand our strong networks – Ogilvy & Mather Worldwide, J.Walter Thompson Company, Y&R, Red Cell, Bates Asia, MindShare, Mediaedge:cia, Research International, Millward Brown, Kantar Media Research, Hill & Knowlton, Ogilvy Public Relations Worldwide, Burson-Marsteller, Cohn & Wolfe, OgilvyOne, Wunderman, 141 Worldwide, CommonHealth, Sudler & Hennessey, Healthworld Communications Group, Enterprise IG, Landor and Fitch – in high growth markets or where their market share is insufficient.

In 2003 we strengthened our position in Advertising and Media investment management in the UK, Germany, Italy, Spain, Switzerland, Australia, New Zealand, China, India, South Korea and Ecuador; in Information, insight & consultancy in the US, the UK, Portugal and Spain; in Public relations & public affairs in the US and Sweden; in Healthcare in the US; and in sports promotion in Spain. In 2004 there will be more work to do again in the heartland of Continental Europe – France, Germany, Italy and Spain.

We will also enhance our leadership position in Information, insight & consultancy by continuing to develop our key brands with particular emphasis on North America, Asia Pacific and Latin America. We will also reinforce our growing position in media research through Kantar Media Research. This includes our investments in television audience research through IBOPE, AGB Group and Marktest, which, following even greater success in the UK and Australia, now have strong representation in 36 countries in Europe, Latin America and Asia Pacific.

In addition, we will reinforce our worldwide strength in direct and interactive marketing and research through our traditional channels such as mOne, The Digital Edge, OgilvyOne, Wunderman, digital@jwt, Blanc & Otus and Lightspeed. Where the recent compressions in financial valuations may offer significant opportunities, we will also invest directly in the new channels. Lastly, we will continue to develop our specialist expertise in areas such as healthcare, retail and interactive and to identify new high growth areas.

■ 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 disappears 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 investment management companies, MindShare and Mediaedge:cia, and our research companies. Millward Brown is already arguably one of our most creative brands.

We will achieve this objective by stepping up our training and development programs; by recruiting the finest talent from outside; by celebrating and rewarding outstanding creative success both tangibly and intangibly; by acquiring strong creative companies; and by encouraging, monitoring and promoting our companies' achievements in winning creative awards.

Looking forward

A colossal amount remains to be done – and given the pace of change that our clients face and therefore challenge us with – 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 chairman or CEO would not want this to be the case. They would want the benefits of size and scale with the responsiveness and energy of a smaller firm. For the first time new technologies enable this to be achieved more effectively and easily.

WPP is no different. We want the scale and resources of the largest firm together with the heart and mind of a small one.

“Of the three things we do – strategic thinking, creative execution and co-ordination – creative execution is undoubtedly the most important”

“We want the scale and resources of the largest firm together with the heart and mind of a small one”

As a parent company, we continue to develop practical principles and policies for charitable giving, the environment, education and support for communities, education and the arts, based on best practice guidelines. Our activities complement our operating companies' initiatives and programs in these areas. A summary of the Group's approach to corporate social responsibility can be found on pages 83 to 85.

We calculate that the WPP organisation contributed an estimated £14.9 million worth of time, skills, materials and money to social and community causes in 2003.

The grit of our people

At the beginning of 2004, for the first time for three years, the 70,000 people who work for WPP companies could look forward to a year with something approaching optimism. 2001 and 2002 were painful years; the clouds began to lift in 2003; and there's little doubt that 2004 will be an altogether more friendly experience.

But we will not forget those painful years. Too many important lessons were learned; and as a test of our people they provide compelling evidence of their quality and commitment.

WPP people battled their way through some 36 months of adverse trading conditions; and so, of course, did their competitors. But WPP emerges from those times with a stronger market share: and that is a remarkable achievement.

Nothing more graphically illustrates the talent and grit of our people than that; to continue to serve clients with such creativity, determination and good humour that they reward you with a greater share of their trust.

So on behalf of all our share owners, we are delighted to pay tribute to our people; to thank them wholeheartedly for their continuing inventiveness and resilience; and to wish them and their families well for the immediate future – which, while no less competitive, should at least be a good deal more benign. ■

Philip Lader

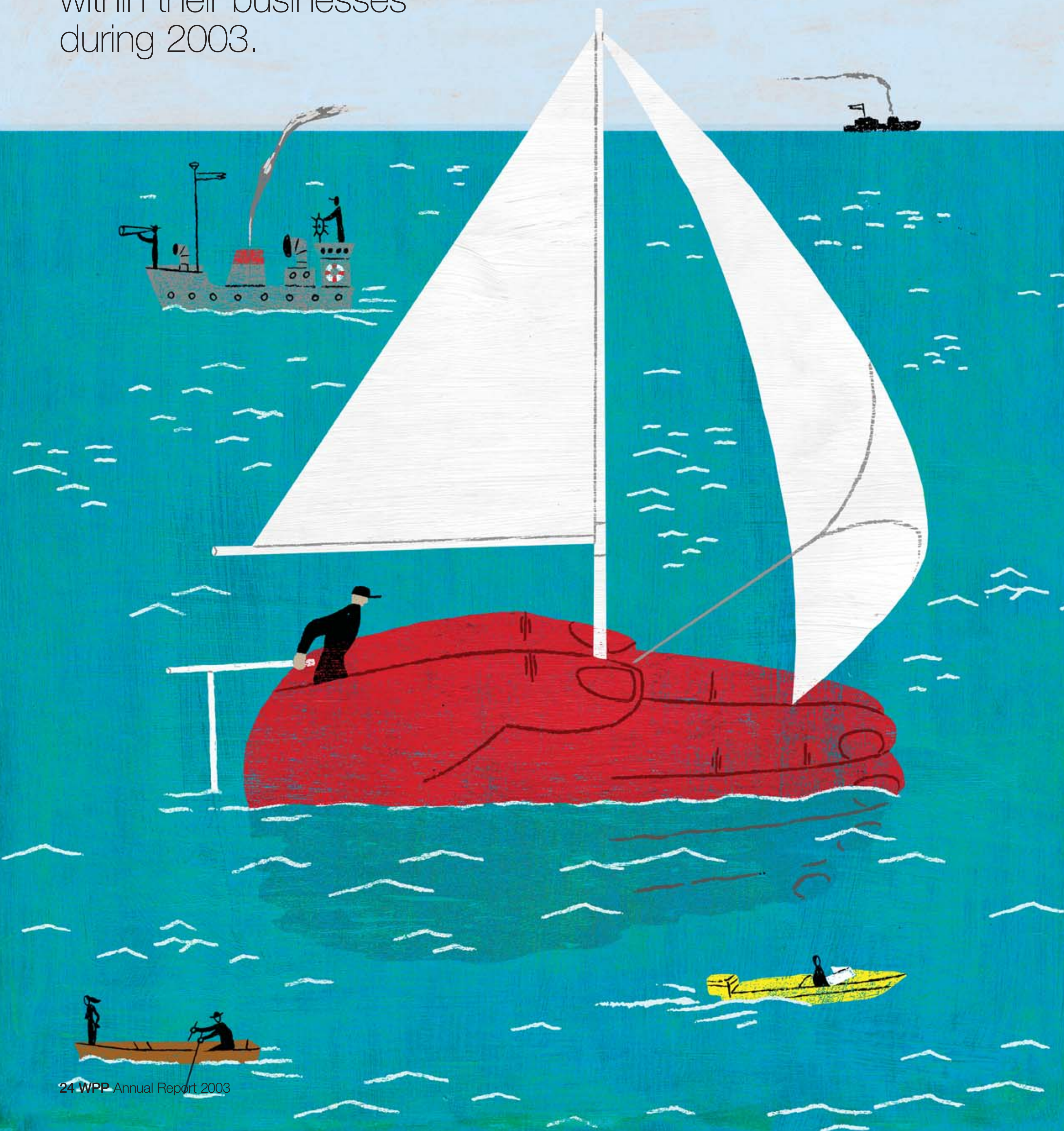
Philip Lader
Chairman

Martin Sorrell

Sir Martin Sorrell
Group chief executive

Reports from our operating brands

On the following pages, the leaders of our operating companies describe the highlights and developments within their businesses during 2003.



Ogilvy & Mather Worldwide

In 2004 we are thinking about only one thing at Ogilvy – growth.

Like everybody in the industry, we have had to survive several years in a tough economic environment. We used that time, however, to strengthen those components of our business that we expected to be the most promising after the markets rebounded.

Financial discipline has allowed us to make our budget for the twelfth year in a row and to realize a small but significant percentage growth in full-year revenue.

Importantly, our revenue growth was evenly distributed. There were bright spots in an otherwise flat North America and Europe: New York, Los Angeles, London, Paris, Barcelona, Germany, Denmark, and Italy had very good years. We remain exceptionally strong in Asia (where we were named for the third time in six years *Media* magazine's *Agency of the Year*). The big story was Ogilvy Latina, which was the best performing region this year, capping a steady four-year growth trend.

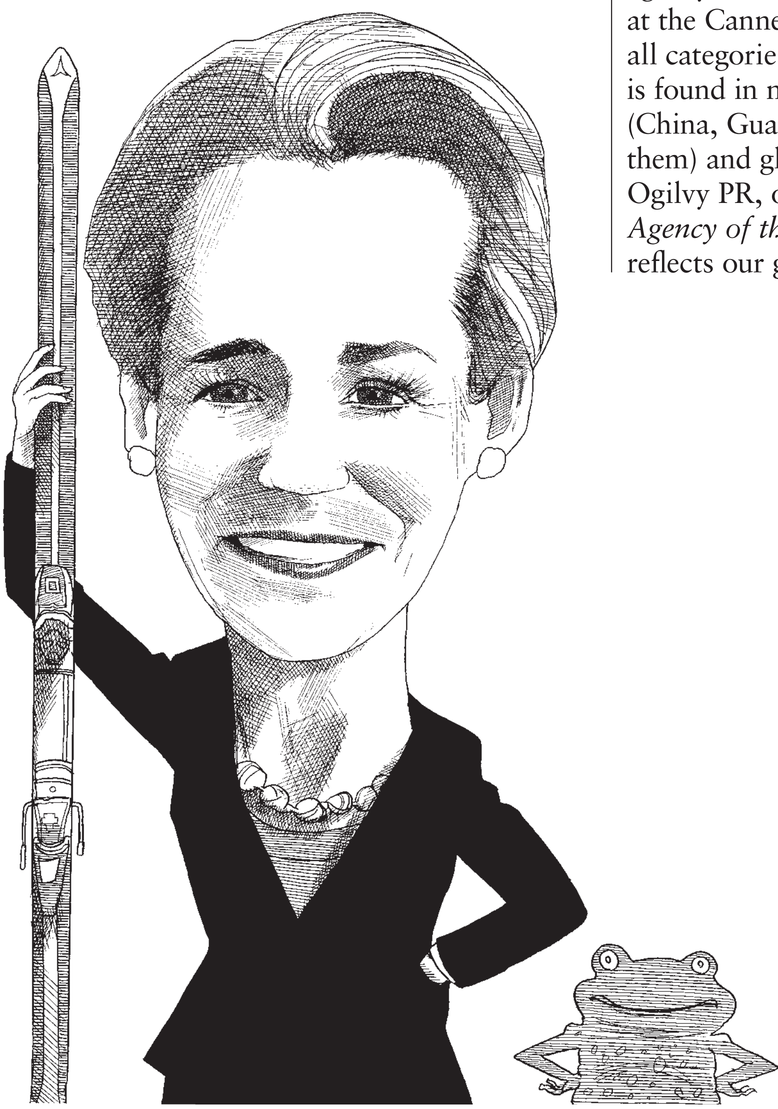
It is worth noting that Ogilvy is a very strong player in three of the largest emerging global markets: China, India, and Brazil – countries that are home to more than a third of the world's population. Our investments there offer great opportunity now and in the future.

We also have more proof that our 360 Degree Brand Stewardship[SM] strategy is on course. Nearly every major global new business win (eg, DuPont, Cisco, and DHL) was based on a 360 approach. This strategy also helped us gain new business from existing clients such as Nestlé, Kraft, Kimberley-Clark, GSK, IBM, and Unilever. Overall our new business record was gratifying at US$510 million.

More good news is to be found at OgilvyOne worldwide. Three years after the tech bust, it is now much clearer what new technologies mean for business, how new media works in the communications mix, and just how essential customer relationship marketing is to building brands. We are leaders in this arena.

Another goal has been to become best in class in delivering brands globally. With our top 20 global clients now representing more than 54% of our business, our expertise in managing global brands is clearly at the center of future growth.

We have been keenly focused on improving the work for all our clients. Again, this paid dividends. We landed more One Show awards than any other agency and we turned in a well-rounded performance at the Cannes Festival, bringing home 15 Lions across all categories. Further proof of our creative commitment is found in numerous *Agency of the Year* honors (China, Guatemala, India, Mexico, Vietnam among them) and glories. It was particularly gratifying that Ogilvy PR, our sister agency, was named *International Agency of the Year* by *The Holmes Report*, which again reflects our global 360 ambitions.



Shelly Lazarus
Chairman and chief executive officer
Ogilvy & Mather Worldwide

Interestingly, this was the year we saw "the future of advertising" debate reignite. Are new digital technologies – such as personal video recorders – and the re-emergence of the internet killing the 30-second commercial? We think that's the wrong question. It's not whether mass advertising will go away. It's how to engage all communications together to build stronger brands. That is the strategy we have been pursuing for years in expanding our capabilities in public relations, sales promotion, interactive, *et al*. Reflective of this, our current revenue split is 58% advertising and 42% non-advertising. We expect this revenue trend to continue.

The achievement of all our goals hinges on people. We are gratified by the significant stability we have in account and creative leadership. Brand Stewardship implies a certain level of seasoned expertise, and we are committed to continuing to deliver on that promise.

One clear example of that promise delivered is this year's 10-year anniversary of our award-winning partnership with IBM. Ten years ago IBM was ranked 282 on the list of the world's most valuable brands. Today it is rated the world's third most valuable brand, according to *Business Week*. We are proud of the role we have played. When IBM decided this year to consolidate all of its demand generation work globally with OgilvyOne, this was further validation of the strength of our partnership.

Four years ago, as the millennium dawned, we set ourselves a very daring goal: to be The Agency of the 21st Century. From today's vantage point we are not only off to a good start, we are ready to grow to the next level. There are challenges ahead, but we have both the will and the means to tackle them. We are extremely optimistic about our future. ■

Shelly Lazarus

J. Walter Thompson Company

Bob Jeffrey became the ninth chief executive officer of J. Walter Thompson in January 2004, the agency's 140th year. He succeeded Peter Schweitzer who assumed the post of chairman. Michael Mädel was appointed president of the company and continues to oversee Europe, Middle East and Africa as well as Asia-Pacific.

Here, Bob Jeffrey recaps 2003 and shares his global vision for the company:

Q. How did JWT perform in 2003?
We added $608 million in net new business. This includes the consolidation of the Pfizer Consumer Healthcare, Roche and T. Rowe Price accounts awarded to us after the WPP acquisition of Bates Worldwide. Importantly, we won new assignments from many of our global clients including Energizer, Ford, Kellogg's, Kraft, Nestlé, Shell, Unilever and Vodafone. I'd like to express special thanks to Peter Schweitzer who led JWT through three difficult years of recession with a performance we can be proud of.

We continued to win more global, regional and national awards, a measure of our creative vitality. JWT was honored at the 50th Cannes Festival for the four *Grand Prix* won over the years, and we took home six Lions. JWT Asia-Pacific was ranked the number one network in terms of major regional awards won. We shared top honors in the US, winning eight Effies for the most effective ad campaigns of 2003.

Q. Where does the JWT brand stand in today's communications landscape?
Being the world's oldest advertising brand, with a rich heritage, is a double-edged sword in an industry that cherishes the next new thing. Warp-speed disruptive change is the new status quo for business in general and advertising in particular. Traditional ad agencies, once the dominant drivers of marketing strategy and execution, are under siege by every form of consultant, marketing, media and brand content provider.

JWT has helped to launch, sustain, renew and reinvent great brands for the world's great marketers. Now is the time to renew and reinvent our brand. We have committed ourselves to a transformation aimed at building a more creative, competitive, nimble culture in sync with today's business and media environment. So we've launched a company-wide revitalization that builds on our fundamental strengths – geographic reach, cultural diversity, intellectual depth, blue chip clients – to accelerate our growth and success going forward. As we do, I'm convinced JWT can take the lead in reinventing our industry, restoring our indispensability to clients and reasserting our primacy in the marketing mix.

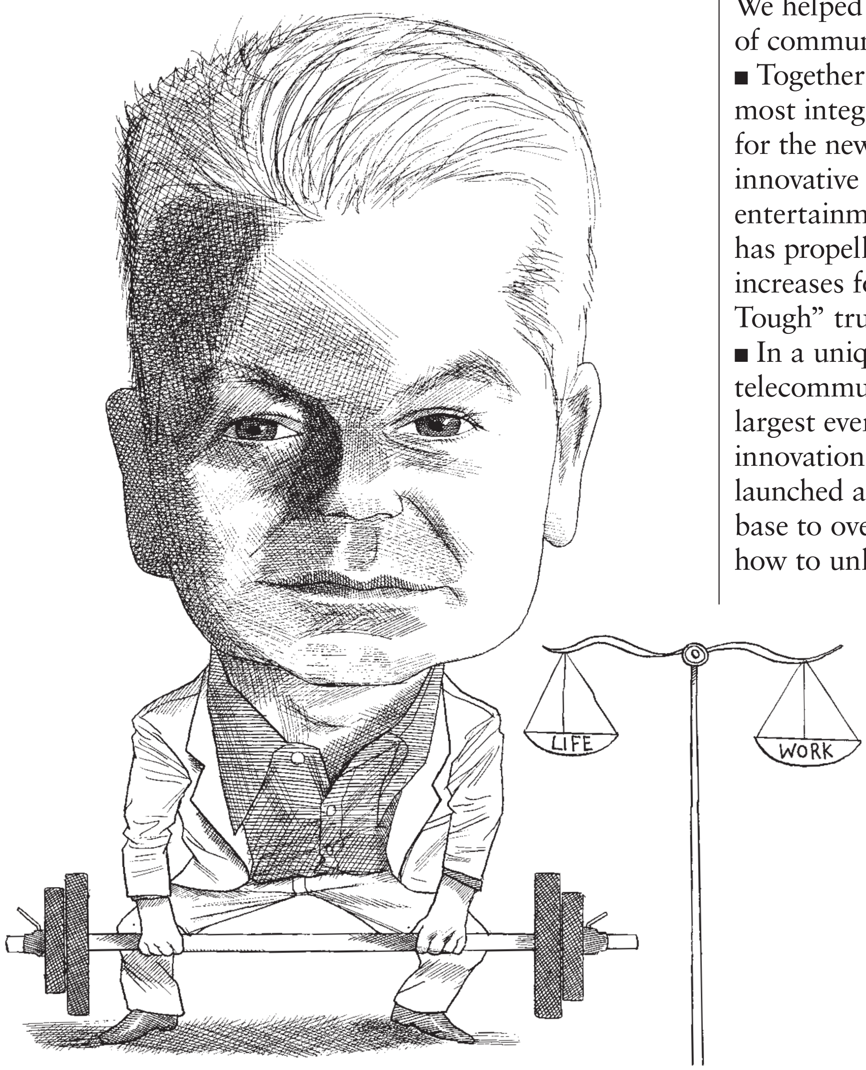
Q. What are your goals for the JWT transformation?
Our company has put creativity first on our business agenda. Distinctive, effective, popular, award-winning advertising is the key driver of our growth. Second, there's a whole new velocity behind improving our capacity to create world-class ideas that can transform our clients' businesses. We have made a significant investment in strategic planning aimed at reasserting the intellectual leadership Thompson was known for. Third, people are the cornerstone of our thrust from good to great. After a rigorous worldwide assessment, we've ushered in a sweeping infusion of top-rank talent and retained our best. Fourth, we're continuing to enhance our delivery of integrated solutions for our clients. Taken together, these initiatives will redefine the relevance of the global "network" for a new era, accelerate our revenue growth and make JWT even more famous as the destination for great clients, great brands and superlative creative work.

Q. Could you share your progress to date?
The transformation demands one unified team committed to one high standard of performance… senior leaders who can motivate, inspire and empower our people to take ownership of the goals outlined. So we've put in place a JWT company architecture aligned to our top priorities: a new Executive Committee, our senior policy-making group, and a new Creative Council, a core group of our most accomplished creative directors with the mandate to elevate our creative standards, product and talent.

In addition, we've created the Thompson Global Business Community and Thompson Account Planning Community bringing together experienced executives of two key disciplines vital to our performance. All have line responsibilities, work with clients and make a difference on a daily basis. The senior creative leadership of our largest offices has been energized with superlative talent joining us in Detroit, San Fransico, London, Paris, Frankfurt, Madrid and São Paulo, for example.

Q. You mentioned JWT's ability to create world-class ideas that can transform a client's business… could you share recent successes?
■ The Diamond Trading Company's Right Hand Ring, a diamond ring celebrating the success of the independent woman, has become a popular culture phenomenon and a runaway sales hit. The campaign springs from JWT's anthropological understanding of the prospect, the product and how consumers consume communications. We helped design the concept and create the full array of communications.
■ Together with Ford, we spearheaded the biggest, most integrated launch of any vehicle in their history for the new Ford F-150 pickup truck. The synchronized, innovative use of TV, print, outdoor, the internet, entertainment, special events and original content has propelled seven months of double-digit sales increases for this new generation of the "Built Ford Tough" truck franchise.
■ In a unique partnership with Vodafone, the wireless telecommunications giant, we are managing the world's largest ever brand migration. The company's singular innovation platform, "Vodafone Live!", has been launched across 29 markets, expanding their customer base to over 130 million users. Knowing brands and how to unlock their power is what JWT does best. ■

Bob Jeffrey



Bob Jeffrey
Chief executive officer
J. Walter Thompson Company

Young & Rubicam Brands

Changing a company name is a deliberate, strong statement. Early in 2004, we changed our name from Young & Rubicam Inc to Young & Rubicam Brands. It's a name that acknowledges our wonderful 80-year heritage, but moves us closer to the kind of company we need to be to help our client partners today and in the years to come.

The name Young & Rubicam Brands says we are a community of the world's top brands in all of the marketing communications disciplines. It also says what we do – build powerful, successful, unstoppable brands for our client partners.

The new name is a window into the many changes we have made in 2003 to create a new, collaborative model that redefines the integrated model for our times. A new way of working together collectively that is more entrepreneurial, more responsive, more creative in putting together the right people and resources to create the most potent ideas and communications for a brand.

In 2003, we took important steps towards enhancing the way we work together. As the new head of Young & Rubicam, I spent a considerable amount of time listening to key constituencies – our client partners around the world, our people and other industry members. We began recasting our infrastructure to make it easier to do better work.

We reorganized the way we deliver resources to our global client partners, so that we are nimble and flexible enough to invent and re-invent our client structure to mirror their organizations and meet their evolving needs. We sharpened our technology so we can function as a true global network – and held our first global webcast that brought together all of our people for an interactive meeting.

We recommitted ourselves to *BrandAsset Valuator*® – our proprietary brand management tool – to make sure that all our client partners benefit from this 10-year, multi-million dollar investment in brand knowledge.

We drew from the principles of Lean Six Sigma to streamline processes so that we have more time and space to be creative.

We rebuilt our new business machine so that we are delivering the right people, resources and ideas to prospective client partners. We redefined our goals and targets for building new business. And early in 2004, we had our first major win as Young & Rubicam Brands – the customer relationship marketing assignment from Microsoft – which will tap into the people and resources of a number of our brands.

Y&R

The year 2003 brought significant change and forward movement to Y&R. In March 2003, Michael Patti joined the agency as its worldwide creative director and as chairman and CEO of our flagship New York agency. He immediately began to focus on sharpening our creative product, re-invigorating the creative process and people and attracting some great new talent to the agency. At the same time, he built a new management team and strengthened the infrastructure of the New York agency. The agency also made a commitment to growing its healthcare practice to meet the increased branding challenges pharmaceutical marketers are facing.

Across the US, the agency network won some important new accounts and was involved in major new campaign work for many clients. With the arrival of ChevronTexaco early in the year, Y&R San Francisco set to work immediately as the headquarter agency for the global assignment. The San Francisco office also won the Jacuzzi business. In Irvine, the group of companies launched a new corporate identity for Jaguar, returned Range Rover to TV and partnered with Mattel to launch a new toy category. In Chicago, the agency launched the new Miller Lite work. Recognition for the agency came from *Ad Age*, which named Chicago one of the top 10 creative departments in the US. In Canada, new business wins included Kentucky Fried Chicken, Pizza Hut and Taco Bell, Peller Wines and the Northern Reflections Retail Group.

In 2003, Eddie Gonzalez was named the chairman and CEO of Latin America. In the first half of the year, several operations were restructured and consolidated, strengthening the network. Overall, the region continued to have solid operations in most of the key markets. Growth from client partners – including Colgate, ChevronTexaco, Danone and Telefonica – produced strong performances in both Chile and Mexico. Argentina performed better than expected, and both Mexico and Uruguay also felt the positive impact of the additional new business wins of Ancel, Grupo Bimbo and Avon. The year ended on a powerful note, as Y&R Latin America entered the final stages of the merger with Newcomm Bates in Brazil. As a result of the merger, Y&R Brazil is expected to emerge as the number one group in the country, and we believe Y&R will be established as the second largest network in Latin America.

Under the new leadership of chairman and CEO William Eccleshare, the EMEA region underwent significant reorganization followed by major improvements in performance. New management teams were installed in Germany, Spain, The Netherlands and Turkey, and EMEA headquarters was rationalized and strengthened with new regional roles for finance and operations, new business, client service and human resources.

New business wins for EMEA included: The Glenlivet and Carlsberg sports promotion (both global, and led by France and the UK respectively), Hoover Candy, Telecom Italia and Lottomatica (Italy), Euromillions (France), Czech Telecom and two major accounts in Africa – M-Tel and the Kenya Post Office. The region tallied 44 major creative awards, 19 of which were in international competitions, including four Cannes Lions. An early 2004 initiative saw the launch, of a communications planning joint venture with Mediaedge:cia, called Nylon.

Dentsu Young & Rubicam, Y&R's joint venture with Dentsu in Asia, implemented a range of strategic decisions designed to help the company capture a greater share of the world's fastest-growing and most dynamic advertising market.

Following the appointment of Chris Jacques as the new CEO of DY&R Asia, the company relocated its headquarters from Singapore to Shanghai, becoming the first multinational agency to headquarter its regional management in China. The agency also invested in world-leading creative resource with the appointment of one of the region's most famous and awarded creative directors, Tan Shen Guan.

In the rest of the region, DY&R won major new business in Australasia and South East Asia, and carried out important management changes to strengthen its operations in Taiwan, the Philippines, South Korea and Thailand. These changes and investments have helped to make DY&R one of the most competitive agencies in the region for 2004 and beyond.

In December, we launched a new brand identity. Here too, the name change is emblematic of the greater changes we are making to meet the challenges of our client partners today. We have dropped the word "Advertising" from the agency name, in recognition that our client partners need, as we now say: "Ideas before advertising. Ideas beyond advertising." We see ourselves as catalysts – what we add to our client partners' business must spark growth, must unleash a brand's full potential. New energy is pulsing across the entire network.

Wunderman

Whether it was a model for effective global account management, new standards for creativity or innovative solutions, bold industry leadership best characterizes Wunderman in 2003. As a result, client partners renewed contracts and the new business pipeline filled with opportunities faster than in the past.

Large, multinational accounts, such as Ford, Citibank and AT&T, continued to anchor many offices. Simultaneously, local and regional accounts, such as Vodafone in Europe and Foxtel in Australia, added critical mass.

Wunderman companies, including KnowledgeBase Marketing, won significant new business from AT&T Wireless, Burger King, Canada Post, Caterpillar, Harley-Davidson and Physicians Mutual. Wins from AstraZeneca and Bayer Healthcare reinforced our stature in the important pharmaceutical category.

We were equally successful in expanding current accounts. Motorola expanded significantly in Asia and Europe. ChevronTexaco grew substantially in Asia. Pfizer added brands and geographies in the US and Europe. Telefonica grew four-fold in Latin America and Europe. Continued investment in our database and processing operations resulted in new engagements from Mutual of Omaha and PacifiCare-Secure Horizons, which bolstered our expertise in the insurance sector.

Wunderman's commitment to enhancing the creative product was never stronger. Wunderman CEO Daniel Morel served as president of the Lions Direct jury at the Cannes International Advertising Festival. Within Wunderman, the global creative talent community grew stronger through the annual Global Creative Directors Meeting and *The Lester Wunderman Award for Marketing Innovation*, internal initiatives that invigorate the creative process with daring ideas.

Working across lines of business, Wunderman merged its direct media capability with Mediaedge:cia's robust media planning and buying resources so client partners now benefit from channel-neutral media planning and buying.

We enter 2004 confident in our ability to influence the individual customer experience across all channels and media.

Burson-Marsteller

For Burson-Marsteller, 2003 was a year of gold-standard performance for clients, exceptional teamwork across its global network, and industry milestones that further solidified the firm's proud heritage and commitment to excellence.

Burson-Marsteller was honored as *PR Week*'s *Large Agency of the Year* in the US and singled out as the *Asia Pacific Network of the Year* and *Beijing Consultancy of the Year*. The leading global communications firm celebrated its fiftieth anniversary with founding chairman Harold Burson, who was also honored by the Boston University College of Communication with the Harold Burson Chair in Public Relations. This is the first endowed chair at the College of Communication.

Five clear strategies guide Burson-Marsteller's business: gold-standard work for clients, aggressive global new-business development, consistent financial performance, the development of our people, and investment in thought leadership and innovation.

Burson-Marsteller continued to expand integrated partnerships with its largest global clients such as Accenture, Altria Group, AstraZeneca, Aventis, GlaxoSmithKline, Pfizer, SAP and the US Bureau of Engraving and Printing. Direct Impact (grass-roots public affairs and marketing) and BKSH & Associates (government relations) were among Burson-Marsteller's partners in these integrated assignments. Some of the world's largest brands that selected Burson-Marsteller for the first time or entrusted the firm with new assignments include HP, Intel, Johnson & Johnson, Shell Group, Wal-Mart, Washington Mutual, US Postal Service and VISA International. Burson-Marsteller also won new assignments from the Beijing Olympic Organizing Committee.

Technology, healthcare, advertising, corporate responsibility and US Hispanic capabilities were important growth areas. Burson-Marsteller launched *PRePARE* (online crisis management resource), and specialty groups focused on biotechnology and litigation. BKSH & Associates, Burson-Marsteller's government relations services firm, and Stonebridge International formed Civitas Group to provide advisory services on homeland security issues.

Burson-Marsteller released CEO/corporate reputation research in the US, Mexico, Belgium, The Netherlands, Denmark, Germany, Norway, Sweden, Switzerland, Australia and the UK. Other thought-leadership initiatives included the publication of *CEO Capital, Enlargement 2004 – Big Bang* and *Aftershocks, A Guide to Effective Lobbying of the European Commission* and a study focused on NGO perspectives on corporate reputation/responsibility.

Burson-Marsteller continued to deepen and expand its commitment to employee training and development. The firm delivered more than 240 training programs taught by its senior leadership around the world. Burson-Marsteller continued to institutionalize its newly developed *B-M Way* global training series with specific focus on the *Leading Growth* and *Leading Value* programs. The firm also helped introduce *Maestro*, the new WPP training program, for senior client leaders. Other career development activities included new approaches to mentorship, and active participation in Young & Rubicam Brands and WPP rotational programs.

Landor

Transformation was the hallmark of 2003 at Landor. Positive change was pervasive and took many forms – from brand-led business transformation that delivered substantial results for our clients, to how Landor defines and lives its brand, as well as the leadership and direction of the company.

It all started when Landor did what few consulting firms do – acted on some of the best advice we give our clients: build the brand's strength from the inside out. To do so, Landor adopted its own global Brand Engagement program, using a process we developed to help companies define, communicate and live their brands internally. By committing to this program, Landor developed not only a deeper understanding of our own brand, but also a better appreciation for the internal challenges our clients face. That perspective enabled Landor to better communicate the value of Brand Engagement and led to partnerships with Tenaris and Volvo Trucks.

Looking back on the events and results of last year, it is clear that our core beliefs – "Thinking big, Experts, Talented team players, Change agent and Lasting impact" – are not only aspirational but also very true to the Landor brand. These beliefs came to life as Landor grew and evolved throughout 2003, starting with several planned management changes.

We implemented a succession plan that smoothly transitioned the chairman and CEO responsibilities to Craig Branigan. Soon after, in recognition of the growing importance of Europe and the Middle East and the significant contributions those regions make to Landor's business, Charlie Wrench – managing director of Landor London – was appointed president of Europe and the Middle East. Our commitment to that region, as well as our clients, was demonstrated again when our Cincinnati and European executive teams partnered to establish our Geneva office in order to deepen our relationship with a major global client.

These and other strategic changes supported Landor as we continued to deliver powerful creative work throughout 2003. Our work is what makes us a truly valued partner to our clients around the world – proof of which we witnessed through real growth in our ongoing partnerships with companies like Diageo, FedEx, Kraft, Microsoft and Altria.

Walter Landor's legacy of powerful design is an honor we strive to live up to and earn every day through the innovative work we create for our clients. Among our work that was released in 2003 is: Austrian Air, Bonduelle, Brand Jordan, California Agriculture Department, Gulf Air, Hartmann, Jack's, Jaguar, Lipton, NextiraOne, Panasonic, Smirnoff, Tiki, the US Bureau of Engraving & Printing, Vit and Whisper; and our award-winning work on Frito-Lay, Lincoln and NCAA. Landor was also recognized with an award from the Nielsen Media Group for *Landornet*, which was named one of the top 10 best-designed intranets in 2003.

Sudler & Hennessey

In our constant drive to maintain a position of industry prominence, 2003 was a year of positive change for Sudler & Hennessey. Leadership changes in two key offices were made during the year to reinforce the company's strength in both regions. In New York, Louisa Holland, a 19-year veteran of the agency's medical education division, IntraMed, and Dr Jim Metropoulos, previously chief strategy officer, were promoted to co-presidents of S&H in New York. In Sydney, Rob Rogers, a former S&H creative director, was brought back to become general manager of S&H Australia.

The Sudler & Hennessey Group continued to grow in both established as well as emerging markets. In New York, the IntraMed Educational Group took a proactive role and became an industry leader in addressing the needs of the AMA, FDA and OIG in separating accredited from promotional medical education. The agency also acquired the FCG Institute, one of the industry's leading continuing medical education (CME) providers, and HealthAnswers, one the healthcare industry's premier sales training groups. S&H also expanded its CME efforts through the expansion of NextHealth, its European CME division in Italy and France. In Asia, S&H continued to grow its offices in Shanghai and Mumbai.

The global network of Sudler & Hennessey continued to help support key US and global product launches in 2003, including Namenda, the new treatment for Alzheimer's Disease from Forest Laboratories; Crestor, the hypercholesterolemia drug from AstraZeneca; and Cypher, the drug-eluting stent from Cordis. In addition, S&H offices were awarded new global assignments from Aventis Pasteur, Boehringer Ingelheim, Fresenius, and Merck along with key US assignments from Abbott, AstraZeneca, Berlex, Columbia Labs, Pfizer and Roche/GlaxoSmithKline.

The network offices were once again recognized for their creative efforts, with various prizes from the Rx Club, Globals and HAAG awards competitions. In addition, S&H Group was awarded *Best Self-Promotion Campaign* and *Best Professional Campaign* by *Medical Advertising News*.

The Bravo Group

For The Bravo Group, a multicultural group of agencies, 2003 marked the beginning of greater collaboration and transition to a fully integrated brand group to face the challenges of the rapidly changing multicultural market. The group takes its name from Bravo, the leading agency in the US Hispanic market for 10 consecutive years, under the leadership of Daisy Expósito-Ulla, who became chairman and CEO of the expanded multicultural organization known as The Bravo Group. The group is comprised of Bravo, Kang & Lee, the leading US Asian agency, Mosaica and Mendoza Dillon. For the year, the group continued to show a healthy pattern of growth on both the top and bottom lines.

Bravo saw new account activity from the likes of Jaguar, Land Rover, Hertz, Miller Brewing Co. and Microsoft while continuing to expand relationships with our longtime partners such as AT&T, Sears and Kraft Foods. Bravo and Kraft partnered to create Celebremos Los Libros, a program to promote literacy among Hispanics, which was named *Best Cause-Related Campaign* at the Latino Marketing Awards. Kang & Lee realized new account growth with the addition of TD Waterhouse and H&R Block. Mosaica, a multicultural agency working in the Hispanic, Asian and African-American markets, continued to expand its relationship with ACH Foods and partnered with Y&R to add Campbell's Soup Co. Mendoza Dillon, a longtime player in the US Hispanic market, joined the group in 2003 from its previous position in WPP's Specialist communications sector.

The group continues to invest to improve our competitive edge. In 2003, it launched 20Square, a full service edit and post-production facility.

Looking ahead to 2004, The Bravo Group is in the right position with two of the leading agencies in their respective markets as cornerstones to our multicultural group. It is determined to constantly refine its vision and strategic platform for competing in the rapidly changing multicultural market.

Cohn & Wolfe

Cohn & Wolfe came roaring back from the events that plagued the public relations industry in recent years. Operating margins and profitability significantly exceeded the firm's worldwide financial plan due to prudent cost management, greater billability, local market restructuring, and a number of important new business conquests, including some significant multi-office network wins.

Milestones for 2003 included acquisition or growth of these important clients: LG Electronics, ChevronTexaco, HP, Merck's Fosamax, Pfizer's cardiovascular portfolio, Sears, Samsung, Epson, O_2, Diageo and many major pharmaceutical companies.

In addition, Cohn & Wolfe has completed development of its new proprietary research-based MindworX brand planning tools and also conducted creativity and strategic problem solving training for 100 percent of its worldwide staff.

Perhaps the most rewarding highlight of the year was the firm's recognition by client organizations in the annual *Harris Impulse Study* of public relations firms. Cohn & Wolfe ranked first in overall performance among all US agencies.

Robinson Lerer & Montgomery

Robinson Lerer & Montgomery, a New York-based strategic communications company, continued its extraordinary track record of providing senior management of US- and overseas-based corporations with high-end services encompassing long-term corporate positioning campaigns, crisis management, regulatory and governance issues, bankruptcies, and mergers and acquisitions. For the year, Robinson Lerer & Montgomery turned in very strong financial results. ■

Ann Fudge

Ann Fudge
Chairman and chief executive officer
Young & Rubicam Brands

Red Cell

For Red Cell, 2003 was a year marked by growth, recognition and great strides towards becoming a competitively differentiated network.

For a network that places entrepreneurialism and creativity at the heart of its business strategy, 2003 was the year when those beliefs began to yield tangible results. Through a combination of organic growth and tactical acquisitions, Red Cell doubled in size, entering new markets and substantially strengthening its presence in key international business hubs. The result is an organisation that is becoming a credible and proven alternative to traditional networks – strong local creative agencies that can provide global communications solutions for clients, proving that you do not need to be a giant to work with one.

In January, *Campaign* magazine's *Agency of the Decade* – HHCL – joined Red Cell, giving the network the critical base it needed in London. Alongside Berlin Cameron/Red Cell in New York, the addition of HHCL, with its uniquely irreverent brand of creativity and strategy, defined by a strong entrepreneurial streak, further clarified Red Cell's positioning as a network of cutting-edge creative and strategic thinkers housed in the most exciting markets around the globe.

HHCL/Red Cell responded to its new status by embarking on a banner new business year, winning accounts from Godiva, the COI, Travel Inn and the agency's largest ever account victory, Sky. The agency's creative work received numerous plaudits from the industry and consumers alike, notably the campaign for Unilever's Pot Noodle, which won the Marketing Society's *Best Communications Award* and *Campaign of the Year* at the Marketing Effectiveness Awards.

No single office in the network – and possibly the world – enjoyed the growth of Red Cell's New York flagship, Berlin Cameron/Red Cell. The agency more than doubled in size in terms of billings yet retains its lean, entrepreneurial ethos and hunger. This remarkable new-business performance began in February when Coca-Cola named Berlin Cameron/Red Cell as agency of record for Coca-Cola Classic. The agency's "Real" campaign was touted as the best work for Coke in years, according to *Ad Track*, an exclusive consumer study conducted for *USA Today* by Harris Research.

The new business streak continued throughout the year. Berlin Cameron/Red Cell added major brands from blue-chip clients such as Pfizer, Nextel, White Wave, Pernod Ricard and Tasty Baking, while at the same time strengthening and deepening its senior management. For its quantitative and qualitative growth, Berlin Cameron/Red Cell was recognized by both *Advertising Age* and *Adweek* as *Agency of the Year* for 2003, only the second time that a single agency has won this double accolade.

In 2003, the network's close relationship with Batey, one of the premiere agency groups in the dynamic growth markets of Asia, continued to strengthen. Batey provides Red Cell with excellent coverage in this region, including three new offices in China.

As part of WPP's acquisition of Cordiant, Red Cell incorporated 18 of the former Bates agencies into the network, effectively doubling our key presence across Europe, adding famous and promising agencies in Scandinavia, Eastern Europe and the Iberian Peninsula.

At the very end of 2003, Andy Berlin, co-founder of Berlin Cameron/Red Cell, was named chairman and chief executive officer of Red Cell. Joining Berlin this year in network management were global chief operating officer Laurence Mellman and Amanda Walsh, one of the UK's most-respected and accomplished women in advertising, who joined as Red Cell's European chief executive officer. The team is focused on improving the creative product and integrating and consolidating Red Cell's new agencies.

Red Cell's client roster already includes many of the world's best-known companies: Alfa Romeo, Aventis, Coca-Cola, Diageo, Hewlett Packard, Microsoft, Nestlé Purina Petcare Co., Nextel's Boost Mobile, Nike, Nikon, Nokia, Pfizer, Safeway, Singapore Airlines, Singapore Tourist Board, Unilever and White Wave.

With strong, highly accomplished flagship offices in key markets, and a deep, experienced management team, we hope that Red Cell will enjoy more than its fair share of international growth in the years ahead. ■

Andy Berlin

Andy Berlin
Chairman and chief executive officer
Red Cell

Bates Asia

Bates Asia has a lot to be proud of. Throughout 2003 Bates Asia held its own against all the uncertainties which surrounded it. With a group of very committed senior management executives, we maintained both client and staff stability in our 26 offices, spanning 12 countries, with Bates, 141 and XM (our advertising, integrated marketing and interactive agencies respectively) continuing to score with award-winning work at Cannes, New York Festivals, Clios and the key Asian festivals.

Bates Hong Kong was the most awarded agency at the thirteenth Times Asia Pacific Advertising Awards, and the LongXi Awards. 141 Singapore was the world's most awarded promotions agency at the Globes 2002 and was the runner-up to the *Asia Media & Marketing* below-the-line *Agency of the Year* Award.

We also helped win market share for our clients. After taking Nokia mobile phones to number one in Asia, Nokia became number one in China in fourth quarter 2003 – the world's most important GSM market. Heineken goes from strength to strength in the region, with incredible volume growth in Malaysia and taking the number one place as the preferred premium beer in Vietnam.

Now, under WPP ownership, we have a clear plan to "Refocus, Refresh and Rebuild" in 2004.

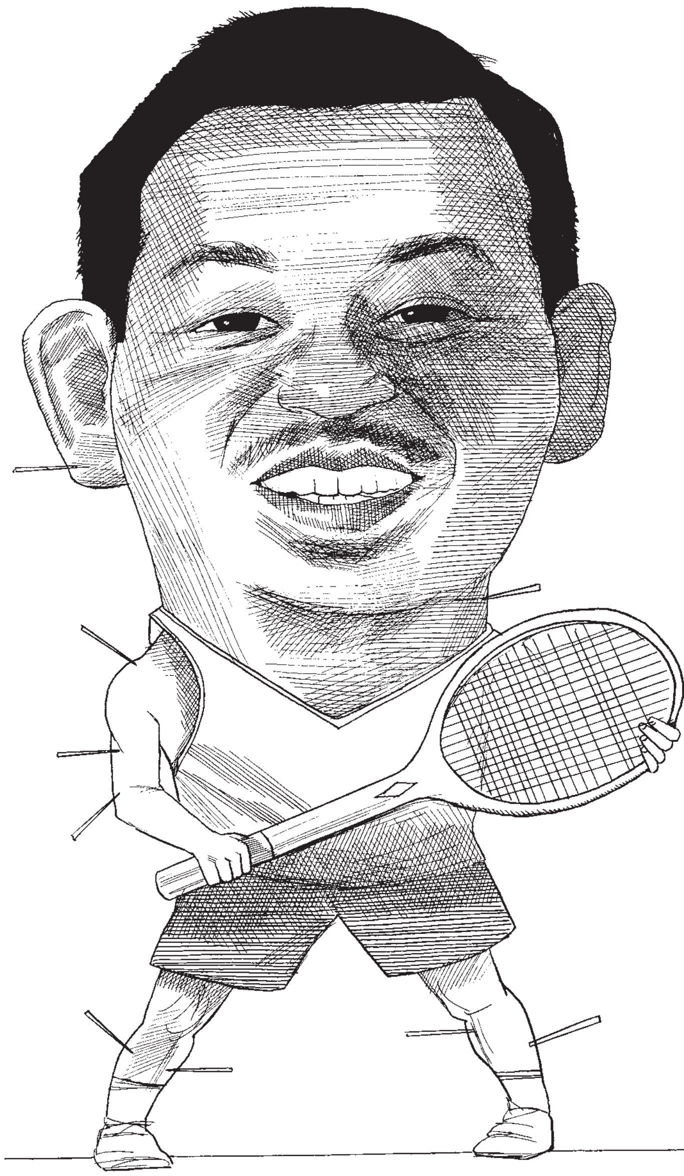
We have refocused. Bates is now an Asian network, committed to providing the most relevant solutions in the world's fastest growing communications markets. 141 and XM retain their reporting line to Bates Asia so that our clients continue to enjoy the integrated experience that we are known for and which is especially critical in Asia.

We are refreshed. We have defined our new space: we are best at delivering local solutions to large local and international clients, clients who recognize that markets and consumers often vary and need special attention. We have launched a new corporate motif featuring grains of rice which represents our Asian origin and yet our diversity. The Thai jasmine rice is different from that of the Japanese, and yet speaks the same language. We celebrate relevancy over consistency.

And we are in the course of rebuilding ourselves. We are developing sharper strategic and creative tools that take advantage of our positioning and our proximity to both the markets and the consumers. We are embarking on a new training program that will glue the Bates Asia team both professionally and culturally.

We have set ourselves a three-year time frame to succeed. The road has never been easy but we are very confident that we will get there. ■

Jeffrey Yu



Jeffrey Yu
President
Bates Asia

GroupM

Last year, the world's leading full-service media investment management entity was created when WPP consolidated its media assets under GroupM. GroupM is a parent company that operates MindShare and Mediaedge:cia, integrating management from the senior ranks of both companies.

The intelligent management of size and scale brings huge benefits to clients and further effectiveness and efficiency to our own operations. Greater scale allows for increased investment in leading-edge practices, processes, and tools. Importantly, we also focus on the intelligent use of scale in trading where we share substantial resources to exploit fully our combined marketplace leverage for the benefit of our clients, while always maintaining client conflict sensitivity.

GroupM operates the agencies as companies within agreed strategy and within the financial targets of GroupM and WPP. Each retains separate management empowered and accountable for P&L delivery and for ensuring that we maintain client confidentiality and conflict sensitivity as the businesses move more closely together.

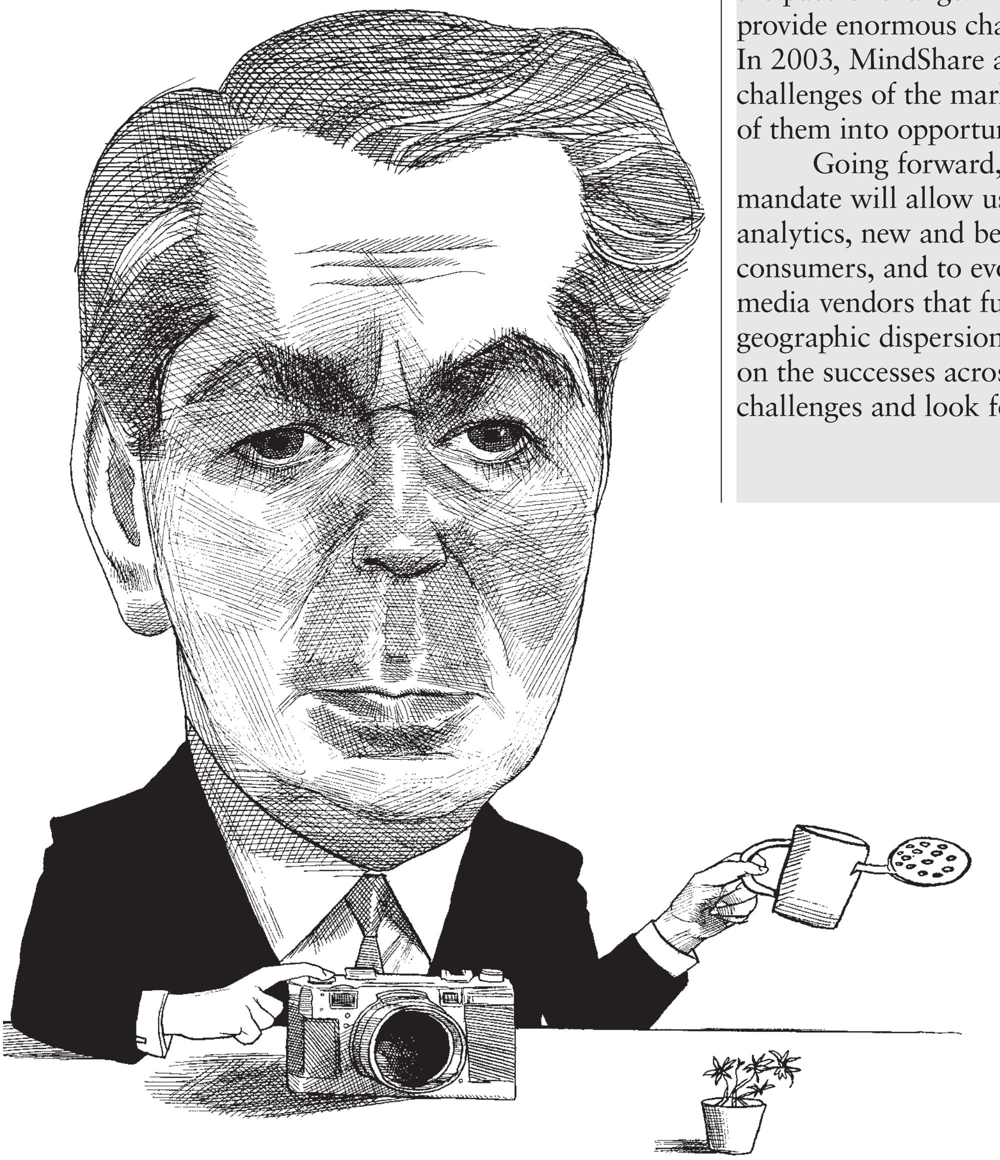
The achievements of GroupM's inaugural year are reflected in the successes that Mediaedge:cia and MindShare enjoyed in 2003. These successes are relayed in the following sections by the respective managements of MindShare and Mediaedge:cia who not only contributed to GroupM strategy, but with their colleagues around the world, began its implementation.

As we enter our second year, GroupM is progressing with plans for the formation of a new network which will take its place alongside MindShare and Mediaedge:cia and allow GroupM to manage growth into the future. The new network, called MAXUS, will be powered by GroupM and take full advantage of the shared resources with the Group.

The context in which the media agencies operate is growing increasingly complex. Fragmentation, technology, deregulation, massive consolidation among media owners, and ever-evolving consumer media consumption patterns and behavior will drive the pace of change. These factors will simultaneously provide enormous challenges as well as opportunities. In 2003, MindShare and Mediaedge:cia met the challenges of the marketplace and converted many of them into opportunities.

Going forward, the structure of GroupM and its mandate will allow us to develop even more advanced analytics, new and better ways to communicate with consumers, and to evolve relationships with global media vendors that fully leverage our scale and our geographic dispersion. We will continue to build on the successes across our networks. We relish the challenges and look forward to the opportunities. ■

Irwin Gotlieb



Irwin Gotlieb
Chief executive officer
GroupM

MindShare

In our mission statement we talk about "realising the potential" of our clients' investments. In 2003 we truly realised our own potential! It was the year when MindShare really came of age.

Each of MindShare's five previous years had shown significant growth in performance, in market share and in reputation. We had become a market leader in many places and had made great progress in developing our products and services. But in 2003 we also became a brand leader. We were voted *Agency of the Year* in most countries where they have such awards and were *Global Agency of the Year* in the annual *Ad Age* competition. This is great testament to our people, our clients and our partners in the advertising agencies, research agencies and media companies with whom we work collaboratively and progressively every day.

Looking ahead, the challenge, of course, is to keep up this momentum and growth in a market which is still uncertain. The media business continues to change rapidly and our first duty as a service business is to shape and harness this change for the benefit of our clients around the world. In anticipation of such rapid change we are particularly pleased to have grown very quickly in countries which will become the new economic superpowers such as India and China. Indeed these have been two of our fastest growing markets in the world. In China, for example, we launched three new agencies in 2003 to take advantage of the strengthening provincial structure of Chinese business and thus we are very well placed for further growth in that key market.

In fact our network now comprises 87 agencies in 63 countries. Beyond these numbers one of our great competitive strengths is the very even spread of this resource around the world. We have none of the geographic 'imbalance' which hobbles our competitors. This is crucial as we anticipate that more and more clients will consolidate their media accounts globally, or at least regionally. Indeed this trend has already started to gather pace and we forecast further major consolidations in 2004. So a media agency does not just require volume nowadays, it requires it all around the globe.

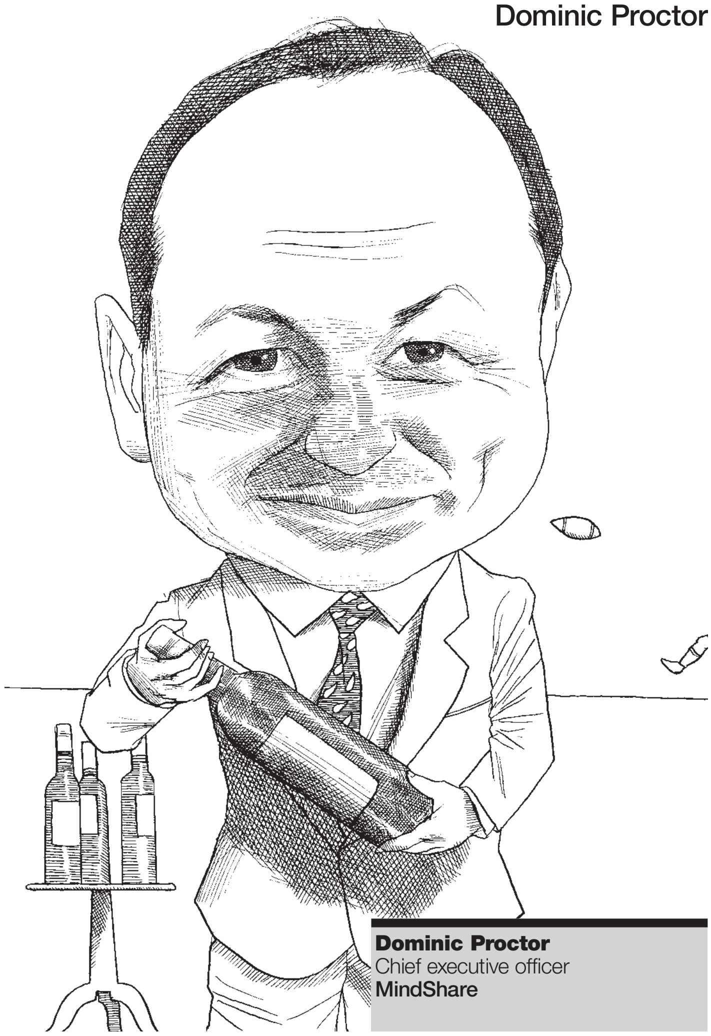
Our products and services also need to evolve at the same pace as our network, if not quicker. For example we have invested heavily in a new 'channel planning' technique, *MindSet*, for measuring over 60 communications channels from the same platform. People all around the world are given a PDA that records hourly real-time exposure combined with mood, time and place. The channels it measures cover everything from transport media through to direct marketing messages and sports sponsorship. All the traditional media channels are also covered. It even covers retail which is of increasing interest to our clients. We have also developed a revolutionary planning system from the research which will enable us to bring fantastic insights into our clients' businesses. This really is brand-leading work.

Accountability and creativity are the twin foundations of our 'House of Media' and we will continue to invest heavily in both. Our Advanced Techniques Group continues to grow as our clients seek to discover more about the optimum deployment of their investments and the returns they generate. Generating efficient strategies and executing them brilliantly will always be at the very heart of what we do whether this is at MindShare or our sister companies such as mOne, MAXUS, The WOW Factory, Motivator or Portland.

We also developed BroadMind and Performance, our sports and entertainment consultancy businesses in 2003 because 'content' is increasingly at the heart of our proposition. Clients used to be mainly focused on finding efficiencies in their media investments. Now they are focusing on where those efficiencies can be invested in content and properties which will distinguish their brands and businesses from their competitors. We have moved well beyond a simple number-crunching business and firmly into Hollywood.

The media markets are showing signs of growth again, and as brand leaders we will continue to innovate and to find radical and effective solutions to our clients' problems. With the momentum, strategy, people and clients we have within MindShare we are confident of another record year. It isn't getting any simpler but it is still a lot of fun! ■

Dominic Proctor



Dominic Proctor
Chief executive officer
MindShare

Mediaedge:cia

Growth

The year 2003 was a dynamic one for Mediaedge:cia and our clients – one in which we had our sights clearly set on fulfilling our mission to be the "Well Connected" media communications agency. What that means for our clients, is being able to add value to their businesses at every connection point between their brands and their consumers.

And that's a promise that resonates. In the last 12 months we have won many new business assignments, continuously, all around the world. Some, importantly, grew from well-established relationships – for example, we expanded on the number of markets or services we cover with Beiersdorf/Nivea, Bitburger, Canderel, Citibank, the COI, DHL, Henkel, H&M, Ikea, Mitsubishi, Reebok, Star Alliance and Wrigley's.

Many assignments came from new clients such as Banca Intesa, Crusha, ChevronTexaco, Czech Telecom, Finnair, Hyundai, Lottomatica, The Mexican and South African Tourist Boards, Remy-Cointreau, Schick Wilkinson, Scotts and United Airlines.

Business growth means vitality and that's a critical attribute to have – it signifies our drive to make our clients' brands successful, and our ability to invest in our people and constantly evolve our offer.

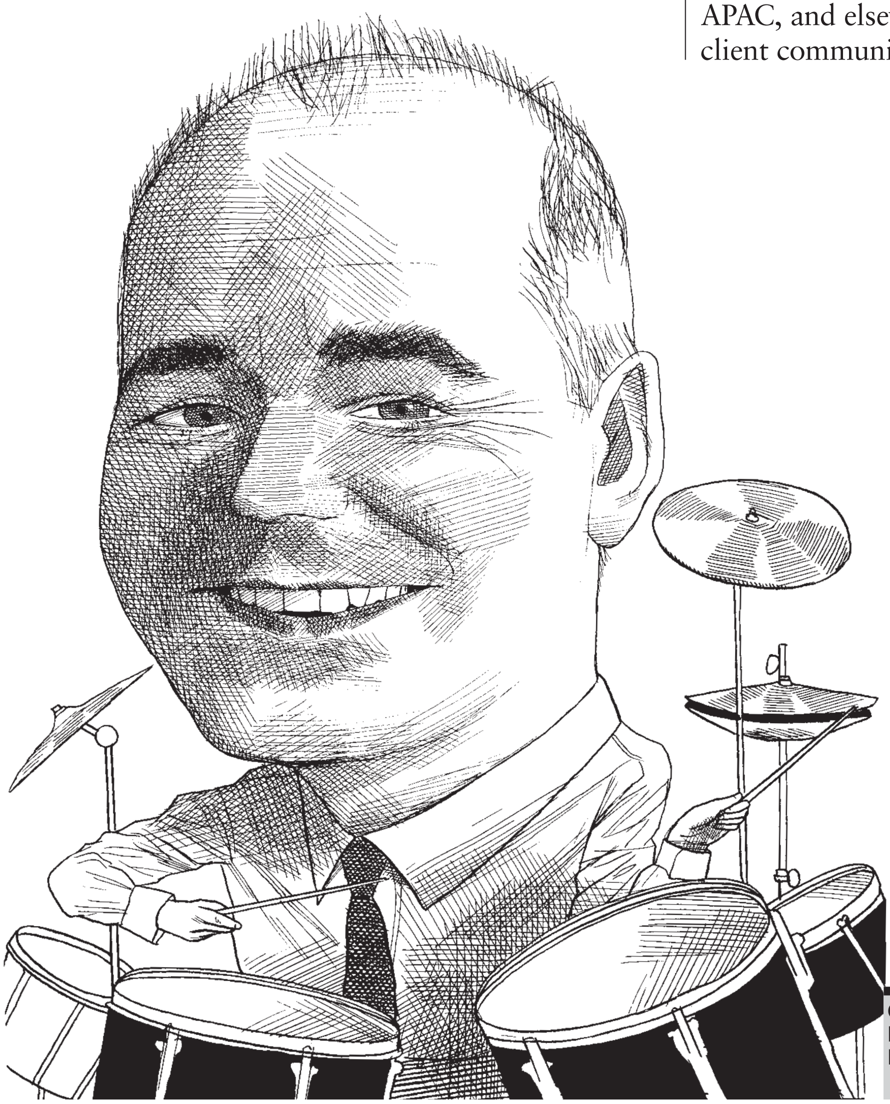
RECMA, the independent research company, recently placed Mediaedge:cia in the top three in their global vitality rankings. This success is a reflection of our cohesion and energy level as a network. RECMA called Mediaedge:cia "the most homogenous network with good competitiveness globally."

Leaders

Our people are key to Mediaedge:cia's growth: a strong and stable global management team is unified by a shared commitment to deliver great, effective work for our clients.

In 2003, we strengthened our management and agency structure in a number of ways, globally, regionally and locally. It's significant that all these changes involved Mediaedge:cia managers with a long track record with the company.

It's their belief in our vision, and their ability as a team in translating that vision in to an actionable business strategy that has brought the Mediaedge:cia brand to life. In 2003, Mark Austin, our regional CEO for Asia Pacific, laid out that vision in his book "*Is anybody out there?*" And putting our 'Communication Planning and Implementation' approach into action in APAC, and elsewhere, had led to diverse and improved client communications solutions.



Charles Courtier
Executive chairman
Mediaedge:cia

Mel Varley was appointed to our Executive Committee mid-year, in her dual role of director of MediaLab, our Insight division, and chief client officer of our EMEA-based clients, signifying the importance of her strategic input in both remits and sharpening our focus on client needs.

And in the UK, Rob Norman became chairman of our group of companies, strengthening the strategic development of another key market, by harnessing his expertise in integrating inter-disciplinary skills and services.

In North America, Charles Courtier took over direct responsibility for the whole of the North American group of companies, in addition to his worldwide chairman role, recognising the importance of the world's largest market and the unique challenges it faces in the future.

Unique offer

In 2003, we've deepened our understanding of multi-channel communication and we've engineered our structure to benefit our clients. We use our operating system, *Navigator*, right across the world to do this.

Clients now access a suite of fully integrated consultancy and implementation services, in addition to Mediaedge:cia's core offer of media planning and placement and benefit from added value at every connection point.

We gained recognition for our offer by winning prestigious *Agency of the Year* awards in The Netherlands, South Africa, Valencia/Spain and for Inserator – one of our Swedish-based Mediaedge:cia companies.

In 2003 Mediaedge:cia and Wunderman announced a strategic collaboration that led to Wunderman Media moving to our offices in New York. Together, we are jointly developing tools that integrate response management across communication platforms. Clients like AT&T and Xerox already benefit from the combined offer which is bringing increased accountability to communication strategies.

MEC:Sponsorship is now working with a range of clients on multinational sponsorship projects, including three international Olympic sponsors.

Our MEC:Digital businesses have evolved to offer a greater breadth and depth of expertise, including broadband, iTV, search marketing and Insights & Analytics.

Ohal continued to grow as a leading econometrics and modelling consultancy in both Europe and the US – probably the largest and most strategic available in the industry. The quality and value of their ROI work is shown by the fact that major clients like AT&T, Colgate Palmolive, Kimberly-Clark, Payless, Reckitt Benckiser, Sainsburys and Yum! Brands, continue to expand the number of brands and divisions for which they use Ohal.

We've led the way in giving our clients access to Hollywood properties through The Leverage Group, which has added yet another new dimension to our service offer and allowed us to develop integrated entertainment, corporate and cause-marketing activities for our clients. For example, The Leverage Group secured strategic partners for our client – The Annual Tribeca Film Festival including American Express, Budweiser, Bloomberg, GM, MTV, The New York Times, Prada and Starbucks.

All of this made 2003 a year of sustained momentum for Mediaedge:cia. One in which we brought an array of developments to fruition. Whether through investment, strategic alignment, or integration, we've put concrete actions and investments behind our vision to become the "Well Connected" communications agency.

Our focus is as strong as ever as we look forward to 2004, and we plan to continue to diversify our skill-set and services to deliver ground-breaking client work – they'd expect nothing less. ■

Charles Courtier
and Mainardo de Nardis

Mainardo de Nardis
Chief executive officer
Mediaedge:cia

The Kantar Group

There is a remarkable consistency in the way that clients feel today. Their desire for insights is greater than ever as they seek to drive their revenue growth and cut costs. They want insights which are timely, actionable and value for money. They want insights that will drive more loyal high spending consumers, that help them retain their people, that improve the success they have with retail and other partners and which help them optimize their spend.

And yet too often they complain of a research industry which is focused on data, which doesn't enable to them to connect with their customers deeply and which doesn't make as big a contribution to their business as they need.

Against that backdrop we can be proud of what we achieved in 2003. It was not as good a year financially as we would have liked – with margins falling largely as a result of difficulties in our call center business – but it was a year in which we restructured our business, proved that we can be the kind of partner that our clients desire and laid the foundations for increases in margins and a ramp up in our organic revenue growth.

In delivering on our aim to help clients find better ways of answering business questions, our focus has been in four key areas.

1. Developing our talent base

We have continued to recruit a more eclectic group of people in order to complement our existing talent base and offer clients the greater diversity and skill base they need. People such as Tamara Ingram (from Saatchi and McCann), Brian Jacobs (from Carat and Initiative), Norman Kurtis (from Accenture) and Chris Murphy (from Verizon) have added another dimension to our business.

At the same time we have continued to invest heavily in helping existing employees become better client partners.

We also have new CEOs at Research International, BPRI, pFour, icon and Center Partners – all of whom have the development of their talent at the top of their agendas.

2. Putting clients at the center of our world

As clients have sought to leverage their insights around the world and use them as a way of making decisions in a global context, so we have changed. In the past year, Research International, Millward Brown and BPRI have all set up formal global account structures and leaders.

As clients have wanted to "join the dots" and make sure that they anticipate big issues and deal with them proactively, Kantar has set up cross-company teams with Kantar client leaders to great effect with clients such as Vodafone and the Coca-Cola Company.

And, as clients have sought to tackle issues which are key to them, we have expanded our capabilities: the best example is the focus on channel and retail issues and the heavy investments we are making in strengthening and globalising the offers from Management Ventures and Glendinning.

Our client focus is not all to do with global initiatives – the UK Government's decision to renew the British Crime Survey contract with BMRB was an example of a professional and innovative approach being rewarded while the continued dominance of IMRB in India demonstrated the power of combining a variety of ad hoc and panel approaches.

3. Offering a higher quality, faster, cheaper, more innovative offer

We have made huge progress this year. Lightspeed's internet panels now provide access to more than five million respondents globally with geographical expansion being allied to Hispanic and other specialist audiences and a growing number of custom solutions for individual clients.

WebSurvey is the largest provider of physician web panels in the US, while IntelliQuest is equally dominant in the area of technology and CIO respondents. In many markets, we now interview more people via the web than we do face-to-face.

Towards the end of the year we also announced the consolidation of all our operational capabilities in the UK, a move which will enable us to invest even more in data gathering and processing. Our aim is to globalise these initiatives in due course so that we can continue to improve the quality and speed of data capture and to continue to drive out cost for our clients.

4. Expanding our footprint and developing more "must-have" offers

Innovation has featured strongly this year with our companies displaying a real thirst for pioneering new approaches.

Research International has developed an innovative tracking tool for Pepsi based on the use of PDAs at the point of consumption and has taken concept testing online through its product *e-valuate*; Millward Brown clients are benefiting from *AdSelector's* ability to have consumers discuss advertising concepts interactively in their home.

Ziment has developed *TAGZ* as a way of helping pharmaceutical clients optimize their sales force's interaction with physicians and *MESSAGEZ* to help clients refine their positioning; Mattson Jack has pioneered oncology databases; Diagnostic Research has revamped its approach to copy testing; Added Value has updated its approach to product innovation.

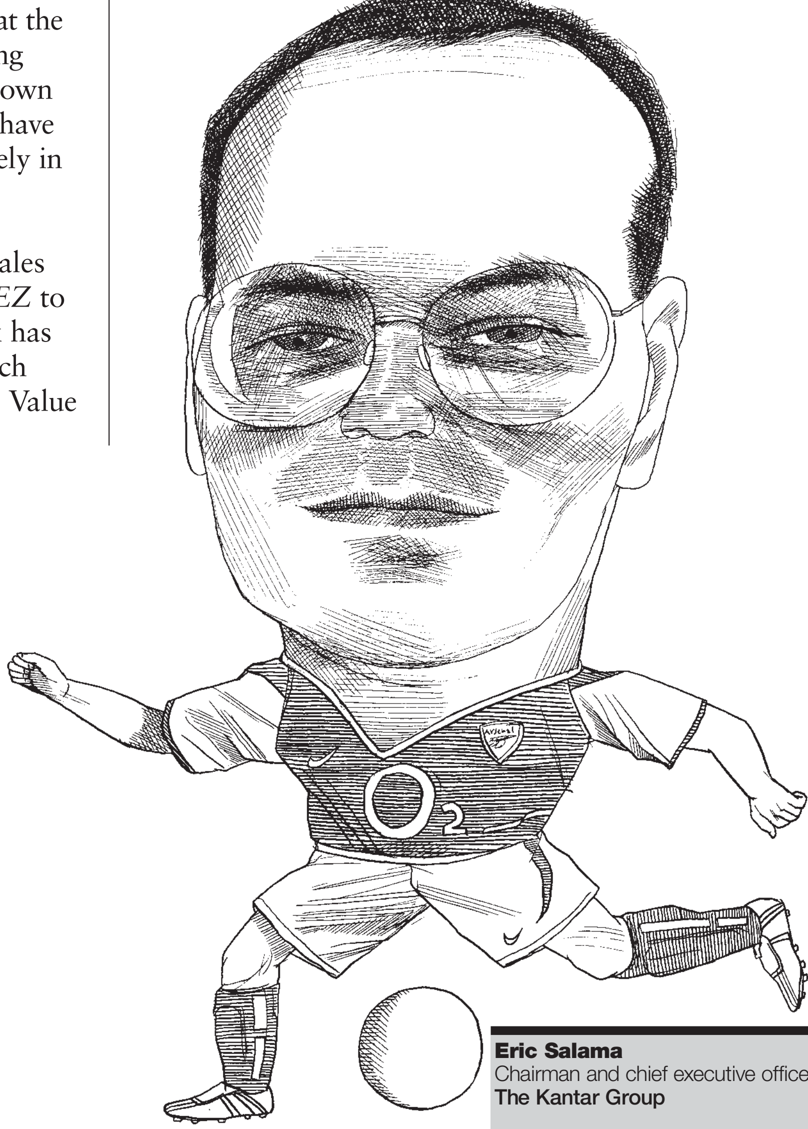
Our footprint has also expanded with the acquisition of healthcare specialist Mattson Jack, a minority stake in Portuguese media specialist Marktest and with acquisitions for Millward Brown's network of companies of Centrum in The Netherlands and Sadek Wynberg in the UK.

The Henley Centre launched *HenleyWorld* – a unique study into consumers needs and motivations around the world – and *TGI* consolidated its position as the pre-eminent media targeting tool with coverage of 52 markets.

Importantly, the coming together of three Kantar companies – icon brand navigation, Diagnostic Research and Added Value – offers the clients of those companies a global network and a fantastic array of approaches.

The proof of success lies in a higher share of client budgets and in retaining and attracting the best talent. On both fronts we have done well in parts in 2003 – our aim is to make sure that this is the norm across all of our businesses, everywhere. ■

Eric Salama



Eric Salama
Chairman and chief executive officer
The Kantar Group

Public relations & public affairs

Overview

Last year we set as a goal for the Public relations & public affairs businesses to protect, and ultimately to increase, market share, and to improve our margins. While we are able to report progress toward these goals, it is also true that 2003 saw the third consecutive year of declining PR spending, albeit at a slower rate of decline.

In the absence of reliable league tables, measuring market share has become difficult, but the best anecdotal information suggests the modest decline in revenue in Public relations & public affairs at WPP reflects industry trends. A reasonable conclusion would be that we did protect, but failed to improve, market share. Addressing the top line and increasing share are clearly priorities for 2004 and beyond.

It is gratifying that the Public relations & public affairs businesses did improve their margin by more than 2% in 2003 to 12.9%. This moves us much closer to our stated goal of 15%, and also means we were in line with the full WPP margin.

As in 2002, our most successful businesses in this category were in public affairs or were single office PR firms, including BKSH; Robinson, Lerer & Montgomery; Penn, Schoen & Berland; Buchanan; and Finsbury. Among the multi-office public relations businesses, Cohn & Wolfe had dramatic improvements over the prior two years, and Ogilvy Public Relations also did well.

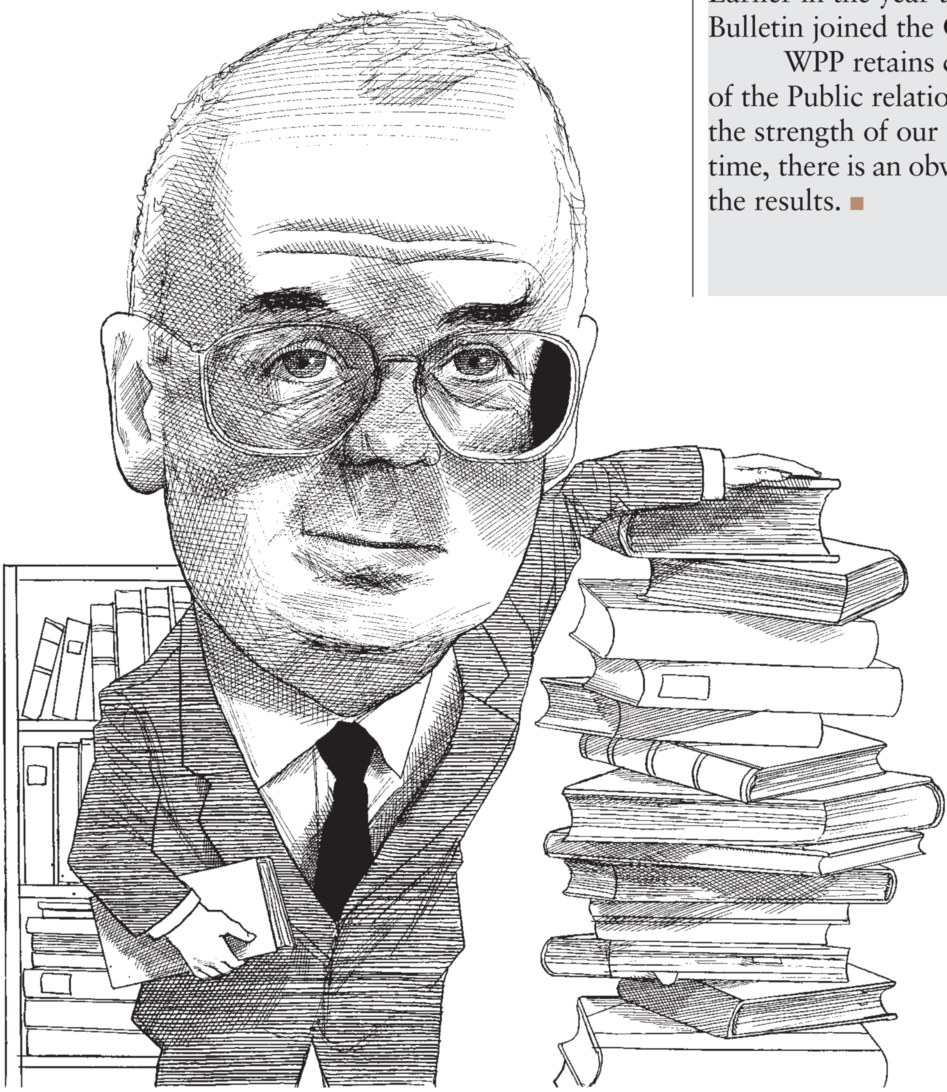
The largest businesses in this sector – Burson-Marsteller and Hill & Knowlton – continued to face difficult trading conditions. While both benefited from their significant Hewlett-Packard win late in 2002, the revenue from their largest ongoing clients did not grow year-to-year.

Toward the end of 2003 Cohn & Wolfe, Burson-Marsteller, Hill & Knowlton, and the Feinstein Kean division of Ogilvy PR cooperated on a Group-wide proposal to compete for the public relations assignment for Pfizer's market leading cardiovascular portfolio. That project, begun in 2003, resulted in an important win in the first weeks of 2004 and marks an extraordinary example of cross-agency cooperation.

Also, late in 2003 WPP added to its impressive public affairs offer with the acquisition of Quinn Gillespie Associates, a very successful Washington firm headed by Jack Quinn, one-time counsel to former President Bill Clinton, and Ed Gillespie, who is on leave to serve as Chairman of the Republican National Committee until after the US election in November. Earlier in the year the London PR firms Clarion and Bulletin joined the Group when WPP acquired Cordiant.

WPP retains confidence both in the importance of the Public relations & public affairs category and the strength of our individual brands. But, at the same time, there is an obvious need to continue to improve the results. ■

Howard Paster



Howard Paster
Executive vice-president
WPP Public relations & public affairs

Hill & Knowlton

Hill & Knowlton (H&K) held its own throughout the year to be recognized in the 2003 Thomas L. Harris/Impulse Research Survey as number one in international public relations, public affairs, financial/investor relations, and internal communications. Highlights include growth in the pharma practice, a new global service to support clients in transparency and corporate social responsibility, and new talent and leadership programs.

H&K continued to augment its 2003 client roster, winning significant Hewlett-Packard business globally. Europe expanded its SABIC relationship, the US continued its reputational work for MCI and Enron (under changed management), and P&G extended its reach into H&K Canada.

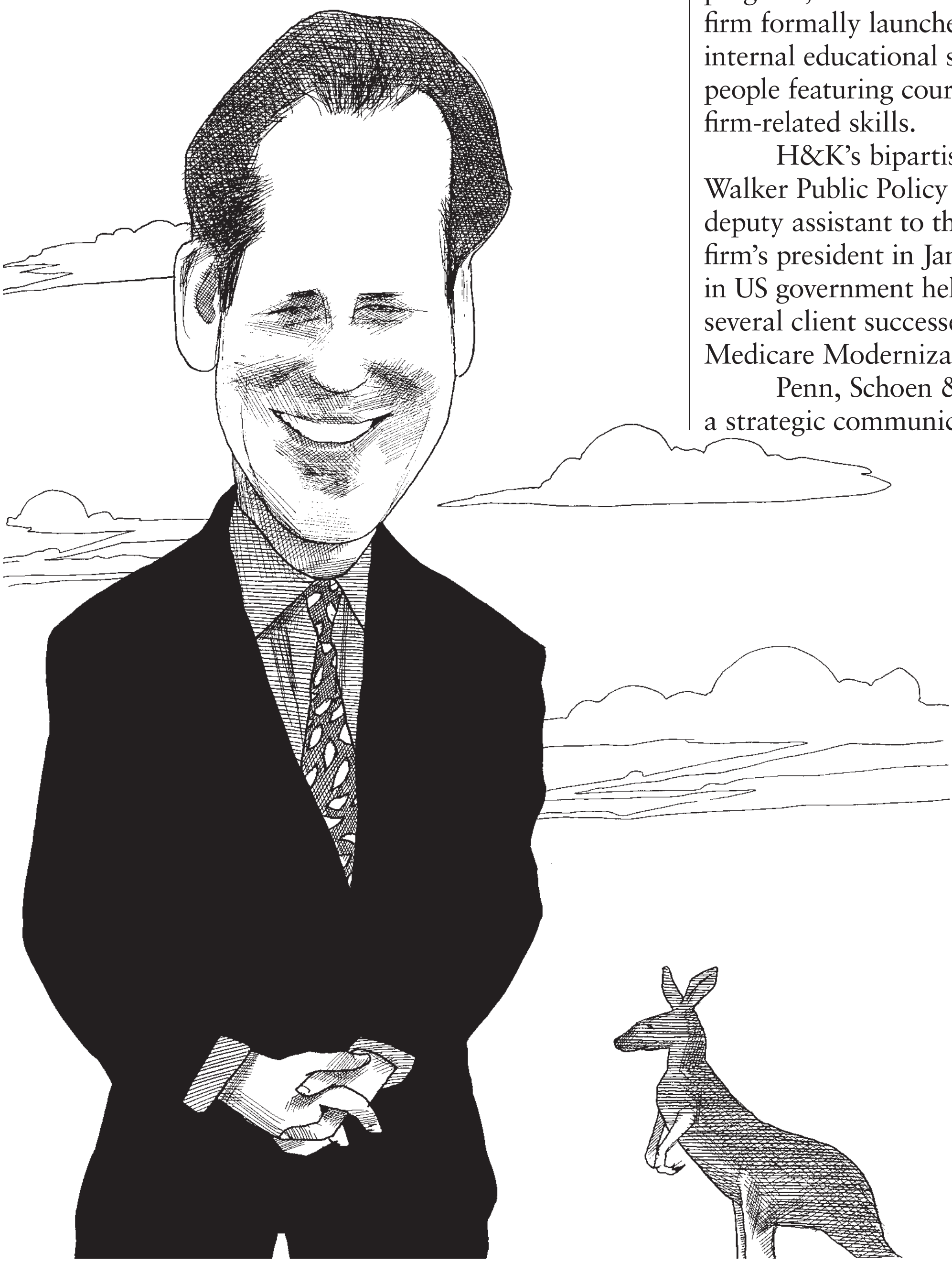
The worldwide health and pharma practice added some of the industry's most sought after assignments from Johnson & Johnson (Dapoxetine), AstraZeneca (Nexium) Pfizer (HIV franchise) and GlaxoSmithKline (Valtrex and cardio). Existing large clients Merck and Aventis substantially expanded. Other significant wins included the introduction of Pharmion's Thalidomide for oncology use in over 12 markets and the American Heart Association's *Go Red for Women* campaign.

H&K also welcomed new US clients Greeting Card Association, NASSCOM, Express Scripts, Blue Cult Jeans and Brightmail. Europe won Mitsui Babcock, Learning & Skills Council, Botswana High Commission, and GSM Association with major consumer wins Volvo and Lego. Asia signed Jeju Free International City Development Center (JDC); Canada signed Labatt.

Hill & Knowlton continued to recruit and develop senior talent, appointing Nick May director of European health care and Steve Singerman as Chicago GM and US marcomms director. H&K enhanced its training and development programs by designing a Leadership Evaluation Model. Using this model, it initiated and developed, with WPP funding, a leadership program, *Maestro – Orchestrating Client Value*. The firm formally launched the *Virtual Academy*, an online internal educational system with 18 courses for our people featuring courses in public relations and other firm-related skills.

H&K's bipartisan lobby specialist Wexler & Walker Public Policy Associates recruited Jack Howard, deputy assistant to the US President, to become the firm's president in January. Howard's 20-year experience in US government helped grow business in 2003 with several client successes, including passage of the Medicare Modernization Act.

Penn, Schoen & Berland Associates (PSB), a strategic communications firm that brings the lessons



Paul Taaffe
Chairman and chief executive officer
Hill & Knowlton

learned on the political campaign trail into the boardroom and provides clients with strategic, actionable recommendations to help them win, grew substantially this past year, applying the political model to a growing list of major corporate situations. Clients include Microsoft, Merrill Lynch, Vodafone and Siemens, among others. PSB aided in the election of political leaders across the US and abroad, including a US president and over 20 foreign heads of state.

H&K expanded major marketing initiatives:

■ The *Corporate Reputation Watch* survey took on two major international partners, *Forbes* magazine and executive search firm, Korn Ferry. This is a recognized barometer of CEO sentiment on corporate reputation issues, positioning H&K as a C-Suite level corporate consultancy. The survey was expanded into Asia, as well as the US, Canada, and Europe and was bolstered by H&K's sponsorship of the *Forbes* CEO Forum in October, where the findings were announced to more than 150 CEOs.

■ H&K launched a 2003/2004 *Global Cool Hunt*, tapping into 120 H&K 'Cool Hunters' in partnership with cultural anthropologist, Dr Carl Rohde. Rohde led H&K Cool Hunters from 26 key youth-oriented metro areas worldwide to watch and talk about what, who and how youth are influenced, and the influence they have. The *Global Cool Hunt* report resulted, with a thorough investigation of key themes, and more importantly, drivers of cool trends.

■ In two WPP initiatives, H&K worked with Millward Brown to develop a specialized PR application for *BRANDZ™*, a brand research study that analyzes consumer loyalty and predicts likely changes in market share. Through its sports marketing specialty, H&K sponsored the *SPORTZ* study, which measures the personality and image of major sports, events, and leading teams. With Millward Brown, H&K can cross-reference *SPORTZ* with *TGI* and *BRANDZ™* to help identify the benefits of sports sponsorship and find brands that best fit a client's target audience and brand.

■ Other marketing initiatives throughout the year included: threat management offering as part of its crisis communications portfolio and *DIVERSAlliance*, a diversity communications joint offering.

H&K added Ireland and Korea to its roster in 2003, and signed associate agreements in Denmark, Turkey, the Czech Republic, and Nigeria.

The firm continued to demonstrate its PR prowess by garnering several industry awards, including the *Canadian Top 100 Employers Award*, the French 2003 *Golden Top Com Award*, and *Computing* magazine's *IT PR Company of the Year* award. In the US, H&K won several prominent industry awards including a PRSA Silver Anvil for public affairs and a *Community Relations Campaign of the Year Award* from *PR Week*. It also garnered five gold and silver *SABRE* awards for diversity, marketing and public affairs. ■

Paul Taaffe

Ogilvy Public Relations Worldwide

Although challenging, 2003 was in many ways a success for Ogilvy Public Relations Worldwide. We grew our talent base, our consumer marketing and corporate practices, and our 360-degree offering with Ogilvy & Mather. What's more, we developed a little idea into an award-winning national campaign for women and heart disease.

Our talent base grew with the additions of Barby Siegel to head our global consumer marketing practice, Bari Love to run our Atlanta office and Len Batycki to head our motorsports offering. Additionally, we had many appointments across practices at the senior vice president level. We've had key promotions including Shellie Winkler and Rich Bartecki as group directors of the corporate practice in New York and Chicago, respectively. In terms of senior management, over 90% of our management committee has been in place for the past three years. The bottom line: we have the right senior management in place and have been adding the right senior talent needed in order to grow our business in 2004 and beyond.

We have done some exciting work across practices, including the American Red Cross Save a Life Tour, the launch of Levitra®, and highly notable work for Sun Microsystems, DuPont, LG Electronics and the United Way.

While all of our practices and units have been running at full force, our consumer marketing and corporate practices represent our largest growth targets for 2004. With wins including assignments around the world for LG Electronics, Pizza Hut, Johnsonville Sausage, Virgin Blue, Listerine Pocketpaks and other Pfizer products, Lexmark, America's Cup, FM Global, Ajilon, Hudson Highland Group, Disney, Cendant, Unilever and AIMR, it is clear that these practices have been doing some incredible work. Also of note is the strong performance of our Cambridge (US) office, Feinstein Kean Healthcare, since the return of Marcia Kean; and the power of our entertainment unit, B|W|R Public Relations, whose clients include American Idol, Renée Zellweger, Britney Spears, Will Ferrell, Jennifer Garner and the Osbournes, to name just a few.

As with all the Ogilvy units within the WPP network, our beliefs are firmly rooted in the branding process. Being able to offer an Ogilvy 360-degree integrated campaign can be extremely beneficial to our clients and is simply a smart business practice. This past year alone, we have worked together with Ogilvy Advertising and OgilvyOne for clients including DuPont, Disney, LG Electronics, American Red Cross and American Chemistry Council. While many companies claim that they can work in an integrated manner, we are doing it successfully every day.

The biggest campaign this year came from a little idea Beth Ruoff, our global creative director, had. She was inspired by a personal experience, and her team created a campaign for women to become more aware about the issues of heart disease. The *Heart Truth* campaign kicked off in February 2003 at Fashion week with the tag line "Heart disease doesn't care what you wear." In what has truly become a national rallying cry, the *Heart Truth* campaign has made significant strides in creating awareness about the number one killer of women. From working with top name designers who created dresses for the event, to introducing a pin as the symbol of heart awareness, to working with *Glamour* magazine on a long-term partnership for the campaign, the Ogilvy PR team has been there every step of the way.

The campaign has picked up such significant momentum that First Lady, Laura Bush has become involved in the outreach. Mrs Bush was quoted in a *Time* magazine cover story saying, "Women take care of all the people in their family – their children, their husbands – but they sometimes don't take care of themselves. The goals of this campaign are just to really make sure that women know that heart disease is their number one killer and that they can change their lifestyles to prevent it." The campaign has received a number of awards, including a *PR Week* award for the amazing work done in 2003.

Evidence of our being a truly global network was our being named *International Agency of the Year* by industry trade publication *The Holmes Report*. This marks the fourth year in a row that we have been awarded with an *Agency of the Year* recognition.

To best sum up our year, I will take a page out of the PR handbook and have a third party comment about us. In our 2003 client survey, one of our clients said the following:

Marcia Silverman
Chief executive officer
Ogilvy Public Relations Worldwide

"Ogilvy PR provides the expertise and has a personality that invites and makes it easy for me to consider them as much a part of my team as are my employees."

It is comments from clients and accolades from the trades that confirm our own belief of the great work we are doing around the world. ■

Marcia Silverman

Branding & identity

Enterprise IG

After a challenging year in 2002, 2003 was a year of steady recovery for Enterprise IG against the backdrop of a slowly strengthening marketplace. The company consolidated its market positioning as a leading global brand design agency by adding major projects on behalf of a number of multinational clients during the year, including Unilever, Masterfoods, SABMiller and Vodafone. It continued to expand its operations geographically by opening a permanent office in Dubai to service Middle Eastern clients and also acquired a stake in Designworks Enterprise IG in Australia and New Zealand – a design venture in partnership with STW Communications Group Limited. The company now has a global network of 26 offices in 19 countries.

Europe, Middle East & Africa

Major assignments won in 2003 include: Vodafone (UK), Nedbank (South Africa), Unilever (UK), ING (The Netherlands), Allianz (UK), Masterfoods (UK, France and Germany), KPMG (UK), Wrigley's (Germany, US and Hong Kong), Daimler Chrysler (South Africa), SABMiller (UK and South Africa) and Microsoft Xbox (Ireland). The year was characterised by increased demand for corporate identity programs, particularly in the UK, and this was complemented by a highly satisfactory increase in the volume of fmcg design projects in a number of European markets.

Enterprise IG: Europe, Middle East & Africa (continued)

A particular focus during the year has been the drive towards longer-term relationships that leverage continuity and a deeper understanding of client strategy and objectives. Throughout the year the company continued to use its Business and Brand Engagement practice to broaden its consultancy offering.

Asia Pacific

Last year was a testing period for Enterprise IG in Asia, principally due to the impact of the SARS virus which added to the level of economic uncertainty throughout the region. Despite this challenge, Enterprise IG won significant new business across the key practice areas of corporate consulting and branding, consumer branding and retail brand experience.

Highlights included partnering with Vodafone in Japan to create a transitional identity for the brand as it expanded operations in the highly competitive Japanese telecommunications market. Other wins included Philippine conglomerate Ayala (Hong Kong), Chinese state-owned enterprise Jing Peng (Hong Kong), China Airlines (Taipei), Lotterywest (Perth), Indian automotive manufacturer TVS Motor Company (Singapore) and further regional consumer branding work with Unilever, Coca-Cola, Masterfoods, Kimberly-Clark and Diageo.

US

The company continued to strengthen its coast-to-coast creative and strategic position in the marketplace throughout the year. A significant highlight was the creation of the Invista corporate identity on behalf of Dupont which was complemented by other major engagements on behalf of clients such as Wrigley's, Masterfoods, Caterpillar and Johnson & Johnson.

Aligning Walker Group with Enterprise IG in 2003 enabled the company to extend its core capabilities into the area of retail design and led to a number of other important new client projects on behalf of May Company and, amongst others, the East River Tennis Center development in New York City. Enterprise IG intends to build on this success in 2004 as well as continuing to capitalise on its traditional strengths in the field of corporate brand consultancy, particularly as global mergers and acquisitions activity continues to recover.

Addison

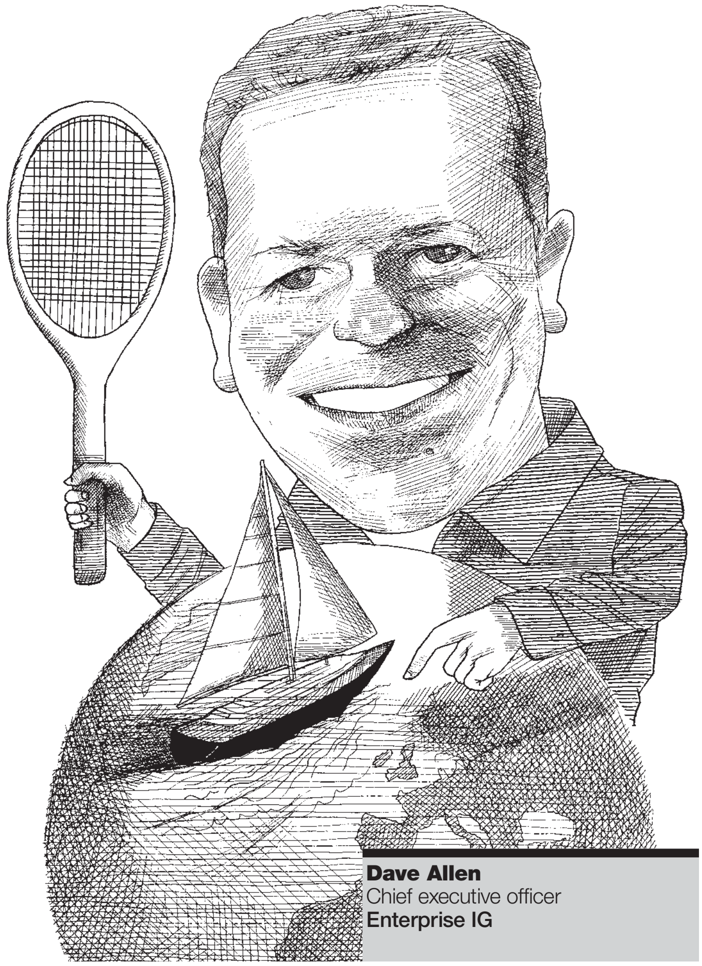
2003 was a successful year for Addison Corporate Marketing across all four distinct areas of its business – corporate reporting, corporate brand management, corporate advertising and corporate consultancy. The company continued to expand its relationship with existing clients such as AstraZeneca, Cadbury Schweppes, Centrica, EADS, Siebel Systems and Syngenta, as well as winning new projects from Ahold, BAA, Fujitsu Services and Unilever.

BDG McColl

The BDG McColl design and architectural practice based in Edinburgh traded steadily throughout the year. BDG workfutures continued to build on its reputation as a strategic workplace design consultancy in the UK market and completed significant office design projects with IBM, Skanska and Mediaedge:cia. Ongoing account work with BT and the commission as designers for PricewaterhouseCoopers West Midlands Consolidation project (due to complete in early 2004) also contributed to the year's strong performance.

Lambie-Nairn

In a difficult trading year for TV broadcasters, Lambie-Nairn continued to consolidate its position as the pre-eminent creator of on-screen brand identities, with award-winning work for BBC2, BBC3 and CBBC. In addition, the company opened an office in New York which produced work for the Sci-Fi channel (winning Gold at Promax USA and Silver at D&AD UK) and was also appointed by the US Government to launch the Al Hurra news channel across all Arab nations. The company also continued to work with O_2, the brand it created in 2002, adding Germany and Ireland to its brand guardianship remit. Other non-broadcast highlights for the year included work for Aviva and Norwich Union, Arts Council England and for the UK Government.



Dave Allen
Chief executive officer
Enterprise IG

MJM Creative Services

Once again, MJM demonstrated very robust growth in 2003. The year also saw important advances in further establishing the group as a leader in face-to-face marketing with the opening of a new office in London, the initiation of a relationship with Microsoft which led to the execution of a street and mobile marketing program, as well as the addition of new clients Deloitte & Touche and GlaxoSmithKline. The company continued to support its long-standing clients Pfizer, AstraZeneca, IBM and Canon as well as others, around the world.

Warwicks UK

A steady year which saw the company consolidate its position as a key supplier to Jaguar Cars (UK) as well as expanding its client range via wins from Land Rover and other non-automotive clients such as Joma Sportswear. ■

Dave Allen

Fitch

Following a debilitating period under Cordiant Group ownership, the acquisition by WPP in summer 2003 has provided the Fitch network with the stability and motivation so long missing. Having established the agency in 1972, I rejoined in 2004 as chairman and CEO after a 10-year break and we look forward with a great deal of both enthusiasm and optimism to 2004.

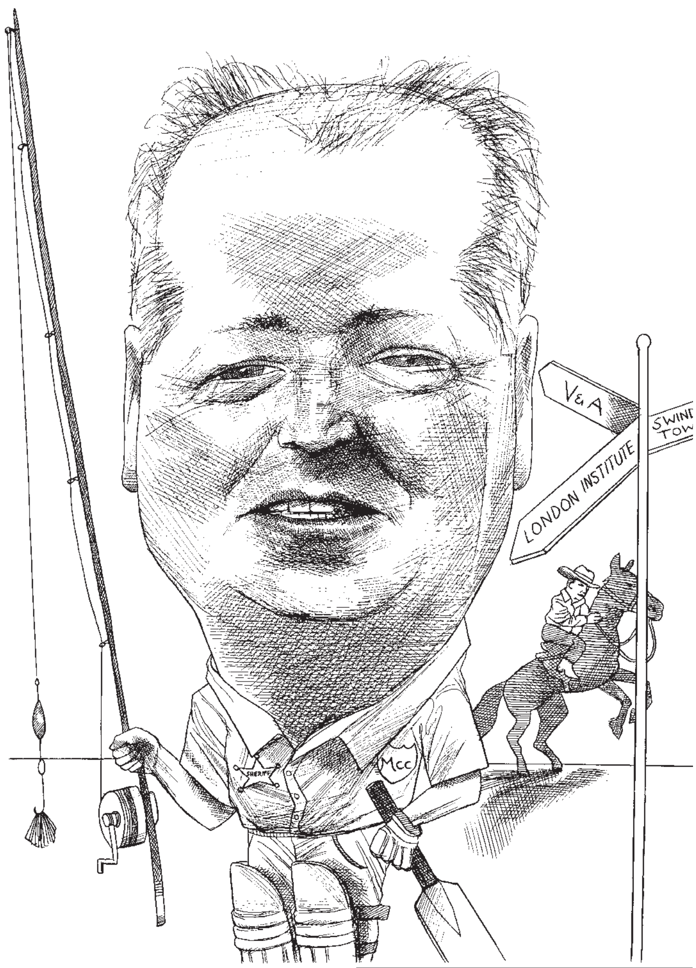
Our work is framed by an obsession with consumer imperatives. As such, we are a retail-focused, consumer-driven multi-disciplinary agency with 18 studios in 12 countries throughout the US, Europe and Asia Pacific. Our key clients include; Microsoft, BAT, Vodafone, HSBC, Hewlett-Packard, Toyota, Nissan, Nokia and Yum! Brands, the world's largest restaurant group, with brands such as KFC, Taco Bell and Pizza Hut. Our projects range through shopping centres, shops and stores to product design: from brand identity and fmcg packaging to live events, hospitality and entertainment developments.

Working as a Global Studio, we build appropriate multi-disciplinary client and project terms, locally, regionally and globally, to deliver vivid brand experiences.

Big wins for us in 2003 included Proton, Malaysia's car manufacturer for whom we are working on total brand experience including showrooms and car styling; the Asian Games located in Doha, State of Qatar and scheduled to open in December 2006, where our cross disciplinary resources brought together from our London studios, are poised to provide the games with everything from identity to opening ceremonies; Banco Itau in Brazil, one of the largest privately-owned banks in South America, for whom we are developing a new retail identity, branch environment and communications program and for the BBC, we are designing brand and consumer communications strategies.

2004 will be another challenging year, but, after bedding down our arrival into the WPP community, one that promises to be an altogether more rewarding period. I would like to thank all our supporters, including our staff, our clients and our colleagues at WPP for keeping the faith and for their unstinting encouragement. ■

Rodney Fitch



Rodney Fitch
Chairman and chief executive officer
Fitch

Healthcare Communications

CommonHealth

In an era where the value of personal health and the state of the healthcare system are of paramount importance to all, the business of healthcare communications has never been more visible or critical.

CommonHealth, standing strong in this dynamic marketplace and aspiring toward "better healthcare through better communications," supports some of the largest healthcare marketers and brands across nearly every therapeutic category, communications channel, and target audience. With a long-standing and broad client base including each of the top 10 pharmaceutical manufacturers in the world, CommonHealth has entered 2004 stronger, more committed, and more competitive than ever before.

Representing both domestic and global brands of leading healthcare manufacturers, CommonHealth's 12 specialized units provide clients unparalleled marketing potential, ranging from strategic consulting, medical education, and professional and consumer advertising to relationship marketing. CommonHealth also offers expertise in customized market research, brand identity, experiential marketing, ethnic marketing, and the latest in interactive technologies.

Through CommonHealth's networking partnerships within WPP, the organization is able to multiply its marketplace reach on a truly global scale. Due in large part to the group's constant commitment to provide clients with seamless, integrated service offerings, more than two-thirds of CommonHealth's client brands now utilize two or more service units within the organization's network.

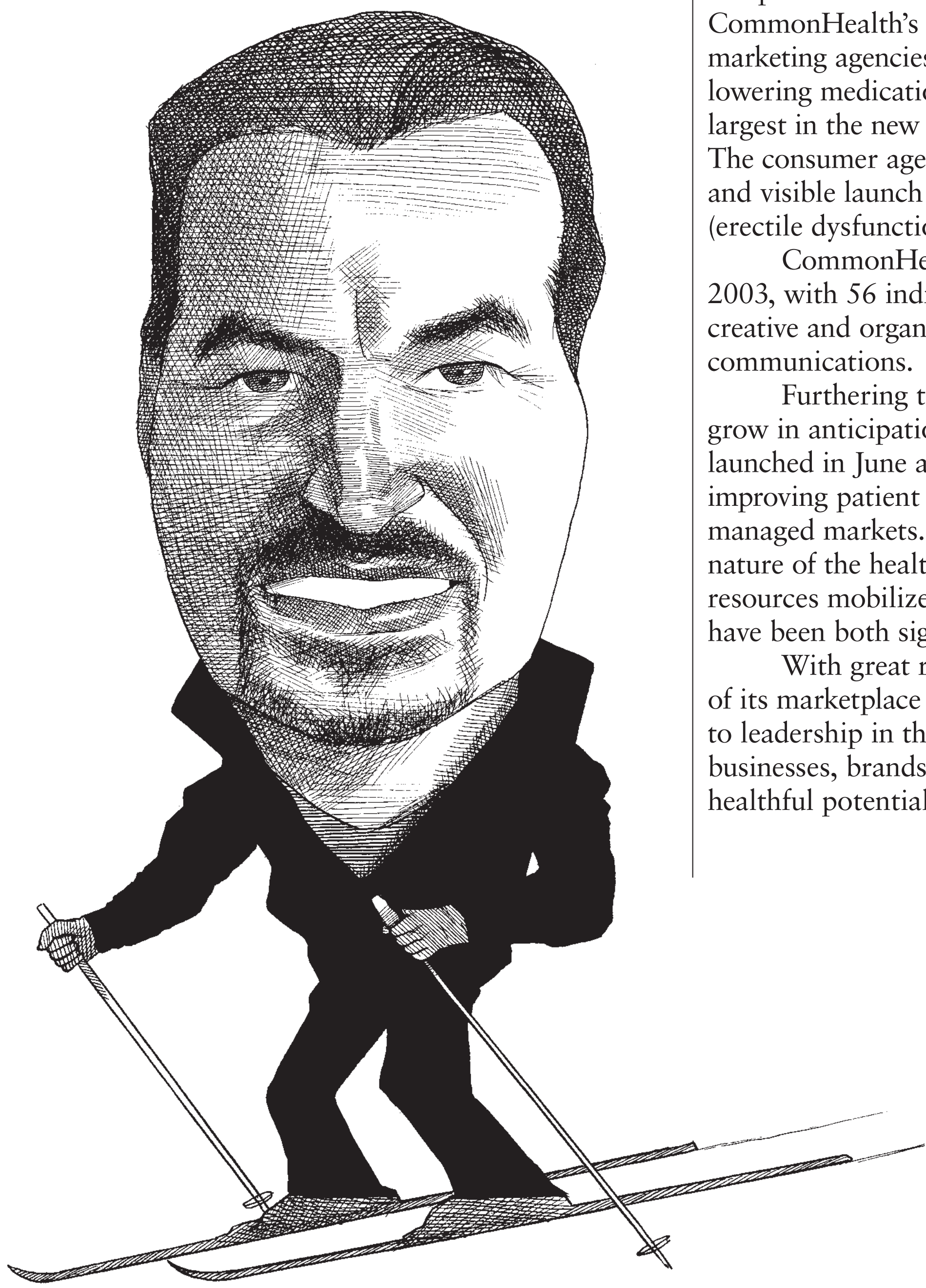
CommonHealth victories were numerous in 2003. New assignments were awarded from blue-chip marketers including AstraZeneca, GlaxoSmithKline, Novartis, Pfizer, and Wyeth. Despite intense agency competition for direct-to-consumer (DTC) assignments, CommonHealth's consumer and customer relationship-marketing agencies were awarded Crestor®, a cholesterol-lowering medication analysts have projected to be the largest in the new class of drugs approved in 2003. The consumer agency was also responsible for the recent and visible launch of Levitra®, a challenger in the ED (erectile dysfunction) category.

CommonHealth also garnered critical acclaim in 2003, with 56 individual industry awards recognizing creative and organizational excellence in healthcare communications.

Furthering the organization's commitment to grow in anticipation of industry needs, CommonHealth launched in June a new division geared toward improving patient access to pharmaceutical brands in managed markets. Given the critical business-to-business nature of the healthcare marketplace, the talent and resources mobilized around this pervasive client need have been both significant and well received.

With great reverence for the inherent importance of its marketplace charter, CommonHealth is committed to leadership in the industry and to passionately helping businesses, brands and people achieve their full, healthful potential. ■

Matt Giegerich



Matt Giegerich
President and chief executive officer
CommonHealth

Healthworld Communications Group

Healthworld is one of the newer members of WPP, coming aboard with the Cordiant acquisition in mid-2003. Healthworld is a global network that provides clients a full array of "for the life of the brand™" services, including medical education, professional communications and direct-to-consumer advertising.

2003 was a challenging year for the pharmaceutical industry and for many Healthworld clients. Our depth of partnership and commitment to them was evident and appreciated as we continued to deliver powerful and effective promotion programs against a tightening commercial background. New professional campaigns for KOS Pharmaceuticals, Wyeth, Unilever, Roche and Telek all met or exceeded market expectations.

This US performance was complemented by several successful strategic initiatives and creative campaigns from Healthworld's global operations, including efforts for Lilly, Pfizer, BMS, Aventis and Johnson & Johnson in Europe and new assignments from Pfizer and Janssen Cilag in Australia.

Healthworld has both led and refined the expanding consumer communications arena, first in the US, and now in Europe and other world markets by forging forward with Patient Mobilisation initiatives for our clients.

Our medical education groups serve both the US market and global client needs, with core expertise in strategic communications planning and Opinion Leader development, meeting-based promotional, CME and incentive programs.

Healthworld has also extended global operations to cover fast developing markets in Asia, Latin America and Eastern and Central Europe, with new affiliate offices opening in Mumbai, Dubai, Prague and Buenos Aires.

Our Knowledge Management Units – cross-border, cross-discipline teams that harness the agency's global intelligence and insights for specific therapeutic categories – enable clients to benefit quickly from new perspectives and help establish the competitive foundations for brand communications planning.

We also advance this vision through the continued development of the Global Business Group co-located in New York and London, and the establishment of a worldwide Creative Directors Group to drive and oversee creative best practice consistency.

Within WPP, the service expansion and skills diversity the agency is pursuing has already advanced, taking Healthworld into new areas that will enable us to differentiate further from other networks in 2004. ■

Steven Girgenti

Steven Girgenti
Chairman and chief executive officer
Healthworld Communications Group

Overview

Overall performance was strong in Specialist communications due to both top-line revenue growth and the impact of business reorganisations implemented in the prior year.

We continued to make progress against our strategic goals, including:

- Developing the brands of our strongest businesses.
- Collaborating with the larger networks to develop further our integrated marketing initiatives.
- Creating businesses in new marketing disciplines through start-ups or acquisitions.

Some of the noteworthy events, initiatives and achievements in 2003 are summarised here.

Interactive, promotion and relationship marketing

VML continued to show very strong revenue growth in 2003. This superb performance resulted from 100% client retention as well as significant incremental revenue from new clients.

Notable new business highlights include the winning of interactive agency of record assignment for Simon Properties Group, one of the world's largest mall developer/operators, and Midas Auto Repair Centers. In addition, VML was named global agency of record for the ATP (Association of Tennis Professionals) and US agency of record for Grundfos Systems.

VML also enjoyed significant growth among several of its long-time clients including Yellow Transportation, AMC Theatres, and Colgate-Palmolive. In particular, Colgate-Palmolive turned to VML to lead the review, selection, and implementation for its Global Web Marketing Technology Platform.

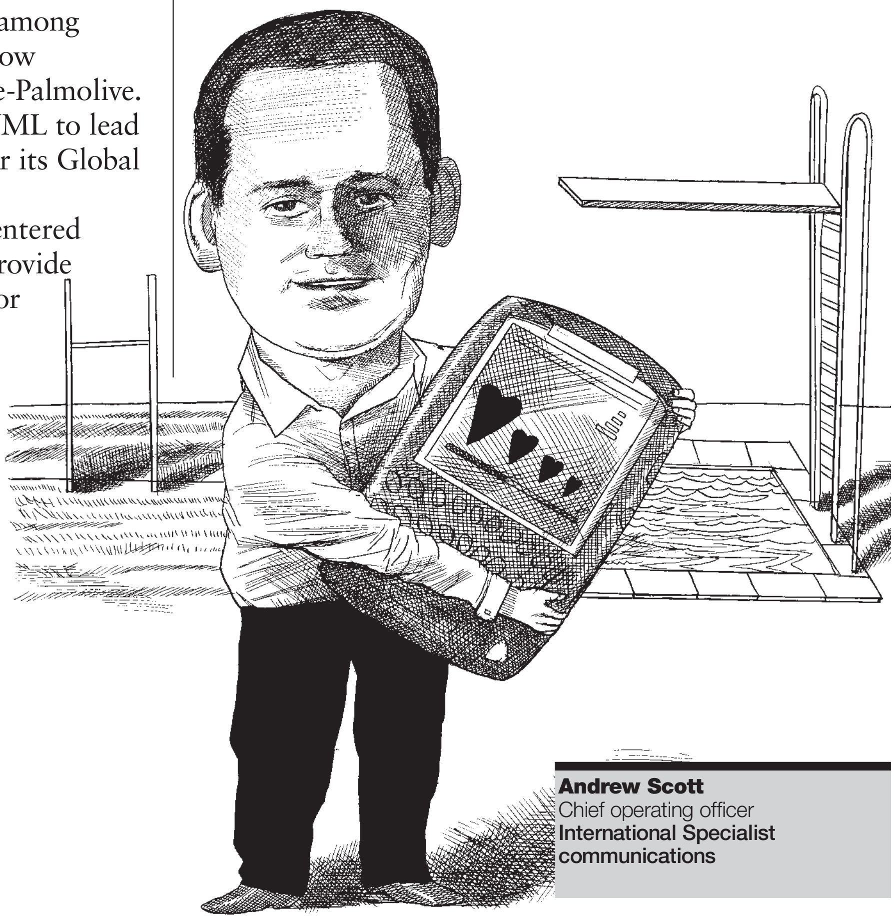
Within WPP, VML and Wunderman entered into a strategic partnership to continue to provide the strongest possible interactive solutions for common clients such as Burger King® and Colgate-Palmolive.

Einson Freeman had a solid year, reversing a negative trend. Of particular note are wins from AT&T Wireless, Colgate and Lipton – all of which were won in collaborative efforts with WPP companies Ogilvy, Y&R and JWT respectively. The agency's renewed energy was well reflected in its win of a World Pro Award and Gold Reggie for the AT&T Wireless American Idol promotion.

Data and relationship management through bespoke contact centres continued to be the core of EWA's activities. The company recorded a strong 2003 performance, securing a major new contract with the Department of Health, providing management, production and help-line services for the UK Milk Tokens program. EWA also continued its long-term relationship with the Teacher Training Agency, providing a dedicated communication centre for teacher recruitment.

Mando continued its development with another strong year in 2003. UK wins from Kingsmill and Cadbury cemented the company's dominant position while international wins from Coca-Cola Germany and the Canadian financial services sector showed the future development potential for the business.

Headcount Field Marketing joined Specialist communications during the year as part of the Cordiant acquisition. Headcount offers a compelling mix of field marketing and brand development, supported by strong customer relationship skills. New client wins in 2003 included OneTel, Epson and Kraft Foods. The company continued to work with existing clients including American Express and BAA and its six-year relationship with Powergen continued to develop.



Andrew Scott
Chief operating officer
International Specialist communications

Specialist communications

Custom media

Significant domestic business gain for Forward in 2003 came from The AA, part of the Centrica group of companies and this, coupled with growth from Barclays, maintained the company's strong position in the custom publishing sector.

Spafax had a highly successful year, continuing to serve British Airways, Delta, and Air Canada and winning significant new contracts with Lan Chile Airlines and Malaysian Airlines. Spafax was awarded numerous awards for its work, including a Telly Award in the Animation category, a Gold Ozzie Award for Magazine design, and a gold medal in the prestigious Lowell Thomas Travel Journalism awards.

Demographic and industry sector marketing

Geppetto, a youth marketing agency, authored one of the first industry studies examining the issue of kids, food, and health from a kid's perspective. Geppetto also won the Little Tikes toy agency of record assignment and continued consulting work with Frito Lay, Campbell's and Sara Lee. In addition, it developed advertising for Johnson & Johnson and Minute Maid and successfully partnered with WPP sister companies, including The Food Group on The Department of Citrus and JWT on Cadbury/Adams.

The Food Group developed successfully in 2003, adding new business from Kraft and Splenda while continuing to serve clients such as Ventura, ConAgra, McIlhenny, Mott's, and Florida Department of Citrus.

Pace, a leading real estate advertising business, benefited from increased spending from existing clients as well as new business in the real estate sector.

Sports marketing

PRISM continued to increase its international client base via its core below-the-line disciplines. Highlights included successful projects for GlaxoSmithKline and its NiQuitin CQ brand, Olympus' launch of its E1 Digital SLR system as well as programs for long-term clients Ford and Shell. Contestants from 16 nations participated in the gruelling PRISM-created Land Rover G4 Challenge with special stages in New York City, South Africa, Western Australia and the Moab Desert in the Western US.

Premiere had a strong year with new business from Nikon, The Home Office and GlaxoSmithKline.

Its investment in WPP's SPORTZ brand equity model helped Samsung to identify appropriate global platforms and Manchester United Football Club to source global partners.

Global Sportnet strengthened its several market position in 2003 by signing new contracts with several European football clubs. It also launched a joint venture with MindShare – Performance SportEnt, whose main focus will be on strategic consulting, identification and purchase of sponsorship opportunities and activation and measurement expertise of sponsored marketing campaigns.

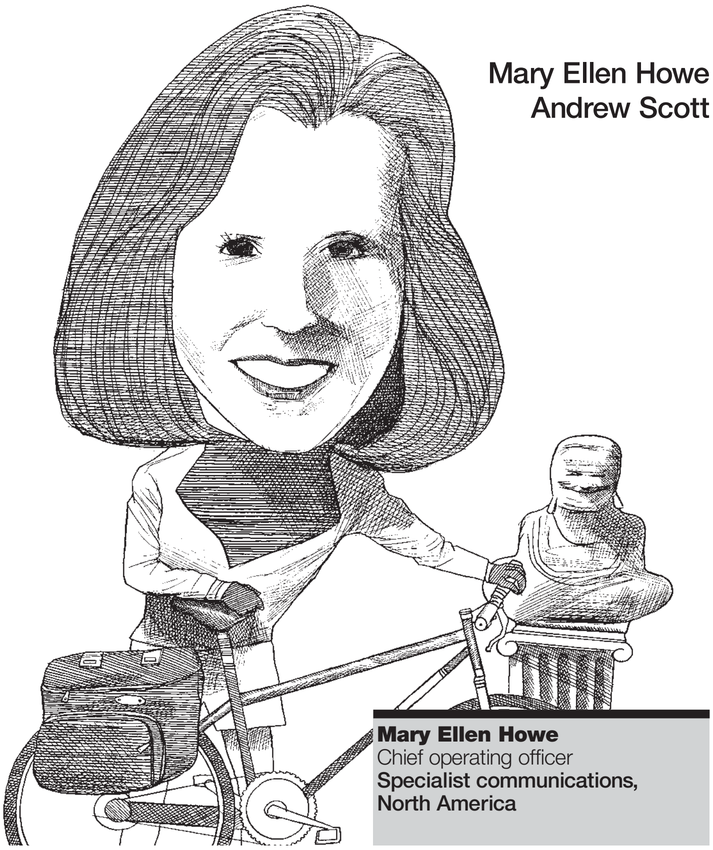
Media, technology and production services

Metro continued to win new clients and prestigious projects in 2003. The company demonstrated the breadth of its capabilities with the High Definition (HD) screening of the George Harrison memorial concert, filmed in 2002. Also, Metro supplied the HD cameras for the innovative BBC children's program, *Shoebox Zoo*. The authoring and encoding practice expanded with clients including News International and Universal Pictures.

Metro's production arm, Clever Media, also grew with high profile conferences for the Department of Health and a promotional mini-drama for Sony. Screen Speak, an alliance with Cisco Systems designed to exploit and develop in-store media solutions, was also launched.

The Farm Group had a positive year in difficult market conditions, highlighted by being voted the *Best Post Production Company* in *Broadcast* magazine (for the third time in four years) and finishing number one amongst broadcast post production companies in polls conducted by *Broadcast* and *Televisual* magazines. Numerous award-winning and prestigious productions were handled by the Farm Group throughout the year including *Pop Idol*, the *Jonathan Ross Show*, *Robbie Williams at Knebworth* and the Dunkirk series.

The Farm's management also successfully launched Uncle, a full-service post production company in West London that also offers off-site facility management for reality programming. Projects produced at Uncle already include *Watchdog*, *The Ian Wright Lottery Show* and *Fit Farm*. ■



Mary Ellen Howe
Andrew Scott

Mary Ellen Howe
Chief operating officer
Specialist communications, North America

What we think

The Advertising and Marketing Services Industry: Outlook Good and Getting Even Better

WPP CEO Martin Sorrell reports

With recessionary forces abating in 2003, the short-term picture for communications services improved and quadrennial opportunities in 2004 will strengthen our business. 2005 should show further improvement. In the longer term, advancing Americanisation and the growth of Asia Pacific, overcapacity and the shortage of human capital, the web, the demand for internal communications, and retail concentration should together underline and assure the importance of our industry and its constituent parts, advertising and marketing services.

Worldwide communications services expenditure 2003 $bn

	Advertising	Market research	Public relations & public affairs	Specialist communications	**Total**
US	148.8	7.3	2.5	422.9	**581.5**
UK	15.4	1.8	0.8	61.8	**79.8**
France	9.1	1.3	0.1	23.0	**33.5**
Germany	17.2	1.5	0.2	34.9	**53.8**
Japan	33.8	1.2	0.1	45.1	**80.2**
Rest of the World	101.2	4.5	0.1	143.8	**249.6**
Total	**325.5**	**17.6**	**3.8**	**731.5**	**1,078.4**

Sources: Veronis Suhler Stevenson, ZenithOptimedia, ESOMAR, WPP estimates

US advertising spending 1997-2007 $m

Year	Television	Radio	Newspapers	Consumer magazines	Business-to-business magazines	Consumer internet	Yellow pages	Outdoor	**Total**
1997	42,755	13,491	46,270	9,821	10,029	906	11,377	4,047	**138,696**
1998	46,437	15,073	49,324	10,518	11,647	1,920	12,119	4,413	**151,451**
1999	49,370	16,930	52,187	11,433	12,696	4,620	12,952	4,832	**165,020**
2000	56,182	19,069	54,964	12,370	13,506	8,229	13,961	5,235	**183,516**
2001	50,840	18,200	50,728	11,095	10,848	7,223	14,693	5,193	**168,820**
2002	54,355	19,351	50,776	10,990	9,176	6,048	14,854	5,232	**170,782**
2003[1]	**56,304**	**20,429**	**52,438**	**11,342**	**9,210**	**6,653**	**15,419**	**5,368**	**177,163**
2004[1]	**61,009**	**22,232**	**55,139**	**12,158**	**9,616**	**7,055**	**16,112**	**5,577**	**188,898**
2005[1]	63,501	24,035	59,107	12,924	10,191	7,430	16,912	5,845	**199,945**
2006[1]	68,918	26,210	63,597	13,777	10,946	7,917	17,794	6,178	**215,337**
2007[1]	72,820	28,746	68,983	14,824	11,878	8,624	18,757	6,605	**231,237**

[1] Estimated
Source: Veronis Suhler Stevenson

US growth in advertising spending 1997-2007 % growth

Year	Television	Radio	Newspapers	Consumer magazines	Business-to-business magazines	Consumer internet	Yellow pages	Outdoor	**Total**
1998	8.6%	11.7%	6.6%	7.1%	16.1%	111.9%	6.5%	9.0%	**9.2%**
1999	6.3%	12.3%	5.8%	8.7%	9.0%	140.6%	6.9%	9.5%	**9.0%**
2000	13.8%	12.6%	5.3%	8.2%	6.4%	78.1%	7.8%	8.3%	**11.2%**
2001	-9.5%	-4.6%	-7.7%	-10.3%	-19.7%	-12.2%	5.2%	-0.8%	**-8.0%**
2002	6.9%	6.3%	0.1%	-0.9%	-15.4%	-16.3%	1.1%	0.8%	**1.2%**
2003[1]	**3.6%**	**5.6%**	**3.3%**	**3.2%**	**0.4%**	**10.0%**	**3.8%**	**2.6%**	**3.8%**
2004[1]	**8.4%**	**8.8%**	**5.2%**	**7.2%**	**4.4%**	**6.0%**	**4.5%**	**3.9%**	**6.6%**
2005[1]	4.1%	8.1%	7.2%	6.3%	6.0%	5.3%	5.0%	4.8%	**5.9%**
2006[1]	8.5%	9.0%	7.6%	6.6%	7.4%	6.6%	5.2%	5.7%	**7.7%**
2007[1]	5.7%	9.7%	8.5%	7.6%	8.5%	8.9%	5.4%	6.9%	**7.4%**
Compound annual growth									
1997-2002	4.9%	7.5%	1.9%	2.3%	-1.8%	46.2%	5.5%	5.3%	**4.3%**
2002-2007	6.0%	8.2%	6.3%	6.2%	5.3%	7.4%	4.8%	4.8%	**6.3%**

[1] Estimated
Source: Veronis Suhler Stevenson

Improving prospects, even in the shorter term

In 2003, spending by worldwide communication services, or advertising and marketing services, remained at around $1 trillion, putting WPP's market share at about 7.5%. This year the industry should grow at around 3-4%. As a proportion of worldwide GNP, it probably fell during the recession of 2001-03, but is likely to stabilise in 2004 and continue to grow thereafter.

Advertising which concentrates on traditional media such as television, radio, newspapers, magazines, outdoor and cinema has grown well historically and led the industry out of the recent recession. But its share has declined as supposedly less sophisticated, less global and less developed marketing services or so-called below-the-line areas, such as information, insight and consultancy, public relations and public affairs, branding and identity, healthcare and specialist communications (particularly direct, interactive and internet communications) have gained share.

The rise and rise of marketing services

Marketing services have grown more quickly, for two reasons. First, network television pricing has risen faster than inflation, prompting disquiet amongst major advertisers. Procter & Gamble, the world's biggest advertiser, Unilever, Coca-Cola and American Express have all registered voluble protests in recent times. Last year in the up-front network buying season, cost per thousand rose by an estimated 15-22% versus an expected 7.5-12% – and this against general price inflation of 3%.

The analogy is to imagine what would happen in the automotive industry if the price of steel rose 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, and indeed other traditional media such as radio and outdoor, are becoming more acceptable substitutes. Network television does, however, remain an important medium. It will not disappear. It still reaches the largest number of consumers, in the shortest period of time, at the lowest cost per thousand.

Clients also need reach. In the US, for example, prime-time network television used to reach 90% of households. A few years ago it reached 50%, today perhaps only 33%. There are of course still those programmes with significantly increased reach, like the Super Bowl or Academy Awards. But they remain in relatively fixed supply and their prices are bid up as a result. That is why a 30-second Super Bowl ad costs $2.2 million, or at the Academy Awards $1.7 million. This is not a situation that can last.

Secondly, media fragmentation has increased significantly as old media become more sophisticated and new media proliferate. Technology has improved the effectiveness and development of cable and satellite television, newspapers and periodicals, radio and outdoor, whilst spawning totally new media in direct, interactive and the internet. Many of these new media are more measurable and more targeted.

At the same time, media consumption habits are changing radically with each generation. Just look at what a four-year-old can do with a computer in a few hours! Most of the media decision-makers in media owners and agencies tend to be in their fifties and sixties, but meanwhile their sons and daughters and grandchildren are shifting in ever greater numbers to the web, PVRs, video-on-demand and gaming on the internet.

The Super Bowl line-up

1985-2004

Year	Price $	Network	Household rating	Share
1985	500,000	ABC	46.4	63
1986	550,000	NBC	48.3	70
1987	575,000	CBS	45.8	66
1988	600,000	ABC	41.9	62
1989	675,000	NBC	43.5	68
1990	700,000	CBS	39.0	63
1991	800,000	ABC	41.9	63
1992	800,000	CBS	40.3	61
1993	850,000	NBC	45.1	66
1994	900,000	NBC	45.5	66
1995	1,000,000	ABC	41.3	62
1996	1,100,000	NBC	46.0	68
1997	1,200,000	FOX	43.3	65
1998	1,300,000	NBC	44.5	67
1999	1,600,000	FOX	40.2	61
2000	2,300,000	ABC	43.3	63
2001	2,000,000	CBS	40.4	61
2002	1,800,000	FOX	40.4	61
2003	2,100,000	ABC	40.7	61
2004	2,200,000	CBS	41.3	63

Source: MindShare

Top 10 global advertisers 2002

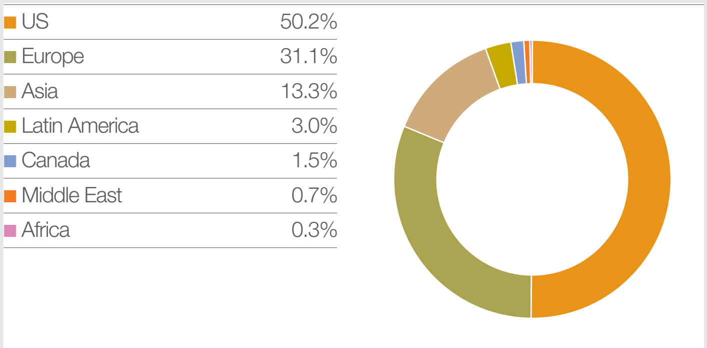
Rank 2002	2001	Advertiser	Headquarters	Worldwide advertising spend $m 2002	2001	% change	US measured media spending $m 2002	2001	% change	Spend by region 2002 $m Asia	Europe	Latin America
1	1	Procter & Gamble	Cincinnati, US	4,479	3,675	21.9%	2,032	1,679	21.0%	539	1,647	120
2	3	Unilever	London/Rotterdam	3,315	2,782	19.2%	689	581	18.6%	705	1,713	145
3	2	General Motors Corp.	Detroit, US	3,218	2,953	9.0%	2,447	2,202	11.1%	63	522	103
4	6	Toyota Motor Corp.	Toyota City, Japan	2,405	2,162	11.2%	885	770	14.9%	1,063	347	28
5	5	Ford Motor Co.	Dearborn, US	2,387	2,226	7.2%	1,407	1,273	10.6%	89	746	92
6	4	Time Warner	New York, US	2,349	2,295	2.4%	1,812	1,726	5.0%	40	413	53
7	7	Daimler Chrysler	Auburn Hills, US/ Stuttgart, Germany	1,800	1,791	0.5%	1,341	1,398	-4.1%	21	356	31
8	10	L'Oreal	Paris, France	1,683	1,458	15.4%	545	502	8.6%	65	1,001	38
9	9	Nestlé	Vevey, Switzerland	1,547	1,615	-4.2%	494	520	-5.0%	138	819	67
10	16	Sony Corp.	Tokyo, Japan	1,513	1,238	22.2%	875	656	33.4%	135	417	38
Total				**24,696**	**22,195**	**11.3%**						

Source: Ad Age Global Marketing Report November 2003

Top 100 global marketers spending by region

by measured media bought in 2002 and 2001

Region	Measured advertising expenditures 2002 $m	2001 $m	% change	% total
Africa	197	147	34.1%	0.3%
Asia	9,866	9,820	0.5%	13.3%
Europe	23,061	20,561	12.2%	31.1%
Latin America	2,214	2,322	-4.7%	3.0%
Middle East	487	620	-21.6%	0.7%
Canada	1,117	957	16.7%	1.5%
US	37,305	34,878	7.0%	50.2%
Total worldwide	**74,247**	**69,305**	**7.1%**	**100.0%**

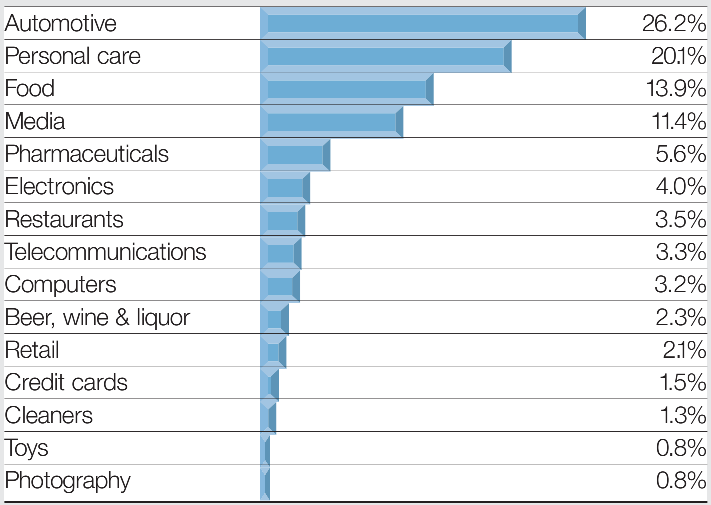


Source: Veronis Suhler Stevenson

Top 100 global marketers spending by category

by measured media bought in 2002 and 2001

	2002 $m	2001 $m	% change	% total
Automotive	19,230	18,050	6.5%	26.2%
Personal care	14,852	12,665	17.3%	20.1%
Food	10,242	10,331	-0.9%	13.9%
Media	8,455	7,743	9.2%	11.4%
Pharmaceuticals	4,144	4,259	-2.7%	5.6%
Electronics	2,960	2,853	3.7%	4.0%
Restaurants	2,630	2,684	-2.0%	3.5%
Telecommunications	2,429	2,196	10.6%	3.3%
Computers	2,352	2,388	-1.5%	3.2%
Beer, wine & liquor	1,698	1,484	14.5%	2.3%
Retail	1,573	1,373	14.6%	2.1%
Credit cards	1,117	1,040	7.4%	1.5%
Cleaners	948	734	29.2%	1.3%
Toys	557	579	-3.8%	0.8%
Photography	547	537	1.8%	0.8%
Total worldwide	**73,734**	**68,916**	**7.0%**	**100.0%**



Source: Ad Age Global Marketing Report November 2003

Worldwide advertising expenditure US vs non-US

Major Media*	2001	2002	2003	2004	2005	2006
North America $m	146,668	149,681	154,178	161,962	168,722	176,018
Year-on-year growth %	-5.6%	2.1%	3.0%	5.0%	4.2%	4.3%
Europe $m	77,616	76,809	78,174	81,056	84,172	87,740
Year-on-year growth %	-3.0%	-1.0%	1.8%	3.7%	3.8%	4.2%
Asia/Pacific $m	61,189	61,904	65,088	68,844	72,797	77,471
Year-on-year growth %	-3.3%	1.2%	5.1%	5.8%	5.7%	6.4%
Latin America $m	18,201	17,458	17,897	17,997	18,486	19,067
Year-on-year growth %	-0.8%	-4.1%	2.5%	0.6%	2.7%	3.1%
Africa/Middle East/ROW $m	9,084	10,689	11,867	13,154	14,400	15,645
Year-on-year growth %	9.4%	17.7%	11.0%	10.8%	9.5%	8.6%
World $m	312,758	316,541	327,204	343,012	358,578	375,940
Year-on-year growth %	-3.8%	1.2%	3.4%	4.8%	4.5%	4.8%

* TV, Print, Radio, Cinema, Outdoor, Internet

Source: ZenithOptimedia 2003

Advertising expenditure as a % of GDP

	2001	2002	2003	2004	2005	2006
France	0.67%	0.64%	0.63%	0.63%	0.62%	0.62%
Germany	0.91%	0.85%	0.86%	0.88%	0.90%	0.93%
Italy	0.64%	0.60%	0.58%	0.57%	0.57%	0.58%
Japan	0.90%	0.84%	0.85%	0.87%	0.89%	0.91%
UK	1.02%	0.97%	0.94%	0.93%	0.92%	0.90%
USA	1.40%	1.38%	1.37%	1.39%	1.39%	1.38%
Brazil	1.01%	1.55%	1.53%	1.52%	1.52%	1.52%
Russia	0.43%	0.58%	0.75%	0.87%	0.93%	0.97%
India	0.36%	0.36%	0.35%	0.35%	0.35%	0.36%
China	0.43%	0.50%	0.54%	0.58%	0.60%	0.63%

Sources: ZenithOptimedia 2003

Projected GDP, BRIC vs G6 $bn

	2000	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050
Brazil	762	468	668	962	1,333	1,695	2,189	2,871	3,740	4,794	6,074
China	1,078	1,724	2,998	4,754	7,070	10,213	14,312	19,605	26,438	34,799	44,453
India	489	904	929	1,411	2,104	3,174	4,335	7,854	12,367	18,847	27,803
Russia	391	534	847	1,232	1,741	2,264	2,380	3,734	4,467	5,156	5,870
France	1,311	1,489	1,622	1,767	1,930	2,096	2,257	2,445	2,668	2,898	3,148
Germany	1,875	2,011	2,212	2,386	2,524	2,604	2,687	2,903	3,147	3,381	3,603
Italy	1,078	1,236	1,337	1,447	1,553	1,625	1,671	1,708	1,788	1,912	2,061
Japan	4,176	4,427	4,601	4,858	5,221	5,567	5,810	5,882	6,039	6,297	6,573
UK	1,437	1,688	1,876	2,089	2,285	2,456	2,648	2,901	3,201	3,496	3,782
USA	9,825	11,697	13,271	14,786	16,415	18,340	20,833	23,828	27,229	30,956	35,165
BRIC	2,720	3,630	5,441	8,349	12,248	17,345	23,216	34,064	47,013	63,595	84,201
G6	19,702	22,548	24,919	27,332	29,928	32,688	32,906	39,668	44,072	48,940	54,433

Source: Goldman Sachs 2003

Consumer price inflation year-on-year % change

	97 v 96	98 v 97	99 v 98	00 v 99	01 v 00	02 v 01
France	1.2%	0.7%	0.5%	1.7%	1.6%	1.9%
Germany	1.9%	0.9%	0.6%	2.0%	2.4%	1.3%
Italy	2.0%	2.0%	1.7%	2.5%	2.7%	2.1%
Japan	1.8%	0.6%	-0.3%	-0.7%	-0.7%	-1.0%
UK	3.2%	3.4%	1.5%	2.9%	1.8%	1.5%
USA	2.3%	1.7%	2.1%	3.4%	2.8%	1.5%
Brazil	6.9%	3.2%	4.9%	7.1%	6.8%	8.4%
Russia	14.7%	27.7%	85.7%	20.7%	21.5%	15.8%
India	7.1%	13.2%	4.7%	4.0%	3.7%	4.0%
China	2.8%	-0.8%	-1.4%	0.3%	0.5%	-0.8%

Source: ZenithOptimedia 2003

Many leading executives are in denial. They believe (or hope) that such media consumption changes will not happen on their watch. Yet I know that my own consumption habits have altered radically over the last few years – more daily newspapers, fewer periodicals. More cable and satellite television, less network. More web use for information and Blackberry® e-mail.

Similarly, the US has hitherto accounted for about half of worldwide advertising and marketing services spending, with the most prominent non-US markets including Japan, Germany, the UK, France, Italy and Spain. However, Asia Pacific, Latin America, Africa, the Middle East, and Central and Eastern Europe are becoming more and more significant as multinational corporations build their businesses where populations are becoming more concentrated.

Non-US markets will be increasingly important. If you extrapolate our current revenues in the BRIC countries (Brazil, Russia, India and China) at the rates of GNP growth predicted in a recently published Goldman Sachs research document, and assuming moderate rises in advertising to GNP 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. Perhaps we should look at our business on a network television and non-network television basis, and a US and non-US basis.

In any event, WPP was founded some 18 years ago by two people in one room to try to capitalise on these two trends and provide co-ordinated advertising and marketing services throughout the world.

In the short term it's been tough

We were spoiled in the 1990s. All you had to do was come into the office. With a tightly controlled Rubin/Greenspan US economy and Friedmannite economics driving the world economy – and despite the world's second largest economic engine, Japan, being out of order – it was all relatively easy. Strong growth, low inflation, high but not full levels of employment, drove a 10-year bull market such as we have not seen since the 1920s.

The speculative blow-out around the internet was perhaps inevitable and, given its size, a lengthy correction was necessary. The last three years have been painful. After growing consistently through the 1990s, culminating in organic growth of 15% in

"Perhaps we should look at our business on a network television and non-network television basis, and a US and non-US basis"

"We were spoiled in the 1990s. All you had to do was come into the office"

2000 (20% using the measurement methods of other competitors), WPP shrank, on a like-for-like basis, in 2001 and 2002, only resuming modest growth in 2003. Ten fat years, and three lean ones. However, economic activity is now picking up, particularly in a quadrennial year.

One worry: fiscal over-stimulation

As the US economy is currently in a political cycle, the government has used fiscal spending to stimulate the economy. Rates of growth in US government spending are now back to where they were 35 years ago at the height of the Vietnam War. It is no accident that governments in many countries are the largest advertising spenders: ministries use ad spending to reinforce their policies. The problem is that the US economy is almost entering another Reagan era with huge deficits, a weak dollar, trade imbalances and the threat of inflation.

It is clear that whoever occupies the White House next January 20 will have to deal with the deficit and the weak dollar by raising interest rates and curbing growth. To date, the recession has hit the business-to-business arena, leaving the consumer relatively untouched. Spending has been stimulated by negative real interest rates and discounting. The issue will be whether increased corporate profitability and liquidity will stimulate a capital expenditure-led increase in activity, as the consumer is affected by monetary correction. Will 2005 see a hard landing or a soft one?

US Government spending since 1960

Year	Surplus/Deficit (-) in $ (constant FY1996)	Surplus/Deficit (-) as a % of GDP
1960	1.6	0.1
1961	-17.4	-0.6
1962	-37.3	-1.3
1963	-23.8	-0.8
1964	-29.2	-0.9
1965	-6.9	-0.2
1966	-17.5	-0.5
1967	-39.5	-1.1
1968	-110.1	-2.9
1969	13.4	0.3
1970	-11.1	-0.3
1971	-84.2	-2.1
1972	-80.2	-2.0
1973	-48.5	-1.1
1974	-18.5	-0.4
1975	-145.7	-3.4
1976	-188.0	-4.2
1977	-126.5	-2.7
1978	-130.8	-2.7
1979	-83.1	-1.6
1980	-136.5	-2.7
1981	-132.4	-2.6
1982	-200.4	-4.0
1983	-310.9	-6.0
1984	-264.3	-4.8
1985	-292.7	-5.1
1986	-297.6	-5.0
1987	-196.1	-3.2
1988	-196.9	-3.1
1989	-186.6	-2.8
1990	-261.9	-3.9
1991	-305.4	-4.5
1992	-318.4	-4.7
1993	-272.8	-3.9
1994	-213.0	-2.9
1995	-167.8	-2.2
1996	-107.5	-1.4
1997	-21.5	-0.3
1998	67.0	0.8
1999	119.6	1.4
2000	219.5	2.4
2001	115.6	1.3
2002	-141.1	-1.5
2003 Estimate	-266.9	-2.8
2004 Estimate	-264.7	-2.7
2005 Estimate	-176.1	-1.8
2006 Estimate	-166.4	-1.6
2007 Estimate	-145.0	-1.4
2008 Estimate	-151.3	-1.4

Source: Budget of the US Government 2004

Merger and acquisition activity Q1 2003 vs Q1 2004

Year	Volume	Value
US deal flow		
2004	2,868	$325,998.5
2003	2,581	$118,553.1
European deal flow		
2004	3,171	$201,848.4
2003	2,888	$197,103.5

* Comparative YTD numbers

Source: Mergerstat.com

To negotiate with a Murdoch or Sumner Redstone or Mel Karmazin or Michael Eisner or Bob Wright, larger scale is essential

If you focus on price, you build commodities. If you focus on innovation and product, you earn a price premium and build brands

Meanwhile, consolidation continues...

In parallel with this short-term weakness, other pressures persist. Consolidation continues at a considerable pace. Amongst clients, Procter takes Wella, Interbrew takes Ambev, Telefonica takes Bell South's Latin American interests, Cingular takes AT&T Wireless. And this at a time when merger and acquisition activity is meant to be at lower levels.

Consolidation among media owners is also unabated. NewsCorp takes DirecTV, Comcast tried to take Disney, Carlton and Granada merge to monopolise ITV. Legislation favours more consolidation in the US and the UK. Even in Brazil, which has been fiercely protectionist, we and you could now buy 30% of Globo or EditorAbril. Germany allows foreign ownership of TV channels. Italy concentrates further though the Gasparri Bill.

Clients and media owners are not alone. Retail consolidates too. Morrison takes Safeway. In Latin America, Wal-Mart enters the North East of Brazil by acquiring part of Ahold's interests, Lider consumes Carrefour, Jumbo buys Disco in Argentina, and rumours surround Wal-Mart and Carrefour and Home Depot and B&Q.

As a result, it is no surprise that agencies are also consolidating. Certainly in the one area where there are significant economies of scale – media buying – consolidation is significant. To negotiate with a Murdoch or Sumner Redstone or Mel Karmazin or Michael Eisner or Bob Wright, larger scale is essential. 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 always more satisfying than real revenue). No surprise, then, that Publicis dismantled D'Arcy, itself a consolidation of three agencies – D'Arcy, Masius Wynne-Williams and Benton & Bowles. We ourselves consolidated Cordiant, an amalgamation of Bates and Dorland, amongst others.

...And so do price and trade promotion

In a low-inflation, over-capacity market with little or no pricing power, many manufacturers have turned to price promotion and discounting. Probably the best example is the car and truck industry. General Motors seems to believe they have a balance sheet advantage over their competitors, particularly in Detroit – introducing heavily price-based competition.

One example is five-year zero coupon financing or offering effective discounts of $4,000 to $5,000 per unit. Probably, the most extreme case was Hyundai in Korea offering negative interest rates on financing – a form of cash giveback.

If you effectively give cars away it is not surprising that consumers buy them. It cannot be a surprise that the American auto market has remained at 16 million units in this environment, or that housing markets and house prices show similar buoyancy, when money is being given away at such low interest rates.

The problem is that consumers become used to such discounting and actually wait for new car or truck introductions and the associated discounting that goes with them. The auto manufacturers face profitless prosperity and break-even economics at full capacity. Interestingly, the Japanese and Korean manufacturers, and some German ones too, have tended to resist the temptation of excessive discounting, offering lower levels of $1,000 or $2,000. Instead they concentrate on design, new product introduction and branding to build a price premium. If you focus on price, you build commodities. If you focus on innovation and product, you earn a price premium and build brands.

A similarly unfortunate trend is occurring in the food industry. Package goods companies continue to try and build share by discounting and price competition, particularly as distribution concentrates. They pay higher trade discounts and slotting allowances, and fund increased promotional activity. Interestingly, there is not the same phenomenon in the health-based or well-being segments of the package goods industry. Here, companies seem to be more focused on product innovation, research and development or science, and branding to build stronger market shares. As a result, brands and margins are more robust and volumes greater.

Recent accounting changes in the US have forced 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. 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 spending, particularly at a time when the trade is consolidating at such a rapid rate.

“I cannot remember a time, in the 25 or so years I have been in the industry, when clients have been so focused on cost”

“Many marketing clients still appreciate that great advertising ideas and copy deliver outstanding results”

Fees, procurement and outsourcing bring opportunities as well as threats

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. Production commissions have largely been reduced or eliminated, although there are interesting procurement opportunities for agencies themselves in TV production, as we have seen in Australia.

Whilst commissions persist, fees are becoming more popular with clients (although that momentum seems to have slowed recently) and they now represent almost 75% of our business. Usually time-based, with incentives, they are used exclusively in our marketing services business which accounts for 53% of our revenues. In advertising, they account for about half 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. 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 the volatility in our operating margins. In the most recent cycle our margins peaked at 14.5% and bottomed at 12.3%. 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 25 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, it is perhaps understandable.

However, the question remains whether the procurement process can successfully purchase creative services in the same way that door handles or widgets are bought. The emphasis on procurement seemed to start in the pharmaceutical industry and then graduated elsewhere. It may work in the area of media buying, where there are clearly economies of scale, but not necessarily in media planning or other creative areas.

It is true that 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 those clients and categories where they feel their services are appreciated and rewarded appropriately. There are many marketing clients who 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 sales.

The procurement process seems to be based on the idea that what we provide is low value added, and that as we are dependent on significant revenues from large clients, we can be squeezed. This thinking may well be flawed. First, what we do is critical. There is a finite 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. Secondly, in an increasingly undifferentiated world, what we do – differentiate products and services, both tangibly and intangibly – is becoming more and more important.

Finally, growing consolidation in our own industry is reducing the potential resources for clients. Particularly amongst international, multinational or global companies it is ever more difficult to find co-ordinated resources that can deliver what they require. Smaller, country- or city-based operations just cannot provide the depth of coverage.

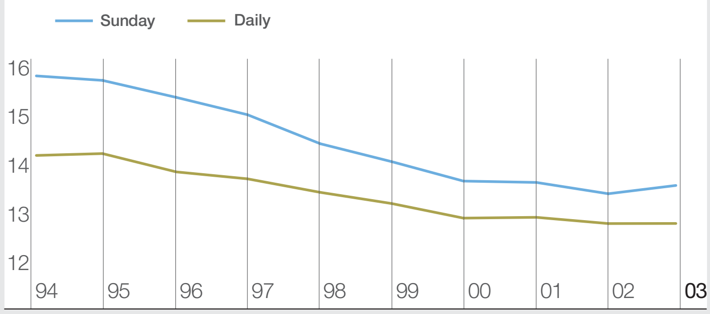
One interesting recent development is the growing interest in outsourcing parts or all of the marketing function. Clearly this is an opportunity for us and is being driven by CEOs' focus on costs and their analysis of their own investment in marketing services. Instead of concentrating solely on amounts spent outside the organisation, closer examination is now being made of amounts spent *inside* the company.

In a number of areas, including advertising, direct marketing and research, there is considerable interest in what can be done in externalising costs. Clearly this tends to make internal marketing departments more defensive about their own functions.

Media fragmentation

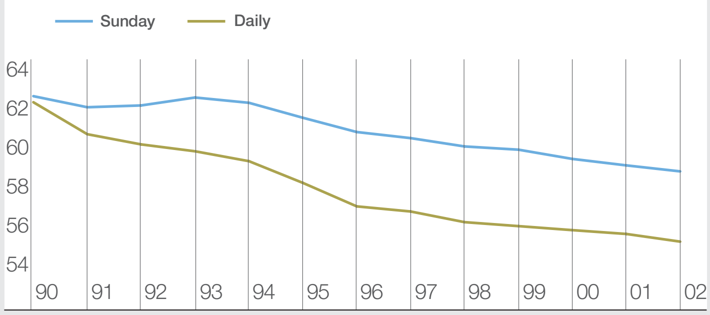
Another significant short-term pressure is media fragmentation. This has been driven by a combination of TV price inflation and falling audiences as media consumption habits change. Developing technologies have given birth to new media such as personal computers, the internet and interactivity. They have also altered the economics of traditional media such as newspapers and magazines, whilst minority media such as radio, outdoor and cinema improved their offering through better marketing and research.

Average circulation of UK daily national newspapers m



Source: ABC

US newspaper circulation (1990-2002) m



Source: Newspaper Association of America 2003

Forecast of PVR penetration in US households m

	2001	2002	2003[1]	2004[1]	2005[1]	2006[1]	2007[1]
Cable	0.1	0.1	0.4	1.2	2.9	7.7	14.6
Satellite	0.6	1.6	2.1	4.0	7.0	9.3	10.7
Standalone	0.2	0.3	1.0	2.0	3.9	7.7	13.6
Total	**0.9**	**2.0**	**3.5**	**7.2**	**13.8**	**24.7**	**38.9**

[1] Estimated

Source: Forrester Research 2003

Hours per person per year using consumer media (US)

	1997	1998	1999	2000	2001	2002	2003[1]	2004[1]	2005[1]	2006[1]	2007[1]
Total broadcast television	926	884	867	865	828	786	778	773	772	756	759
Total cable & satellite TV	622	667	720	774	844	914	949	976	999	1,007	1,026
Radio	941	911	939	945	953	994	1,013	1,046	1,068	1,074	1,098
Cinema	12	13	13	12	13	14	13	13	14	14	14
Home video/DVD	49	52	55	57	60	58	67	73	83	91	98
Interactive TV	–	–	1	2	2	2	2	3	4	4	5
Recorded music	264	275	281	258	229	201	188	179	166	163	152
Video games	34	45	53	59	60	67	75	84	90	98	109
Consumer internet	26	54	80	107	136	154	169	182	193	205	216
Daily newspapers	186	186	183	180	177	176	173	171	171	169	168
Consumer books	116	118	119	109	106	109	110	107	109	109	108
Consumer magazines	136	134	134	135	128	125	123	122	122	121	119
Total	**3,312**	**3,339**	**3,445**	**3,503**	**3,536**	**3,600**	**3,660**	**3,729**	**3,791**	**3,811**	**3,872**

[1] Estimated

Source: Veronis Suhler Stevenson

As a result, clients are re-examining the absolute levels of their advertising and marketing services investment. Does it make sense to shift their portfolio of media investment away from network television and into cable, satellite, radio, outdoor, cinema, direct, public relations, interactive, internet or whatever? The econometric analysis of media investment is becoming increasingly important.

Among the latest new media innovations are personal video recorders (PVRs) which enable viewers to download television programmes onto a hard disk. Effectively this enables you to build your own television channel, recording programmes for screening when you want to see them, and to build a library, not unlike an Apple iPod for music. A PVR also allows you to time-shift programmes as you watch, stopping for breaks whenever you wish. Forrester Research predicts that 50% of US households will have PVRs by 2007. Others are less bullish, but even the least enthusiastic forecast 25% penetration by then. 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 altogether. Market research in the US indicates that consumers like to fast-forward advertisements (though they stop at beer commercials for creativity and auto commercials for information). We could do most of this previously with television video recorders of course, and the key question remains the amount of time viewers will continue to devote to television viewing. In some PVRs, the skip button has been omitted and fast-forward timing is limited. Whatever the outcome, such devices will put further 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.

Super agencies – trend or fad?

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 new full service agencies of the 21st century.

In the 1960s if you visited, for example, J Walter Thompson in Berkeley Square you would find a creative department, a marketing department, an account handling department, a media department, a public relations department, a merchandising department, a direct mail department, a packaging department, a production department, an experimental film department, a market research department, a conference department and even a home economics department with two fully equipped kitchens. Long before the phrase integrated communications came into common use, integrated communications was exactly what such full-service agencies could provide.

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 brand 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, merchandising, PR and other specialist skills. Many such companies have now been re-absorbed into the super agencies, but in an inter-dependent or autonomous form.

Today, the new super agencies have a major opportunity. Clients still require, first and foremost, creativity and great creative ideas. Secondly, but increasingly, they want better co-ordination (although it is of course 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. To respond to this, the super agencies will in turn need to focus on attracting, retaining and developing the best talent, structuring their organisations in the most effective way and incentivising their people successfully.

Whilst only a year ago this might have been seen as a fad, the concept may now be taking root. Two major multinational clients – coincidentally, perhaps, with their origins in Asia – have invited the four largest holding or parent companies to present for their global advertising and marketing services business. In both cases the presentations include advertising and media investment management, and direct, and in one case research as well. Both clients are looking for an integrated global solution to their needs and for groups that can offer alternative solutions – potentially a weakness of the single network.

There are no guarantees that the clients will select one group in the final analysis, but by the time this Annual Report is published we shall be nearer to knowing the outcomes. The CEO of one eliminated parent company in the first round of the first pitch declared that this was no trend. Now that the second pitch has been announced, he has changed his mind. The only issue preventing this from being a trend is whether clients can be convinced of the benefits. The middle of the road is clearly becoming an increasingly difficult place to be, with traffic approaching from both directions. Those agencies excluded from the super agency pitches because they lack the scale and resources must now be feeling distinctly uncomfortable. Our business is increasingly polarising between the very big at one end and the small at the other.

Further down the line, a much brighter picture

Five key factors underpinning longer-term growth

The near term looks a little better this year. And despite short-term pressures, there are five important factors that continue to reinforce the growth and importance of advertising and marketing services in the longer term.

Overview of world economic outlook projections

	2001 %	2002 %	2003 %	2004[1] %
World	2.4	3.0	3.2	4.1
Advanced economies	1.0	1.8	1.8	2.9
USA	0.3	2.4	2.6	3.9
Euro Area	1.5	0.9	0.5	1.9
Germany	0.8	0.2	-	1.5
France	2.1	1.2	0.5	2.0
Italy	1.8	0.4	0.4	1.7
Japan	0.4	0.2	2.0	1.4
UK	2.1	1.9	1.7	2.4
Canada	1.9	3.3	1.9	3.0
Other advanced economies	1.6	2.7	1.7	3.0
Newly industrialised Asian economies	0.8	4.8	2.3	4.2
Developing countries	4.1	4.6	5.0	5.6
Africa	3.7	3.1	3.7	4.8
Sub-Sahara	3.5	3.0	3.1	5.0
Developing Asia	5.8	6.4	6.4	6.5
China	7.5	8.0	7.5	7.5
India	4.2	4.7	5.6	5.9
ASEAN-4	2.9	4.3	4.1	4.4
Middle East & Turkey	2.0	4.8	5.1	4.6
Western hemisphere	0.7	-0.1	1.1	3.6
Brazil	1.4	1.5	1.5	3.0
Countries in transition	5.1	4.2	4.9	4.7
Central & Eastern Europe	3.1	3.0	3.4	4.1
CIS & Mongolia	6.4	4.9	5.8	5.0
Russia	5.0	4.3	6.0	5.0
Excluding Russia	9.2	5.9	5.4	5.0

[1] Estimated
Source: IMF

Top 10 US advertiser spending growth
Monitored at ratecard prices

	1H 2002 $m	1H 2003 $m	% change
Procter & Gamble Co.	957	1,259	32%
General Motors Corp	1,130	1,251	11%
Time Warner Inc	755	847	12%
DaimlerChrysler AG	509	751	48%
Ford Motor Co	616	689	12%
Walt Disney Co	507	614	21%
Johnson & Johnson	502	607	21%
Verizon Communications	545	569	4%
Altria Group	556	544	-2%
Pepsico Inc	433	495	14%
Top 10 total	**6,510**	**7,626**	**17%**

[1] Estimated
Source: CMR Strategy

1. Globalisation or Americanisation?

It is over 20 years since Professor Theodore Levitt wrote his famous article in the *Harvard Business Review* on the globalisation of consumer tastes and preferences. He argued that consumers would increasingly buy goods and services in the same way, everywhere. Twenty years on, we held a symposium last year at the Harvard Business School with many of our clients and it is evident that Professor Levitt was over-estimating this trend. He even admitted as much in a taped interview: he was exaggerating to make a point.

Truly global products or services like fast food, soft drinks and computer hardware or software even now account for only about 10-15% of WPP's revenues. Consumers are probably more interesting for their differences than for their similarities, and politically there seems to be less integration than disintegration. Just look at Yugoslavia, the Middle East or Iraq, let alone devolution in Scotland or Wales. Common markets act essentially as supply-side driven unions, harmonising production and distribution rather than unifying demand and consumer preferences. On 1 January 1993, the Euro consumer was not born.

What has been going on may well not be globalisation of world markets, but Americanisation. Not in the sense that upsets the French and gets Americanisms barred from their commercial language. This is not about commercial imperialism but the simple fact that if you wish to build a global brand you have to dominate the American market. In most cases, including our own industry, the US accounts for half the world market. You could argue that given the prominence of US-based multinationals, the Americans control – or, to be more politically correct, influence – almost two-thirds of the market.

At WPP, our top 40 clients represent about 40% of our revenues. 23 of the top 40 are based in the US, 16 in Europe and one in Japan. Moreover, most of the US-based multinationals are headquartered in a relatively small geographic area. True, there are others based in Seattle or Portland, San Francisco or Los Angeles, Houston (at least there were!) or Dallas, or Atlanta. But the majority are to be found in a north-east corridor around Detroit, Chicago, Boston, New York and Washington.

Failure to understand the overwhelming importance of America can be life-threatening. Take the investment banking industry. Fifteen to 20 years ago the strong brands in Europe included SG Warburg, Morgan Grenfell, Schroders and Flemings. Today they have virtually disappeared and American brands dominate the industry, led by Goldman Sachs, Morgan Stanley, Merrill Lynch and Citigroup. The fact is that the European brands failed to crack the North American market. Strong European talent is now happy to work for the American multinationals because they monopolise the intellectual challenges in the industry and are probably better and more sensitively run. The major European-based businesses that remain, such as Deutsche Bank, UBS or CSFB, still face the challenge of establishing a major market position in the US.

US/non-US revenue splits for top 25 S&P 500 companies

Company	Market value $	US sales $m	US sales %	Non-US sales $m	Non-US sales %
General Electric	312,264,413,480	80,101	60%	54,086	40%
Exxon Mobil Corp.	272,268,354,960	70,128	30%	143,071	70%
Pfizer, Inc.	271,223,241,920	26,844	59%	18,344	41%
Microsoft Corp.	270,615,432,510	23,174	72%	9,012	28%
Citigroup Inc.	269,337,057,570	11,456	64%	6,444	36%
Wal-Mart Stores	252,526,021,350	208,908	81%	47,421	19%
American Int'l. Group	191,288,067,360	45,315	56%	35,988	44%
Intel Corp.	177,596,760,000	8,403	28%	21,738	72%
Bank of America Corp.	166,450,705,240	n/a	n/a	n/a	n/a
Cisco Systems	163,159,322,400	10,544	56%	8,334	44%
International Bus. Machines	156,975,055,920	33,762	38%	55,369	62%
Johnson & Johnson	149,935,276,800	25,274	60%	16,588	40%
Procter & Gamble	136,968,128,080	n/a	n/a	n/a	n/a
Coca-Cola Co.	123,681,453,120	6,523	31%	14,520	69%
Altria Group, Inc.	112,730,969,160	36,769	45%	45,063	55%
Verizon Communications	101,901,195,000	65,803	97%	1,949	3%
Merck & Co.	99,627,606,330	n/a	n/a	n/a	n/a
Wells Fargo	96,868,660,250	n/a	n/a	n/a	n/a
ChevronTexaco Corp.	94,094,066,520	62,798	47%	72,227	53%
PepsiCo Inc.	92,609,820,900	17,400	64%	9,500	36%
Dell Inc.	87,131,296,780	28,603	69%	12,841	31%
J.P. Morgan Chase & Co.	86,978,095,160	n/a	n/a	n/a	n/a
Home Depot	84,365,009,280	60,278	93%	4,537	7%
SBC Communications Inc.	81,798,629,640	n/a	n/a	n/a	n/a

Source: Bloomberg Standard & Poor's, company annual reports

Neither is it easy to find examples of European-based global companies in other industries. BP and Shell certainly understand the point, as do Nestlé and Unilever, the latter two having strengthened their US operations with scale acquisitions. DaimlerChrysler gets it too, although Jurgen Schremp's global strategy is under pressure. Vodafone, GlaxoSmithKline and AstraZeneca are other good examples. There are not many more.

Top 100 brands by location

Location	2001	2002	2003
USA	63%	65%	62%
Finland	1%	1%	1%
Germany	7%	6%	6%
Japan	6%	6%	7%
Switzerland	3%	3%	3%
Sweden	3%	2%	2%
France	3%	5%	7%
South Korea	1%	1%	1%
Italy	2%	3%	2%
UK	7%	5%	6%
Netherlands	2%	2%	2%
Bermuda	1%	1%	1%
Denmark	1%	0%	0%

Source: Interbrand / Business Week

American strength is based on three factors. First, the relative size and homogeneity of the US market. Yes, there are differences between north and south, east and west, Afro-American and white,

"The simple fact is that if you wish to build a global brand you have to dominate the American market"

Hispanic and Asian American. But the 280 million population is relatively more homogeneous than the bigger, but much more heterogeneous 450 million of the enlarged European Union.

Secondly, the US capital market is much larger and more efficient. You can raise debt and equity at lower interest costs and higher price-earnings multiples. As we saw recently, Rupert Murdoch's NewsCorp chose a US base rather than Australia, principally for that reason.

Finally, the Americans have major technological advantages in most areas. I am hard pressed to think of one where they do not. Perhaps in 3G technology, but given the prices that European and Asian companies paid for the associated licences, that was perhaps a Pyrrhic victory.

It is of course entirely possible that this will all change. Just when nations seem to have acquired complete industrial, economic, political and social hegemony, a countervailing force pops up to fill the vacuum created. Following the fall of the Berlin Wall and the collapse of Communism, in current times it is China, in the context of Asia Pacific. The tragic events of 9/11 may have postponed or delayed developments, as China and Russia joined in the challenge of trying to understand Moslem development and deflected attention from a Bush administration that seemed to be adopting an isolationist and protectionist stance.

Asia Pacific: a giant opportunity unfolds

It is difficult for us to grapple with the scale of China. Although it arguably not a single country (even Mao Tse Tung used interpreters for his speeches), can we really grasp the fact that it amounts to four or five Americas? Or that India, for that matter, is three or four? Whilst it is true that only 100-150 million Chinese are currently in a position to buy the goods and services we want to sell on behalf our clients, even they represent one-half of an America. And in any case, given the pace of change, this will not be the position in a very few years time. Furthermore, India seems to be suffering from neighbourhood envy at the pace of Chinese growth under effectively state-directed capitalism. Its own growth rate is starting to pick up too and the recent rapprochement with Pakistan (with cricket playing an important social, political and economic role) bodes well for the development of the region. Very exciting times.

Asia Pacific may well become predominant. China and India alone already account for over one-third of the world's population. By 2014 Asia, which now accounts for one half of the world's population, will represent two-thirds. Greater China is already WPP's fifth largest market with a leading 15% market share. In India our share is over a third, in South Korea over 25%, both leading the market. In Japan it is almost 10%, in third position behind Dentsu and HDY but still the leading geijin company.

China's development will be rapid. The government is already worried about overheating in the coastal regions of Shanghai, Beijing and Guangzhou, and about underdevelopment of the hinterland. In our minds, any slow-down represents an opportunity for further investment. If 2004 offers a quadrennial boost, just wait for 2008: Senator Clinton possibly bidding for the US Presidency, plus the Beijing Olympics followed by the Shanghai Expo in 2010. The Chinese government is committing $45 billion in infrastructure development to the Olympics and there will be a 24/7 Olympics TV channel from mid-2004 in lengthy preparation for the 2008 games. To put that into perspective, the UK government is committing just $5 billion to the British Olympic bid for 2012.

The other challenge to American dominance comes from the Moslem world. Moslems today account for approximately 26% of the world's population, or 1.5 billion people. By 2014 there will be 2.1 billion Moslems or 30% of the world's projected population. The war in Iraq is really only an extension of historic conflicts which in more recent times included Suez in the 1950s, the oil price increases in the 1970s and the Kuwait invasion of the 1990s. Western governments and peoples have not really sought to understand the Moslem mind and have assumed that their values and beliefs are the same as our own. Clearly they are not. It will be increasingly necessary to make a serious and sincere attempt to understand these differences.

“Can we really grasp the fact that China amounts to four or five Americas?”

A local approach to more heterogeneous markets

There is no doubt that recent world events require new thinking by US- and European-based multinationals. Given that the average US-based multinational is still 60% concentrated in the US and only 40% outside (more like Pepsi-Cola than Coca-Cola), further international growth to achieve even the 5-10% profit rise promised to investors will demand further geographical expansion. Recent emphasis on global, max or core brands – usually defined as over $1 billion dollars in sales rather than any consumer insight – may not be enough.

Expansion into relatively more heterogeneous markets may demand a more local approach, with more emphasis on local management, local approaches and national customs. Whilst there will not be a return to the all-powerful, silo-building, fiefdom-creating and overlapping country managers of 20 years ago, they may nevertheless assume a more prominent role. In addition, over-stretched regional management on both client and agency sides will come under closer review. As clients' country-based operations have become bigger and more complicated, so country managers, co-ordinators or ambassadors are becoming more prominent. The average agency regional manager may have 100 offices to oversee. If there are 250 working days in a year and he or she travelled all the time, totally sacrificing their family lives, they would spend little over two days a year with each office. As a result, they become glorified financial directors.

At WPP we are experimenting with two organisational responses. At the global level, we are appointing Global Client Leaders to manage a client's affairs right across the

“There is no doubt that recent world events require new thinking by US-based and European-based multinationals”

WPP Group. Embedded in operating companies or 'tribes' to avoid creating further levels of overhead, they co-ordinate the activities of our specialists. At a local level, we are also experimenting with WPP Country Managers. Again, mostly embedded in the tribes, they are responsible for ensuring that our country businesses recruit the best people, work with the best local clients and acquire the best local companies. The objective is to provide a balanced global and local approach to our business.

Over-dependence on expatriate staff can be a temporary and expensive solution to management opportunities and problems. Although such organisational responses create a degree of confusion and management tension, this may be no bad thing. Improved technologies have enabled us to manage our businesses more effectively and efficiently. As a result, hierarchical, militaristic management structures have been replaced by more flexible if more complex network structures. Alfred P Sloan's neat organisational structure for General Motors in the 1920s has been replaced by something more messy. But perhaps the 21st century is not for tidy minds.

"Clients still require, first and foremost, creativity and great creative ideas – plus better co-ordination"

2. Overcapacity and the shortage of human capital

The single biggest long-term issue facing our 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 watches, or high fashion companies like Rolex or Hermes where supply is limited. But most industries face situations similar to the automobile and truck industry, where companies can manufacture 80 million units and consumers can consume only 60 million.

Overcapacity issues are particularly difficult to deal with in politically sensitive industries like automobiles and trucks. 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 be for GM to absorb Fiat's production capability. But Prime Minister Berlusconi could not countenance further unemployment in the Mezzogiorno.

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 your product, service or brand in the first place.

"What 21st century resource is in ever shorter supply? The answer is human capital"

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 very 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 five years to design, produce and market a car. Today, it can be done in 18 months. Driven by the aggressive Japanese, South Korean and German manufacturers, the Americans have followed suit.

Intangible differentiation is, then, becoming more important. Psychological, life-style and emotional differences are increasingly 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 find such intangible appeal immoral or at least unsavoury. Preying on people's vulnerabilities, it is said, is unethical. However, we believe that fulfilling people's desires or dreams is almost always wholly justifiable and satisfying for the consumer – and it is a key role for the advertising and marketing services industry.

Whilst there is certainly too much production and capacity in general, what specific resource in the 21st century is in ever shorter supply? The answer is human capital. Every demographic 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. There are current examples of government campaigns to stimulate the birth rate. Europe and Japan face significant economic growth issues as a result of the declining proportion of young people and an overall population decline.

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.

3. The web: not dead, growing fast

Since the dotcom implosion of 2000 it has become 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 over $1 billion of WPP Group revenues, or more than 15%, and it is growing rapidly.

Quarterly online media revenues

	US online revenue ($m)	UK online revenue (£m)
Q1 1998	351	3.4
Q2 1998	423	4.5
Q3 1998	491	4.8
Q4 1998	656	6.7
Q1 1999	693	8.4
Q2 1999	934	8.9
Q3 1999	1,217	12.7
Q4 1999	1,777	21.0
Q1 2000	1,922	26.7
Q2 2000	2,091	35.1
Q3 2000	1,951	41.9
Q4 2000	2,123	49.4
Q1 2001	1,872	47.4
Q2 2001	1,848	42.8
Q3 2001	1,773	36.6
Q4 2001	1,641	38.9
Q1 2002	1,520	36.6
Q2 2002	1,458	45.2
Q3 2002	1,451	51.1
Q4 2002	1,580	63.8
Q1 2003	1,632	70.3
Q2 2003	1,660	81.3

Source: IAB

There seem to be three reasons why. First, there is still the threat of disintermediation. A horrible word; perhaps some explanation is needed. Let's take an example from our own business. Over $1 billion of WPP's revenues come from market research. Traditionally, research has been carried out via telephone and the post. The process is long and cumbersome. A questionnaire has to be designed, distributed and filled in by consumers or interviewers; then data is collected and analysed, and conclusions developed; and it can all take three to six months. Many CEOs despair that by the time the answer has been identified, the problem has changed. Using the internet, however, the research process can be transformed and responses obtained almost instantly. WPP's Lightspeed panel interrogates over three million consumers on both sides of the Atlantic and can deliver answers inside 24 hours.

Secondly, you continue to be disintermediated by lower-cost business models which are evaluated by investing institutions in new and different ways. Despite the 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.

Finally, the internet and new media companies still steal your people. Following the bankruptcies and failures, many young people returned to the more traditional businesses they had left. WPP lost a number of such bright talents and later welcomed some of them back to the fold. I myself conducted a number of so-called 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.

Clearly, the age of apprenticeship inside large corporations is finished. It was weakened by the corporate downsizing of the 1980s and 1990s, and the final nail in the coffin was 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 advised me to do, no longer seems to be the best career choice.

"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"

"Young, bright talent will always seek out new, flexible, un-bureaucratic, responsive companies"

4. Internal communications: more important than external

Given the scale of strategic and structural change going on inside most companies, one of the most important challenges facing CEOs is to communicate that change internally. You could argue that most of the communication we co-ordinate is aimed at internal audiences rather than external ones. As some people, such as Allan Leighton when he was at Asda (now Wal-Mart), have maintained, making sure your internal constituencies are on side is often more important than external ones. After all, it can only be beneficial that people working inside your company communicate positively with customers, suppliers, potential customers, potential employees, journalists, trade 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 where 'tribes' operate independently to deal with diseconomies of scale and client conflict, it is far more complicated. Trying to ensure that 70,000 people face in the same direction at the same point in time is not easy. On the other hand, once achieved, internal unison and common focus make up a very, very powerful force.

Most of our functions develop internal communications through Advertising, Media investment management, Information, insight & consultancy, Public relations & public affairs, Branding & identity, 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.

5. The concentration in distribution – CEOs' most pressing issue

Whenever we ask CEOs what keeps them awake at night or when they get up in the morning, they almost always give the same answer: distribution. Some 18% of Procter & Gamble's worldwide sales go through Wal-Mart. Probably 25-30% of its US sales do. Henkel recently bought Dial Corp., 30% of whose sales go through Wal-Mart. Clorox, another Henkel-connected company, sells 30% of its US products through Wal-Mart. 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. More people visit Wal-Mart in the US in one week, than go to church on a Sunday. Some claim Wal-Mart is the new religion.

Influence over and control of distribution is not a new issue. In a sense, it is back to the future. 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 in particular, will only emphasise the importance of focusing on product innovation and branding, along with better understanding of point-of-purchase consumer behaviour and emphasis on packaging, point-of-purchase display and retail design. After all, as one 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.

WPP believes that an understanding of distribution and retail is essential and it is one of our core practice development areas. The Store, our virtual retail agency, links over 900 retail professionals around the world, updating them (subject to client confidentiality constraints, of course) on the latest developments and trends. Management Ventures Incorporated in Boston, with over 50 global retail analysts, and Glendinning Associates, experts in channel management, supplement and consolidate our knowledge of global retailing.

In addition, the acquisition of Bates' below-the-line company 141 Worldwide gives the Group an even broader distribution offer with its focus on product categories that have been denied access to traditional media.

"Some claim Wal-Mart is the new religion"

"Internal unison and common focus make up a very, very powerful force"

Conclusion

With recessionary forces abating in 2003, the short-term picture for the communications services industry improved. Quadrennial opportunities in 2004 will strengthen our business.

The immediate issues of government over-spending; consolidation amongst clients, media owners, retail and agencies; increasing trade and price promotion; fees; procurement and outsourcing; media fragmentation and super agencies all bring opportunities as well as threats. 2005 should show further improvement.

In the longer term, advancing Americanisation and the growth of Asia Pacific, overcapacity and the shortage of human capital, the web, the demand for internal communications and retail concentration should together underline and assure the importance of our industry and its constituent parts, advertising and marketing services. The latter as a proportion of GNP will burst through the cyclical high established at the peak of the last cycle in 2000. ■

The Steak & Kidney Pie That Wasn't
– the end is in sight for Sizzle Marketing

Just about every marketing strategy written over the last 50 years or so contains an introductory section entitled The New Challenges.

In it, the author catalogues the astonishing range of obstacles that make the achievement of that year's agreed targets uniquely difficult. The list will include: increasing competition, inflated media rates, attenuated lead-times, adverse exchange rates and – a particular favourite – the increasing sophistication of the consumer. Marketing has been getting more and more difficult for so many years now it's a miracle that we can still function at all.

And now we may expect a new hazard to join the old favourites. As convincingly demonstrated by Barry Schwartz in his book *The Paradox of Choice*, today's affluent consumer is faced with such an over-abundance of choice that a kind of paralysis sets in. "Clinging tenaciously to all the choices available to us contributes to bad decisions, to anxiety, stress, and dissatisfaction – even to clinical depression." "Unlimited choice" may "produce genuine suffering." So here's another setback for those of us in marketing: an excess of choice leading to consumer stasis. We can only look back with envy at our fortunate, carefree predecessors who were lucky enough to be in marketing when marketing was easy.

But in this belief, of course, we delude ourselves. More often than not, that catalogue of New Challenges is trotted out as a pre-emptive strike against the risk of failure. There's little meaningful evidence to suggest that marketing today is any more difficult than it was 50 years ago.

When we talk so plaintively about the increasing sophistication of the consumer, what we're really referring to is a past that never existed; to those good old days when all we had to do was instruct the peasants to go out and buy something – and they, with a deferential touch of the cap, would mutely obey. And what we imply (though never openly say) is that, because these newly sophisticated consumers have seen through our strategy, it's getting harder and harder to get away with it.

This implication is curiously insulting to both consumers and marketing. Consumers, as David Ogilvy reminded the world some 40 years ago, have never been morons; and good marketing has never been about getting away with it.

What is certainly true is that we all adapt over time to changes in communications techniques. Compare

“Consumers, as David Ogilvy reminded the world some 40 years ago, have never been morons; and good marketing has never been about getting away with it”

the editing and dialogue of a good 1954 feature film with the editing and dialogue of a good 2004 feature film. Note the confidence and economy with which today's directors employ hints and clues; trust their audiences to fill in gaps, to understand nuances, to follow story lines. And that confidence is entirely justified: not because today's audience is a smarter audience but because they've all had more practice; they've learnt the language of filmmaking.

In just the same way, people have learnt the language of advertising and marketing; but again, this is not because they're smarter – or indeed, more sophisticated. It's not that they've seen through us; they just don't want to be subjected to old-fashioned marketing any more than they want to wear old-fashioned clothes.

And secondly, of course, these changes in our consumers' marketing literacy – their increased familiarity with marketing's techniques – have an impact not only on us. They apply, with equal force, to every one of our competitors; which makes it logically difficult to argue that the increased sophistication of our consumers presents problems exclusively confined to us. All the time, it's true, the nature of the playing field changes a bit – but it always remains level.

Elmer Wheeler's Legacy

Of all the marketing techniques that consumers are now consciously aware of, there's one we can trace back to Elmer Wheeler. It was this inspirational Depression-era salesman who first exhorted his followers to "sell the sizzle not the steak". Wheeler originally meant it as a reminder that effective salesmanship concentrates not on an exhaustive list of a product's attributes but rather on the benefits that those attributes deliver. When many years later, Theodore Levitt reminded us that people didn't want a quarter-inch drill, they wanted a quarter-inch hole, he was making the same durable point. Over time, however, Elmer's adage seems to have drifted a bit in meaning. Today, too often, it encourages marketing people to concentrate on the sizzle to the exclusion of the steak; to believe that the intrinsic quality of a product is secondary to its image. This is dangerous stuff and people – real people – have sniffed it out with growing disapproval.

In a lecture three years ago, Niall FitzGerald, chairman of Unilever, told the story of their Country Soups. Sales were poor and getting poorer – and he'd been asked to authorise a significant expenditure in order to upgrade the quality of Country Soups' ingredients. On instinct, he asked to see the list of ingredients as it had been 20 years earlier, when the brand had been strong. His instinct was right. The list of ingredients then had been almost exactly the list of ingredients it was now proposed, at considerable expense, to reinstate. In between, a succession of profit-conscious brand managers, believing the sizzle to be more important than the steak, had slowly and furtively whittled away at intrinsic quality, telling themselves that each change was so negligible as to be undetectable. So it was that a soup, calling itself Country Soup, with all the hoped-for associations of rural, straight-from-Mother-Earth reality, had been persistently stripped of the evidence that would have given those associations legitimacy. It did not go undetected.

Don't Try to Fake Authenticity

Over-enthusiasm for sizzle marketing is more dangerous today than ever because there's a growing and clearly detectable popular thirst for what is usually summed up as authenticity. Increasingly, people like to know the provenance of what they buy. Countries of origin and regions of origin provide valued reassurance. Knowledge of a brand's history and the people behind it can contribute a great deal to belief in the brand's worth.

Artificiality is suspect; authenticity welcome: as long, of course, as the authenticity is authentic.

In many countries, this emerging search for authenticity has favoured the rise and rise of farmers' markets and farm shops. A new farm shop opened last year in the county of Wiltshire in England.

The shop was housed in a well-converted old barn. There was a stripped wooden floor, the fruit and vegetables were displayed in wicker baskets and details of local produce were hand-lettered on a blackboard. The place absolutely reeked of authenticity.

The home-made steak & kidney pie looked particularly appetising – so we bought one and had it for supper that evening. The steak inside the pie was meagrely distributed and far from tender. My wife found two small pieces of kidney. I found none.

To many of us English, the steak & kidney pie is the embodiment of authentic, basic country food. No factory, we think, and no hypermarket, could ever replicate its rich abundance, its melting, meaty generosity. And now here, having inflated our hopes and expectations, was this mean-spirited apology for a pie; this mockery of a pie; this shameless rip-off impostor of a pie. And the fact that we'd bought it from a converted barn with stripped wooden floors made its duplicity doubly offensive. Inauthentic authenticity both attracts and deserves more condemnation than cheerful, unapologetic artificiality. All the farm shop's energy and investment had been expended on the sizzle: that, they believed, was all the punters cared about. The steak (and in this case, of course, also the kidney) had been cynically downgraded in pursuit of an extra penny's profit.

We have not patronised that farm shop since.

“To many of us English, the steak & kidney pie is the embodiment of authentic, basic country food. No factory, we think, and no hypermarket, could ever replicate its rich abundance, its melting, meaty generosity”

“Artificiality is suspect; authenticity welcome: as long, of course, as the authenticity is authentic”

Brand As Clip-Joint

Over the last few years, whole books have been written about the importance to brands of creating and maintaining Trust. The arguments hardly need reiterating. Leading people to expect authenticity and then cheating them of it is as good a way as any of demolishing trust: it's brand as clip-joint, recklessly forfeiting future custom in pursuit of a quick buck today.

But not all those who write about the value of trust make it absolutely clear what they mean by that word; and here it's helpful to return to Professor Schwartz and *The Paradox of Choice*.

In his opening chapter, he chronicles his experience at his local 'modest' supermarket. “Returning to the food shelves, I could choose from among 230 soup offerings, including 29 different chicken soups. There were 26 varieties of instant mashed potatoes, 75 different instant gravies, 120 pasta sauces.” Leaving the supermarket, he steps into his local consumer electronics store and discovers 45 different car stereo systems, 42 different computers, 27 different printers, 110 different televisions and 85 different telephones, excluding cell phones.

Looked at academically, and ignoring for a moment that limitless human ability to cope when confronted with apparently unmanageable complexity, you can see why Schwartz contends that such a bewilderment of choice 'tyrannizes' us. But every day, of course, human beings do manage the unmanageable.

Consumers Out-Source, Too

No general can personally manage an army of 50,000 men. No chief executive can personally manage a company of twice that number in 100 different countries. No reader can make an informed assessment of all 10 million works of fiction in print before deciding which three to take on holiday. Yet generals and CEOs and readers somehow maintain their sanity and their ability to function – because what we all do, of course, sometimes consciously and sometimes instinctively, is delegate.

The general has no more than a dozen people reporting to him. The CEO works with a small executive committee. And readers rely on their experience of a limited number of authors, subjects, reviewers and publishers.

Call it delegation or sub-contracting or out-sourcing: the principle is the same. The management of our lives is possible only through delegation; and delegation is made possible only by the existence of trust.

So in order to make satisfactory decisions, we do not need to have first-hand knowledge of every one of Professor Schwartz's 230 soups, 120 pasta sauces or 45 car stereos. Those who believe that brands are invented by companies and imposed from above on gullible citizens wilfully ignore the obvious truth: that brands (including of course corporate brands and retail brands and media brands) provide an indispensable consumer service. They are our trusted lieutenants to whom we confidently delegate and who impose some sort of order on our otherwise chaotic shopping lists.

So, in the end, it all seems to come together. Marketing conditions change and we need to be aware of those changes. But since those conditions apply to our competitors as well as ourselves, this doesn't mean to say that marketing is getting harder; simply that the prizes for getting things right are even more glittering.

As choice continues to multiply, we will continue to delegate more, to subcontract more, and we will put our trust only in trustworthy names: authentic names, of demonstrable intrinsic quality. The sizzle will still get our nostrils flaring with anticipation – but if we're ever cheated of the steak & kidney, we will be vindictive until the end of time. ■

Jeremy Bullmore

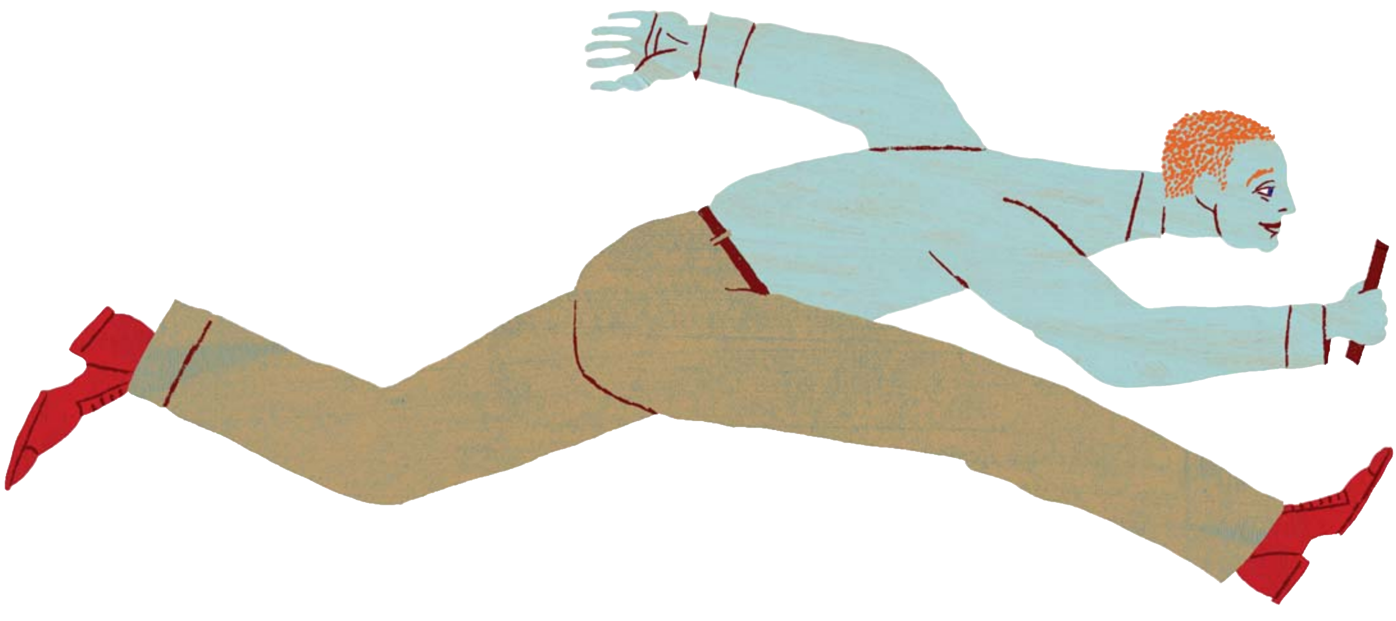
Jeremy Bullmore
Director

Who runs WPP

Board of directors

Philip Lader Age 58 Non-executive chairman
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 RAND, Marathon Oil and AES Corporations, a member of the Council of Lloyd's (Insurance Market), a Trustee of the British Museum and a member of the Council on Foreign Relations.

Sir Martin Sorrell Age 59 Chief executive
Sir Martin Sorrell joined WPP in 1986 as a director, becoming Group chief executive in the same year. He is a member of the NASDAQ board.
e-mail: msorrell@wpp.com



Paul Richardson Age 46 Finance director
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, taxation, treasury, procurement and property. Previously he spent six years with the central financial team of Hanson PLC. He is a chartered accountant and member of the Association of Corporate Treasurers. He is a non-executive director of Chime Communications PLC and STW Communications Group Limited in Australia, both of which are companies associated with the Group.
e-mail: prichardson@wpp.com

Beth Axelrod Age 41 Chief talent officer
Beth Axelrod joined WPP as chief talent officer in May 2002. She was appointed a director in September 2002. She is responsible for recruitment, development, compensation, retention, performance management and succession planning of WPP's executives. She leads the performance management and succession planning of WPP's executives. Prior to WPP, she was a partner at McKinsey & Company. She co-led the consultancy's Organisation and Leadership Practice and led the consultancy's talent management research and client service efforts. She co-authored *The War for Talent* (Harvard Business School Press, 2001) and continues to be a frequent speaker on talent, performance and other organisation issues. Prior to McKinsey, she worked on mergers and acquisitions for First Boston, Inc. in New York and London.
e-mail: baxelrod@wpp.com

Howard Paster Age 59 Director
Howard Paster was appointed a director in January 2003. He was previously chairman and chief executive officer of Hill & Knowlton, Inc. He joined the WPP parent company in August 2002, overseeing WPP's portfolio of public relations and public affairs businesses. He is also the director responsible for the Company's Corporate Social Responsibility policy. Prior to joining Hill & Knowlton Inc., he served as assistant to President Clinton and director of the White House Office of Legislative Affairs. He is a member of the board of trustees of Tuskegee University, president of the Little League Foundation and a member of the Council on Foreign Relations.
e-mail: hpaster@wpp.com

Jeremy Bullmore Age 74 Non-executive director
Jeremy Bullmore was appointed a director in 1988 after 33 years at J. Walter Thompson, London, the last 11 as chairman. In 2004 he was appointed president of the Market Research Society and he was chairman of the Advertising Association from 1981 to 1987. He continues to write and lecture extensively on marketing and advertising.

Esther Dyson Age 52 Non-executive director
Esther Dyson was appointed a director in 1999. She is chairman of EDventure Holdings, the pioneering US-based company focused on information technology and new media. Having recently sold her business to CNET Networks, the US based interactive media company, she is now their editor-at-large. She is an acknowledged luminary in the technology industry, highly influential in her field for the past 20 years, with a state-of-the-art knowledge of the online/information technology industry worldwide, and the emerging information technology markets of Central and Eastern Europe. An investor as well as an analyst/observer, she sits on the boards of IBS Group, Meetup.com, NewspaperDirect, CV-Online and Graphisoft, and on the consumer advisory of Orbitz, among others.
e-mail: edyson@edventure.com

Orit Gadiesh Age 53 Non-executive director
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 an active board member at Harvard Business School and Kellogg School in the US and the Haute Ecole Commerciale in France. She sits on the Boards of the Federal Reserve Bank of New England and the Peres Institute for Peace and is a member of the Council of Foreign Relations.

John Jackson Age 74 Non-executive director
John Jackson was appointed a director in 1993. He is chairman or senior independent director of a number of public companies. He is non-solicitor chairman of Mishcon de Reya. He has extensive experience of a broad range of businesses, including biotechnology, electronics, high technology industries, pharmaceuticals, publishing, printing, retailing and television broadcasting.

Michael Jordan Age 67 Non-executive director
Michael Jordan was appointed a director in 2000 and had been a non-executive director of Young & Rubicam Inc. since December 1999. He is chairman and chief executive officer of EDS. He is chairman of the National Foreign Trade Council (US), a member and former chairman of the US-Japan Business Council and chairman of The United Negro College Fund. He serves on the board of Aetna, Inc. He retired as chairman and chief executive officer of the CBS Corporation in 1998 after having led one of the most comprehensive transformations of a major US corporation. Michael will retire from the Board at the forthcoming Annual General Meeting.

David H Komansky Age 65 Non-executive director
David Komansky was appointed a director in January 2003. 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 Boards of the New York Presbyterian Hospital, the American Museum of Natural History and the National Academy Foundation.

Christopher Mackenzie Age 49 Non-executive director
Christopher Mackenzie was appointed a director in 2000. He is chief executive of Equilibrium, a London-based financial advisory partnership, and Executive Chairman of Brunswick Capital, Russia's leading investment bank and non-bank financial services group. He is also a board member of ALJ, Saudi Arabia's largest non-government industrial group. Previously he was president and CEO of Trizec Properties and a company officer of GE, heading GE Capital's international business development.

Stanley (Bud) Morten Age 60 Non-executive director
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. 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 non-executive director of Register.com Inc., a NASDAQ-listed US public company.

Koichiro Naganuma Age 59 Non-executive director
Koichiro Naganuma was appointed a director in 2004. He is president and group chief operating officer of Asatsu-DK. Mr Naganuma joined Asatsu-DK in 1981 and his roles have included executive director of the International Division, managing director of Asatsu Worldwide Company and President of the Overseas Network. He replaces Masao Inagaki on the Board who retired upon the appointment of Mr Naganuma. Asatsu-DK is Japan's third largest advertising and communications company, in which WPP took a 20% interest in 1998.

John Quelch Age 52 Non-executive director
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 is an expert 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 served previously on the boards of Blue Circle Industries plc, easyJet plc, Pentland Group plc and Reebok International Limited.

Paul Spencer Age 54 Non-executive director
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 UK. He served as UK Chief Executive of Royal & Sun Alliance PLC between 1999 and 2002. He is the non-executive chairman of State Street Managed Pension Funds and of Goshawk Insurance Group PLC and a non-executive director of NS&I, a UK government-owned retail savings institution and of Britannic Group plc. He is also the chairman of the Association of Corporate Treasurers Advisory Board.

Senior officers and advisors to the Board

Strategic thinking and client co-ordination
M Read
P Dart

Corporate and geographical development
A G B Scott
A Newman
M Schetlick
R Smits
C Black

Branding & identity, Healthcare and Specialist communications services
J F Zweig
M E Howe

Human resources
A Jackson

Property
E Bauchner
J Murphy

Procurement
T Kinnaird
V Chimienti
P Gomes
K Liew
P Permanne

Information technology
D A S Nicoll
S Blackburn
A Garlick
P Johnston
S O'Byrne

Knowledge Communities
M Johnson
M Pooler
K Cullum

Financial control and management reporting
D Barker
C Sweetland
N Douglas
S Winters
J Drefs
K Gill

Treasury
P Delaney
A Koh
T Lobene
J Durcan

Internal audit
P Stanley

Tax
D M Roberts
T O Neuman
R Garry
K Farewell
R Azoulay

Investor relations
C Sweetland
F Butera

Corporate communications
F McEwan
V Edwards
K McCormack

Company secretarial and legal
M Capes
D F Calow
A J Harris
M Povey

Investment bankers
Goldman Sachs
International Ltd
Peterborough Court
133 Fleet Street
London
EC4A 2BB

HSBC
8 Canada Square
London
E14 5HQ

Merrill Lynch
International
2 King Edward Street
London
EC1A 1HQ

Citigroup
Citigroup Centre
33 Canada Square
Canary Wharf
London
E14 5LB

Legal advisors
Allen & Overy
One New Change
London
EC4M 9QQ

Davis & Gilbert LLP
1740 Broadway
New York
NY 10019

Fried Frank
1 New York Plaza
New York
NY 10004

Hammonds
7 Devonshire Square
Cutlers Gardens
London
EC2M 4YH

MacFarlanes
10 Norwich Street
London
EC4A 1BD

Stockbrokers
Merrill Lynch
International Corporate
Broking
2 King Edward Street
London
EC1A 1HQ

Panmure Gordon
A division of Lazard &
Co Limited
50 Stratton Street
London
W1J 8LL

Auditors and accountancy advisors
Deloitte & Touche LLP
Hill House
1 Little New Street
London
EC4A 3TR

KPMG
1 Puddle Dock
London
EC4V 3DS

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London
SE1 9SY

Remuneration consultants
Deloitte & Touche LLP
Hill House
1 Little New Street
London
EC4A 3TR

Towers Perrin
355 Madison Avenue
New York
NY 10017-4605

Property advisors
Fulcrum Corporate
The Pumphouse
13-16 Jacob's Well Mews
London
W1U 3DY

James Andrew
International
72/75 Marylebone
High Street
London
W1M 3AR

Jones Lang LaSalle
22 Hanover Square
London
W1A 2BN

Cushman & Wakefield Inc
51 West 52nd Street
New York
NY 10019-6178

How we behave

Directors' report

Corporate governance provisions

The Board of Directors is collectively accountable to the Company's share owners for good corporate governance and is committed to achieve compliance with the principles of corporate governance set out in the Combined Code of the Listing Rules of the Financial Services Authority.

The Company complies with the US Sarbanes-Oxley Act of 2002 and the regulations that relate to it, as they affect foreign registrants, and seeks to comply with the principles of good corporate governance and various guidelines such as those issued by the Association of British Insurers (ABI), the National Association of Pension Funds (NAPF) and with the Hermes Principles.

The Board believes that the Company has been compliant throughout the year with the provisions set out in Section 1 of the Combined Code.

Details of the service contracts of all of the executive directors are set out on page 89.

The Company has terms of reference for each of the Audit, Compensation and Nomination committees which are available on the Company's website (www.wppinvestor.com) and will be available for inspection as set out in the Notice of Annual General Meeting enclosed with this Annual Report.

Share owner relations

Relations with share owners, potential share owners and investment analysts are regarded by the Group as extremely important.

The Group has developed a 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 Group's current and potential share owners, this program includes regular visits to investors, particularly by the Group chief executive and the Group finance director, in the UK, Continental Europe and the major financial centres in North America, Asia Pacific and South America. The Company provides a quarterly trading update at the end of the first and third quarters in addition to bi-annual reporting required in the UK.

Recently the Company has conducted a detailed consultation with institutional share owners in both the UK and the US and with the ABI, NAPF and PIRC in connection with the renewal of the Leadership Equity Acquisition Plan (LEAP), which was approved by share owners on 16 April 2004.

The Company's website (www.wppinvestor.com) provides investors with an up-to-date source of information.

Independence of non-executive directors

During the year the Nomination committee has considered a number of possible candidates for appointment as non-executive directors. Given the stringent definition of 'independent' under the Combined Code coupled with the increased global responsibility placed on such appointments, particularly by the regulatory bodies in the US and the UK, in addition to the amount of time and commitment such an appointment entails, it has become increasingly difficult for a global company such as WPP to recruit new candidates.

The Board is therefore fortunate to have been able to appoint Orit Gadiesh and Paul Spencer as additional non-executive directors with effect from April 2004. Michael Jordan will retire from the Board at the end of the forthcoming Annual General Meeting due to other business commitments. Jeremy Bullmore and John Jackson will retire at the end of September 2004. The Company is enormously indebted to Jeremy, John and Michael for their wise counsel and invaluable contributions to the Company over many years. The Company is fortunate to be able to retain the services of Jeremy and John through the foundation of an Advisory committee which Jeremy will chair. Paul Spencer will replace John as chairman of the Audit committee after a suitable induction period in October 2004.

Under the Combined Code it is for the Board to determine whether a director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The NAPF 2004 Corporate Governance Policy emphasises that failure to be regarded as independent based on length of tenure alone raises concerns of arbitrariness and lack of appropriateness or relevance to the individuals involved. There are other factors which are important when considering the independence of a director with over nine years' service. Of the examples which are referred to in the Combined Code, only the fact that Bud Morten has been a member of the Board for a period of more than nine years is relevant. Bud Morten is a well respected and extremely experienced international businessman with a particularly detailed knowledge of the Group's global activities and he remains deeply involved in and committed to the Group.

With his various responsibilities Bud commits an extraordinary amount of his time to the affairs of the Company and particularly in his role as chairman of the Compensation committee, where his knowledge of the Company's compensation and incentive structures and of those of the sector as a whole are invaluable and difficult to replace at the present time. Bud recently led the dialogue with share owners on the remuneration policy for WPP including the renewal of LEAP referred to above.

The Board is consequently of the opinion that Bud Morten is independent in character and judgement and fulfils the role as a 'critical director' in a manner which the Board considers to be independent and further that there are no relationships or circumstances which are likely to affect, or could appear to affect, his judgement.

The Board, however, does accept that not all share owners and their governing bodies will agree with its view and the Board will continue its efforts to recruit additional non-executive directors who are independent and who are able to devote substantial time to committee work, and have experience which, after a suitable induction period, will enable them to join the Compensation committee.

Certain institutions have queried the independence of David Komansky who joined the Board in January 2003. Prior to his retirement in April 2003, David was chairman of the board of Merrill Lynch & Co, Inc., one of the investment bankers to the Company. Since his retirement from Merrill Lynch, David has severed all relationships with the bank and is not, and in fact never had been, involved in the Company's relationship with the bank.

The Board therefore does not consider that David's former relationship with Merrill Lynch results in his not being independent.

Consequently, the Board considers that by October 2004 the independent directors will be:

- **Esther Dyson;**
- **Orit Gadiesh;**
- **Christopher Mackenzie** (member of the Compensation and Nomination committees);
- **Bud Morten** (chairman of the Compensation committee, Senior Independent non-executive director and member of the Audit and Nomination committees);
- **John Jackson** (chairman of the Audit committee);
- **David Komansky;** and
- **Paul Spencer** (to be appointed chairman of the Audit committee in October 2004).

The chairman, Philip Lader, was independent on his appointment in 2001.

The Company also considers that all of the above directors (including Philip Lader) are independent within the meaning of Rule 4200(a)(15) of NASDAQ's rules as such rule currently applies to the Company.

Koichiro Naganuma is not considered to be independent by the Company, given the substantial cross-shareholdings between the Company and Asatsu-DK.

John Quelch is not considered independent in view of the consultancy fees which he has received in addition to his fees as a non-executive director.

Board responsibilities

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 the 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 Board members appear on pages 72 to 74.

All directors are fully briefed on important developments in the various sectors in which the Group operates worldwide and regularly receive extensive information concerning the Group's operations, finances, risk factors and its people, enabling them to fulfil their 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.

In 2003 the Board met six times formally and held a number of ad hoc meetings throughout the year. With the exception of Masao Inagaki (who has recently retired from the Board and has been replaced by Koichiro Naganuma), Michael Jordan was absent for three meetings, John Jackson (due to illness) and David Komansky were each absent for one meeting, otherwise there was full attendance at all meetings of the Board during 2003.

A process of self-assessment and evaluation in respect of the Board and each of the Board committees has been carried out since 31 December 2003.

The executive directors held one meeting during the year with the most senior executives of the Group's operating companies to discuss the development of the Company's strategies and their conclusions were fully discussed and ratified by the Board.

In addition to the chairman, following the Annual General Meeting the Board will consist of 14 directors of whom four are executive and ten plus the chairman are non-executive. As explained above the Board considers that seven of the ten non-executive directors, other than the chairman, are independent.

The shareholdings of non-executive directors are set out on page 96 and details of their fees on page 95. Non-executive directors do not participate in the Company's pension plans, share option or other incentive plans.

Non-executive directors may receive a part of their fees in ordinary shares of the Company.

The Board considers that the non-executive directors' remuneration conforms to 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.

The following directors will retire from office but offer themselves for re-election at the forthcoming Annual General Meeting:

- Appointed since the last Annual General Meeting – Orit Gadiesh, Koichiro Naganuma and Paul Spencer.
- Retiring by rotation – Philip Lader.
- Directors for more than nine years – Bud Morten (13 years); John Quelch (16 years); Jeremy Bullmore (until 30 September 2004 – 16 years) and John Jackson (until 30 September 2004 – 11 years).

The Board recommends that share owners vote in favour of the Resolutions to re-elect these directors and set out their reasons for this recommendation in the Appendix to the Notice of Annual General Meeting.

Details of directors' remuneration and service contracts form part of the report of the Compensation committee which commences on page 87.

All directors are required to submit themselves for re-election by share owners at least every three years.

In line with best practice under the Combined Code, directors who have held office for more than nine years are now required to submit themselves for re-election by share owners every year.

Board committees

The Board has long-established and active Audit, Compensation and Nomination committees. All the committees have specific terms of reference against which their performance is appraised on an annual basis. The terms of reference are available on the Company's website and will be on display, as referred to in the Notice of Annual General Meeting.

Audit committee

The committee currently comprises non-executive directors, whom the Company considers to be independent, namely: John Jackson (chairman of the committee), Michael Jordan and Bud Morten. It is intended that Paul Spencer will replace John Jackson as chairman of the committee in October 2004 and, following the Annual General Meeting, a replacement will be nominated in place of Michael Jordan.

The Company also meets the requirements of Rule 4350(d)(2) of NASDAQ's rules relating to its qualitative listing requirements as such rule currently applies to the Company. In particular, each current member of the committee is considered to be independent under NASDAQ's rules and has both the experience and background in corporate financial affairs resulting in their respective financial sophistication and therefore their appropriateness to serve on this committee. In particular, Paul Spencer is a former finance director of several listed companies.

In 2003 the committee met four times and all the then members attended the meetings (other than Michael Jordan who was unable to attend two meetings). The meetings are also attended at the invitation of the chairman of the committee, in whole or in part, by the auditors, the chairman of the Board, the Group finance director, the director of internal audit, the Company secretary and the Group general counsel.

The role of the committee includes:

- monitoring the integrity of the Company's financial statements and reviewing significant financial reporting judgements;
- reviewing and reporting on the key elements of risk management as they affect the Group's operations on a global basis;
- reviewing internal financial control and internal audit functions;
- 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, taking into account relevant global professional and regulatory requirements;
- the approval in advance of the engagement of the external auditors in relation to the supply of permissible non-audit services, taking into account relevant ethical and regulatory guidance;
- monitoring accounting and legal reporting requirements, including all relevant regulations of the UK Listing Authority, the Securities Exchange Commission, and NASDAQ with which the Company must comply;
- in conjunction with Howard Paster, the director responsible for Corporate Social Responsibility (CSR), ensuring systems are in place to monitor social, environmental and ethical issues (other than those which are the responsibility of the Compensation committee) which may affect the Group;
- establishing procedures for the receipt and treatment of concerns regarding accounting, audit and internal audit matters, including confidential and anonymous submission by employees of such concerns.

Compensation committee

The committee comprises non-executive directors, whom the Company considers to be independent. Throughout the year the members were: Bud Morten (chairman of the committee), Philip Lader and Christopher Mackenzie.

In 2003 the committee met four times on a formal basis and also held many additional ad hoc meetings. All members attended the formal meetings.

The committee received advice from the Company executives and external advisors referred to in the report of the Compensation committee on page 87.

The role of the committee includes:

- setting and reviewing the remuneration of executive directors and senior executives of the Company and of directors and senior executives of the operating companies;
- devising and implementing long-term incentive programs;
- reviewing terms of employment (including any termination arrangements) of executive directors and senior executives of the Company and of directors and senior executives of the operating companies;
- reviewing systems implemented throughout the Group to deal with matters such as employee harassment and discrimination, including systems for the confidential and anonymous submissions by employees regarding such matters;
- appointing and reviewing the performance of external advisors to the committee and to the Company in relation to executive remuneration and human resource activities.

Nomination committee

This committee comprises both non-executive and executive directors. The Company considers the majority of the former (including the chairman for this purpose) to be independent. The present members are: Philip Lader (chairman of the committee), Bud Morten, Christopher Mackenzie, Sir Martin Sorrell (executive) and Beth Axelrod (executive).

During 2004 and in view of proposed regulatory changes in the US, the Board will be considering changes to the composition of this committee with a view to it being composed only of non-executive directors.

In 2003 the committee met three times on a formal basis and also held a number of ad hoc meetings throughout the year. All members attended the formal meetings.

The role of the committee includes:

- reviewing the size, composition, effectiveness and independence of the Board and each of its committees;
- monitoring the responsibilities of non-executive directors, including the chairman;
- approving the appointment of all directors and ensuring the effectiveness of the process for Board succession;
- evaluating the effectiveness of the Board and of each committee of the Board. As referred to above evaluations have been conducted since the end of the year under review.

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 as they currently apply to the Company. 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, but not absolute, assurance against material misstatement or loss.

The principal elements of internal control are described below.

Control environment

The 'tone from the top' set by the executive directors and other senior executives is essential to the proper conduct of the Group.

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 to certify their compliance with this Code each year. The WPP Policy Book (which has recently been reviewed and updated), includes the Code and human resource practices, as well as guidance on required practice in many operational areas. Breaches or alleged breaches of the Code are investigated urgently by the Director of internal audit and the Group general counsel.

Furthermore, the Group has an independently operated helpline, 'Right to Speak', for the reporting of issues that employees feel unable to raise locally.

Risk assessment

Risk monitoring of all of the Group's operations throughout the world is given the highest priority by the Group chief executive 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.

The manner in which the Group implements its control of risk includes the following.

At each Board meeting, the Group chief executive presents a 'Brand Check' review of each of the business' operations, incorporating a risk monitor, providing feedback on the business risks. Details of any change in the risk profile since the last Board meeting are also provided covering such areas as the effect of changes in political security; health and safety matters; the possibility of loss of major business for example, through the acquisition of a major client by a client of a competitive agency; a change of senior management of a major client; the introduction of legislation in an important market which could prejudicially affect a material part of the Group's activity; change of a key executive in the Group. The Group chief executive, in addition to receiving frequent written and verbal reports from operations throughout the Group, divides his time between Europe and the US as well as making regular visits to Asia and Latin America.

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 and other executive directors in quarterly review meetings and, in turn, to the Board.

For the year under review, the Board considers that the monitoring of risk was and continues to be firmly embedded in the operation of the Company, and of the operating companies, in a manner which the Board considers goes far beyond the Turnbull recommendations and the requirements of Rules 13a-14 and 15 of the Securities Exchange Act 1934.

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 businesses and by the Company's director of internal audit and the Group general counsel.

During 2003, all operating companies were required to document their internal controls and processes in a detailed Group standard questionnaire. This documentation incorporates the control environment, an analysis of business risks – thus continuing the benefits of the regional and selected operating company workshops conducted in the previous year – detailed control activities and monitoring, together with controls over security of data and the provision of timely and reliable information to management. It also includes all elements of the annual self-certification questionnaire used in previous years.

The internal audit department verified a majority of the documentation during 2003, the results of which were reported to the Audit committee, and continues this process into 2004.

Financial reporting

Each operating company updates a three-year strategic plan annually which incorporates financial objectives. These are reviewed by the Group'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.

Each year-end, all operating companies supply additional detail with their full-year financial results. This information is consolidated to allow the Group to present the necessary disclosures for UK and US GAAP reporting.

A Disclosure committee gives further assurance that publicly-released information, including this Annual Report, is free from material omission or misstatement. The committee comprises representatives from Group reporting, legal, internal audit and investor relations departments.

Sarbanes-Oxley S404

Effective for the 2005 year-end, the Group and its auditors will be required to report separately to the share owners on the design and effectiveness of internal controls over financial reporting, in accordance with section 404 of the Sarbanes-Oxley Act.

The Group has planned its response to the necessary testing procedures and is committed to achieving compliance given the rigour of the controls, processes and documentation described above.

Going concern

UK company law requires the directors 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 2004 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.

Responsibilities in respect of the preparation of financial statements

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at all times the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and consequently for taking all possible steps for the prevention and detection of fraud and other irregularities.

The following information, together with the directors' responsibilities and statement of going concern set out on pages 81 and 82 and the directors' remuneration and interests in the share capital of the Company set out on pages 95 and 96, constitute the Directors' report.

Substantial share ownership
As at 10 May 2004, the Company is aware of the following interests of 3% or more in the issued ordinary share capital of the Company:

WPP ESOP	4.8%
Legg Mason	3.8%
Legal & General	3.4%

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.

Re-election of directors
Details of the directors who, whether under the Articles of Association of the Company or otherwise, are to retire and who offer themselves for re-election are set out on page 79 and also in the Notice of Annual General Meeting. All directors are required to submit themselves for re-election by share owners at least every three years.

Profits and dividends
The profit on ordinary activities before tax for the year was £349.9 million (2002: £205.4 million). The directors recommend a final ordinary dividend of 4.40p (2002: 3.67p) per share to be paid on 5 July 2004 to share owners on the register at 4 June 2004 which, together with the interim ordinary dividend of 2.08p (2002: 1.73p) per share paid on 17 November 2003, makes a total of 6.48p for the year (2002: 5.40p). The retained profit for the year of £131.6 million (2002: £25.5 million) is transferred to reserves.

Parent company charitable donations
The Company made charitable donations of £120,000 (2002: £210,000). It is the Company's policy not to make payments for political purposes. In total WPP companies together with the parent company contributed an estimated £14.9 million worth of time, skills, materials and money to social and community causes in 2003. Fuller information regarding the Group's support of charities is set out in the section dealing with Corporate Social Responsibility on pages 83 to 85.

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.

Fixed assets
The consolidated balance sheet includes a conservative estimate of the value of certain corporate brand names. Details of this and movements in fixed assets are set out in notes 13, 14 and 15 on pages 122 to 123.

Share capital
Details of share capital movements are given in note 24 on pages 127 and 128.

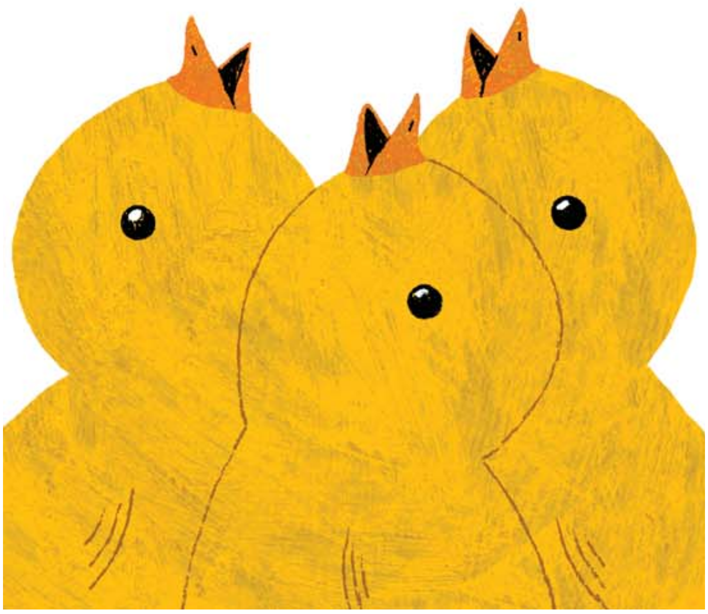
Authority for purchase of own shares
At the Annual General Meeting in 2003 share owners passed a special resolution authorising the Company, in accordance with its Articles of Association, to purchase up to 115,732,564 of its own shares in the market. In the year under review, 5.6 million shares were purchased at an average price of £3.60 per share.

Supplier payment policy
As the Company is a parent company, it has no trade creditors and accordingly no disclosure can be made of the year-end 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 50 (2002: 49).

Auditors
The directors will propose a resolution at the Annual General Meeting to re-appoint Deloitte & Touche LLP as auditors. ■

By Order of the Board
M W Capes
Company Secretary
10 May 2004

Corporate social responsibility[1]



WPP recognises the importance of high standards of social, ethical and environmental behaviour. Being a responsible corporate citizen is not only the right thing to do, it also adds to the success of the Company. Social responsibility is an important factor in the management of brands and corporate reputation, a core area of WPP's business. Our values and policies help us to recruit and retain the most talented people and a strong and positive attitude to Corporate Social Responsibility (CSR) attracts investment from the growing number of socially responsible investors. Last year, WPP published its first CSR Review (a copy of which is available on the Company's website) which sets out our thinking in more detail and which highlights many examples of pro bono and partnership work performed throughout the Group. This year we carried out our second global CSR survey. Information was gathered from our 1,400 offices worldwide. In reporting WPP's record on CSR, we have taken into account the activities and contributions of each of the operating companies as well as those of the parent company. The second CSR Review will be published in the second half of 2004.

How we manage CSR

During 2003 we established a CSR committee to strengthen management of these issues. The CSR committee is chaired by Howard Paster, a director of the Company, who is responsible for the implementation of the CSR policy. The CSR committee is made up of senior executives, reflecting WPP's major business categories, from Advertising, Media investment management, Information insight & consultancy, Public relations & public affairs, Branding & identity, Healthcare and Specialist communications. The CSR committee advises on policy, monitors emerging issues and co-ordinates communication between Group companies.

In addition, all of the Group's operating companies have nominated a senior CSR representative responsible for compiling and reporting data to the parent company and co-ordinating CSR activity.

Two Board committees divide responsibility for identifying and managing certain important CSR risks: the Audit committee, chaired by John Jackson which considers social, ethical and environmental issues; and the Compensation committee, chaired by Bud Morten, which oversees employment issues including equal opportunities and harassment issues.

The Company's internal audit function is extending the scope of its reviews of Group companies to give greater focus to social, ethical and environmental risks.

Our activity in the Group's three main CSR areas is summarised overleaf, and more details on progress in these areas will be included in the CSR Review to be published in the second half of 2004.

[1] Figures contained in this CSR section have not been audited.

WPP in society

Key issues

CSR covers a wide range of subjects. We have reviewed these in the context of our businesses and believe that the most significant areas for the Group are: social investment, including donations and pro bono work (professional work at no, or minimal, cost); marketing ethics; and employee development. WPP has only a small environmental impact but has prioritised three issues – energy consumption, paper use and recycling – we have begun working on these with our 10 largest offices worldwide.

Social investment

WPP companies make a substantial social investment through pro bono work to charitable organisations. We estimate the value of our 2003 pro bono work to be £12.3 million based on the fees the benefiting organisations would normally have paid for these services. The Group also facilitated the donation of £0.55 million of third-party media to charitable causes. The value of this work to charities is incalculable since they rely on our support to create advertising and other communications essential to their fundraising, recruitment of members and awareness campaigns.

In addition we donated £2.63 million in cash to charities and community organisations. Many of our companies encourage employees to give their time and skills to community organisations during normal working hours.

WPP the parent company

The Company focuses its support on education and the arts.

Some initiatives supported include:

- India: Indian Business School.
- South Africa: sponsoring young copywriters and designers to attend the Red & Yellow School.
- UK: Charles Edward Brooke Girls' School, which specialises in media arts, sponsoring work placements and other pro bono assignments.
- UK: Royal College of Art annual illustration competition.
- UK: provision of two bursary awards for D&AD, the professional association for design and advertising.

The Company is a corporate patron of the National Portrait Gallery in London.

Sir Martin Sorrell is an active participant in programs at the following international business schools: London Business School; Judge Institute of Management, Cambridge; IESE, Spain; Indian Business School; Harvard Business School and Boston University.

The leaders of our operating companies regularly support not-for-profit organisations spanning a wide variety of causes.

We will provide examples of these in our updated CSR Review to be published later this year.

In addition, the Company is a member of the Media Group in the UK which is working with KPMG to establish the key CSR issues for media companies.

Marketing ethics

Our businesses confront complex CSR issues unique to the communications services sector. Standards and regulations governing advertising and marketing material differ widely between countries – as do public values. Our Code of Business Conduct states that we will not knowingly create work that is offensive to the general public or minorities. We are committed to complying with all regulations and self-regulatory codes appropriate to each local market.

Many WPP people are involved in developing industry codes and best practice standards in sensitive areas such as advertising to children and marketing of food and pharmaceutical products.

WPP as an employer

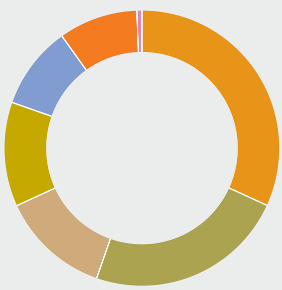
Equal opportunities

A productive workplace requires equality of opportunity and freedom from discrimination. The Compensation committee and the Group endorse and support the principles of equal employment opportunity. It is the policy of the Group in its businesses throughout the world to provide equal employment opportunities to all appropriately qualified individuals irrespective of race, creed, colour, age, religion, sex, disability, sexual orientation, marital status, military service, national origin or ancestry. The Group has implemented and maintained a formal non-discrimination policy since 1992.

The purpose of the Group's policy is to ensure that all employment decisions are made, subject to its legal obligations, on a non-discriminatory basis, whether at the time of employment, in promotion, training, remuneration, termination of employment or whenever any

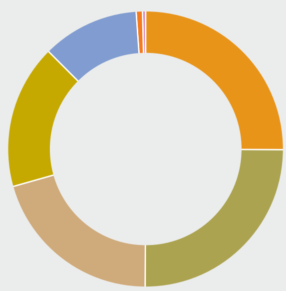
WPP pro bono work value £12.3m

Health	£3,913,238
Local community	£2,894,783
Education	£1,575,931
Other	£1,502,578
Arts	£1,197,478
Environment	£1,142,688
Drugs/Alcohol	£74,782



Charity and community cash donations value £2.6m

Local community	£659,357
Health	£657,152
Education	£540,870
Other	£444,018
Arts	£299,250
Environment	£19,484
Drugs/Alcohol	£9,915



terms and conditions of employment are being considered.

The Group's Code of Business Conduct referred to on page 80 contains policies in relation to human resource issues, such as harassment and discrimination. The Group has an independently operated helpline, 'Right to Speak', to allow staff to report their concerns confidentially, and anonymously if desired, on both employee and financial issues.

We continue our long-standing commitment to gender diversity in the workplace. We have a strong track record of women taking senior leadership positions within the Group.

Women are well represented across the Group, accounting for some 36% of executive directors, 54% of account directors and 56% of all employees. In addition, during 2004 women will represent 23% of the membership of the main board of the Company.

Employee ownership

The Group's Worldwide Ownership Plan, introduced in 1997, has given approximately 45,000 of our people a direct stake in WPP's financial success. Details of this Plan and other executive stock option plans can be found on page 91.

People working in the Group currently own, or have interests in, approximately 90 million shares representing 7% of the issued share capital of the Company.

Employee communications

The Group places great importance in keeping people in our operating companies informed about the Group's progress, activities and matters affecting them and our businesses. With 1,400 offices in 106 countries, keeping everybody informed is a challenge. Knowledge of the Group and our strategy is valuable to all our people and we go to some lengths to enable easy access to this information by providing:

- Periodic reports from Sir Martin Sorrell to all people participating in short- and long-term incentive plans;
- Distribution of the Annual Report, the *Navigator*, *The Catalog*, the *Atticus* Journal, WPP's global newspaper, *The WIRE*, and weekly *FactFiles* to all companies worldwide;
- A monthly online news bulletin – *e.wire*;
- Regular communications on major Group initiatives such as the Worldwide Partnership Program, *BRANDZ*™, the Atticus Awards, the WPP Marketing Fellowship Program and professional development workshops;
- Ongoing development of our public website, our Groupwide intranet and our professional Knowledge Communities; Retail, Digital Communications, Media and Financial Services; and
- Formal and informal meetings at the operating company level.

Professional development

Managing talent is at the heart of the Group's strategy. We have tremendous faith in the capacity of talented people to surprise even themselves in what they are capable of accomplishing, when nurtured and challenged to reach new heights. Their professional development helps generate strong job satisfaction, client satisfaction and improved business results.

This year we took further steps in expanding our executive development programs and sharpening our talent performance reviews. Building on a strong array of programs already in place, the Company is planning the expansion of its executive development curriculum. New programs fostering creative leadership, client leadership and agency/firm leadership were identified.

The Company also laid the groundwork for more systematic reviews of our people. Operating company CEOs led rigorous and development-focused reviews of their executive talent, with the key objectives of cultivating the exceptional capabilities of our leaders whilst assuring responsible succession planning. Coaching, mentoring, and deliberate job moves are essential by-products of the talent reviews planned for the year ahead.

We believe that investment in our people is mutually beneficial. In 2003 our people received training and assistance with professional development with an estimated value of £21.79 million.

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 exposure 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 are retained by the individuals concerned. ■

How we're rewarded

Compensation committee report on behalf of the Board

Introduction

This report is made by the Board, prepared on its behalf and for its approval by the Compensation committee.

It provides the Company's statement of how it has applied the principles of good governance set out in the Combined Code and those required by Schedule 7A to the Companies Act and the Directors' Remuneration Report Regulations 2002 (the 'Regulations') in respect of Compensation matters. The report also explains any areas of non-compliance. As in previous years, additional information on executive remuneration, based on a US-proxy style disclosure, is also included at the end of this report.

The report of the auditors on the financial statements set out on page 142 confirms that the scope of their report covers, where required, the disclosures contained in or referred to in this report that are specified for their audit by the UK Listing Authority and under the Companies Act. Details of each individual director's remuneration and of their beneficial holdings of the Company's shares and share options are set out on pages 95 to 99.

Share owner approval

The Company has, for many years, obtained the approval of its share owners for its remuneration policy, which is set out below. Legislation now requires companies to put the Compensation committee report to the vote at their Annual General Meetings and the appropriate resolution is set out as resolution 8 in the Notice of Annual General Meeting.

Remit of the Compensation committee

During the year, the Compensation committee comprised the following who took decisions in respect of the year:

- S W Morten (chairman of the committee);
- C Mackenzie;
- P Lader.

No current member of the committee has any personal financial interest, other than as a share owner, in the matters to be decided by the committee, no potential conflicts of interest arising from cross-directorships and no 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 are on display as set out in the Notice of Annual General Meeting.

The Compensation committee regularly consults with Group executives, particularly the chief executive (Sir Martin Sorrell), the chief talent officer (Beth Axelrod), the worldwide compensation and benefits director (Adrian Jackson) and the general counsel (David Calow). The committee appointed Deloitte & Touche LLP as external advisors and received material assistance in the form of technical support from that firm's Executive Compensation Consulting Practice. For example, this support included the provision of up-to-date empirical information on evolving UK and international practice, both in terms of what other major listed companies do and the current views of institutional share owners and representative bodies on best practice. Deloitte & Touche LLP are also engaged as the external auditors to the Company. As such the appointment as remuneration advisors is also subject to, and has received, pre-approval by, the Audit committee. Information on other services provided by Deloitte & Touche LLP is given in note 2 to the accounts. Advice was also received from Hammonds Solicitors concerning various legal issues which arose during the course of the year. Advice on the remuneration of the chairman and the non-executive directors was provided by the same advisors to the Board and not to the committee. Advice is received by the committee on a wide range of relevant issues including:

- analysis of competitive compensation practices and determination of competitive positioning;
- base salary levels;
- annual and long-term incentive plans and awards;
- policy relating to WPP share ownership;
- pensions and executive benefits;
- service contract terms for executives;
- governance issues relating to compensation and the role of the committee; and
- issues relating to employee harassment and discrimination.

The Compensation committee determines awards under annual and long-term incentive plans and awards of WPP stock (the terms 'stock' and 'share' are used interchangeably in this report) under a number of plans for Group employees. It is also responsible for reviewing the terms of employment of executive directors and senior executives of the operating companies including salary reviews and the terms of termination arrangements (if any) for these people.

In determining the remuneration, stock incentive arrangements and benefits for all of the current executive directors, the Board accepted the proposals and recommendations of the Compensation committee without change.

Policy on remuneration of executive directors and senior executives

The following policy applies for the financial year 2004 and, subject to review, for future years. The remuneration of executive directors and senior executives of the Group's operating companies and the parent company is reviewed each year by the committee.

The policy is designed to attract, retain and motivate the best available talent, so that the Group can meet client and share owner objectives. In particular, the committee has regard to the levels of compensation in the Group and specific businesses with which the Group companies compete and is also sensitive to compensation levels in the wider business community.

With this in mind the committee places importance on remuneration practices in the global communications services sector, particularly in the US and the UK and also pays close attention to the structure of remuneration, and the proportion which is performance-related, both on a short and long-term basis.

Principles of remuneration

To implement the Company's policy, executive remuneration is designed to be consistent with the following principles:

- total remuneration opportunities are designed to be fully competitive in the relevant market;
- all remuneration packages have a very significant performance-related/variable element;
- incentives are based on meeting specific, measurable and stretching performance objectives;
- the performance objectives which are set for incentives are designed to align executive rewards with the creation of value for our share owners (see exhibit on TSR below);
- the total remuneration program includes significant opportunities to acquire WPP stock, consistent with building a strong ownership culture.

The Company believes that a significant proportion of remuneration for executive directors and senior executives should be delivered through performance-related elements, such as the annual bonus awards and share-based incentive awards, as referred to below. For target performance the committee would expect at least 60% of an executive director's remuneration to be performance-related. The Company has required senior executives to achieve stock ownership goals for many years, as a result of which awards of stock options vary depending on whether individuals achieve and maintain specific levels of ownership of WPP stock.

Aligning share owner interests – total shareholder return (TSR)

WPP's share-based long-term incentive plans, the Performance Share Plan (PSP) and the Leadership Equity Acquisition Plan (LEAP), use TSR as the basis for performance measurement. TSR represents the change in share price, together with the value of reinvested dividends, over the performance period.

The Compensation committee continues to believe that the growth in TSR relative to a group of key comparators is the most appropriate measure for determining performance-based rewards for Group executives, as it most closely aligns reward with the delivery of share owner value. Under Renewed LEAP (described in detail on page 92), the committee has further improved the operation of a TSR based performance measure through the introduction of 'Pro-Rata TSR'. For all incentive plans, TSR is calculated using external data sources, such as DataStream or Bloomberg and using an appropriate and recognised methodology.

Principles governing long-term incentives

Long-term incentives, including stock awards, comprise a significant element of total remuneration for senior executives in the parent company and each operating company. During 2003, approximately 1,500 of those executives participated in some form of performance-related long-term incentive program.

The committee reviews each year the operation of the Group's long-term incentive programs to ensure that the performance measures and levels of reward are appropriate and competitive.

Any long-term incentive program in which an executive director is entitled to participate is subject to performance conditions.

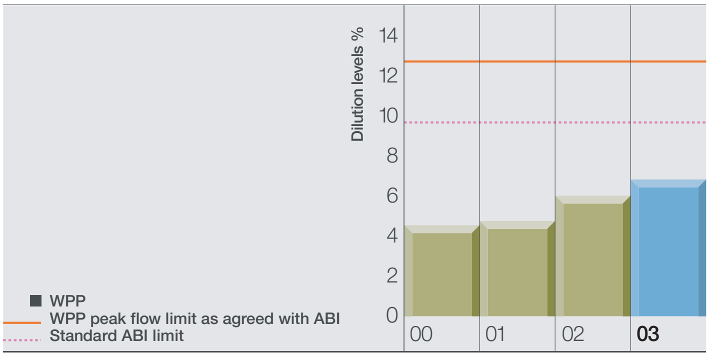
Principles governing WPP share-based awards and dilution

WPP is committed to aligning management and share owner interests by encouraging a culture of employee share ownership through equity based incentive arrangements.

At the same time, we recognise the need to strike a balance between achieving this objective and ensuring that share owner value is not unduly diminished through the issue of new shares to satisfy awards. The dilution as at 10 May 2004 was well below the 10% level recommended by the ABI.

With regard to Renewed LEAP, as with Original LEAP (both of which are described in detail on pages 91 and 92, it is the intention of the committee to satisfy awards with shares held in the employee share ownership plans ('ESOPs'), acquired by market purchase.

WPP share incentive scheme dilution for 2000 to 2003



Policy on directors' service contracts, notice periods and termination payments

The Compensation committee annually considers the Company's policy on the duration of directors' service contracts, the length of notice periods in executive directors' service contracts and payments on termination of such contracts. The committee is agreed on the objective to reduce notice periods for executive directors to not more than 12 months. This can only be achieved when existing legal obligations permit and when the committee considers it appropriate to do so, taking into account circumstances which it believes to be important in the interests of the Company and its share owners for an exception to be made.

There were no payments in 2003 in respect of termination of employment of executive directors, and there are no entitlements to receive such payments, other than as referred to below.
The notice periods for directors are as follows:

Executive director	Contract date	Unexpired term/Notice period
Sir Martin Sorrell	14 July 2001	31 August 2005 thereafter not more than 12 months
Beth Axelrod	28 March 2002	12 months
Howard Paster*	1 Jan 2002	31 December 2005 then 6 months
Paul Richardson	25 June 2002	12 months

* Entered into prior to joining the parent company Board.

Non-executive director*	Contract date
Philip Lader	26 Feb 2001
Jeremy Bullmore**	10 July 1991
Esther Dyson	29 June 1999
Paul Spencer	28 April 2004
Orit Gadiesh	28 April 2004
John Jackson**	28 September 1993
David Komansky	28 Jan 2003
Bud Morten	2 Dec 1991
John Quelch	10 July 1991
Koichiro Naganuma	23 Jan 2004
Christopher Mackenzie	14 March 2000

* The notice period applicable to all non-executive directors is two months.
**To retire on 30 September 2004.

Further details relating to the non-executive directors can be found on pages 72 to 74.

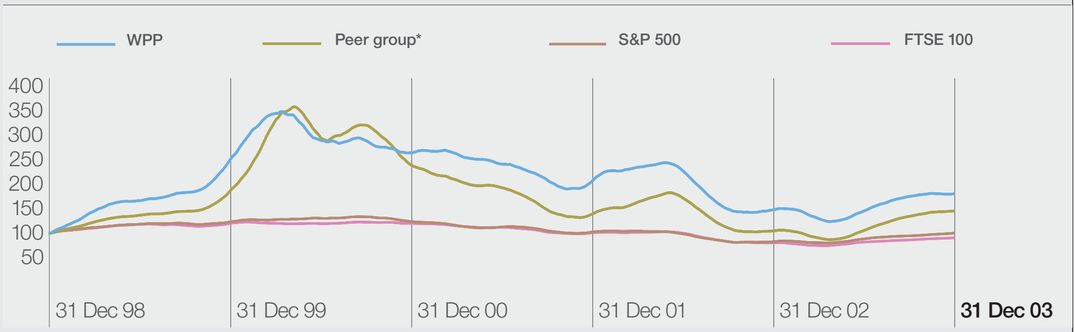
All new appointments of executive directors are intended to have 12-month notice periods, but it is recognised that, for some appointments, a longer period may initially be necessary for competitive and other reasons, reducing to 12 months thereafter. None of the parent company executive directors have liquidated damages provisions in their contracts other than Sir Martin Sorrell, details of which can be found on page 93.

Five-year performance graph

As required by UK company law and for share owners' information, the Company's TSR for the five years to 31 December 2003 is shown on this graph. The indices shown are those the Board considers most relevant for the purposes of comparison, on the basis that these are the indices containing the companies with whose performance that of the Company is most commonly compared.

Source: Datastream

WPP total return to share owners relative to peer group
rebased to 31 December 1998



* Peer Group comprises 2004 LEAP comparator group (Aegis, Arbitron, Dentsu, Digitas, GfK, Grey, Havas, Interpublic, Ipsos, Omnicom, Publicis, Taylor Nelson Sofres, VNU). During the 1999-2003 performance period of Original LEAP (as described on pages 91 to 92) the Company was the ninth best performing company in the FTSE 100, measured by TSR.

Elements of executive remuneration

The key elements of short- and long-term remuneration are summarised in the following table:

	Element	Objective	Performance period	Performance conditions
Annual	Base salary[1]	Maintain package competitiveness at all levels within the Group.	Not applicable	Not applicable. But salary levels are determined 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.
	Performance Bonus	Incentivised delivery of value at all levels of the Group. A deferral opportunity provides further alignment with share owner interests.	1 year	Achievement of challenging performance goals (financial and non-financial) at the individual and operating company level and independent of an executive's position within the Group (see below).
Long-term	Executive Stock Option Plan	Aimed at high performers in operating companies to develop a stronger employee ownership culture. Currently not offered to parent company executive directors.	3 years	Achievement of various stretching TSR and EPS conditions.
	Operating company LTIP	Aimed at key executives in Group operating companies, to align reward with achievement of targeted performance measures.	3 years	Achievement of specific operating company performance measures, such as: ■ improvement in operating profit ■ improvement in operating margin
	PSP	Aimed at all executive directors and other key parent company executives to incentivise long-term performance against key comparators.	3 years	Relative TSR performance against a group of key communication services comparator companies, subject to the recorded TSR, in the committee's view, being consistent with the achievement of underlying financial performance.
	Renewed LEAP	Participation offered only to parent company executive directors and key operating company executives who transcend their day to day role. Incentivises long-term performance against key comparators and maximises alignment with share owner interests through high level of personal financial commitment.	5-year period (4-year period for awards made in 2004)	Relative TSR performance against a group of key communication services comparator companies, subject to the recorded TSR, in the committee's view, being consistent with the achievement of underlying financial performance.

Notes

[1] Base salary is the only pensionable element of remuneration

As indicated in the table above the principal elements of executive remuneration for the current year and, subject to review, for future years, comprise the following:

- ■ Base salaries (fixed);
- ■ Annual incentives (variable);
- ■ Long-term incentives (variable).

Pension, life assurance, health and disability and other benefits are also provided.

Base salary

The salary is based on individual performance and by reference to the market median for similar positions in directly comparable companies. In the case of the parent company, this includes other global communication services companies such as IPG and Omnicom. For J. Walter Thompson Company, Ogilvy & Mather Worldwide and Y&R, the competitive market includes other major multinational advertising agencies. For each of the other operating companies in the Group, a comparable definition of business competitors is used to establish competitive median salaries. Individual salary levels are targeted at a range of 15% above or below the competitive median, 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.

Salary levels for executives are reviewed at least every 18 or 24 months, depending on the level of base salary. Executive salary adjustments are made by the committee following consultation where appropriate with the Group chief executive, the chief talent officer and the chief executive officer of each operating company.

Annual performance bonus

The annual performance bonus is paid under plans established for each operating company and for executives of the parent company. Challenging performance goals are established and these must be achieved before any bonus becomes payable.

In the case of the Group chief executive and other parent company directors and executives, the total amount of annual performance bonus payable is based on Group and individual performance.

In the case of operating companies, individual awards are paid on the basis of achievements against individual performance objectives, encompassing key strategic and financial performance criteria relating to the participant's own operating company, division, client or functional responsibility, and as agreed by the committee including:

- ■ operating profit;
- ■ profit margin;

- staff costs to revenue or gross margin;
- conducting talent reviews, succession planning and other key strategic goals, established annually.

Those eligible to receive an annual performance bonus, may, subject to satisfying specific conditions, elect to defer their bonus for four years, converting it into an award of shares under the provisions of the Company's Deferred Bonus Plan. The value of this share award is equal to 125% of the bonus that would otherwise have been received earlier had it been taken in cash.

Each executive's annual incentive opportunity is defined at a 'target' level for the full achievement of objectives. Higher awards may be paid for outstanding performance in excess of target.

The target level for Group executive directors, (other than the Group chief executive) is 50% of base salary and the maximum is 75%.

The target level for the Group chief executive is 100% of base fee/salary and the maximum is 200%. For 2003 Sir Martin's bonus was determined by reference to three separate equal components. First, financial performance of the Company measured against budgeted operating profit and cash flow. Secondly, the Company's performance relative to a peer group of major public advertising companies taking into account total shareholder return, increase in operating profit and increase in earnings per share and/or operating margins. Thirdly, the achievement of key strategic objectives, which for 2003 included amongst others, strengthening the geographic positioning of Group companies in both developed and fast growing markets, ensuring orderly and effective transition of leadership for key operating company and parent company roles and developing collaboration amongst leaders of the various businesses and encouraging cross selling amongst Group companies, including client co-ordination initiatives.

A comparable process was conducted for other executive directors in respect of their own specific areas of operation and responsibility.

Executive Stock Option Plan and Worldwide Ownership Plan

The Executive Stock Option Plan has been used annually since its adoption in 1996 to make option grants to members of the WPP Group Leaders, Partners and the High Potential Group as well as key employees of the parent company, but currently excluding parent company executive directors and the Group chief executive. Howard Paster currently holds share options, but none of these were granted in respect of his services as an executive director of the Company.

In 1997 the Company broadened stock option participation by introducing the Worldwide Ownership Plan for all employees (other than those participating in other option programs) of 100%-owned Group companies with at least two years' service, in order to develop a stronger ownership culture. Since its adoption, grants have been made annually under this plan and as at 10 May 2004 options under this plan had been granted to approximately 45,000 employees for over 21.0 million ordinary shares of the Company. Further details of employee share ownership are set out in the section on Corporate Social Responsibility on page 83.

Operating companies: Long-term incentive plans

Senior executives of most Group operating companies participate in their respective company's long-term incentive plans, which historically have provided awards in cash and restricted WPP stock based on the achievement of three-year financial performance targets. These plans operate on a rolling three-year basis. The value of payments earned by executives over each performance period is based on the achievement of targeted improvements in the following performance measures:
- average operating profit or profit before tax; and
- average operating margin.

With effect from 2003 operating companies' long-term incentive plans provide awards to be satisfied wholly in WPP stock to be paid in the March following the end of the three-year financial performance period, with no subsequent restriction on sale.

Parent company: Performance Share Plan (PSP)

Annual grants of WPP performance shares are made to all executive directors (see the table on page 97) and other senior executives in the parent company. Vesting is dependent on the TSR performance relative to the comparator group. At median performance, 33% of the performance shares vest, with higher percentages vesting for superior performance up to 100% if WPP ranks at least equal to the second ranking peer company. Contingent grants of performance shares range from 25% to 100% of base salary. The current peer companies are detailed in the table below.

Over the 2001-2003 performance period, WPP was at the median among the peer group companies.

Awards were made in April 2004 in respect of the performance period 2003-2005.

Comparator group table

The following communications services companies currently make up the comparator group for all awards to be made under the PSP and Renewed LEAP

Omnicom	Aegis
IPG	Taylor Nelson Sofres
Publicis	Dentsu
Havas	Arbitron
Digitas	GfK
Ipsos	VNU
Grey	

Original Leadership Equity Acquisition Plan ('Original LEAP')

Original LEAP is an incentive plan introduced in 1999 to reward superior performance relative to WPP's peer companies, to align the interests of executive directors and key executives with those of share owners through significant personal investment and ownership of stock and to ensure competitive total rewards. The performance period of Original LEAP for most participants expired on 31 December 2003 with the Company achieving sixth position in the comparator group of 15 companies resulting in an award of three matching shares for every investment share committed to the plan (60% of the maximum), subject to certain continuing conditions until September 2004. Awards made to executive directors under Original LEAP are set out on page 97.

Under Original LEAP, participants had to commit WPP shares ('investment shares') with a minimum of one third being satisfied with shares purchased in the market, in order to have the opportunity to earn additional WPP shares ('matching shares'). The investment shares had to be committed for a five-year period ('investment period'), which comes to an end for most participants in September 2004. The number of matching shares which a participant could receive at the end of the investment period depended on the performance of the Company measured over five financial years.

The maximum possible number of matching shares was five for every investment share, for which the Company would have needed to rank first or second within a group of 15 comparator companies over the performance period. If the Company's performance had been below the median of the comparator group half a matching share would have vested for every investment share held throughout the investment period, in recognition of a participant's maintenance of their personal investment throughout the period. Footnote 3 to the table on page 97 provides details of some reduced entitlements to matching shares.

On a change of control, matching shares could be received based on the Company's performance to that date. The Compensation committee could also consider, in the light of exceptional financial circumstances during the performance period, whether the recorded TSR was consistent with the achievement of commensurate underlying performance.

Sir Martin Sorrell, the Group chief executive, together with JMS Financial Services Limited (JMS), committed to Original LEAP investment shares worth $10 million, namely 1,073,814 shares calculated at a price of £5.685 per share of which investment shares worth at least $3 million were purchased in the market.

It is expected that the matching shares to which participants in Original LEAP (other than JMS) become entitled for the awards made by reference to 1999 and 2000 will be provided from one of the Company's ESOPs. Beth Axelrod's Original LEAP award is made by reference to an investment and performance period commencing in January 2002 and expiring in January 2007. The ESOPs acquired the maximum potential number of matching shares in respect of the original awards at an average cost of £3.70 per share. Authority has been obtained from share owners to satisfy the entitlement of JMS to matching shares by an allotment of new shares.

No further awards will be made under Original LEAP.

Renewed Leadership Equity Acquisition Plan ('Renewed LEAP')

At an Extraordinary General Meeting of the Company held on 16 April 2004, the Company obtained the approval of share owners for a renewal of Original LEAP under which the first investment and performance period commenced on 1 January 2004.

The Compensation committee has made a number of changes in the design of Renewed LEAP to improve its effectiveness as a remuneration tool, to conform with current best practice, and to increase alignment with share owners' interests. These changes include:

- phasing awards, so that proportionate investment opportunities are offered on a regular basis (currently envisaged to operate as an annual cycle). Phasing of awards will have a number of benefits: it will ease entry to the plan for new joiners, it will avoid situations where particularly large payments are delivered in any one year, and it will be more sensitive to performance relative to the comparator group as a result of a greater number of start and end points for measurement purposes;
- the first awards will be made shortly in respect of the investment and performance period commencing on 1 January 2004. This award will be for a four-year period with a maximum matching of four shares. Subsequent awards will be for a five-year period with a maximum five times match;
- replacing the 'stepped vesting schedule' of the Original LEAP, with a measure more sensitive to relative total shareholder return (TSR) performance – Pro-rata TSR;
- removing the guaranteed half-share match for participants who were also in Original LEAP; and
- simplifying the forms that awards can take and maintaining the comparable economic effect of different forms of award by providing a dividend fund based on the number of shares that actually vest. New participants receiving the half share match will not receive a dividend fund payment.

In respect of Renewed LEAP, Sir Martin Sorrell has agreed to commit investment shares having a value of $10 million in respect of the award made for 2004 and at the discretion of the Compensation committee may be invited to commit up to a maximum amount of $2 million in respect of each of the four annual awards that may be made in 2005 or thereafter.

Retirement benefits

The form and level of Company-sponsored retirement programs varies depending on historical practices and local market considerations. The level of retirement benefits is regularly considered when reviewing total executive remuneration levels.

In the two markets where the Group employs the largest number of people, the US and the UK, pension provision generally takes the form of defined contribution plans, although the Group still maintains various defined benefit plans and arrangements primarily in the US and UK. In each case, these pension plans are provided for the benefit of employees in specific operating companies and, in the case of the UK plans, are closed to new entrants. All pension coverage for the Company's executive directors is on a defined contribution basis and only base salary 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 95.

Competitive positioning of remuneration

The Compensation committee carefully considers the market positioning of all executives for whose remuneration it is responsible, on a regular basis against the most recent market data available.

For example, for the Group chief executive three separate benchmarks for remuneration opportunities are used:

- the most senior executive position in the Company's two closest comparators, Omnicom and Interpublic Group;
- the CEO position in companies of comparable size and complexity in the UK FTSE 350 index; and
- the CEO position in public companies of comparable size and complexity in the US.

In making its assessments, the committee takes into account the overall value of the opportunities that packages represent, including salary, benefits (such as post-retirement entitlements), short and long-term incentives and share ownership requirements. It focuses, in particular, on the 'on-target' level of remuneration. The committee also takes into account the proportions of total compensation that are fixed and those which are variable because they are subject to various conditions, including performance and, in the case of share-based incentives, future share price performance.

The same approach is taken for other senior executives. The Compensation committee considers data from the latest industry surveys for the senior positions in WPP's operating companies. WPP participates in the leading global surveys of executive remuneration in the advertising, market research, healthcare, public relations and public affairs sectors. In addition, for heads of operating companies the committee also considers public disclosures for similar positions in listed companies of comparable size and complexity in the relevant sector.

Group chief executive – Sir Martin Sorrell

Sir Martin Sorrell's services to the Group outside the US are currently provided by JMS, although in 2005 it is anticipated that this will be replaced by an executive service contract to be entered into directly between Sir Martin and the Company. He is employed by WPP Group USA, Inc. for his activities in the US. Taken together, the agreement with JMS ('the UK Agreement') and the agreement with Sir Martin directly ('the US Agreement') provide for the following remuneration all of which is disclosed on pages 95 to 97:

- annual salary and fees of £840,000;
- annual pension contributions of £329,000;
- short-term incentive (annual bonus) of 100% of annual salary and fees at target and up to 200% at maximum;
- the Performance Share Plan; and
- the Leadership Equity Acquisition Plan as renewed.

Contract provisions relating to Sir Martin Sorrell

■ Term/Notice periods

The notice provisions in Sir Martin Sorrell's contracts currently provide for a fixed term of three years renewable on or before 1 September each year. The contracts were renewed on 1 September 2002, but were not renewed on 1 September 2003 and consequently are due to expire on 31 August 2005. Thereafter the contracts will continue on a basis to be agreed between the Company and Sir Martin but in any event the periods of notice will not be in excess of 12 months.

Given the substantial investment commitment to WPP made by Sir Martin as detailed below, the committee believes that it has been appropriate that the terms of Sir Martin's contracts should continue for periods currently expiring approximately one year after the end of the Original LEAP Investment Period, namely August 2005.

■ Damages for loss of office and change of control

Both Sir Martin's UK Agreement and US Agreement may be terminated by JMS or Sir Martin respectively upon a change of control. In these agreements 'control' is as defined respectively in section 416 of the Income and Corporation Taxes Act 1988 and Rule 13d-3 of the Securities Exchange Act 1934.

On a change of control or on a wrongful termination by the Company of the UK Agreement and the US Agreement, WPP is currently obliged to pay an amount equal to twice the annual salary and fee, target bonus and pension contribution due under the UK and US Agreements and also to continue certain benefits such as health insurance under the US Agreement. Both of these provisions relating to payments to be made on a change of control and on a wrongful termination will expire on 31 August 2005 and will not be renewed in their present form. Thereafter any such provision will be complementary to the notice period which is agreed with him and, therefore, will be calculated on the basis of a period not exceeding 12 months.

■ Covenants
In addition to the substantial investments in the Company made by Sir Martin, he has also entered into covenants, which apply for the period of 12 months following termination of the UK Agreement and the US Agreement, under which he has agreed not to compete with any business carried on by the Company or any member of the WPP Group, nor to solicit business or custom or services from major clients or clients with whom he was involved. The covenants also include an obligation not to induce employees to cease employment with the Company or any member of the WPP Group.

Awards earned and deferred by Sir Martin Sorrell
Sir Martin Sorrell has deferred the receipt by him of significant entitlements under various plans and the committee has welcomed and encouraged this, the details of which are set out below.

By September 1999 Sir Martin and JMS were entitled to a prospective benefit under a number of plans in respect of which the performance conditions had been satisfied prior to September 1999, namely the CIP; the NSAP and phantom options granted in 1993 and 1994. In September 1999 in addition to making a further substantial commitment to Original LEAP, Sir Martin also deferred the right to take the benefit of all of his outstanding awards on the basis that (other than the phantom options) they lapsed if he left the Group other than in special circumstances, such as good leaver, until the expiration of the Original LEAP Investment Period in September 2004.

The CIP provided Sir Martin with a capital incentive initially over a five-year period with effect from 4 September 1994 and which matured in September 1999. Sir Martin agreed to defer taking his entitlement to the 4,691,392 Performance Shares which he would otherwise have been able to acquire in September 1999, subject to good leaver, change of control and other specified provisions, so as to correspond with the investment period under Original LEAP. Accordingly, subject to the provisions of the CIP, the rights to acquire the Performance Shares may be exercised in the period 30 September 2004 to 31 December 2004. These Performance Shares were acquired by an ESOP in 1994 at a total cost of approximately £5.5 million.

Sir Martin has indicated that he may further defer for an additional period a portion of the Performance Shares under the CIP, to which he would otherwise become entitled in September 2004. If agreement to such deferral is reached with Sir Martin, share owner approval for this deferral will be sought at the forthcoming Annual General Meeting.

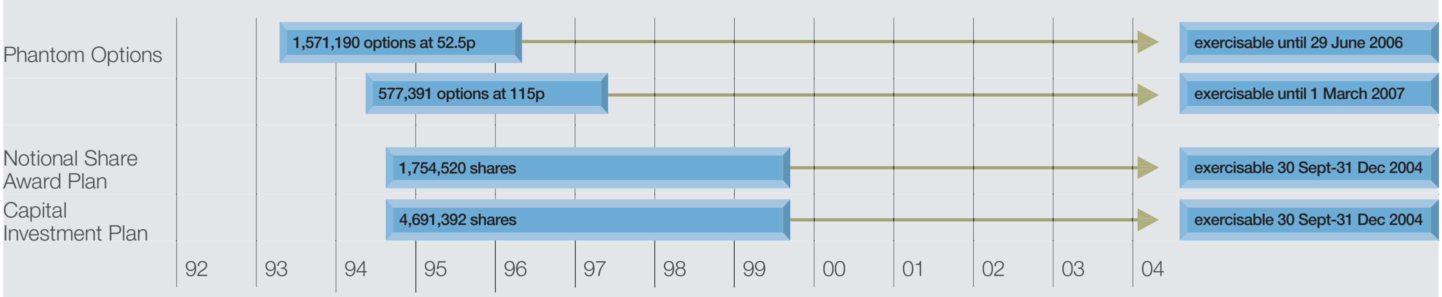
JMS also agreed, subject as referred to above, to defer its interest under the NSAP on a similar basis to that on which Sir Martin has previously agreed to defer his interest under the CIP. Accordingly, subject to the provisions of the NSAP, JMS's right to receive a sum under the NSAP may be exercised in the period 30 September 2004 to 31 December 2004 and will be calculated by reference to the average price of a WPP share for the five dealing days before JMS's right under the NSAP is exercised. The NSAP relates to 1,754,520 notional WPP shares.

Awards made to the Group chief executive or JMS under the CIP, the NSAP and the phantom options, become immediately exercisable on a change of control. Under these plans only, 'change of control' is currently defined as the acquisition by a person or persons of more than 20% of the issued share capital of WPP where this is followed within 12 months by the appointment of a director with neither the Group chief executive's nor JMS's approval. This definition of 'change of control' is not embodied into any other contract provisions or plans relating to Sir Martin, executive directors of the Company or other senior executives in the Group.

The rights of the Group chief executive and JMS respectively under the CIP and the NSAP are also dependent on Sir Martin remaining interested until September 2004 in 747,252 shares acquired in September 1994.

Awards earned and deferred by Sir Martin Sorrell

The following timeline shows the performance periods for awards earned and deferred by Sir Martin and JMS:



Notes
Phantom options awarded in March 1993 originally numbered 2,196,190. Sir Martin exercised 625,000 of the options in 1997, leaving the current balance unexercised.
→ Represents period of continued deferral.

Directors' remuneration – information subject to audit

The compensation of all executive directors is determined by the Compensation committee which is comprised wholly of non-executive directors whom the Company considers to be independent (see pages 77 and 78). The Compensation committee is advised by independent remuneration consultants as well as by Group executives referred to in the Report of the Compensation committee (prepared by the committee on behalf of the Board) on page 87. The information in this section (pages 95 to 97) forms the part of the Report of the Compensation committee that is subject to audit.

The compensation of the chairman and other non-executive directors is determined by the Board, which is similarly advised.

The components of executive directors' remuneration and the principles on which these are established are described in the Report of the Compensation committee on pages 87 to 94.

Remuneration of the directors was as follows:

					Total annual remuneration		Pension contributions	
Chairman	Location	Salary and fees £000	Other benefits[7] £000	Short-term incentive plans (annual bonus)[2] £000	2003 Total £000	2002 Total £000	2003 Total £000	2002 Total £000
P Lader[5]	USA	200	–	–	200	200	–	–
Executive directors								
M S Sorrell[3, 5]	UK	840	25	1,260	2,125	1,594	329	336
E L Axelrod[5]	USA	336	12	252[8]	600	350	24	–
H Paster	USA	428	15	214	657	–	9	–
P W G Richardson[5, 6]	UK	447	97	281	825	495	73	33
Non-executive directors								
J J D Bullmore[4]	UK	75	12	–	87	88	–	–
E Dyson[5]	USA	25	–	–	25	28	–	–
J B H Jackson	UK	30	–	–	30	30	–	–
M H Jordan[5]	USA	25	–	–	25	28	–	–
D Komansky[1, 5]	USA	25	–	–	25	–	–	–
C Mackenzie	UK	25	–	–	25	25	–	–
S W Morten[5]	USA	30	–	–	30	33	–	–
K Naganuma[1]	Japan	–	–	–	–	–	–	–
J A Quelch[4, 5]	USA	59	31	–	90	87	–	–
Total remuneration		**2,545**	**192**	**2,007**	**4,744**	**2,958**	**435**	**369**

Notes

1 Sir Christopher Lewinton and Warren Hellman retired from the Board in January 2003 and received no fees in 2003. David Komansky was appointed to the Board in January 2003. M Inagaki resigned from and K Naganuma was appointed to the Board in February 2004. Mr Naganuma received no remuneration from the Company given his executive position with Asatsu DK. Paul Spencer and Orit Gadiesh were appointed to the Board in April 2004. All amounts shown above constitute the total amounts which the respective director received during 2003 and for the annual bonus in respect of 2003 but received in 2004. No compensation payments have been made during 2003 to any individuals who were previously directors of the Company.

2 Amounts paid in 2004 in respect of bonus entitlements for 2003.

3 The amount of salary and fees comprise the fees payable under the UK Agreement with JMS and the salary payable under the US Agreement referred to on page 93.

4 In addition to fees paid to them in 2003 as non-executive directors of the Company additional fees were received by Jeremy Bullmore £50,000 and John Quelch £34,000.

5 All amounts payable in US dollars have been converted into £ sterling at $1.6356 to £1. The amounts paid to Sir Martin Sorrell and Paul Richardson were paid part in US dollars and part in £ sterling.

6 Neither Paul Richardson nor the Company received any payment from Chime Communications PLC or STW Communications Group Limited in respect of his non-executive directorships in those companies.

7 Other benefits include healthcare, life assurance and allowances for cars, housing and club memberships. Paul Richardson also received a tax equalisation payment of £18,000 from WPP Group USA, Inc.

8 Beth Axelrod has deferred her annual bonus for 2003 pursuant to the terms of the Deferred Bonus Plan referred to on page 91.

Directors' interests

Ordinary shares

Directors' interests in the Company's share capital, all of which were beneficial, were as follows:

	At 1 Jan 2003[1]	Shares acquired through long-term incentive plan awards in 2003[2] Vested	(sold)	Movement[4] during 2003 inc. shares purchased in 2003	At 31 Dec 2003	Shares acquired through long-term incentive plan awards in 2004[2] Vested	(sold)	Other interests acquired including LEAP matching shares since 31 Dec 2003	At 10 May 2004
E L Axelrod[4, 7, 8]	25,000	–	–	–	25,000	9,600	–	41,120[11]	75,720
J J D Bullmore	20,065	–	–	–	20,065	–	–	–	20,065
E Dyson	5,000	–	–	–	5,000	–	–	–	5,000
O Gadiesh	–	–	–	–	–	–	–	–	–
J B H Jackson	12,500	–	–	–	12,500	–	–	–	12,500
M H Jordan[9]	20,185	–	–	–	20,185	–	–	–	20,185
D Komansky	–	–	–	10,000	10,000	–	–	–	10,000
P Lader	8,950	–	–	–	8,950	–	–	3,000	11,950
C Mackenzie	10,000	–	–	–	10,000	–	–	–	10,000
S W Morten	20,000	–	–	–	20,000	–	–	–	20,000
K Naganuma[5]	–	–	–	–	–	–	–	–	–
H Paster[4, 7, 8, 10]	586,736	–	–	(77,000)	509,736	–	–	263,850	773,586
J A Quelch	12,000	–	–	–	12,000	–	–	–	12,000
P W G Richardson[4, 7, 8]	348,849	40,868	(40,868)	–	348,849	29,210	(12,069)	287,069	653,059
P Spencer	–	–	–	–	–	–	–	–	–
M S Sorrell[3, 4, 7, 8]	13,480,077	–	–	271,848	13,751,925	–	–	3,313,782	17,065,707

Notes

1 Sir Christopher Lewinton and Warren Hellman resigned in January 2003 when they respectively held 21,745 and 1,202,045 shares.

2 Further details of long-term incentive plans are given in the notes on page 97.

3 In the case of Sir Martin Sorrell (through JMS) interests include 1,571,190 and 577,391 unexercised phantom options granted in 1993 and 1994 respectively, details of which are set out in the table below, and which are respectively exercisable before 29 June 2006 and 1 March 2007. Also included for Sir Martin Sorrell are 4,691,392 shares in respect of the Capital Investment Plan and 1,754,520 shares in respect of the Notional Share Award Plan, both of which have been held over until September 2004. As referred to in note 3 to the PSP table on page 97 Sir Martin Sorrell has deferred the vesting of 93,123 shares that became available in 2002 and 93,812 shares that became available in 2003 which would have otherwise have been due to him under the Performance Share Plan and 92,340 shares that became available in 2004. In relation to the phantom options and the notional award share plan although not technically interests in the Company's share capital as Sir Martin (through JMS) has the right to receive a cash award he also has a corresponding right to use that cash award to subscribe for WPP Shares.

4 Each executive director has a technical interest as an employee and potential beneficiary in the Company's ESOPs in shares in the Company held under the ESOPs. At 31 December 2003, the Company's ESOPs held in total 57,439,271 shares in the Company (2002: 58,210,657 shares).

5 K Naganuma is a director of Asatsu-DK, which at 10 May 2004 was interested in 31,295,646 shares representing 2.64% of the issued share capital of the Company.

6 Save as disclosed above and in the Report of the Compensation committee, no director had any interest in any contract of significance with the Group during the year.

7 The above interests do not include the unvested interests of the executive directors in the Performance Share Plan.

8 In respect of Sir Martin Sorrell, Howard Paster and Paul Richardson, the above interests include investment shares committed to Original LEAP, as well as matching shares for the performance period which expired on 31 December 2003 on the basis of three matching shares for every investment share committed. The matching shares continue to be subject to conditions until September 2004. The interests of Beth Axelrod in Original LEAP are not included above as the performance and investment period of her award does not expire until January 2007.

9 Includes 8,350 options granted by Young & Rubicam where Michael Jordan was an outside director before he was appointed as a director of the Company.

10 Includes 75,000 options granted to Howard Paster at an exercise price of 154 p in September 1995 when he was a director of Hill and Knowlton, Inc. for his services to that Group company. He exercised those options in October 2003.

11 Granted under the terms of the Deferred Bonus Plan referred to on page 91 in respect of the annual bonus awarded for 2003 in the sum of £252,000. The 8,224 ADRs representing these shares will vest on 16 March 2008.

Awards earned and deferred by Sir Martin Sorrell

Notional Share Award Plan (NSAP) and Capital Investment Plan (CIP): Awards to JMS and Sir Martin Sorrell

	Grant Date	Share price on grant date	Qualifying/ Retention period ends	At 01.01.03 (no. of shares)	Granted (lapsed) 2003 (no. of shares)	Vested 2003 (no. of shares)	Share price on vesting date	At 31.12.03 (no. of shares)	Value received from vested awards
NSAP[1]	04.09.94	120p	30.09.04	1,754,520	–	–	–	1,754,520	–
CIP[1]	04.09.94	120p	30.09.04	4,691,392	–	–	–	4,691,392	–

Notes

1 These awards represent the number of shares, or cash equivalent of shares, which vest under the CIP and the NSAP. Details of these plans are set out on page 94. The performance conditions were satisfied under the CIP and NSAP before these plans were due to mature in September 1999. Each plan has been extended until September 2004, subject to good leaver, change of control and other specified provisions, when the awards vest. Consequently their values cannot be established until that time.

Phantom options[1]

	Grant/ Award Date	Exercise price	At 1 Jan 2003 (no. of shares)	Granted (lapsed) 2003 (no. of shares)	Exercised 2003 (no. of shares)	Share price on exercise	Date: earliest exercise	Date of expiry[2]	At 31 Dec 2003 (no. of shares)	Share price at 31 Dec 2003 (12 months high/low)	Percentage of maximum vesting potential
M S Sorrell	Apr 1993	52.5p	1,571,190	–	–	n/a	Apr 96	June 06	1,571,190	548.5p (596p/320p)	100%
	Apr 1994	115p	577,391	–	–	n/a	Mar 04	Mar 07	577,391	548.5p (596p/320p)	100%

1 The two awards shown in respect of Sir Martin Sorrell, relate to phantom option awards made to JMS in 1993 and 1994. (See note 3 above.) The award made in 1993 was in respect of 2,196,190 phantom options. JMS exercised 625,000 of the 1993 phantom options in 1997, leaving the current balance of 1,571,190 unexercised.
The phantom option awards have vested in full and are not subject to performance conditions.

2 The exercise of the phantom option awards was deferred until June 2006 and March 2007 pursuant to a resolution passed at the Annual General Meeting held in 2003.

Other long-term incentive plan awards

Long-term incentive plan awards granted to directors comprise the Performance Share Plan (PSP) and the WPP Leadership Equity Acquisition Plan (Original LEAP). The operation of the PSP and Original LEAP are described on pages 91 to 92.

Performance Share Plan awards to directors[1, 4]

	Grant Date	Share price on grant date (p)	At 01.01.03 (no. of shares)	Granted (lapsed) 2003 (no. of shares)[2]	Performance period ends	Vested 06.03.03 (no. of shares)	Share price on vesting date (p)	At 31.12.03 (no. of shares)	Value received from vested awards (£)	Percentage of maximum vesting potential
E L Axelrod	02.09.02	473.0	38,402	–	31.12.03	–		38,402		
	18.09.02	421.0	52,645	–	31.12.04	–		52,645		
P W G Richardson	04.03.98	303.0	14,009	117	31.12.00	14,126	375.75	–	53,078	100%
	22.09.99	568.5	27,937	236	31.12.01	14,086	375.75	14,087	52,928	84.73%
	29.02.00	1,221.5	36,765	(11,453)	31.12.02	12,656	375.75	12,656	47,555	68.85%
	28.02.01	812.0	34,284		31.12.03			34,284		
	18.09.02	421.0	44,617		31.12.04			44,617		
M S Sorrell[3]	22.09.99	568.5	186,247		31.12.01			186,247		84.73%
	29.02.00	1,221.5	137,255	(42,755)	31.12.02			94,500		68.85%
	28.02.01	812.0	88,611		31.12.03			88,611		
	18.09.02	421.0	115,319		31.12.04			115,319		

Notes

1 Performance conditions: The performance condition relates WPP's Total Shareholder Return (TSR) to the TSR results for a comparator group of communications services companies. No vesting takes place if the WPP TSR is below the median TSR result for the comparator group and full vesting occurs if WPP TSR is at least equal to the second highest result within the comparator group. Between these levels, awards vest on a sliding scale according to TSR performance.

A full description of the PSP is provided on page 91. Details of the comparator groups which apply in respect of different awards are as follows (for companies which subsequently delisted, the date of delisting is shown in brackets). Details of the treatment of delisted companies for the purposes of TSR calculation are set out in note 1 to the table on Original LEAP immediately below.

(i) For 2002 awards: Aegis Communications Group, Cordiant Communications (delisted July 2003), Grey Global Group, Havas Advertising, Omnicom, Publicis, Taylor Nelson Sofres and The Interpublic Group of Companies.

(ii) For 2001 awards, in addition to those listed at (i): True North Communications (delisted June 2002).

(iii) For 2000 awards, in addition to those listed at (i) and (ii): AC Nielsen (delisted February 2001), Saatchi & Saatchi (delisted September 2000) and Young & Rubicam (delisted October 2000).

(iv) For 1999 awards, in addition to those listed at (i) to (iii) above: Nielsen Media Research (delisted October 1999) and Snyder Communications (delisted September 2000).

2 Includes dividends received in respect of restricted stock where the performance conditions have been satisfied, reinvested in the acquisition of further ordinary shares or ADSs.

3 Sir Martin Sorrell deferred the vesting of 93,123 shares due to vest in 2002, 93,812 shares due to vest in 2003 and 92,340 shares due to vest in 2004, which would otherwise have been due to him under PSP.

4 On 30 April 2004 in respect of period 2003-2005 awards were made to Beth Axelrod, Howard Paster, Paul Richardson and Sir Martin Sorrell in respect of 62,190, 79,150, 67,912 and 142,615 performance shares respectively.

WPP Group: Leadership Equity Acquisition Plan[1, 7]

							Option element		Bonus element	
Name	Grant/award date	Share units (ADRs/Ords)	Number of matching units at 01.01.03[2,6]	Granted/(lapsed) 2003 (units)[2, 6]	Number of matching units at 31.12.03[6]	Exercise price (per unit)	Earliest exercise	Expiry[2]	Value at grant date (per unit)	Qualifying period ends
E L Axelrod[5]	02.09.02	(ADRs)	76,500	–	76,500	$36.98	01.02.07	01.04.07	$36.98	01.01.07
	02.09.02	(ADRs)	8,500	–	8,500	$36.98	01.02.07	01.04.07	$36.98	01.01.07
H Paster[3]	23.12.99	(ADRs)	87,950	(35,180)	52,770	$52.84	22.10.04	31.12.04	$52.84	22.09.04
P W G Richardson[2, 3]	23.12.99	(Ords)	299,030	(119,612)	179,418	£6.335	22.10.04	31.12.04	£6.335	22.09.04
	01.11.00	(Ords)	179,418	(71,767)	107,651	£9.25	22.10.04	31.12.04	£9.25	22.09.04
M S Sorrell[4]	23.12.99	(Ords)	5,369,070	(2,147,628)	3,221,442	£6.335	22.10.04	31.12.04	£6.335	22.09.04

Notes

1 Form of award: Original LEAP participants were required to commit personal capital to the plan throughout the Investment Period. They were entitled to receive a maximum award of five shares for every Investment Share committed to the plan, subject to WPP TSR performance. Each LEAP unit was comprised of two separate elements: (i) a market value option over one share (ordinary or ADR); and (ii) a bonus unit, with a value equal to the lower of the exercise price of the option and the share/ADR price on the date payment is made. Both parts of the award were subject to the same performance and investment conditions. A full description of Original LEAP is provided on pages 91 and 92. All awards shown in the above table, with the exception of Beth Axelrod's arrangements (see footnote 5 below), were dependent on WPP's TSR performance against a comparator group over the five-year performance period 1 January 1999 – 31 December 2003 and maintenance of a participant's holding of Investment Shares and continued employment throughout the Investment Period. The comparator group for this award was comprised of Aegis, Cordiant, Grey Advertising, Havas Advertising, IPG, AC Nielsen Media Research, Omnicom Group, Publicis, Saatchi & Saatchi, Snyder Communications, Taylor Nelson Sofres, True North Communications, WPP and Young & Rubicam. Where a company delisted it is not included in the comparator group for further awards, for the purpose of measuring TSR performance. Where a company delisted during the performance period, the committee deem this to be a disposal and the proceeds treated as being reinvested in the stock of the remaining companies.

2 To the extent that the performance conditions are satisfied, the option becomes exercisable for a three month period following the end of the Investment Period, the first and last dates of which are shown above. In accordance with the requirements of fixed plan accounting under US GAAP, any option not previously exercisable may become so in full, with no restriction or condition other than continued employment with the Group for a period of six weeks prior to the tenth anniversary of grant, when it will expire. Messrs Paster and Richardson have already waived their right to the option and bonus elements of their respective awards, which are now structured as a transfer of shares with equivalent economic effect to the original bonus and option structure.

3 The portion of Paul Richardson's award which was made in November 2000 was subject to a maximum match of three shares.

4 The number of Sir Martin Sorrell's matching shares includes those attributable to JMS.

5 The award made to Beth Axelrod was made under special arrangements, approved by the Compensation committee in contemplation of her appointment. The award is subject to a reduced level of match (ie without the minimum half-share). The Performance Period for the award is the five-year period 1 January 2002 to 31 December 2006. The comparator group is comprised of Aegis, Cordiant, Grey, Havas, IPG, Omnicom, Publicis, Taylor Nelson Sofres, True North and WPP. In tandem with her Original LEAP award, a special award of 8,500 units of restricted stock was made. This award is subject to continued employment with the Group and will lapse to the extent that her investment requirement under Original LEAP is not maintained.

6 The number of matching units at 1 January 2003 represents the maximum potential match achievable under LEAP at the beginning of the financial year (i.e. a five times match, subject to footnote 3). The performance period for Messrs Paster, Richardson, and Sorrell ended on 31 December 2003. The committee has since determined, on the basis of a TSR calculation conducted using external independent data sources, that WPP ranked 6th in the comparator group and that, subject to the ongoing investment requirements until September 2004, 3 matching shares shall vest for every investment share held. The shares shown to have lapsed represent the reduction from the potential maximum number of shares that could have vested to the actual amount of shares that will vest subject to the ongoing investment requirements (for Beth Axelrod, no shares have lapsed as the performance period does not end until 31 December 2006). The number of shares at 31 December 2003 represents the final number of matching shares, based on the 3 times match, that will vest in September 2004, subject to the ongoing investment requirements (except for Beth Axelrod, for whom there is shown the potential maximum match as the performance period does not end until December 2006).

7 The 12 month high share price was £5.96 and the 12 month low share price was £3.20. The share price on 31 December 2003 was £5.485.

US-style proxy disclosures – information not subject to audit

Compensation of executive officers

The information comprised in the following four tables sets out the compensation details for the Group chief executive and each of the other five most highly compensated executive officers in the Group as at 31 December 2003 (the 'executive officers'). The information is in addition to the disclosure required under UK legislation and regulations. As used in this statement, the 'executive officers' are deemed to include executive directors of the Company, or an executive who served as the chief executive officer of one of the Group's major operating companies.

This information covers compensation for services rendered in all capacities and paid in the financial year ended 31 December 2003 and in the previous two financial years in a format similar to a US-style proxy. Incentive compensation paid in 2004 for performance in 2003 and previous years is not included in these tables. The bonus payments referred to below are payments made in 2003, 2002 and 2001 under the short-term incentive awards for performance in 2002, 2001 and 2000 respectively.

2003 executive remuneration

			Annual compensation			Long-term compensation			
						Awards		Payouts	
Name	Principal position	Year	Salary $000	Bonus[1] $000	Other annual compensation[2] $000	Share options SARs and phantom ADR[3] Number	Restricted ADR $000	LTIP payments[5] $000	All other compensation[4] $000
M S Sorrell	Group chief executive	2003	1,374	–	40	–	–	–	1,733
	WPP	2002	1,261	–	36	–	–	–	505
		2001	1,223	1,875	35	–	–	–	490
S Lazarus	Chairman/ Chief executive officer	2003	850	906	36	63,805	–	502	648
	Ogilvy & Mather	2002	850	925	36	82,831	–	536	1,445
	Worldwide	2001	850	775	57	70,661	–	13,596	128
P Schweitzer	President/ Chief executive officer	2003	750	180	59	21,092	–	314	179
	J. Walter Thompson	2002	750	–	51	39,548	–	416	352
	Company	2001	733	325	54	28,265	–	986	88
P W G Richardson	Group finance director	2003	731	164	159	–	–	251	120
	WPP	2002	504	–	90	–	–	686	49
		2001	468	225	30	–	–	663	47
I Gotlieb	Chairman/	2003	750	536	16	15,819	–	506	38
	Chief executive officer	2002	750	300	21	45,180	–	375	38
	MindShare	2001	750	625	21	–	–	–	32
H Paster	Executive vice president	2003	700	59	20	–	–	57	14
	Public relations &	2002	700	–	16	18,072	–	185	12
	Public affairs	2001	550	350	17	16,959	–	170	23

Notes

1 Represents short-term incentive awards paid during calendar years 2003, 2002 and 2001 in respect of the prior year's incentive plans.
2 Includes the value of company cars, club memberships, executive health and other benefits, supplemental executive life insurance, and in the case of Paul Richardson he also received a tax equalisation payment in 2003 of $29,000 from WPP Group USA, Inc.
3 As used in this report, the term 'phantom ADRs/shares' (as used in the UK) and the term 'free-standing SARs' (as used in the US) are interchangeable.
4 Includes accruals during each calendar year under consideration, under defined contribution retirement and defined benefit retirement arrangements. In relation to Shelly Lazarus this includes a special award to the sum of $797,000 in 2002.
5 Includes value of payments made under the PSP and LTIP in stock and cash. Matching shares which could vest under Original LEAP are not included in this table, but are referred to on page 92.
6 Amounts paid in sterling have been converted into US dollars using the following annual average exchange rates; 2003: $1.6356/£; 2002: $1.5036/£; and 2001: $1.4401/£.

Options granted in 2003[1]

					Potential realisable value at assumed annual rates of stock price appreciation for option term		
	Stock options, granted (number of ADRs)	% of total options granted by Company in 2003	Exercise price ($ per ADR)	Expiry date	0% $	5% $	10% $
M S Sorrell	–	–	–	–	–	–	–
S Lazarus	63,805	1.9	47.41	17 Nov 2013	–	1,902,403	4,821,063
P Schweitzer	21,092	0.6	47.41	17 Nov 2013	–	628,877	1,593,697
P W G Richardson	–	–	–	–	–	–	–
I Gotlieb	15,819	0.5	47.41	17 Nov 2013	–	471,658	1,195,273
H Paster	–	–	–	–	–	–	–

Notes

1 All options granted to executives in this table are exercisable three years from the grant date (subject to achievement of performance conditions) and expire 10 years from the grant date.

Stock option, SAR and phantom stock exercises in last financial year and final year-end share option, SAR and phantom stock values

	Ordinary shares acquired on exercise	Market value at exercise date ($)	Number of ordinary shares underlying unexercised share options, SARs and phantom stocks at year-end		Value of unexercised in-the-money stock options, SARs and phantom stocks at year-end ($)[1]	
			Exercisable	Unexercisable	Exercisable	Unexercisable
M S Sorrell	–	–	1,571,190	577,391	13,897,440	4,463,582
S Lazarus	–	–	810,231	1,165,520	3,807,068	2,437,772
P Schweitzer	–	–	223,566	464,285	1,004,437	918,245
P W G Richardson	–	–	–	–	–	–
I Gotlieb	–	–	484,130	304,995	273,533	757,296
H Paster	75,000[2]	530,105	308,569	218,625	1,392,403	527,028

Notes
1 The value is calculated by subtracting the exercise price from the fair market value of the Company's ordinary shares on 31 December 2003, namely £5.485 or the value of the Company's ADSs, namely $49.30 and using an exchange rate of $1.7833 to £1.
2 Howard Paster was granted 75,000 options at an exercise price of 154p in September 1995 when he was a director of Hill and Knowlton, Inc for his services to that Group company. He exercised those options in October 2003.

Long-term incentive plan grants in relation to 2003

	Performance period	Threshold Units	Target Units	Maximum Units
M S Sorrell[1, 2]	2003 – 2005	–	9,508	28,523
S Lazarus	2003 – 2005	–	20,290	30,435
P Schweitzer	2003 – 2005	–	20,290	30,435
P W G Richardson[1]	2003 – 2005	–	4,527	13,582
I Gotlieb	2003 – 2005	–	21,739	32,609
H Paster[1]	2003 – 2005	–	5,277	15,830

Notes
1 The awards under the Performance Share Plan in relation to the performance period 2003-2005 were made on 30 April 2004.
2 Actual award was made over ordinary shares but shown here as ADRs for ease of comparison.

ADR/share price at year - end and during the year

	31.12.03	12 month high	12 month low
ADR	$49.30	$49.93	$26.74
Ordinary	£5.485	£5.96	£3.20

Stanley W Morten
Chairman of the Compensation committee
on behalf of the Board of Directors of WPP Group plc
10 May 2004

Operating & financial review

Competitive performance

The Group's Advertising and Media investment management businesses continued the rebound which began in the second half of 2002, with Media investment management the fastest growing part of the sector reflecting strong organic growth.

Information, insight & consultancy continued their strong growth despite issues at Kantar's call centre operations. Branding & identity, Healthcare and Specialist communications also rebounded with Healthcare and direct, internet & interactive (a part of Specialist communications), growing revenues particularly strongly. Public relations & public affairs continued to be most affected by recent economic weakness, although the first signs of recovery came in the fourth quarter of 2003, which showed positive revenue growth for the first time for 11 quarters.

In these circumstances, there is no reason to believe that the Group cannot achieve the revised objective set in 2002 of improving margins by one and one-half margin points by 2004.

Your Board does not believe that there is any functional, geographic, account concentration or structural reason that should prevent the Group achieving an operating margin of 13.8% this year. Budgets for 2004 include this operating margin objective. After all, the best listed performer in the industry has been at 15-16% and that is where we want to be. Neither is there any reason why operating margins could not be improved beyond this level by continued focus on revenue growth and careful husbandry of costs.

Our ultimate objective continues to be to achieve a 20% margin over a period of time and to improve the return on capital employed.

Revenue[2] per head $000

	Year	Value
WPP	03†	125.6
	02†	119.8
O&M/JWT/Y&R/GroupM	03†	111.4
	02†	109.6
Omnicom[1]	03†	148.5
	02†	131.5
IPG[1]	03†	135.1
	02†	117.9

† Constant currency. See definition on page 143.

Headline PBIT[3] margins %

	Year	Value
WPP	03†	13.0
	02†	12.3
O&M/JWT/Y&R/GroupM	03†	16.2
	02†	15.2
Omnicom[1]	03†	13.7
	02†	14.8
IPG[1]	03†	2.5
	02†	7.9

† Constant currency. See definition on page 143.

Notes

[1] The figures above for Omnicom and IPG (The Interpublic Group) have been derived from their respective 10-K filings with the SEC in respect of the year ended 31 December 2003. As both these companies report under US GAAP, the above figures should be read as indicative of their financial performance as they are not directly comparable with WPP's UK GAAP reporting. Additionally, adjustments have been made to conform the reported results of these companies to a presentation that is comparable – as far as the information disclosed in the Company's 10K filings allows – to that of WPP.

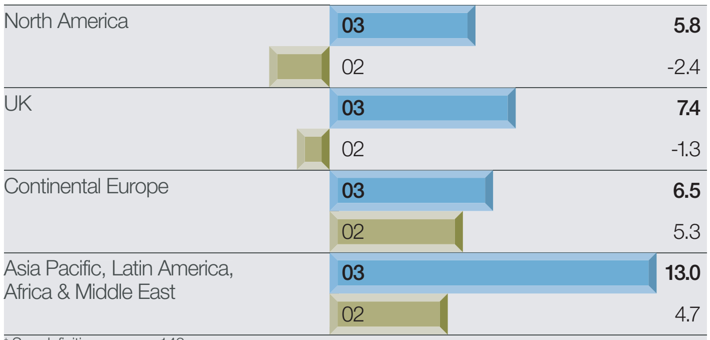
[2] Revenue per head has been calculated as reported revenue divided by the average number of employees in the relevant year. For Omnicom and IPG, who do not report average headcount in their 10-K filings, it has been estimated as the average of opening and closing headcount for the year.

[3] Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. The calculation of Headline PBIT is set out in note 28 of the financial statements.

Geographic performance

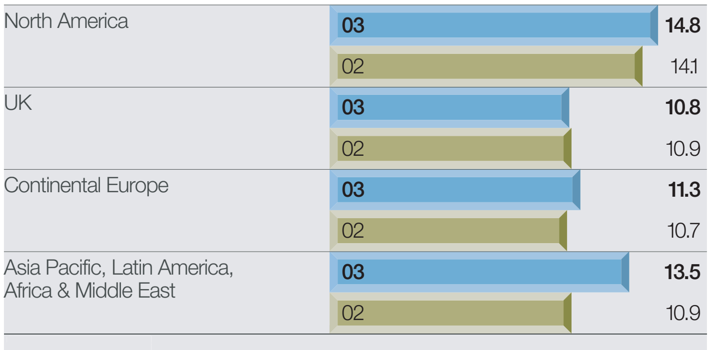
All regions showed revenue growth in 2003, with both the UK and Continental Europe to some extent reflecting acquisition activity and Asia Pacific, Latin America, Africa and the Middle East representing the Group's strongest growth areas. If 100% of associates' revenue is included, the latter regions become even more significant.

Constant currency† revenue growth %

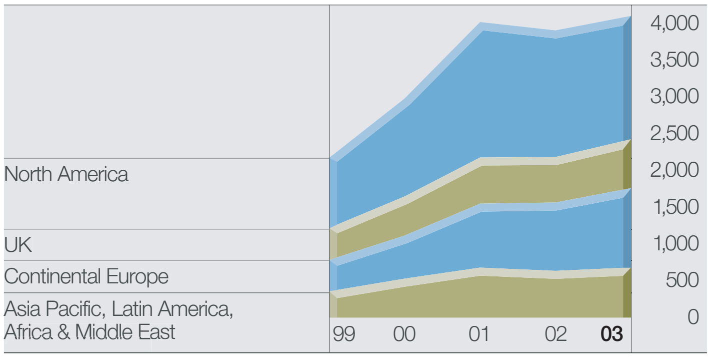


† See definition on page 143.

Headline PBIT[1] margins by geography %



Revenue by geography £m



Notes

[1] Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. The calculation of Headline PBIT is set out in note 28 of the financial statements.

Sector performance

Advertising and Media investment management

Advertising and Media investment management led the Group out of the recession in 2002, Media investment management taking the lead. In constant currencies, revenue growth in 2003 was 9.2%. Like-for-like revenue grew by over 2%. Excluding the impact of the acquisition of Cordiant, like-for-like growth was over 3%. The combined operating margin of this sector was over 15%.

Information, insight & consultancy

Information, insight & consultancy has proven to be the most recession-resistant sector in the Group. In 2003, on a constant currency basis revenues grew almost 7%. Like-for-like revenues were up over 1%. However, difficulties at Kantar's call centre operations in the US impacted overall sector performance, although improvement is expected in 2004.

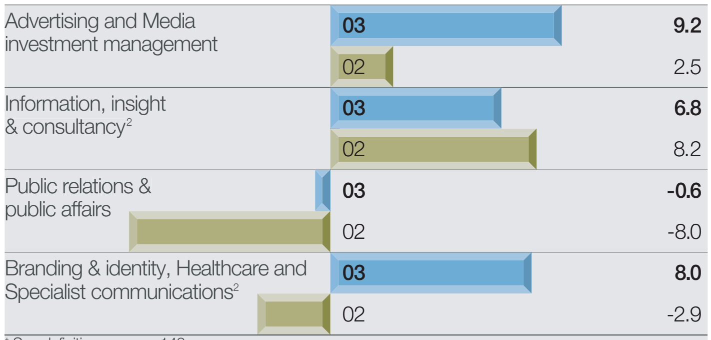
Strong performances were recorded by Millward Brown (in the US and Canada, MFR in France, IMS in Ireland, Sadek Wynberg in the UK, Italy and Germany, and Firefly in Thailand); and Research International (in the US, Belgium and France, SIFO in Sweden and Spain, SGA in the UK, Taiwan, Singapore, Thailand and Mexico).

Public relations & public affairs

Public relations & public affairs continued to be the sector most affected by the recession, but started to perform less worse in 2003. In constant currencies revenues declined by 0.6% but Ogilvy Public Relations Worldwide, Cohn & Wolfe, Robinson Lerer & Montgomery and Penn Schoen & Berland in the US, and Finsbury in the UK all performed well.

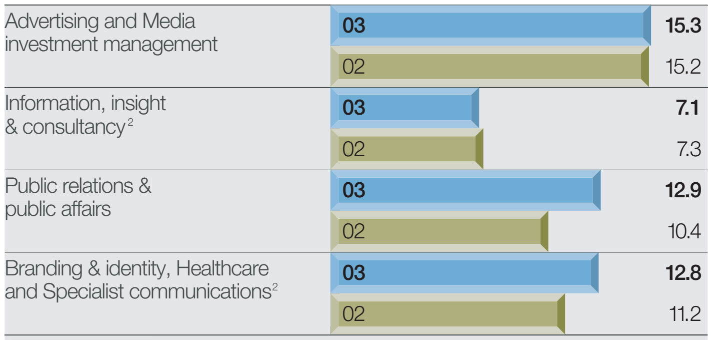
Despite relatively flat revenues last year, the Public relations & public affairs businesses controlled costs effectively and operating margins rose by over two margin points to almost 13%.

Constant currency† revenue growth %

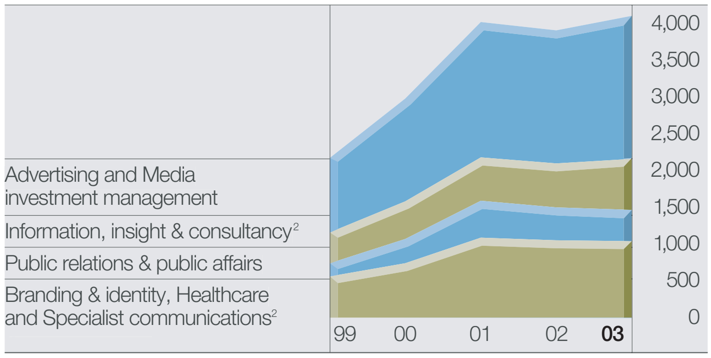


† See definition on page 143.

Headline PBIT[1] margins by sector %



Revenue by sector £m



Notes

[1] Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. The calculation of Headline PBIT is set out in note 28 of the financial statements.

[2] In 2003 certain of the Group's Specialist communications companies in strategic marketing consulting were moved into the renamed Information, insight & consultancy sector. As a result the comparative figures for both Information, insight & consultancy and Branding & identity, Healthcare and Specialist communications have been restated to reflect this change.

Branding & identity, Healthcare and Specialist communications

Through the recession, Branding & identity, Healthcare and Specialist communications was the Group's second most recession-prone sector, although Healthcare and direct, internet & interactive activities were relatively stronger. In constant currencies revenues grew by 8.0%. On a like-for-like basis, however, revenues were down just over 1%.

Several companies performed particularly well:

- in Branding & identity – Landor Associates in Seattle, Cincinnati, the UK, France, Germany and Mexico; MJM Creative Services, and Enterprise IG in New York, San Francisco, the UK, Germany and France;
- in Promotion and direct marketing – Wunderman in the US (in New York, RTC and KBM), in Canada, in the UK, Spain, Switzerland, Greece, Argentina and Mexico; OgilvyOne in the US, the UK, Sweden, The Netherlands, Italy, Poland, Brazil, Argentina, Mexico, Hong Kong, Korea and Japan; and
- Specialist marketing resources – VML, Einson Freeman, The Food Group and Pace in the US and EWA, Mando Brand Assurance and Metro Broadcast in the UK.

Manufacturing

Gross profit was up with operating profit and margins up substantially at the Group's manufacturing division, our industrial heritage.

Review of operations

The Group's financial performance in the year mirrored the continuing improvement in economic conditions in the US, Asia Pacific, Latin America, Africa and the Middle East, countered to a limited extent (in our case) by continuing weakness in Europe, particularly in the UK.

The positive quarterly revenue trend seen in the US in the fourth quarter of 2002 continued into 2003, with all four quarters showing positive growth, and worldwide in quarters three and four. Although 2003 was not easy, 2004 with the positive impact of quadrennial factors such as the US Presidential election, political advertising in the US pushing up media rates, the Athens Olympics and the European Football Championships should ensure further signs of a more significant recovery.

Network television price inflation and declining audiences, fragmentation of traditional media and rapid development of new technologies continued to drive experimentation by our clients in new media and non-traditional alternatives. 1998 was really the first year when WPP's marketing services activities represented over 50% of Group revenue. In 2003 these activities represented over 53% of Group revenue. In addition, in 2003, our narrowly defined internet-related revenue was almost $300 million or almost 5% of our worldwide reported revenue. This is in line with approximately 5% for online media's share of total advertising spend in the US and approximately 3% share worldwide. The new media continue to build their share of client spending.

Group financial performance

Turnover was up 3.3% at £18.62 billion. Reportable revenue was up over 5% to £4.106 billion. Revenue including associates is estimated to total £5.1 billion.

Profit pre-goodwill amortisation and impairment, interest, tax, investment gains and write-downs was up 11.1% to £533.5 million from £480.2 million and up almost 12% in constant currencies.

Net interest payable and similar charges (including a charge for the early adoption of FRS 17) fell to £71.6 million from £86.4 million, principally reflecting higher cash generated from operations, lower interest rates, the impact of reduced levels of acquisition activity in 2002 and lower share repurchases and cancellations last year. Headline interest cover remains at a level of over seven times and at almost nine times, excluding the FRS 17 charge.

Profit before interest, tax, investment gains and write-downs was up over 39% to £421.5 million from £302.5 million.

The Group's tax rate on headline profits was 25.8%, the same level as in the previous year, reflecting the continuing strength of the Group's tax planning initiatives.

Diluted headline earnings per share were up over 16% at 29.0p. In constant currency, earnings per share on the same basis were up over 17%.

In 2002, £145.7 million was taken as an impairment charge primarily reflecting accelerated amortisation of goodwill on first generation businesses which suffered in the recession. Although 2003 was better than 2002, some first generation businesses, which had been acquired, continued to suffer and an impairment charge reflecting accelerated amortisation of goodwill of £79.0 million has been taken.

As a result, profit before tax rose over 70% to £349.9 million and diluted earnings per share rose by over 136% to 18.2p.

The Board recommends an increase of 20% in the final dividend to 4.40p per share, making a total of 6.48p per share for 2003, a 20% increase over 2002. The record date for this dividend is 4 June 2004, payable on 5 July 2004. The dividend for 2003 is 4.3 times covered by headline earnings.

Operating margins

Pre-goodwill amortisation and impairment, reported operating margins (including income from associates) increased to 13.0% from 12.3%. Post-goodwill amortisation and impairment, reported profit before interest, tax, investment gains and write-downs was up 39% to £421.5 million from £302.5 million. Before incentive payments totalling £130.4 million or almost 21% (over 16% in 2002) of operating profit before bonuses, taxes and income from associates, operating margins increased by 1.4 margin points to 15.2% from 13.8%.

Reported operating costs including direct costs (but excluding goodwill amortisation and impairment), rose by over 4% and by almost 7% in constant currency. Like-for-like total operating and direct costs rose 0.5%.

On a reported basis the Group's staff cost to gross margin ratio rose to 61.1% from 60.4%. Excluding incentives, this ratio fell 0.3 margin points to 57.7% from 58.0%. Staff costs excluding incentives were up 0.2%, with salaries and freelance costs down 0.9%.

Variable staff costs as a proportion of total staff costs increased during the 1990s, reaching 12.1% in 2000. The impact of the recession in 2001 and 2002 was to reduce this ratio to 9.2% and variable staff costs as a proportion of revenue to 5.3%. In 2003, variable staff costs as a proportion of staff costs rose again to 11.0% and variable staff costs as a proportion of revenues also rose again to 6.3%. Non-staff costs fell as a proportion of revenues, from 25.7% to 24.6%, primarily reflecting a reduction in the Group's property costs following actions taken in 2002.

Following the recession and lower headcount levels, the task of eliminating under-utilised property costs continues to be a priority. At the beginning of 2002 the Group occupied approximately 14 million square feet worldwide. By the end of 2003, occupancy had fallen to 12.6 million square feet, a 10% reduction (excluding properties acquired with Cordiant). In addition, as a result of actions already taken, a further 600,000 square feet, or an additional 4%, will be jettisoned by the end of 2004.

Like-for-like performance

On a constant currency basis, revenue was up over 7% and gross profit up over 7%. Like-for-like revenues, excluding the impact of acquisitions and on a constant currency basis, were up 0.7%. Excluding the acquisition of Cordiant, like-for-like revenues were up 1.5%. Like-for-like revenues were flat in the first half of 2003 and up over 1% in the second half. In the four sequential quarters of 2003, like-for-like revenues were flat, flat, up over 1% and up over 1%. Excluding Cordiant, the last two quarters were over 2% and over 3%, respectively.

On a constant currency basis, profit before interest, tax, investment gains and write-downs was up almost 42% reflecting the weakness of sterling against the euro, more than counterbalanced by the strengthening of sterling against the dollar. However, moving down the income statement, this adverse currency impact is partly hedged by the effect of dollar denominated operating expenses and interest costs, particularly at the profit before tax level.

Headcount

The actual number of people in the Group averaged 51,604 against 50,417 in 2002, an increase of 2.4%. On a like-for-like basis, average headcount was down to 51,604 from 53,940, a decrease of over 4%. At the end of 2003 staff numbers were 54,324 compared with 56,074 at the end of 2002 on a pro-forma basis, a reduction of over 3%.

Acquisitions and start-ups

In 2003 the Group increased its equity interests, at a combined net initial cost of £260 million in cash, in Advertising and Media investment management in the UK, Germany, Italy, Spain, Switzerland, Australia, New Zealand, China, India, South Korea and Ecuador; in Information, insight & consultancy in the US, the UK, Portugal and Spain; in Public relations & public affairs in the US and Sweden; in Healthcare in the US; and in sports promotion in Spain.

Parent company initiatives

Increasingly, WPP is concentrating on its mission of the "management of the imagination" and ensuring it is a big company with the heart and mind of a small one. To aid the achievement of this objective and to develop the benefits of membership in the Group for both clients and our people, the parent company continues to develop its activities in the areas of the management of talent, property, procurement, information technology and practice development. Ten practice areas which span all our brands have been developed in media investment management, healthcare, sports marketing, new technologies, new faster-growing markets, internal communications, retail, entertainment and media, financial services, hi-tech and telecommunications.

Executive options

As indicated in 2002, WPP intends to expense the cost of executive options in its income statement. Page 141 shows a pro forma unaudited income statement for 2003. This details the impact of expensing executive options using a Black Scholes valuation model and applying US transitional guidelines under the prospective adoption method contained within FAS 148 as of 1 January 2002. On this basis, only executive options issued since 1 January 2002 would be expensed. The resulting reduction in headline earnings per share would have been 3.7%. Fully expensing all executive options granted over the last three years on a consistent basis would reduce headline earnings per share by 6.4%. Both estimates have been made on conservative input assumptions to the Black Scholes model.

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.

The Group's interest rate management policy recognises that fixing rates on all its debt eliminates the possibility of benefiting from rate reductions and similarly, having all its debt at floating rates unduly exposes the Group to increases in rates.

Its principal borrowing currencies are US dollars, pounds sterling and euros. Borrowings in these currencies, including amounts drawn under the working capital facility, represented 97% of the Group's gross indebtedness at 31 December 2003 (at $1,163 million, £318 million and €1,050 million) and 97% of the Group's average gross debt during the course of 2003 (at $1,424 million, £212 million and €1,031 million). 51% of the year-end dollar debt is at fixed rates averaging 4.9% for an average period of 22 months. 100% of the GBP debt is at a fixed rate of 2.8% (including the effect of the redemption premium on the £450 million 2% convertible bonds) for an average period of 40 months. 57% of the euro debt is at fixed rates averaging 5.49% for an average period of 26 months.

In May 2003 the Group re-issued €45 million of Euro bonds carrying a coupon of 6%.

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 2003, no forward rate agreements or interest rate caps were outstanding.

These interest rate derivatives are used only to hedge exposures to interest rate movements arising from the Group's borrowing 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.

An analysis of the debt and fixed rate maturities is shown in note 9 on page 121.

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.

The Group's significant international operations give rise to an exposure to changes in foreign exchange rates. 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 and euros, as these are the predominant currencies of revenues.

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. There were no such material contracts in place at 31 December 2003. No speculative foreign exchange trading is undertaken.

Cash flow

Net debt averaged £1,222 million in 2003, down £121 million against £1,343 million in 2002 (down £125 million at 2003 exchange rates). With an equity market capitalisation at 31 March 2004 of approximately £6.5 billion, and average net debt in the first quarter of 2004 of £730 million, this would give a total enterprise value of approximately £7.2 billion.

Cash flow strengthened as a result of improved working capital management and cash flow from operations. In 2003, operating profit before goodwill amortisation and impairment was £493 million, capital expenditure £94 million, depreciation £127 million, tax paid £94 million, net interest and similar charges paid £38 million and other net cash inflows of £53 million. Free cash flow available for debt repayment, acquisitions, share buy-backs and dividends was therefore £447 million. This free cash flow was absorbed by £355 million in net acquisition payments and investments, share repurchases and cancellations of £23 million and dividends of £67 million. The Company met its recently set objective of more than covering acquisition payments and share repurchases and cancellations from free cash flow, even after including dividends.

Your Board continues to examine ways of deploying its substantial cash flow of almost £450 million per annum to enhance share owner value. As necessary capital expenditure is expected to remain equal to or less than the depreciation charge, the Company has concentrated on examining potential acquisitions and on returning excess capital to share owners in the form of dividends or share buy-backs.

Last year, 5.6 million ordinary shares or 0.5% of the share capital were repurchased and cancelled at a total cost of £20.2 million and average price of 360p.

As noted above, your Board has decided to increase the final dividend by 20% to 4.40p per share, taking the full year dividend to 6.48p per share which is 4.3 times covered at the headline earnings level. In addition, as the return on capital criteria for investing in cash acquisitions have been raised, particularly in the US, the Company will continue to commit to repurchasing up to 2% of its share base in the open market at an approximate cost of £150 million, when market conditions are appropriate. Such annual rolling share repurchases are believed to have a more significant impact in improving share owner value than sporadic buy-backs.

Pensions funding

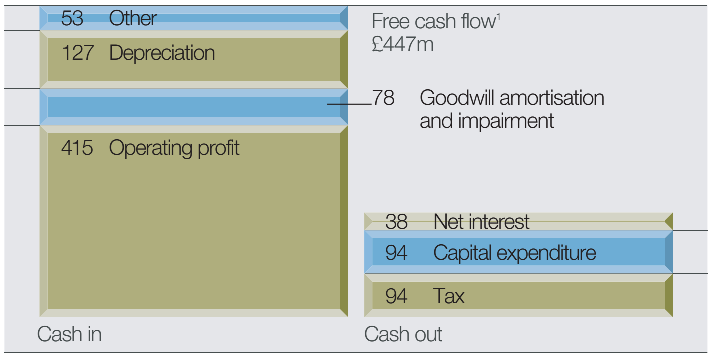
Most of the Company's pension assets are held by its pension schemes in the UK and the US. In the UK, the forecasted weighted average return on assets increased from 5.4% as at 31 December 2002 to 5.8% as at 31 December 2003, principally due to increases in expected bond yields and expected rates of return on insured annuities. In the US, the Company reduced its expected rate of return on US equities in light of stock market declines and consequent poor equity investment returns from 10% to 8.2% as at 31 December 2002. This rate remains unchanged as at 31 December 2003. The expected return on bonds was reduced as at 31 December 2003 to 4.8% to reflect the expected yields that can be obtained in today's market. As a result, the forecasted weighted average return in the US decreased from 7.2% to 7.0%.

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. Our advisors indicate that further average cash contributions of approximately £12-13 million per annum would be necessary to fully fund all funded pension schemes over their remaining lives. After 2004, required annual contributions may be higher unless the stock market improves.

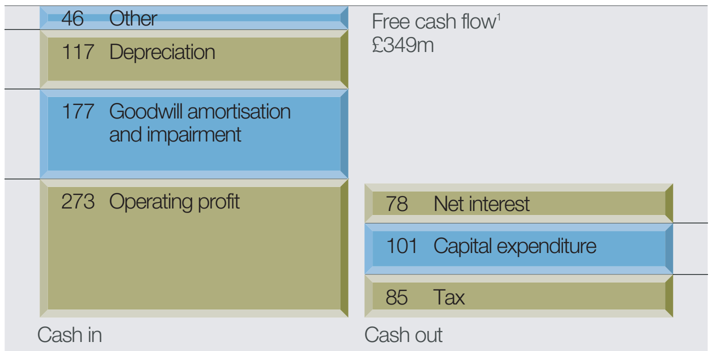
Net balance sheet assets

No hedging is undertaken in relation to the accounting translation of overseas balance sheets. In 2003, this resulted in an increase of £75 million (2002: increase of £82 million) in the sterling value of share owners' funds due to movements in exchange rates. In 2003, net assets of £4,068 million compared with £3,714 million in 2002.

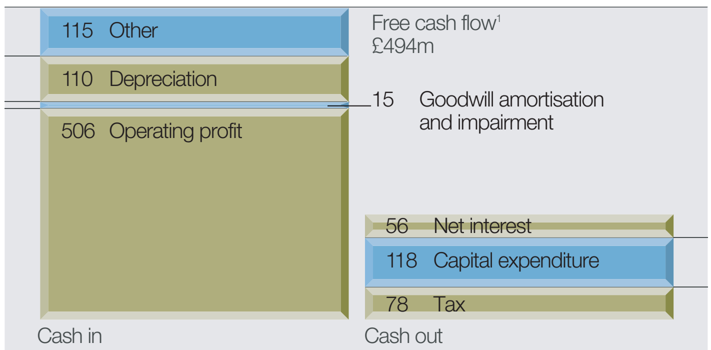
2003 cash flow £m



2002 cash flow £m



2001 cash flow £m



Notes
[1] See definition on page 143.

Future prospects

As the world economy, driven by the US and Asia Pacific, has started to pick up in 2003, your Company performed well. Whilst like-for-like revenues started to grow again, driven by growth in the US for 17 months since August 2002 and globally in the third and fourth quarters of 2003, like-for-like average headcount has continued to fall by 4%.

As usual our budgets for 2004 have been prepared on a conservative basis, largely excluding new business particularly in Advertising and Media investment management. They predict improvements in like-for-like revenues in comparison to 2003 with balanced growth in the first and second half of the year. They also indicate similar growth for both Advertising and Media investment management revenues and marketing services revenues.

In the first quarter of 2004 reported revenues rose by almost 6%. Constant currency revenues were up over 12% and on a like-for-like basis, excluding acquisitions and currency fluctuations, were up almost 2%. Excluding the acquisition of Cordiant, like-for-like revenues were up almost 4%.

Estimated net new business billings of £514 million ($926 million) were won during the first quarter of 2004.

Net debt at 31 March 2004 was £797 million, compared with £1,335 million at 31 March 2003. Average net debt in the first quarter of 2004 was £730 million compared to £1,106 million in 2003, at 2004 exchange rates. In the 12 months to 31 March 2004, the Group's free cash flow was £465 million. Over the same period, the Group's expenditure on capital, acquisitions, share re-purchases and cancellations was £458 million.

Worldwide economic conditions are set to improve in the quadrennial 2004. President Bush wants to be re-elected and will try to continue to stimulate the US economy through increased government spending. This will be reinforced by the Athens Olympics, the European Football Championships in Portugal and heavy political advertising in the US. This year's prospects, therefore, look good, with worldwide advertising and marketing services spending set to rise by at least 3-4%. Even Japan and Europe are showing some signs of life. We are definitely out of the bath – one potential worry being what a re-elected or newly-elected president might have to do about a fiscally-driven large government deficit, a weak US dollar and rising inflation after the first Tuesday after the first Monday in November. US government spending is already rising at levels not seen since the Vietnam war in 1967. We would not want to take a shower in 2005.

In the short term, therefore, growth in advertising and marketing services expenditure may remain in the low single-digit territory, particularly given procurement pressures and the dampening effect of the increasing proportion of fee remuneration on the impact of cyclical upturns (and downturns). However, there are now significant opportunities in the area of outsourcing clients' marketing activities, consolidating client budgets and capitalising on competitive weaknesses. In addition, spending amongst the package goods, pharmaceutical, oil and energy, government (the government is the largest advertiser in the UK market) and price-value retail sectors has remained relatively resilient. These sectors represent approximately 27% of the Group's revenue. Moreover, more recently, recession-affected sectors like technology, financial services, media and entertainment and telecommunications have become more perky.

In the long term, however, the outlook appears very favourable. 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 continued strength of the US economy and the need to influence distribution, underpin the need for our clients to continue to differentiate their products and services both tangibly and intangibly. Moreover, the growth of the BRIC (Brazil, Russia, India and China) economies, will add significant opportunities in Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe. Advertising and marketing services expenditure as a proportion of gross national products should resume its growth and bust through the cyclical high established in 2000.

Given these short and long-term trends, your Company has three strategic priorities. In the short term, having weathered the recession, to capitalise on the 2004 upturn; in the medium term, to continue to integrate successfully the mergers with Y&R, Tempus, and Cordiant (although this task is largely completed); and finally, in the long term, to continue to develop its businesses in the faster-growing geographical areas of Asia Pacific, Latin America, Africa and the Middle East, and Central and Eastern Europe and in the faster-growing functional areas of marketing services, particularly direct, internet, interactive and market research.

Incentive plans for 2004 will again focus more on operating profit growth than historically, in order to stimulate top-line growth, although objectives will continue to include operating margin improvement, improvement in staff costs to revenue ratios and qualitative Group objectives, including co-ordination, talent management and succession planning.

2003 was a better year than 2002 – though it didn't feel so for much of the time.

For the third consecutive year, our people faced relentless pressures: economic, political and competitive. Their response was magnificent. To have delivered results that, even including all exceptional items, have out-performed most of their competition and strengthened market share is an achievement that merits the highest praise and the most public recognition. We thank them all.

WPP's ability to achieve its strategic objectives depends wholly on our ability to attract, develop and deploy the most talented people in our field. Our people's performance over this deeply demanding and protracted period of time stands as the ultimate evidence of their quality and commitment.

If 2003 showed some improvement, 2004 should be even better: despite the challenges we face, WPP's nineteenth year should be a good one.

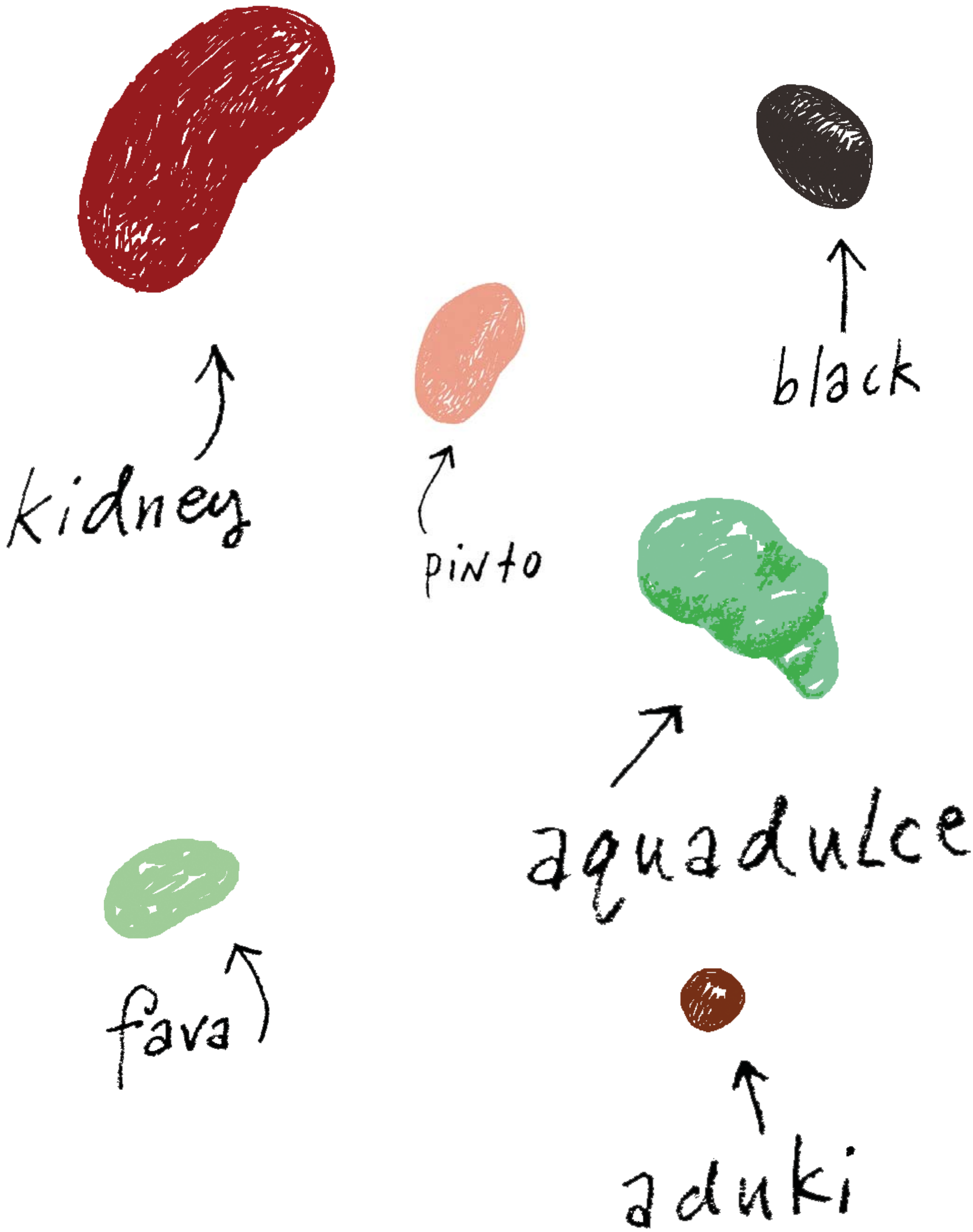
Given heavy US government deficit spending and its potential impact on the dollar and inflation, 2005 remains difficult to predict. However, the underlying strategic case with our clients for our industry and our Company is becoming stronger and stronger. ■

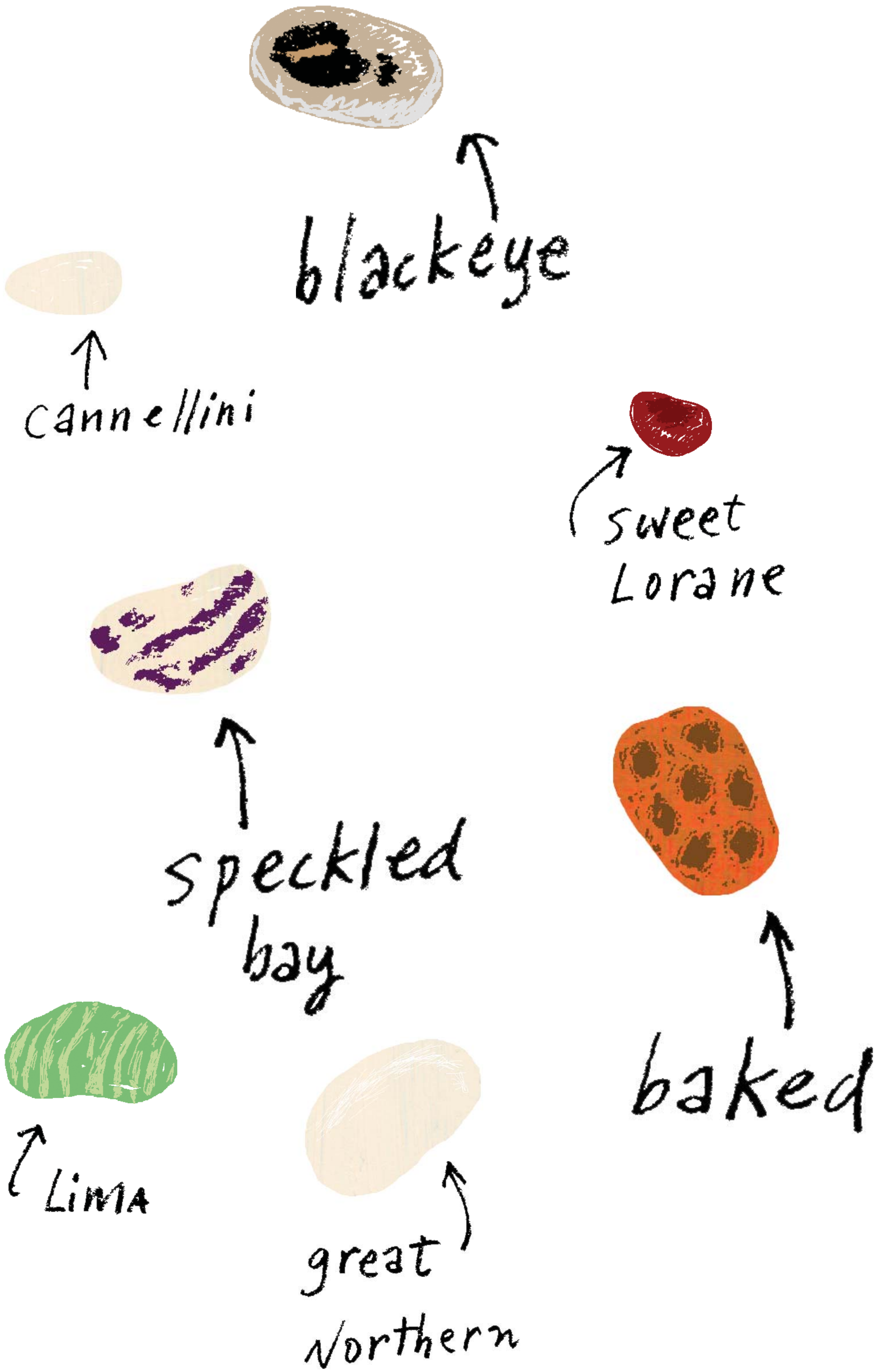
Paul Richardson
Group finance director

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, anticipated future economic performance as 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, unanticipated natural disasters, 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 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.

Our 2003 financial statements

something for the bean counters...




blackeye
cannellini
sweet Lorane
speckled bay
baked
Lima
great Northern

Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the UK (UK GAAP). A summary of the Group's principal accounting policies, which have been applied consistently throughout the year and the preceding year is set out below.

A reconciliation to non-GAAP measures of performance is set out in note 28 to the financial statements on page 131.

Basis of accounting and presentation of financial statements

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the results of the Company and all its subsidiary undertakings made up to the same accounting date. The results of subsidiary undertakings acquired or disposed of during the year are included or excluded from the profit and loss account from the effective date of acquisition or disposal.

Goodwill and intangible fixed assets

Intangible fixed assets comprise goodwill and certain acquired separable corporate brand names.

Goodwill represents the excess of the fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the underlying net assets at the date of their acquisition. In accordance with FRS 10, for acquisitions made on or after 1 January 1998, goodwill has been capitalised as an intangible asset. Goodwill arising on acquisitions prior to that date was written off to reserves in accordance with the accounting standard then in force. On disposal or closure of a business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Corporate brand names acquired as part of acquisitions of business are capitalised separately from goodwill as intangible fixed assets if their value can be measured reliably on initial recognition.

For certain acquisitions, where the directors consider it appropriate, goodwill is amortised over its useful life up to a 20-year period, from the date of acquisition. The remaining goodwill and intangible assets 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 WPP's commitment to develop and enhance their value. The carrying value of these intangible assets will continue to be reviewed annually for impairment and adjusted to the recoverable amount if required.

Goodwill impairment is assessed by comparing the carrying value of goodwill to the net present value of future cashflows derived from the underlying assets using a projection period of up to five years for each income generating unit. After the projection period, growth rates of nominal GDP are generally assumed for each income generating unit. In certain instances, projection periods of up to 10 years may be used if management believes the longer period is more appropriate to assess the carrying value of goodwill and reflect the economic cycles that occur within the global markets in which the Group operates.

The financial statements depart from the specific requirement of companies legislation to amortise goodwill over a finite period in order to give a true and fair view. The directors consider this to be necessary for the reasons given above. Because of the indefinite life of these intangible assets, it is not possible to quantify its impact. However, for illustrative purposes only, if the Group were to change its accounting policy and regard all intangible assets as having a limited useful economic life, and the useful economic life it chose was 20 years, then the resulting impact on the profit and loss account in 2003 would have been a charge of £250.0 million (2002: £231.0 million, 2001: £182.0 million).

Future anticipated payments to vendors in respect of 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 the amounts expected to be payable in the future. The resulting interest charge is included within net interest payable and similar charges.

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation and any provision for impairment with the exception of freehold land which is not depreciated. 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 – 2% per annum
Leasehold land and buildings – over the term of the lease or life of the asset, if shorter
Fixtures, fittings and equipment – 10-33% per annum
Computer equipment – 33% per annum

Investments

Except as stated below, fixed asset investments are shown at cost less impairment.

Impairment of goodwill on associate undertakings, included within fixed asset investments, represents a permanent diminution of the carrying value of that goodwill. WPP considers the market value of listed investments and other business and economic factors in determining whether a permanent diminution of value has occurred.

The Group's share of the profits less losses of associate undertakings is included in the consolidated profit and loss account and the Group's share of net assets is shown within fixed asset investments 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.

Current asset investments are stated at the lower of cost and net realisable value.

Stocks and work in progress
Work in progress is valued at cost or on a percentage of completion basis. Cost includes outlays incurred on behalf of clients and an appropriate proportion of direct costs and overheads on incomplete assignments. Provision is made for irrecoverable costs where appropriate. Stocks are stated at the lower of cost and net realisable value.

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

Derivative financial instruments
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.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's financial statements.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

Debt
Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Convertible debt is reported as a liability unless conversion actually occurs. No gain or loss is recognised on conversion.

Turnover, cost of sales and revenue recognition
Turnover comprises the gross amounts billed to clients in respect of commission-based income together with the total of other fees earned. Cost of sales comprises media payments and production costs. Revenue comprises commission and fees earned in respect of turnover. 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. Turnover and revenue are 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. Traditionally, the Group's advertising clients were charged a standard commission on their total media and production expenditure. In recent years, however, this has tended to become a matter of individual negotiation. Revenue may therefore 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/receivable.

Information, insight & consultancy
Revenue is recognised on each market research contract in proportion to the level of service performed. Costs, including an appropriate proportion of overheads relating to contracts in progress at the balance sheet date, are carried forward in work in progress. Losses are recognised as soon as they are foreseen.

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 profit and loss account revenue and related costs as contract activity progresses.

Current taxation
Corporate taxes are payable on taxable profits at current rates.

Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the

balance sheet date where transactions or events that result in an obligation to pay more taxation in the future or a right to pay less taxation in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxation assessments in periods different from those in which they are recognised in the financial statements. A net deferred taxation asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Incentive plans
The Group's share based incentive plans are accounted for in accordance with Urgent Issues Task Force ('UITF') Abstract 17 'Employee Share Schemes'. The cost of shares acquired by the Group's ESOP trusts or the fair market value of the shares at the date of the grant, less any consideration to be received from the employee, is charged to the Group's profit and loss account over the period to which the employee's performance relates. Where awards are contingent upon future events (other than continued employment) an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and an appropriate provision made.

Pension costs
The Group accounts for pension schemes in accordance with FRS 17 (Retirement Benefits).

For defined contribution schemes, contributions are charged to the profit and loss account 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 profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

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. The resulting defined benefit asset or liability, net of the related deferred taxation, is presented separately after other net assets on the face of the balance sheet.

Finance leases
Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases') the assets are treated as if they have been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the profit and loss account 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 profit and loss account as it is incurred.

Operating leases
Operating lease rentals are charged to the profit and loss account on a systematic basis. Any premium or discount on the acquisition of a lease is spread over the life of the lease or until the date of the first rent review.

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 profit and loss account as they arise. The profit and loss accounts 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, and results for the year are reported in the Statement of Total Recognised Gains and Losses. ■

Consolidated profit and loss account
For the year ended 31 December 2003

	Notes	2003 £m	2002 £m	2001 £m	2003 $m*	2002 $m*	2001 $m*
Turnover (gross billings)	1	**18,621.3**	18,028.7	20,886.9	**30,457.0**	27,108.0	30,079.2
Cost of sales		**(14,515.3)**	(14,120.4)	(16,865.2)	**(23,741.2)**	(21,231.4)	(24,287.5)
Revenue	1	**4,106.0**	3,908.3	4,021.7	**6,715.8**	5,876.6	5,791.7
Direct costs		**(237.1)**	(218.2)	(232.0)	**(387.8)**	(328.1)	(334.2)
Gross profit		**3,868.9**	3,690.1	3,789.7	**6,328.0**	5,548.5	5,457.5
Operating costs excluding goodwill amortisation and impairment	2	**(3,375.9)**	(3,239.9)	(3,269.4)	**(5,521.6)**	(4,871.5)	(4,708.3)
Goodwill amortisation and impairment – subsidiaries	2	**(77.7)**	(177.7)	(14.8)	**(127.1)**	(267.2)	(21.3)
Operating costs		**(3,453.6)**	(3,417.6)	(3,284.2)	**(5,648.7)**	(5,138.7)	(4,729.6)
Operating profit		**415.3**	272.5	505.5	**679.3**	409.8	727.9
Income from associates	15	**40.5**	30.0	40.8	**66.2**	45.1	58.8
Goodwill amortisation and impairment – associates		**(34.3)**	–	–	**(56.1)**	–	–
Profit on ordinary activities before interest, taxation, fixed asset gains and write-downs		**421.5**	302.5	546.3	**689.4**	454.9	786.7
Profits on disposal of fixed assets	4	**–**	9.2	6.8	**–**	13.8	9.8
Amounts written off fixed asset investments	4	**–**	(19.9)	(70.8)	**–**	(29.9)	(102.0)
Net interest payable and similar charges on net borrowings	5	**(60.1)**	(79.6)	(67.5)	**(98.3)**	(119.7)	(97.2)
Net interest charges on defined benefit pension schemes	5	**(11.5)**	(6.8)	(3.8)	**(18.8)**	(10.2)	(5.5)
Net interest payable and similar charges		**(71.6)**	(86.4)	(71.3)	**(117.1)**	(129.9)	(102.7)
Profit on ordinary activities before taxation		**349.9**	205.4	411.0	**572.3**	308.9	591.8
Taxation on profit on ordinary activities	6	**(122.1)**	(103.4)	(126.1)	**(199.7)**	(155.5)	(181.6)
Profit on ordinary activities after taxation		**227.8**	102.0	284.9	**372.6**	153.4	410.2
Minority interests		**(19.4)**	(14.0)	(13.7)	**(31.7)**	(21.1)	(19.7)
Profit attributable to ordinary share owners		**208.4**	88.0	271.2	**340.9**	132.3	390.5
Ordinary dividends	7	**(76.8)**	(62.5)	(51.6)	**(125.6)**	(94.0)	(74.3)
Retained profit for the year transferred to reserves	25	**131.6**	25.5	219.6	**215.3**	38.3	316.2
Headline PBIT[1]	1	**533.5**	480.2	561.1	**872.6**	722.1	808.0
Headline PBIT[1] margin		**13.0%**	12.3%	14.0%	**13.0%**	12.3%	14.0%
Headline PBT[1]		**473.4**	400.6	493.6	**774.3**	602.4	710.8
Headline earnings per share[2]	8						
Basic earnings per ordinary share		**29.8p**	25.5p	32.1p	**48.7¢**	38.3¢	46.2¢
Diluted earnings per ordinary share		**29.0p**	24.9p	30.9p	**47.4¢**	37.4¢	44.5¢
Standard earnings per share	8						
Basic earnings per ordinary share		**18.7p**	7.9p	24.6p	**30.6¢**	11.9¢	35.4¢
Diluted earnings per ordinary share		**18.2p**	7.7p	23.7p	**29.8¢**	11.6¢	34.1¢
Headline earnings per ADR[2,3]							
Basic earnings per ADR		**149.0p**	127.5p	160.5p	**$2.43**	$1.92	$2.31
Diluted earnings per ADR		**145.0p**	124.5p	154.5p	**$2.37**	$1.87	$2.22
Standard earnings per ADR[3]							
Basic earnings per ADR		**93.5p**	39.5p	123.0p	**$1.53**	$0.59	$1.77
Diluted earnings per ADR		**91.0p**	38.5p	118.5p	**$1.49**	$0.58	$1.71

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

* The main reporting currency of the Group is the pound sterling and the financial statements have been prepared on this basis. For illustrative purposes only, the financial statements set out on this page and page 117 are also expressed in US dollars using the approximate average rate for the year for the profit and loss account (2003: $1.6356 = £1, 2002: $1.5036 = £1, 2001: $1.4401 = £1) and the rate in effect on 31 December for the balance sheet (2003: $1.7833 = £1, 2002: $1.6100 = £1, 2001: $1.4542 = £1). This translation is unaudited and 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 consolidated euro profit and loss account and balance sheet have been set out on pages 139 and 140 for illustrative purposes only.

There is no material difference between the results disclosed in the profit and loss account and the historical cost profit as defined by FRS 3. Movements in share owners' funds are set out in note 25.

No operations with a material impact on the Group's results were acquired or discontinued during 2003, 2002 or 2001. In 2003, acquisitions contributed revenue of £183.4 million, operating profit of £16.4 million and profit on ordinary activities before interest, taxation, fixed asset gains and write-downs of £22.3 million.

Notes

1 Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs.

Headline PBT: Profit on ordinary activities before taxation, goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes.

The calculation of Headline PBIT and Headline PBT is set out in note 28.

2 Headline earnings per ordinary share and ADR excludes goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. The calculation of headline earnings is set out in note 28.

3 Basic and diluted earnings per ADR have been calculated using the same method as earnings per share, multiplied by a factor of five.

Consolidated cash flow statement
For the year ended 31 December 2003

	Notes	2003 £m	2002 £m	2001 £m
Operating profit		**415.3**	272.5	505.5
Depreciation		**127.5**	116.6	109.9
Goodwill amortisation and impairment charges		**77.7**	177.7	14.8
Movements in working capital and provisions	10	**320.6**	210.5	(458.0)
Loss on sale of tangible fixed assets		**0.9**	2.6	1.7
Net cash inflow from operating activities		**942.0**	779.9	173.9
Dividends received from associates		**15.6**	9.4	14.7
Returns on investments and servicing of finance	11	**(38.3)**	(78.2)	(56.4)
UK and overseas tax paid		**(93.6)**	(85.0)	(77.5)
Capital expenditure and financial investment	11	**(88.1)**	(157.9)	(217.2)
Acquisitions and disposals	11	**(344.5)**	(277.3)	(730.3)
Equity dividends paid		**(67.0)**	(55.6)	(44.4)
Net cash inflow/(outflow) before management of liquid resources and financing		**326.1**	135.3	(937.2)
Management of liquid resources		**(211.4)**	(113.6)	(76.8)
Net cash inflow from financing	11	**119.7**	213.9	499.0
Increase/(decrease) in cash and overdrafts for the year		**234.4**	235.6	(515.0)
Translation difference		**(19.3)**	(0.4)	10.7
Balance of cash and overdrafts at beginning of year		**500.9**	265.7	770.0
Balance of cash and overdrafts at end of year		**716.0**	500.9	265.7

	Notes	2003 £m	2002 £m	2001 £m
Reconciliation of net cash flow to movement in net debt:				
Increase/(decrease) in cash and overdrafts for the year		**234.4**	235.6	(515.0)
Cash outflow from increase in liquid resources		**211.4**	113.6	76.8
Cash inflow from increase in debt financing		**(24.3)**	(201.2)	(430.0)
Other movements		**(9.4)**	(8.8)	(1.1)
Translation difference		**(50.9)**	23.2	8.8
Movement in net debt in the year	9	**361.2**	162.4	(860.5)
Net debt at beginning of year	9	**(722.7)**	(885.1)	(24.6)
Net debt at end of year	9	**(361.5)**	(722.7)	(885.1)

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

Consolidated statement of total recognised gains and losses
For the year ended 31 December 2003

	Notes	2003 £m	2002 £m	2001 £m
Profit for the financial year		**208.4**	88.0	271.2
Exchange adjustments on foreign currency net investments	25	**74.8**	82.3	(80.6)
Actuarial gain/(loss) on defined benefit pension schemes in accordance with FRS 17 (Retirement Benefits)	25	**14.0**	(52.8)	(43.0)
Deferred tax on defined benefit pension schemes	25	**10.0**	–	–
Total recognised gains and losses relating to the year		**307.2**	117.5	147.6

The accompanying notes form an integral part of this statement of total recognised gains and losses.

Consolidated balance sheet
As at 31 December 2003

	Notes	2003 £m	2002 £m	2001 £m	2003 $m	2002 $m	2001 $m
Fixed assets							
Intangible assets							
Corporate brands	13	**950.0**	950.0	950.0	**1,694.1**	1,529.5	1,381.5
Goodwill	13	**4,710.3**	4,407.0	4,439.9	**8,399.9**	7,095.3	6,456.5
Tangible assets	14	**344.6**	377.3	432.8	**614.5**	607.5	629.4
Investments	15	**689.3**	628.7	553.5	**1,229.2**	1,012.2	804.9
		6,694.2	6,363.0	6,376.2	**11,937.7**	10,244.5	9,272.3
Current assets							
Stocks and work in progress	16	**269.6**	291.6	236.9	**480.8**	469.5	344.5
Debtors	17	**2,394.5**	2,256.4	2,391.8	**4,270.1**	3,632.8	3,478.2
Trade debtors within working capital facility:							
Gross debts	18	**507.5**	385.7	331.0	**905.0**	621.0	481.3
Non-returnable proceeds	18	**(280.4)**	(217.4)	(82.5)	**(500.0)**	(350.0)	(119.9)
		227.1	168.3	248.5	**405.0**	271.0	361.4
Current asset investments (short-term bank and escrow deposits)	9	**401.8**	190.4	76.8	**716.5**	306.5	111.7
Cash at bank and in hand		**1,018.1**	689.1	585.6	**1,815.6**	1,109.5	851.6
		4,311.1	3,595.8	3,539.6	**7,688.0**	5,789.3	5,147.4
Creditors: amounts falling due within one year	19	**(4,924.2)**	(4,120.1)	(4,322.0)	**(8,781.3)**	(6,633.4)	(6,285.1)
Net current liabilities		**(613.1)**	(524.3)	(782.4)	**(1,093.3)**	(844.1)	(1,137.7)
Total assets less current liabilities		**6,081.1**	5,838.7	5,593.8	**10,844.4**	9,400.4	8,134.6
Creditors: amounts falling due after more than one year (including convertible bonds)	20	**(1,691.1)**	(1,837.5)	(1,711.5)	**(3,015.7)**	(2,958.4)	(2,488.9)
Provisions for liabilities and charges	21	**(133.5)**	(102.0)	(106.1)	**(238.1)**	(164.2)	(154.3)
Net assets excluding pension provision		**4,256.5**	3,899.2	3,776.2	**7,590.6**	6,277.8	5,491.4
Pension provision	22	**(188.9)**	(184.8)	(135.3)	**(336.8)**	(297.5)	(196.8)
Net assets including pension provision		**4,067.6**	3,714.4	3,640.9	**7,253.8**	5,980.3	5,294.6
Capital and reserves							
Called up share capital	24, 25	**118.7**	115.7	115.0	**211.7**	186.3	167.2
Share premium account	25	**955.3**	836.6	805.2	**1,703.6**	1,346.9	1,170.9
Shares to be issued	25	**130.0**	195.7	238.6	**231.8**	315.1	347.0
Merger reserve	25	**2,921.0**	2,869.3	2,824.7	**5,209.0**	4,619.6	4,107.7
Other reserves	25	**(178.9)**	(254.3)	(336.8)	**(319.0)**	(409.4)	(489.8)
Profit and loss account	25	**73.4**	(87.4)	(46.9)	**130.9**	(140.7)	(68.2)
Equity share owners' funds		**4,019.5**	3,675.6	3,599.8	**7,168.0**	5,917.8	5,234.8
Minority interests		**48.1**	38.8	41.1	**85.8**	62.5	59.8
Total capital employed		**4,067.6**	3,714.4	3,640.9	**7,253.8**	5,980.3	5,294.6

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

Signed on behalf of the Board on 10 May 2004:

Sir Martin Sorrell
Group chief executive

P W G Richardson
Group finance director

Notes to the consolidated financial statements
For the year ended 31 December 2003

1 Segment information

The Group is a leading worldwide communications services organisation offering national and multinational clients a comprehensive range of communications services.

These services include Advertising and Media investment management, Information, insight & consultancy, Public relations & public affairs, and Branding & identity, Healthcare and Specialist communications. The Group derives a substantial proportion of its revenue and operating income from the US, the UK and Continental Europe and the Group's performance has historically been linked with the economic performance of these regions.

Contributions by geographical area were as follows:

	2003 £m	Change %	2002 £m	Change %	2001 £m
Turnover					
UK	**1,875.9**	11.0	1,689.9	1.5	1,664.6
US	**6,885.0**	(10.7)	7,711.2	(28.0)	10,708.6
Continental Europe	**6,159.0**	11.5	5,525.8	24.3	4,445.0
Canada, Asia Pacific, Latin America, Africa & Middle East	**3,701.4**	19.3	3,101.8	(23.8)	4,068.7
	18,621.3	3.3	18,028.7	(13.7)	20,886.9
Revenue					
UK	**664.9**	7.4	619.2	(1.3)	627.3
US	**1,608.5**	(2.8)	1,655.0	(6.1)	1,763.1
Continental Europe	**1,079.4**	16.1	929.6	6.7	870.9
Canada, Asia Pacific, Latin America, Africa & Middle East	**753.2**	6.9	704.5	(7.4)	760.4
	4,106.0	5.1	3,908.3	(2.8)	4,021.7
Headline PBIT[1]					
UK	**71.8**	6.4	67.5	(8.7)	73.9
US	**240.7**	0.6	239.2	(7.1)	257.6
Continental Europe	**121.8**	22.2	99.7	(16.7)	119.7
Canada, Asia Pacific, Latin America, Africa & Middle East	**99.2**	34.4	73.8	(32.8)	109.9
	533.5	11.1	480.2	(14.4)	561.1

There is no material difference between turnover determined by origin and that determined by destination.

Contributions by operating sector were as follows:

	2003 £m	Change %	2002 £m	Change %	2001 £m
Turnover					
Advertising and Media investment management	**15,235.6**	2.4	14,878.4	(14.2)	17,347.8
Information, insight & consultancy[2]	**769.0**	7.6	714.5	(12.7)	818.2
Public relations & public affairs	**562.5**	(1.1)	568.6	(7.9)	617.5
Branding & identity, Healthcare and Specialist communications[2]	**2,054.2**	10.0	1,867.2	(11.2)	2,103.4
	18,621.3	3.3	18,028.7	(13.7)	20,886.9
Revenue					
Advertising and Media investment management	**1,935.8**	7.0	1,810.0	(1.7)	1,841.5
Information, insight & consultancy[2]	**703.6**	5.9	664.7	5.6	629.4
Public relations & public affairs	**426.3**	(4.8)	447.6	(10.9)	502.1
Branding & identity, Healthcare and Specialist communications[2]	**1,040.3**	5.5	986.0	(6.0)	1,048.7
	4,106.0	5.1	3,908.3	(2.8)	4,021.7
Headline PBIT[1]					
Advertising and Media investment management	**295.5**	7.6	274.7	(14.0)	319.4
Information, insight & consultancy[2]	**50.0**	3.1	48.5	(23.0)	63.0
Public relations & public affairs	**55.0**	18.3	46.5	(3.7)	48.3
Branding & identity, Healthcare and Specialist communications[2]	**133.0**	20.4	110.5	(15.3)	130.4
	533.5	11.1	480.2	(14.4)	561.1

Notes

[1] Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. The calculation of Headline PBIT is set out in note 28.

[2] In 2003 certain of the Group's Specialist communications companies in strategic marketing consulting were moved into the renamed Information, insight & consultancy sector. As a result the comparative figures for both Information, insight & consultancy and Branding & identity, Healthcare and Specialist communications have been restated to reflect this change.

2 Operating costs

	2003 £m	2002 £m	2001 £m
Total staff costs (note 3)	**2,362.5**	2,230.0	2,268.9
Establishment costs	**324.6**	329.4	313.6
Other operating expenses (net)	**687.9**	677.9	685.2
Loss on sale of tangible fixed assets	**0.9**	2.6	1.7
Operating costs excluding goodwill amortisation and impairment	**3,375.9**	3,239.9	3,269.4
Goodwill amortisation and impairment – subsidiaries	**77.7**	177.7	14.8
Total operating costs	**3,453.6**	3,417.6	3,284.2
Operating expenses include:			
Depreciation of tangible fixed assets (note 14)	**127.5**	116.6	109.9
Goodwill amortisation – subsidiaries	**29.5**	32.0	14.8
Goodwill impairment – subsidiaries	**48.2**	145.7	–
Operating lease rentals:			
Land and buildings (excluding real estate taxation)	**208.0**	207.4	186.7
Plant and machinery	**40.9**	45.7	44.2
	248.9	253.1	230.9

All of the operating costs of the Group are related to administrative expenses.

The impairment charge relates to a number of under-performing businesses in the Information, insight & consultancy, and Branding & identity, Healthcare and Specialist communications sectors. The impact of the current economic climate on these businesses is sufficiently severe to indicate an impairment to the carrying value of goodwill. Note 13 gives further information on the Group's 2003 impairment review.

	2003 £m	2002[1] £m	2001 £m
Auditors' remuneration:			
Services as auditors	**7.3**	5.4	5.1
Further assurance services[2, 3]	**2.8**	2.2	6.3
	10.1	7.6	11.4
Non-audit services[2]:			
Tax advisory	**2.8**	2.7	3.7
Consulting	**0.9**	0.9	1.7
	13.8	11.2	16.8

Notes

[1] Deloitte & Touche replaced Arthur Andersen as auditors in 2002. The 2002 figures above include amounts paid to both Deloitte & Touche and Arthur Andersen.

[2] Further assurance services comprise due diligence and transaction support services.

[3] Further assurance and non-audit services require pre-approval by the Audit committee.

Audit fees paid to the auditors include £0.5 million (2002: £0.5 million, 2001: £0.4 million) in respect of the parent company. Auditors other than Deloitte & Touche LLP or Arthur Andersen were paid £0.5 million (2002: £0.2 million, 2001: £0.5 million). In 2003 fees paid to auditors in respect of due diligence and transaction services, included in further assurance and other non-audit services above, of £0.5 million (2002: £1.5 million, 2001: £6.5 million) were capitalised.

Depreciation segment information
The following table shows depreciation expense attributable to each of the Company's operating sectors:

	2003 £m	2002 £m	2001 £m
Advertising and Media investment management	**58.8**	51.9	48.3
Information, insight & consultancy[1]	**19.6**	20.0	19.7
Public relations & public affairs	**13.5**	14.9	14.1
Branding & identity, Healthcare and Specialist communications[1]	**35.6**	29.8	27.8
	127.5	116.6	109.9

Goodwill amortisation segment information
The following table shows goodwill amortisation attributable to each of the Company's operating sectors:

	2003 £m	2002 £m	2001 £m
Advertising and Media investment management	**1.1**	0.8	–
Information, insight & consultancy[1]	**12.6**	14.9	5.5
Public relations & public affairs	**2.2**	1.2	0.7
Branding & identity, Healthcare and Specialist communications[1]	**13.6**	15.1	8.6
	29.5	32.0	14.8

Notes

[1] In 2003 certain of the Group's Specialist communications companies in strategic marketing consulting were moved into the renamed Information, insight & consultancy sector. As a result the comparative figures for both Information, insight & consultancy and Branding & identity, Healthcare and Specialist communications have been restated to reflect this change.

Minimum committed annual rentals
Amounts payable (net of taxation) in 2004 under the foregoing leases will be as follows:

	Plant and machinery			Land and buildings		
	2004 £m	2003 £m	2002 £m	2004 £m	2003 £m	2002 £m
In respect of operating leases which expire:						
– within one year	**11.1**	8.8	7.6	**18.4**	20.5	33.4
– within two to five years	**21.1**	22.2	20.8	**86.3**	88.9	72.1
– after five years	**2.0**	1.8	1.4	**76.0**	73.9	90.9
	34.2	32.8	29.8	**180.7**	183.3	196.4

2 Operating costs (continued)

Future minimum annual amounts payable (net of taxation) under all lease commitments in existence at 31 December 2003 are as follows:

	Minimum rental payments £m	Less sub-let rentals £m	Net payment £m
Year ended 31 December			
2004	214.9	(25.7)	189.2
2005	185.4	(22.7)	162.7
2006	146.8	(19.1)	127.7
2007	113.5	(16.8)	96.7
2008	100.7	(15.6)	85.1
Later years (to 2021)	351.5	(58.7)	292.8
	1,112.8	(158.6)	954.2

3 Our people

Our staff numbers averaged 51,604 against 50,417 in 2002, including acquisitions. Their geographical distribution was as follows:

	2003 Number	2002 Number	2001 Number
UK	**6,806**	6,783	6,797
US	**13,598**	13,535	14,831
Continental Europe	**13,675**	13,908	13,006
Canada, Asia Pacific, Latin America, Africa & Middle East	**17,525**	16,191	15,853
	51,604	50,417	50,487

At the end of 2003 staff numbers were 54,324 compared with 49,439 in 2002.

Total staff costs were made up as follows:

	2003 £m	2002 £m	2001 £m
Wages and salaries	**1,644.5**	1,604.7	1,664.0
Payments and provisions charged under short- and long-term incentive plans	**130.4**	90.1	81.1
Social security costs	**198.2**	181.7	182.2
Other pension costs (note 22)	**64.9**	60.6	55.7
Other staff costs	**324.5**	292.9	285.9
	2,362.5	2,230.0	2,268.9
Staff cost to revenue ratio	**57.5%**	57.1%	56.4%

Directors' emoluments are disclosed on page 95.

4 Fixed asset gains, write-down of fixed asset investments and other items impacting Quality of Earnings

Disposal of freehold properties and fixed asset investments
The profits on disposal of fixed assets comprise:

	2003 £m	2002 £m	2001 £m
Profits on disposal of freehold properties	**–**	3.6	–
Profits on disposal of investments	**–**	5.6	6.8
	–	9.2	6.8

In 2002 and 2001, profits were realised on the disposal of two freehold properties in the UK and on a number of minority investments in new media and marketing services companies in the US and the UK.

Write-down of fixed asset investments
Amounts written off fixed asset investments of £nil million (2002: £19.9 million, 2001: £70.8 million) relate to write-downs on certain non-core minority investments in new media companies and other technology ventures in light of the decline in technology equity valuations that was prevalent in 2002 and 2001.

These transactions did not have a material effect on the Group's tax charge (2002: £nil, 2001: £8.6 million) or minority interest (2002 and 2001: £nil).

Other items
During the year, the Group continued to take measures to reduce its fixed and variable cost base in response to the continuing global downturn in its core markets. These actions resulted in a number of charges which, although recurring in nature, were at a considerably higher level than would normally be expected. These items principally comprised property rationalisation costs and severance payments. In addition, due to the above market factors, amounts were written off trade receivables and other current assets.

At the same time the Group has released £12.0 million (2002: £13.0 million, 2001: £22.5 million) to operating profit relating to excess provisions established in respect of acquisitions completed prior to 2002.

Management consider that the combination of the above charges and releases, when taken together, does not materially impact the Group's quality of earnings.

5 Net interest payable and similar charges

	2003 £m	2002 £m	2001 £m
On bank loans and overdrafts, and other loans			
– repayable within five years, by instalments	**7.3**	6.3	6.2
– repayable within five years, not by instalments	**25.7**	33.8	44.8
On all other loans, repayable within five years (including corporate and convertible bonds)	**54.8**	67.7	39.9
Interest payable of associate undertakings	**2.0**	1.8	0.7
Total interest payable	**89.8**	109.6	91.6
Interest receivable of associate undertakings	**(3.0)**	(2.2)	(1.7)
Gain on purchase of Eurobond	**–**	(1.2)	–
Interest receivable	**(30.8)**	(31.0)	(33.5)
Net interest payable	**56.0**	75.2	56.4
Charges in respect of working capital facilities	**4.1**	4.4	11.1
Net interest payable and similar charges on net borrowings	**60.1**	79.6	67.5
Net interest charges on defined benefit pension schemes (note 22)	**11.5**	6.8	3.8
	71.6	86.4	71.3

Interest payable on the Group's borrowings, other than the bonds, is payable at a margin of between 0.4% and 0.475% over relevant LIBOR.

The majority of the Group's long-term debt is represented by $300 million of USA bonds at a weighted average of 6.71%, €1 billion of Eurobonds at a weighted average rate of 5.69% (prior to interest rate swaps), £450 million of convertible bonds at 3.07% (including redemption premium accrual and prior to the cross-currency swaps) and $287.5 million of convertible bonds at a rate of 3% (note 9).

Average borrowings under the Syndicated Revolving Credit Facilities (note 9) amounted to $258.3 million at an average interest rate of 1.75% (2002: 2.6%, 2001: 4.7%) inclusive of margin.

Derivative financial instruments

Interest rate swaps	2003 €	2003 $	2002 €	2002 $	2001 €	2001 $
Notional principal amount	**€400m**	–	€400m	$200m	€400m	$250m
Average pay rate	**EURIBOR +2.19%**	**n/a**	EURIBOR +0.81%	6.22%	EURIBOR +0.81%	6.2%
Average receive rate	**6.0%**	**n/a**	6.0%	LIBOR	6.0%	LIBOR
Average term	**54 months**	**n/a**	67 months	0.4 months	79 months	10 months
Latest maturity date	**Jun 2008**	**n/a**	Jun 2008	Jan 2003	Jun 2008	Jan 2003

Cross currency swaps	2003 £/€	2003 £/$	2003 £/Yen
£ principal receivable	£31.055	£52.668m	£47.934m
Currency principal payable	€50m	$75m	Yen 9,000m
Currency rate payable	EURIBOR –2.0775%	LIBOR –2.0680%	FIXED –1.2925%
£ rate receivable	3.43%	3.43%	3.43%

The Group enters into interest rate swap agreements to manage its proportion of fixed and floating rate debt. The Group also entered cross-currency swap agreements to match the currency of its debt with the currency of its cash flows.

The differential paid or received by the Group on the interest element of the swap agreements is charged/(credited) to interest expense in the year to which it relates.

The term of such instruments is not greater than the term of the debt being hedged and any anticipated refinancing or extension of the debt.

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given the Group's policy of selecting only counterparties with high credit ratings.

Other than the above, the Group has no significant utilisation of interest rate derivative financial instruments.

The fair value of derivatives is disclosed in note 23. The Group's policy on derivatives and financial instruments is discussed in the Operating and financial review on page 106.

6 Tax on profit on ordinary activities

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

	2003 £m	2002 £m	2001 £m
Corporation tax at 30% (2001: 30%, 2000: 30%)	**22.7**	22.3	24.9
Deferred taxation	**(8.7)**	(1.5)	(5.5)
Overseas taxation	**93.5**	71.5	97.2
Tax on profits of associate companies	**14.6**	11.1	16.4
Tax on investment gains and other items (note 4)	**–**	–	(6.9)
	122.1	103.4	126.1
Effective tax rate on profit before tax	**34.9%**	50.3%	30.7%
Effective tax rate on headline profit before tax (note 28)	**25.8%**	25.8%	26.9%
Total current tax	**116.2**	93.8	122.1
Total deferred tax	**(8.7)**	(1.5)	(5.5)
Share of associates tax	**14.6**	11.1	16.4
Tax on investment gains and other items	**–**	–	(6.9)
Total tax on profits on ordinary activities	**122.1**	103.4	126.1
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2001: 30%, 2000: 30%)	**92.8**	52.6	111.1
Effects of:			
Utilisation of tax losses brought forward	**(4.7)**	(1.3)	(16.1)
Unused tax losses carried forward	**12.6**	11.1	22.9
Y&R acquisition attributes	**(49.3)**	(27.6)	(32.1)
Differences between UK and overseas statutory tax rates	**35.5**	17.3	19.4
Permanent differences between expenditures charged in arriving at income and expenditure allowed for tax purposes	**29.3**	41.7	16.9
Total current tax	**116.2**	93.8	122.1

7 Ordinary dividends

	2003	2002	2001	2003	2002	2001
Per share		Pence per share		**£m**	£m	£m
Interim dividend paid	**2.08p**	1.73p	1.44p	**24.6**	20.0	16.4
Final dividend proposed	**4.40p**	3.67p	3.06p	**52.2**	42.5	35.2
	6.48p	5.40p	4.50p	**76.8**	62.5	51.6
Per ADR[1]		Cents per ADR		**$m**	$m	$m
Interim dividend paid	**17.0¢**	13.0¢	10.4¢	**40.2**	30.1	23.6
Final dividend proposed	**36.0¢**	27.6¢	22.0¢	**85.4**	63.9	50.7
	53.0¢	40.6¢	32.4¢	**125.6**	94.0	74.3

Notes

[1] These figures have been translated for convenience purposes only, using the profit and loss exchange rates shown on page 115. 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.

8 Earnings per ordinary share

Basic and diluted earnings per share have been calculated in accordance with FRS 14 'Earnings per Share.'

Headline basic earnings per share have been calculated using earnings of £208.4 million (2002: £88.0 million, 2001: £271.2 million), and adjusted for goodwill amortisation and impairment, fixed asset gains and write-downs and net interest charges on defined benefit pension schemes of £123.5 million (2002: £195.2 million, 2001: £82.6 million). The weighted average number of shares in issue used was 1,115,319,576 shares (2002: 1,110,556,878 shares, 2001: 1,101,937,750 shares).

Headline diluted earnings per share have been calculated using earnings of £208.4 million (2002: £88.0 million, 2001: £271.2 million) and adjusted for goodwill amortisation and impairment, fixed asset gains and write-downs and net interest charges on defined benefit pension schemes of £123.5 million (2002: £195.2 million, 2001: £82.6 million). The weighted average number of shares in issue used was 1,145,014,508 shares (2002: 1,136,548,459 shares, 2001: 1,157,080,255 shares). This takes into account potentially issuable ordinary shares arising from the exercise of employee share options, certain incentive schemes and convertible debt where these are expected to dilute earnings per share. For the years ended 31 December 2003 and 31 December 2002, both the $287.5 million convertible loan note and the £450 million convertible bond were accretive to earnings per share and therefore excluded from the calculation.

Standard basic earnings per share have been calculated using earnings of £208.4 million (2002: £88.0 million, 2001: £271.2 million) and weighted average shares in issue during the period of 1,115,319,576 shares (2002: 1,110,556,878 shares, 2001: 1,101,937,750 shares).

Standard diluted earnings per share have been calculated using earnings of £208.4 million (2002: £88.0 million, 2001: £271.2 million). The weighted average number of shares used was 1,145,014,508 shares (2002: 1,136,548,459 shares, 2001: 1,157,080,255). This takes into account potentially issuable ordinary shares arising from the exercise of employee share options, certain incentive schemes and convertible debt where these are expected to dilute earnings per share. For the years ended 31 December 2003 and 31 December 2002, both the $287.5 million convertible loan note and the £450 million convertible bond were accretive to earnings per share and therefore excluded from the calculation.

At 31 December 2003 there were 1,187,432,353 ordinary shares in issue.

9 Sources of finance

The following table is a supplementary disclosure to the consolidated cash flow statement, summarising the equity and debt financing of the Group, and changes during the year:

	2003 Shares £m	2003 Debt £m	2002 Shares £m	2002 Debt £m	2001 Shares £m	2001 Debt £m
Analysis of changes in financing						
Beginning of year	952.3	1,414.0	920.2	1,227.6	820.2	794.6
Shares issued in respect of acquisitions	0.5	–	0.2	–	0.7	–
Share placement	100.2	–	–	–	–	–
Share cancellations	(0.6)	–	(0.2)	–	–	–
Share issue costs paid	(1.1)	–	(1.0)	–	–	–
Other issues of share capital	22.7	–	33.1	–	99.3	–
Increase in drawings on bank loans and convertible bonds	–	22.0	–	210.7	–	439.0
Debt acquired	–	3.5	–	–	–	–
Net amortisation/(payment) of financing costs included in net debt	–	8.3	–	(0.7)	–	(8.0)
Exchange adjustments on long-term borrowings	–	31.5	–	(23.6)	–	2.0
End of year	1,074.0	1,479.3	952.3	1,414.0	920.2	1,227.6

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

Shares
At 31 December 2003, the Company's share base was entirely composed of ordinary equity share capital and share premium of £1,074.0 million (2002: £952.3 million, 2001: £920.2 million), further details of which are disclosed in notes 24 and 25.

Debt
USA bond The Group has in issue $200 million of 6.625% bonds due 2005 and $100 million of 6.875% bonds due 2008.

Eurobond The Group has in issue €350 million of 5.125% bonds due 2004 and €650 million of 6.0% bonds due 2008.

During 2003, the Group re-issued €45 million of bonds in the open market at a price of 105.18%. These bonds were purchased in the open market during 2002 at a price of 94.72%. The total proceeds received were €49.9 million including accrued interest. The gain on the transaction of €2.3 million has been deferred and will be recognised as interest income in the profit and loss accounts over the remaining life of the Eurobond.

Revolving Credit Facilities The Group's debt is also funded by a five-year $750 million Revolving Credit Facility due September 2006. The Group's syndicated borrowings drawn down, predominantly in US dollars, under this agreement averaged $258.3 million (2002: $388.7 million, 2001: $533.7 million). The Group had available undrawn committed facilities of £421 million at 31 December 2003 (2002: £466 million, 2001: £664 million).

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

Convertible debt
In October 2000, with the purchase of Young & Rubicam Inc ('Y&R'), the Group acquired $287.5 million of 3% convertible bonds due 15 January 2005. At the option of the holder, the bonds are convertible into 3,272,400 WPP ADRs at a conversion price of $87.856. The bonds may be redeemed at WPP's option on or after 20 January 2003. Interest on the bonds is payable on 15 January and 15 July of each year, beginning on 15 July 2000. The bonds are unsecured obligations of Y&R and are guaranteed by WPP.

In April 2002, the Group issued £450 million of 2% convertible bonds due April 2007. At the option of the holder, the bonds are convertible into 41,860,465 WPP ordinary shares at an initial share price of £10.75. As the bonds are redeemable at a premium of 5.35% over par, the conversion price increases during the life of the bonds to £11.33 per share into the same number of shares as above.

Current asset investments/liquid resources
At 31 December 2003, the Group had £401.8 million (2002: £190.4 million, 2001: £76.8 million) of cash deposits with a maturity greater than 24 hours.

The following table is an analysis of net debt with debt analysed by year of repayment:

	2003 £m	Change[1] in year £m	2002 £m	Change[1] in year £m	2001 £m
Debt					
Within one year	(250.3)	(238.8)	(11.5)	(11.5)	–
Between one and two years	(273.1)	(45.7)	(227.4)	(5.7)	(221.7)
Between two and three years	–	302.3	(302.3)	(90.3)	(212.0)
Between three and four years	(443.4)	(443.4)	–	334.0	(334.0)
Between four and five years	(512.5)	(92.4)	(420.1)	(420.1)	–
Over five years	–	452.7	(452.7)	7.2	(459.9)
Debt financing under the Revolving Credit Facility and in relation to unsecured loan notes	(1,479.3)	(65.3)	(1,414.0)	(186.4)	(1,227.6)
Short-term overdrafts – within one year	(302.1)	(113.9)	(188.2)	131.7	(319.9)
Debt financing	(1,781.4)	(179.2)	(1,602.2)	(54.7)	(1,547.5)
Cash at bank and in hand	1,018.1	329.0	689.1	103.5	585.6
Current asset investments	401.8	211.4	190.4	113.6	76.8
Net debt	(361.5)	361.2	(722.7)	162.4	(885.1)

Notes
[1] Includes £3.5 million (2002: £Nil) of debt, £6.4 million (2002: £2.1 million) of short-term overdrafts and £53.0 million (2002: £64.9 million) of cash at bank acquired.

9 Sources of finance (continued)

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

2003 Currency	£m	Fixed rate[1]	Floating basis	Period (months)[1]
$ – fixed	329.5[2]	4.89%	n/a	22
– floating	322.5[2]	n/a	LIBOR	n/a
£ – fixed	318.3	2.82%	n/a	40
€ – fixed	422.6	5.49%	n/a	26
– floating	316.9	n/a	EURIBOR	n/a
¥ – fixed	46.9	(1.29%)	n/a	40
Other	3.0	n/a	Various	n/a
	1,759.7			

2002 Currency	£m	Fixed rate[1]	Floating basis	Period (months)[1]
$ – fixed	489.1[2]	5.23%	n/a	26
– floating	285.7[2]	n/a	LIBOR	n/a
£ – fixed	154.8	3%	n/a	52
€ – fixed	361.7	5.45%	n/a	36
– floating	293.3	n/a	EURIBOR	n/a
¥ – floating	47.1	n/a	LIBOR	n/a
Other	(0.3)	n/a	Various	n/a
	1,631.4			

2001 Currency	£m	Fixed rate[1]	Floating basis	Period (months)[1]
$ – fixed	486.5[2]	5.11%	n/a	40
– floating	51.6	n/a	LIBOR	n/a
£ – floating	130.0	n/a	LIBOR	n/a
€ – fixed	367.6	5.49%	n/a	50
– floating	275.7	n/a	EURIBOR	n/a
Other	(1.3)	n/a	Various	n/a
	1,310.1			

Notes
[1] Weighted average.
[2] Including drawings on working capital facility as described in note 18.

10 Reconciliation of operating profit to net cash inflow from operating activities

The following table analyses the changes in working capital and provisions that have contributed to the net cash inflow from operating activities in the consolidated cash flow statement:

	2003 £m	2002 £m	2001 £m
Changes in working capital and provisions			
Decrease/(increase) in stocks and work in progress	43.5	(70.7)	18.1
Increase in debtors	(65.5)	(18.1)	(4.7)
Increase/(decrease) in creditors – short-term	364.4	307.4	(473.4)
– long-term	31.4	0.6	(25.4)
(Decrease)/increase in provisions	(53.2)	(8.7)	27.4
Decrease/(increase) in working capital and provisions	320.6	210.5	(458.0)

The main reconciliation is disclosed along with the cash flow statement on page 116.

11 Analysis of non-operating cash flows

The following tables analyse the items included within the main cash flow headings on page 116:

	2003 £m	2002 £m	2001 £m
Returns on investments and servicing of finance			
Interest and similar charges paid	**(52.8)**	(98.9)	(84.2)
Interest received	**30.2**	32.7	38.6
Dividends paid to minorities	**(15.7)**	(12.0)	(10.8)
Net cash outflow	**(38.3)**	(78.2)	(56.4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets (note 14)	**(93.9)**	(100.5)	(118.1)
Purchase of own shares by ESOP trust (note 15)	**(2.9)**	(67.6)	(103.3)
Proceeds from sale of tangible fixed assets and other movements	**8.7**	10.2	4.2
Net cash outflow	**(88.1)**	(157.9)	(217.2)
Acquisitions and disposals			
Cash consideration for acquisition of Cordiant	**(207.9)**	–	–
Proceeds from disposal of interest in Zenith Optimedia Group	**75.0**	–	–
Net cash acquired – Cordiant	**37.8**	–	–
Initial cash consideration for other acquisitions	**(70.1)**	(141.2)	(616.0)
Earnout payments	**(56.2)**	(82.4)	(74.1)
Loan note redemptions	**(38.7)**	(93.7)	(2.7)
Cash/(overdraft) acquired – other acquisitions	**5.3**	62.8	(21.1)
Purchase of other investments (including associates)	**(100.7)**	(26.1)	(43.2)
Proceeds from disposal of other investments (including associates)	**11.0**	3.3	26.8
Net cash outflow	**(344.5)**	(277.3)	(730.3)
Financing activities			
Increase/(reduction) in drawings on bank loans	**25.0**	(239.3)	(175.3)
Financing costs and share issue costs	**(3.4)**	(12.9)	(8.8)
Proceeds from issue of shares	**18.1**	24.4	69.0
Share placement	**100.2**	–	–
Proceeds from issue of Eurobond	**–**	–	614.1
Proceeds from issue of convertible bond	**–**	450.0	–
Share cancellations	**(20.2)**	(8.3)	–
Net cash inflow	**119.7**	213.9	499.0

12 Segment information

Net assets by geographical area were as follows:

	2003 £m	2002 £m	2001 £m
UK	**802.5**	919.9	752.6
US	**2,526.9**	3,069.7	2,821.3
Continental Europe	**498.4**	195.1	450.3
Canada, Asia Pacific, Latin America, Africa & Middle East	**601.3**	252.4	501.8
	4,429.1	4,437.1	4,526.0
Net interest bearing debt[1]	**(361.5)**	(722.7)	(885.1)
Net assets including pension provision	**4,067.6**	3,714.4	3,640.9

Net assets by operating sector were as follows:

	2003 £m	2002 £m	2001 £m
Advertising and Media investment management	**3,532.2**	4,229.0	3,548.5
Information, insight & consultancy[2]	**208.6**	(0.8)	338.0
Public relations & public affairs	**245.7**	(104.0)	241.4
Branding & identity, Healthcare and Specialist communications[2]	**442.6**	312.9	398.1
	4,429.1	4,437.1	4,526.0
Net interest bearing debt[1]	**(361.5)**	(722.7)	(885.1)
Net assets including pension provision	**4,067.6**	3,714.4	3,640.9

Notes

1 The net interest bearing debt has not been allocated within the above analyses as the debt 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.

2 In 2003 certain of the Group's Specialist communications companies in strategic marketing consulting were moved into the renamed Information, insight and consultancy sector. As a result the comparative figures for both information, insight & consultancy and Branding & identity, Healthcare and Specialist communications have been restated to reflect this change.

Certain items, including the amounts in respect of corporate brand names, have been allocated within the above analyses on the basis of the revenue of the subsidiary undertakings to which they relate.

13 Intangible fixed assets

	2003 £m	2002 £m	2001 £m
Corporate brand names	**950.0**	950.0	950.0

Corporate brand names represent J. Walter Thompson Company, 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 fixed assets as stated on page 112.

Goodwill	£m
1 January 2002	4,439.9
Additions	144.8
Amortisation	(32.0)
Impairment	(145.7)
31 December 2002	4,407.0
Additions	381.0
Amortisation	(29.5)
Impairment	(48.2)
31 December 2003	**4,710.3**

Additions represent goodwill arising on the acquisition of subsidiary undertakings. Goodwill arising on the acquisition of associate undertakings is shown within fixed asset investments in note 15.

Gross goodwill (in respect of subsidiary and associate undertakings) of £519.1 million (2002: £572.3 million, 2001: £340.0 million) is subject to amortisation over periods of up to 20 years.

In accordance with the Group's accounting policy, the Group annually tests the carrying value of indefinite life goodwill and other intangible assets for impairment. Goodwill subject to periodic amortisation is tested for impairment if there is a change in circumstances that suggests that the carrying value may not be recoverable.

The 2003 impairment review was initially undertaken as at 30 June 2003 and then updated as at 31 December 2003. The review assessed whether the carrying value of goodwill was supported by the net present value of future cashflows derived from assets using a projection period of up to five years for each income generating unit. After the projection period, growth rates of nominal GDP have been assumed for each income generating unit.

The impairment reviews relating to Young & Rubicam (goodwill of £2,498.3 million) and Mediaedge:cia (goodwill of £838.5 million) are based on reviews initially undertaken as at 31 December 2002 and then updated with respect to actual performance for the year ended 31 December 2003. These reviews were carried out using a 10 year projection period as the Group believes that this longer period is more appropriate to assess the carrying value of these global networks given current economic volatility. The projections for the initial three years were derived from existing budgets and three year plans and form the base period. Projections for the remaining seven years assume an annual 4.4% growth in revenues and an improvement in operating margins to 17% by 2007. At the end of the 10 year period growth is assumed to be in line with nominal GDP. The projections above include assumptions about payments for cash taxes and cashflows have therefore been discounted using the Group's weighted average cost of capital of 8.5%.

The estimates and assumptions made in connection with impairment testing could differ from future actual results of operations and cash flows. Further, future events could cause the Company 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 Company's financial condition and results of operations. 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.

14 Tangible fixed assets

The movements in 2003 and 2002 were as follows:

Cost:	Land and buildings Freehold[1] £m	Short leasehold £m	Fixtures fittings and equipment £m	Computer equipment £m	Total £m
1 January 2002	71.0	277.4	276.8	395.5	1,020.7
Additions	3.0	28.5	15.9	53.1	100.5
New acquisitions	0.8	2.0	6.6	5.7	15.1
Disposals	(7.9)	(30.0)	(34.1)	(40.5)	(112.5)
Exchange adjustments	(6.9)	(23.2)	(20.5)	(28.3)	(78.9)
31 December 2002	60.0	254.7	244.7	385.5	944.9
Additions	0.3	31.4	15.2	47.0	93.9
New acquisitions	1.2	22.0	26.9	29.8	79.9
Disposals	(1.8)	(20.3)	(25.7)	(46.3)	(94.1)
Exchange adjustments	(6.2)	(14.6)	(10.0)	(12.8)	(43.6)
31 December 2003	**53.5**	**273.2**	**251.1**	**403.2**	**981.0**
Depreciation:					
1 January 2002	19.6	133.1	178.8	256.4	587.9
New acquisitions	0.2	0.9	7.3	3.3	11.7
Charge	0.4	27.0	27.4	61.8	116.6
Disposals	(1.6)	(28.8)	(31.2)	(38.2)	(99.8)
Exchange adjustments	(2.0)	(13.7)	(15.9)	(17.2)	(48.8)
31 December 2002	16.6	118.5	166.4	266.1	567.6
New acquisitions	0.2	10.3	19.1	20.3	49.9
Charge	1.6	25.7	26.4	73.8	127.5
Disposals	(0.3)	(18.0)	(25.2)	(41.0)	(84.5)
Exchange adjustments	(1.7)	(6.8)	(13.4)	(2.2)	(24.1)
31 December 2003	**16.4**	**129.7**	**173.3**	**317.0**	**636.4**
Net book value:					
31 December 2003	**37.1**	**143.5**	**77.8**	**86.2**	**344.6**
31 December 2002	43.4	136.2	78.3	119.4	377.3
1 January 2002	51.4	144.3	98.0	139.1	432.8

Notes

[1] Includes land of £15.1 million (2002: £18.3 million, 2001: £18.3 million).

Leased assets (other than leasehold property) included above have a net book value of £2.3 million (2002: £3.8 million, 2001: £3.8 million). Future obligations in respect of these leased assets were £0.8 million at 31 December 2003 and are included in other creditors.

At the end of the year, capital commitments contracted, but not provided for in respect of tangible fixed assets were:

	2003 £m	2002 £m	2001 £m
Capital commitments – tangible fixed assets	**6.8**	9.1	3.7

15 Fixed asset investments

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

	Associate under-takings £m	Goodwill on associate under-takings £m	Own shares £m	Other invest-ments £m	Total £m
1 January 2002	96.8	180.8	250.4	25.5	553.5
Additions	0.3	–	67.6	15.9	83.8
Goodwill arising on acquisition of new associates	–	10.2	–	–	10.2
Share of profits after tax of associate undertakings	18.0	–	–	–	18.0
Dividends and other movements	7.1	–	–	(4.9)	2.2
Exchange adjustments	(0.6)	–	–	(0.6)	(1.2)
Disposals	(0.6)	–	(5.8)	(1.7)	(8.1)
Reclassification from/(to) subsidiaries	17.2	(30.5)	–	3.5	(9.8)
Write-downs	(7.2)	–	–	(12.7)	(19.9)
31 December 2002	131.0	160.5	312.2	25.0	628.7
Additions	93.3	–	2.9	5.1	101.3
Goodwill arising on acquisition of new associates	–	80.8	–	–	80.8
Share of profits after tax of associate undertakings	26.9	–	–	–	26.9
Dividends and other movements	(15.2)	–	–	–	(15.2)
Exchange adjustments	(5.8)	–	–	(0.5)	(6.3)
Disposals	(78.1)	(7.1)	(7.3)	(2.0)	(94.5)
Reclassification from/(to) subsidiaries	3.7	3.8	–	(5.6)	1.9
Goodwill amortisation	–	(3.5)	–	–	(3.5)
Goodwill impairment	–	(30.8)	–	–	(30.8)
31 December 2003	**155.8**	**203.7**	**307.8**	**22.0**	**689.3**

15 Fixed asset investments (continued)

The Group's principal associate undertakings include:

	% controlled	Country of incorporation
Asatsu-DK	20.9	Japan
Brierley & Partners	20.1	US
Chime Communications PLC	19.1	UK
DYR Tokyo Agency	49.0	Japan
High Co S.A.	31.9	France
IBOPE Group	31.2	Brazil
LG Ad Inc	28.2	Korea
Singleton, Ogilvy & Mather (Holdings) Pty Limited	40.8	Australia

The Company's holdings of own shares are stated at cost and represent purchases by the Employee Share Ownership Plan ('ESOP') trust of shares in WPP Group plc for the purpose of funding certain of the Group's long-term incentive plan liabilities, details of which are disclosed in the Compensation committee report on pages 87 to 99.

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 2003 was 57,439,271 (2002: 58,210,657, 2001: 48,716,092) and £315.1 million (2002: £276.2 million, 2001: £370.2 million) respectively. The trust received dividends on the shares held, as the right to dividends has not been waived by the trustees.

The market value of the Group's shares in its principal listed associate undertakings at 31 December 2003 was as follows: Asatsu-DK: £148.7 million, Chime Communications PLC: £10.9 million, High Co S.A.: £14.2 million and LG Ad Inc £33.6 million. The carrying value (including goodwill) of these equity interests in the Group's balance sheet at 31 December 2003 was as follows: Asatsu-DK: £132.9 million, Chime Communications PLC: £3.7 million, High Co S.A.: £11.0 million and LG Ad Inc £37.9 million. 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 principal associate undertakings. These have been estimated and converted, where appropriate, to a UK GAAP presentation based on information provided by the relevant companies at 31 December 2003. Total revenue generated by all the Group's associates is estimated to be £1.0 billion for the year ended 31 December 2003.

	2003 £m	2002 £m	2001 £m
Profit and loss account			
Revenue	**499.3**	448.9	485.9
Operating profit	**81.8**	53.0	75.9
Profit before tax	**85.2**	57.0	89.0
Profit attributable to ordinary share owners	**57.5**	47.9	49.2

	2003 £m	2002 £m	2001 £m
Balance sheet			
Current assets	**1,087.6**	850.6	936.2
Non-current assets	**689.9**	604.4	798.4
Current liabilities	**852.1**	698.5	775.6
Non-current liabilities	**103.9**	109.5	203.1
Net assets	**821.5**	647.0	755.9

Associate segment information

The following table shows the carrying value of associate undertakings (including goodwill) attributable to each of the Company's operating sectors:

	2003 £m	2002 £m	2001 £m
Advertising and Media investment management	**249.8**	195.3	179.3
Information, insight & consultancy	**35.1**	26.8	28.7
Public relations & public affairs	**4.1**	2.8	2.6
Branding & identity, Healthcare and Specialist communications	**70.5**	66.6	67.0
	359.5	291.5	277.6

The following table shows the income (before interest and taxation) attributable to associate undertakings in each of the Company's operating sectors:

	2003 £m	2002 £m	2001 £m
Advertising and Media investment management	**24.7**	21.1	23.5
Information, insight & consultancy	**6.7**	5.7	6.3
Public relations & public affairs	**0.9**	(1.6)	1.9
Branding & identity, Healthcare and Specialist communications	**8.2**	4.8	9.1
	40.5	30.0	40.8

At the end of the year, capital commitments contracted, but not provided for in respect of fixed asset investments were:

	2003 £m	2002 £m	2001 £m
Capital commitments – fixed asset investments	**14.3**	49.4	–

Capital commitments for fixed asset investments generally comprise capital calls, amounts due under agreements to purchase shares of partially owned subsidiaries or associated companies, where notice of intent to exercise options has been given to WPP by the seller, and cash in escrow committed for acquisitions. 2002 commitments included £39.9 million of cash held in escrow in respect of the acquisition of a 36% equity investment in LG Ad, Korea's second largest advertising agency. This transaction subsequently completed in January 2003.

16 Stocks and work in progress

The following are included in the net book value of stocks and work in progress:

	2003 £m	2002 £m	2001 £m
Work in progress	**267.4**	288.8	234.4
Stocks	**2.2**	2.8	2.5
	269.6	291.6	236.9

17 Debtors

The following are included in debtors:

Amounts falling due within one year	2003 £m	2002 £m	2001 £m
Trade debtors outside working capital facility	**1,883.4**	1,753.0	1,840.5
VAT and sales taxes recoverable	**36.7**	32.3	31.9
Corporate income taxes recoverable	**14.0**	14.2	22.6
Deferred tax	**70.0**	61.6	61.5
Other debtors	**187.1**	239.7	266.6
Prepayments and accrued income	**152.3**	120.0	106.6
	2,343.5	2,220.8	2,329.7

Amounts falling due after more than one year	2003 £m	2002 £m	2001 £m
Other debtors	**43.8**	32.8	42.7
Prepayments and accrued income	**7.2**	2.8	19.4
	51.0	35.6	62.1
	2,394.5	2,256.4	2,391.8

Movements on bad debt provisions were as follows:

	2003 £m	2002 £m	2001 £m
Balance at beginning of year	**58.5**	63.8	50.6
Charged/(credited):			
To costs and expenses	**22.2**	18.3	15.3
Exchange adjustments	**(1.5)**	(2.8)	4.1
Utilisations and other movements	**(12.6)**	(20.8)	(6.2)
Balance at end of year	**66.6**	58.5	63.8

The allowance for bad and doubtful debts is equivalent to 3.2% (2002: 3.0%, 2001: 3.1%) of gross trade accounts receivable.

In addition to the deferred tax asset above, the potential tax benefit that may be available to the Group in respect of tax losses carried forward and timing differences is £258.7 million (2002: £270.1 million; 2001: £191.1 million). The Group has not recognised any additional deferred tax asset as there is insufficient evidence that there would be enough taxable profits in the entities concerned such that any additional asset could be considered recoverable. A potential deferred tax liability of £8.5 million is required by FRS 19 to be offset against the Group's tax attributes although this deferred tax liability would only crystallise in the unlikely event that the Group disposed of certain acquired entities in a manner that gave rise to a taxable transaction.

18 Debtors within working capital facility

The following are included in debtors within the Group's working capital facilities:

	2003 £m	2002 £m	2001 £m
Gross debts	**507.5**	385.7	331.0
Non-returnable proceeds	**(280.4)**	(217.4)	(82.5)
	227.1	168.3	248.5

Within the Group's overall working capital facilities, certain trade debts have been assigned as security against the advance of cash. This security is represented by the assignment of a pool of trade debts to a bankruptcy remote subsidiary of the Group, with further assignment to the providers of this working capital facility. The financing provided against this pool takes into account, inter alia, the risks that may be attached to the individual debtors and the expected collection period.

The Group is not obliged (and does not intend) to support any credit-related losses arising from the assigned debts against which cash has been advanced. The transaction documents stipulate that, in the event of default in payment by a debtor, the providers of the facility may only seek repayment of cash advanced from the remainder of the pool of debts in which they hold an interest and that recourse from the Group is not available.

19 Creditors: amounts falling due within one year

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

	2003 £m	2002 £m	2001 £m
Bank loans and overdrafts (note 9)	**552.4**	199.7	319.9
Trade creditors	**2,733.3**	2,477.8	2,506.2
Corporate income taxes payable	**29.5**	29.9	51.3
Other taxation and social security	**125.6**	111.7	116.1
Dividends proposed (note 7)	**52.2**	42.5	35.2
Payments due to vendors (earnout agreements)	**81.6**	73.6	103.1
Loan notes due to vendors	**13.9**	27.3	61.5
Other creditors and accruals	**943.8**	822.6	806.5
Deferred income	**391.9**	335.0	322.2
	4,924.2	4,120.1	4,322.0

Bank loans and overdrafts include overdrafts of £302.1 million (2002: £188.2 million, 2001: £319.9 million).

20 Creditors: amounts falling due after more than one year

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

	2003 £m	2002 £m	2001 £m
Corporate bonds and bank loans (note 9)	**624.4**	773.9	1,029.9
Convertible bonds (note 9)	**604.6**	628.6	197.7
Corporate income and other taxes payable	**268.7**	215.7	222.2
Payments due to vendors (earnout agreements)	**134.1**	164.2	185.1
Other creditors and accruals	**59.3**	55.1	76.6
	1,691.1	1,837.5	1,711.5

The following table sets out the directors' best estimates of future earnout related obligations:

	2003 £m	2002 £m	2001 £m
Within one year	**81.6**	73.6	103.1
Between one and two years	**60.9**	75.9	48.9
Between two and three years	**32.4**	20.8	60.0
Between three and four years	**37.0**	36.5	25.3
Between four and five years	**3.8**	29.0	43.3
Over five years	**–**	2.0	7.6
	215.7	237.8	288.2

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

	2003 £m	2002 £m	2001 £m
Within one year	**552.4**	199.7	319.9
Between one and two years	**273.1**	227.4	221.7
Between two and three years	**–**	302.3	212.0
Between three and four years	**443.4**	–	334.0
Between four and five years	**512.5**	420.1	–
Over five years	**–**	452.7	459.9
	1,781.4	1,602.2	1,547.5

21 Provisions for liabilities, charges and contingent liabilities

The movements in 2003 and 2002 were as follows:

	Other post-retirement benefits £m	Long-term incentive plans £m	Property and other £m	Total £m
1 January 2002	27.1	31.1	47.9	106.1
Charged to the profit and loss account	0.3	30.7	1.9	32.9
New acquisitions	–	–	0.4	0.4
Utilised	–	(8.7)	(1.5)	(10.2)
Transfers	(11.7)	(1.8)	(8.3)	(21.8)
Exchange adjustments	(1.4)	(1.0)	(3.0)	(5.4)
31 December 2002	14.3	50.3	37.4	102.0
Charged to the profit and loss account	0.3	26.8	0.4	27.5
New acquisitions	–	–	71.2	71.2
Utilised	(0.3)	(2.8)	(12.6)	(15.7)
Transfers	(6.2)	(33.3)	(3.7)	(43.2)
Exchange adjustments	(0.7)	(0.4)	(7.2)	(8.3)
31 December 2003	**7.4**	**40.6**	**85.5**	**133.5**

Other post-retirement benefits
These include provisions in respect of certain unfunded retirement benefit schemes which are defined contribution in nature.

21 Provisions for liabilities, charges and contingent liabilities (continued)

Long-term incentive plans
Long-term incentive plans are operated by certain of the Group's operating companies, the provision representing accrued compensation to 31 December 2003 that may become payable after more than one year, as described in the Compensation committee report on pages 87 to 99. Transfers comprises amounts transferred to creditors: amounts falling due within one year following the satisfactory completion of the performance period relating to a long-term incentive plan.

Property and other
Property and other provisions comprise other liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. These include certain onerous lease obligations and contingent liabilities 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.

Contingent liabilities in respect of option agreements
WPP has entered into agreements with certain share owners of partially owned subsidiaries and associate companies to acquire equity interests. These agreements typically contain options requiring WPP to purchase their shares at specified times up to 2009 on the basis of average earnings both before and after the exercise of the option.

All arrangements contain clauses that cap the maximum amount payable by WPP. The table below shows the illustrative amounts that would be payable by WPP in respect of these options, on the basis of the relevant companies' current financial performance, if all the options had been exercised at 31 December 2003.

	Currently Exercisable £m	Not Currently Exercisable £m	Total £m
Subsidiaries	10.4	30.4	40.8
Associates	4.1	10.1	14.2
Total	14.5	40.5	55.0

22 Pension provisions and pension arrangements

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:

	2003 £m	2002 £m	2001 £m
Defined contribution schemes	**49.5**	49.2	41.4
Defined benefit schemes charge to operating profit	**15.4**	11.4	14.3
Other pension costs (note 3)	**64.9**	60.6	55.7
Net interest charges on defined benefit pension schemes (note 5)	**11.5**	6.8	3.8
	76.4	67.4	59.5

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 2003.

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. As a result, these schemes generally have an ageing membership population. In accordance with FRS 17, the actuarial calculations have been carried out using the Projected Unit Method. In these circumstances, use of this method implies that the contribution rate implicit in the current service cost will increase in future years.

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. The total contributions (for funded schemes) and benefit payments (for unfunded schemes) paid for 2003 amounted to £23.1 million (2002: £21.5 million, 2001: £13.5 million).

22 Pension provisions and pension arrangements (continued)

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

	2003 % pa	2002 % pa	2001 % pa	2000 % pa
UK				
Discount rate	**5.5**	5.5	5.8	5.5
Rate of increase in salaries	**3.6**	3.3	3.3	3.7
Rate of increase in pensions in payment	**3.8**	3.8	3.8	3.9
Inflation	**2.8**	2.5	2.5	3.0
Expected rate of return on equities	**7.5**	7.3	7.5	7.5
Expected rate of return on bonds[1]	**5.0**	4.8	5.0	5.0
Expected return on insured annuities	**5.5**	4.8	5.0	5.0
Expected rate of return on property	**7.0**	6.8	7.0	7.0
Expected rate of return on cash	**3.0**	2.8	3.0	3.0
Weighted average return on assets	**5.8**	5.4	5.8	5.8
US				
Discount rate	**6.3**	6.8	7.5	7.9
Rate of increase in salaries	**3.9**	4.0	6.2	6.2
Rate of increase in pensions in payment	**n/a**	n/a	n/a	n/a
Inflation	**3.0**	3.0	3.4	4.0
Expected rate of return on equities	**8.2**	8.2	10.0	10.0
Expected rate of return on bonds[1]	**4.8**	5.3	7.0	7.0
Expected rate of return on cash	**3.2**	3.5	3.5	3.5
Weighted average return on assets	**7.0**	7.2	9.1	9.0
Continental Europe				
Discount rate	**5.3**	5.5	5.9	6.3
Rate of increase in salaries	**3.2**	3.1	2.4	2.4
Rate of increase in pensions in payment	**1.7**	1.7	1.0	0.8
Inflation	**2.0**	2.0	1.5	2.0
Expected rate of return on equities	**7.5**	7.5	6.0	6.0
Expected rate of return on bonds[1]	**5.0**	5.0	6.2	6.2
Expected rate of return on property	**7.0**	7.0	6.0	6.0
Expected rate of return on cash	**3.0**	3.0	6.0	6.0
Weighted average return on assets	**5.9**	6.0	6.1	6.1
Canada, Asia Pacific, Latin America, Africa & Middle East				
Discount rate	**3.7**	2.8	4.3	4.1
Rate of increase in salaries	**2.8**	2.7	2.5	2.6
Rate of increase in pensions in payment	**n/a**	n/a	n/a	n/a
Inflation	**2.0**	1.7	n/a	n/a
Expected rate of return on equities	**8.4**	n/a	n/a	n/a
Expected rate of return on bonds[1]	**3.1**	2.7	5.1	4.8
Expected rate of return on property	**10.0**	n/a	n/a	n/a
Expected rate of return on cash	**3.7**	6.0	n/a	n/a
Weighted average return on assets	**4.1**	2.8	5.1	4.8

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 bond yields.

(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:

	2003 £m	2002 £m	2001 £m	2000 £m
Group				
Equities	**132.1**	115.8	152.9	159.7
Bonds	**137.4**	100.5	97.8	120.6
Insured annuities (UK)	**60.9**	63.4	58.4	57.9
Property	**11.2**	10.8	10.2	11.0
Cash	**6.5**	4.5	4.1	4.4
Total fair value of assets	**348.1**	295.0	323.4	353.6
Present value of scheme liabilities	**(547.0)**	(479.8)	(458.7)	(441.3)
Deficit in the scheme	**(198.9)**	(184.8)	(135.3)	(87.7)

Deficit in schemes by region				
UK	**(44.4)**	(35.8)	(19.3)	(13.7)
US	**(115.8)**	(111.6)	(84.6)	(45.1)
Continental Europe	**(33.3)**	(31.3)	(23.7)	(21.2)
Canada, Asia Pacific, Latin America, Africa & Middle East	**(5.4)**	(6.1)	(7.7)	(7.7)
Deficit in the scheme	**(198.9)**	(184.8)	(135.3)	(87.7)

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 2003 and 2002 between funded and unfunded schemes.

The average period over which the underfunding would typically be payable (working lifetimes for schemes with active members or lifetimes for schemes with predominantly retired members) is also shown in the table.

22 Pension provisions and pension arrangements (continued)

	2003 Deficit £m	2003 Funding period years	2002 Deficit £m	2002 Funding period years
Funded schemes by region				
UK	**44.4**	**10.0**	35.8	8.2
US	**58.7**	**8.3**	68.5	8.4
Continental Europe	**2.1**	**16.2**	2.3	13.9
Canada, Asia Pacific, Latin America, Africa & Middle East	**2.7**	**10.3**	0.5	13.8
Deficit in the funded schemes	**107.9**	**9.2**	107.1	8.5
Unfunded schemes by region				
UK	**–**	**–**	–	–
US	**57.0**	**13.1**	43.1	13.3
Continental Europe	**31.2**	**12.1**	29.0	12.9
Canada, Asia Pacific, Latin America, Africa & Middle East	**2.8**	**10.8**	5.6	13.3
Deficit in the unfunded schemes	**91.0**	**12.7**	77.7	13.2

(c) Pension expense
The following table shows the breakdown of the pension expense between amounts charged to operating profit, amounts charged to net interest payable and similar charges and amounts recognised in the statement of total recognised gains and losses (STRGL):

	2003 £m	2002 £m	2001 £m
Group			
Current service cost	**12.3**	12.1	13.3
Past service cost	**2.9**	(0.7)	1.8
Loss/(gain) on settlements and curtailments	**0.2**	–	(0.8)
Charge to operating profit	**15.4**	11.4	14.3
Expected return on pension scheme assets	**(18.8)**	(21.9)	(24.8)
Interest on pension scheme liabilities	**30.3**	28.7	28.6
Charge to net interest payable and similar charges	**11.5**	6.8	3.8
Charge to profit on ordinary activities before taxation for defined benefit schemes	**26.9**	18.2	18.1
(Gain)/loss on pension scheme assets relative to expected return	**(16.8)**	36.7	46.0
Experience losses arising on the scheme liabilities	**2.4**	3.6	8.4
Changes in assumptions underlying the present value of the scheme liabilities	**10.3**	21.5	(10.9)
Movement in exchange rates	**(9.9)**	(9.0)	(0.5)
Actuarial (gain)/loss recognised in STRGL	**(14.0)**	52.8	43.0

(d) Movement in scheme deficit
The following table shows an analysis of the movement in the scheme deficit for each accounting period:

	2003 £m	2002 £m	2001 £m
Group			
Deficit at 1 January	**184.8**	135.3	87.7
Current service cost	**12.3**	12.1	13.3
Past service costs	**2.9**	(0.7)	1.8
Loss/(gain) on settlements and curtailments	**0.2**	–	(0.8)
Acquisitions	**24.3**	–	–
Charge to net interest payable and similar charges	**11.5**	6.8	3.8
Actuarial (gain)/loss	**(14.0)**	52.8	43.0
Employer contributions	**(23.1)**	(21.5)	(13.5)
Deficit at 31 December	**198.9**	184.8	135.3
Deferred tax asset	**(10.0)**	–	–
Pension provision	**188.9**	184.8	135.3

(e) History of experience gains and losses

	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m
(Gain)/loss on pension scheme assets relative to expected return:					
Amount	**(16.8)**	36.7	46.0	9.2	0.7
Percentage of scheme assets	**(4.8%)**	12.4%	14.2%	2.6%	0.3%
Experience losses arising on the scheme liabilities:					
Amount	**2.4**	3.6	8.4	10.5	0.4
Percentage of the present value of the scheme liabilities	**0.4%**	0.8%	1.8%	2.4%	0.1%
Total (gain)/loss recognised in STRGL:					
Amount	**(14.0)**	52.8	43.0	27.0	10.4
Percentage of the present value of the scheme liabilities	**(2.6%)**	11.0%	9.4%	6.1%	3.5%

23 Fair value of financial instruments

Derivative financial instruments
The fair value of derivatives, based on the amount that would be receivable or payable if the Group had sought to enter into such transactions, based on quoted market prices where possible, was as follows:

	31 Dec 2003 Swaps £m	31Dec 2002 Swaps £m	31 Dec 2001 Swaps £m
Fair Value	15.8	52.9	4.0
Book Value	13.6	28.2	6.1

The book value above represents net accrued interest and the foreign translation difference on the principal amounts.

As explained in the operating and financial review on page 106, the Group's policy is to hedge the following exposures: interest rate risk – using interest swaps, caps and collars; currency swaps; and forward foreign currency contracts; structural and transactional currency exposures, and currency exposures on future expected sales – using currency swaps and forward foreign currency contracts.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging, and the movements therein, are as follows:

	Gains £m	Losses £m	Total net gains £m
Unrecognised gains and losses on hedges at 1 January 2003	55.9	(3.0)	52.9
Gains and losses arising in previous years that were recognised in 2003	21.3	–	21.3
Gains and losses arising in previous years that were not recognised in 2003	34.6	(3.0)	31.6
Gains and losses arising in 2003 that were not recognised in 2003	(0.2)	(0.1)	(0.3)
Unrecognised gains and losses on hedges at 31 December 2003	34.4	(3.1)	31.3
Gains and losses expected to be recognised in 2004	17.8	–	17.8
Gains and losses expected to be recognised in 2005 or later	16.6	(3.1)	13.5

The fair value of the above swaps has been obtained from a market data source.

Non-derivative financial instruments
The Group estimates that the aggregate fair value of non-derivative financial instruments at 31 December 2003 does not differ materially from their aggregate carrying values recorded in the consolidated balance sheet.

The Group has used the methods and assumptions detailed below to estimate the fair values of the Group's financial instruments.

Cash, accounts receivable, accounts payable, overdrafts and short-term borrowings (including those drawn under the Revolving Credit Facilities) are considered to approximate fair value because of the short maturity of such instruments.

The fair value of our $300 million bonds, €1 billion Eurobonds, $287.5 million convertible bond and £450 million convertible bond at 31 December 2003 was £1,521 million. This is calculated by reference to market prices at 31 December 2003. Considerable judgement is required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that could be realised in a current market exchange.

24 Authorised and issued share capital

	2003 Number m	2003 £m	2002 Number m	2002 £m	2001 Number m	2001 £m
Authorised:						
Equity ordinary shares of 10p each	**1,750.0**	**175.0**	1,750.0	175.0	1,750.0	175.0
Issued:						
Equity ordinary shares of 10p each	**1,187.4**	**118.7**	1,157.3	115.7	1,149.6	115.0

During the year the Group allotted 36 million shares with a nominal value of £3.6 million and cancelled 5.6 million shares with a nominal value of £0.6 million. Movements in each year are shown in note 25.

Share options
WPP Executive Share Option Scheme
As at 31 December 2003, unexercised options over ordinary shares of 28,182,693 and unexercised options over ADRs of 9,063,785 have been granted under the WPP Executive Share Option Scheme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
529,345	1.080	1998 – 2005
5,049	1.150	1997 – 2004
682,717	1.190	1997 – 2004
452,080	1.269	2000 – 2006
146,334	1.269	2000 – 2007
1,141,182	1.540	1998 – 2005
349,492	1.540	2000 – 2005
1,536,434	2.040	2000 – 2007
655,639	2.140	1999 – 2006
1,988,136	2.335	1999 – 2006
6,037	2.535	2000 – 2007
2,127,392	2.835	2000 – 2007
2,505,298	2.930	2001 – 2008
5,022	3.030	2001 – 2008
36,500	3.270	2001 – 2008
59,350	3.763	2006 – 2013
83,500	4.136	2000 – 2008
26,824	4.210	2005 – 2006
4,025,800	4.210	2005 – 2012
76,644	4.210	2005 – 2013
68,980	4.210	2006 – 2012
127,877	4.438	2005 – 2012
41,170	4.615	2006 – 2013
51,247	4.615	2007 – 2013
425,000	4.705	2000 – 2008
31,557	4.865	2004 – 2005
2,790,579	4.865	2004 – 2011
45,583	4.865	2005 – 2011
99,609	5.185	2002 – 2009
511,274	5.700	2002 – 2009
3,445,043	5.595	2006 – 2013
23,137	5.595	2006 – 2014
48,295	5.595	2007 – 2013
33,642	5.595	2006 – 2007
1,184,576	6.163	2000 – 2009
7,005	6.280	2004 – 2011
41,750	6.328	2000 – 2009
914,667	7.052	2000 – 2010
78,899	7.180	2005 – 2012
20,875	7.383	2000 – 2009
43,629	7.550	2005 – 2006
769,961	7.550	2005 – 2012
4,302	7.550	2006 – 2012
10,437	7.569	2000 – 2009
96,713	8.110	2004 – 2011
3,072	8.110	2004 – 2005
2,985	8.110	2005 – 2011
50,733	8.193	2004 – 2011
16,700	8.769	2000 – 2010
20,875	8.927	2000 – 2010
10,438	8.996	2000 – 2010
140,865	9.010	2003 – 2010
4,341	9.010	2003 – 2004
520,442	9.010	2003 – 2010
13,548	9.010	2004 – 2010
296	10.770	2003 – 2004
43,816	10.770	2003 – 2010

24 Authorised and issued share capital (continued)

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
289,315	9.186	2000 – 2006
20,514	9.186	2000 – 2007
1,113,700	14.767	2000 – 2007
142,527	30.080	2006 – 2013
33,244	30.080	2007 – 2013
1,753,610	33.200	2005 – 2012
146,625	34.057	2000 – 2008
2,881	34.702	2005 – 2012
8,644	34.702	2007 – 2012
1,401,938	35.380	2004 – 2011
15,991	37.520	2006 – 2013
444,199	44.610	2000 – 2009
394,482	46.475	2002 – 2009
50,786	46.556	2000 – 2009
1,473,412	47.410	2006 – 2013
11,481	48.204	2000 – 2010
8,350	48.802	2000 – 2009
4,175	50.299	2000 – 2010
595,283	51.048	2000 – 2010
49,386	53.030	2005 – 2012
25,150	53.443	2000 – 2009
86,005	54.042	2000 – 2009
364,719	54.050	2005 – 2012
8,350	55.314	2000 – 2009
33,400	56.287	2000 – 2009
12,525	57.186	2000 – 2009
6,976	57.338	2003 – 2010
46,436	58.238	2004 – 2011
18,619	58.886	2004 – 2011
3,341	59.656	2000 – 2010
2,088	60.329	2000 – 2010
6,263	60.479	2000 – 2010
70,077	62.110	2003 – 2010
2,415	62.110	2005 – 2010
320,306	63.263	2003 – 2010
10,438	63.698	2000 – 2010
2,923	63.773	2000 – 2010
8,350	64.371	2000 – 2010
7,966	66.692	2000 – 2010
3,340	67.066	2000 – 2010
4,175	68.488	2000 – 2010
11,690	71.781	2000 – 2010
1,587	72.605	2000 – 2010
34,413	84.485	2003 – 2010
11,690	84.731	2000 – 2010

24 Authorised and issued share capital (continued)

WPP Worldwide Share Ownership Program

As at 31 December 2003, unexercised options over ordinary shares of 5,887,900 and unexercised options over ADRs of 702,650 have been granted under the WPP Worldwide Share Ownership Program as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
92,850	2.695	2000 – 2007
296,550	3.400	2001 – 2008
100,800	3.903	2006 – 2007
2,303,650	3.903	2006 – 2013
44,800	3.903	2007 – 2013
79,225	4.210	2005 – 2012
15,375	4.210	2005 – 2013
15,625	5.210	2004 – 2011
473,225	5.315	2002 – 2009
13,800	5.315	2003 – 2009
17,750	5.990	2004 – 2011
45,125	7.180	2005 – 2006
904,450	7.180	2005 – 2012
21,375	7.180	2006 – 2012
14,875	7.790	2003 – 2004
769,650	7.790	2003 – 2010
10,375	7.790	2004 – 2010
28,350	7.960	2004 – 2005
626,550	7.960	2004 – 2011
13,500	7.960	2005 – 2011

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
383,280	30.800	2006 – 2013
134,640	56.480	2004 – 2011
184,730	53.030	2005 – 2012

Tempus Group plc 1998 Long Term Incentive Plan

As at 31 December 2003, unexercised options over ordinary shares of 417,394 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
243,063	2.260	2001 – 2008
56,713	4.920	2001 – 2011
12,147	4.930	2001 – 2011
48,606	4.970	2001 – 2009
2,023	4.980	2001 – 2009
20,254	5.580	2001 – 2011
34,588	6.000	2001 – 2010

24 Authorised and issued share capital (continued)

The aggregate status of the WPP Share Option Schemes during 2003 was as follows:

Movement on options granted (represented in ordinary shares)

	1 January 2003 number	Granted number	Exercised number	Lapsed number	31 December 2003 number
WPP	52,321,929	16,712,873	(1,388,039)	(4,226,206)	63,420,557
Y&R	31,898,218	–	(9,871,147)	(2,544,860)	19,482,211
Tempus	421,443	–	–	(4,049)	417,394
	84,641,590	16,712,873	(11,259,186)	(6,775,115)	83,320,162

Options outstanding over ordinary shares

Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
1.080-10.770	4.317	85

Options outstanding over ADRs

Range of exercise prices $	Weighted average exercise price $	Weighted average contractual life Months
9.186-84.731	38.690	88

The weighted average fair value of options granted in the year calculated using the Black-Scholes model, was as follows:

	2003	2002	2001
Fair value of UK options (shares)	**184.0p**	196.7p	212.0p
Fair value of US options (ADRs)	**$15.12**	$13.95	$13.65
Weighted average assumptions:			
UK Risk-free interest rate	**4.38%**	4.51%	4.73%
US Risk-free interest rate	**2.67%**	3.01%	3.42%
Expected life (months)	**48**	48	36
Expected volatility	**45%**	45%	50%
Dividend yield	**1.0%**	1.0%	0.6%

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

The weighted average fair value of the option element of the awards made under the Leadership Equity Acquisition Plan ('LEAP') in the year, calculated using the Black-Scholes model, was as follows:

	2003[1]	2002	2001
Fair value	**n/a**	319.7p	236.2p
Weighted average assumptions:			
Risk-free interest rate	**n/a**	5.06%	5.00%
Expected life (months)	**n/a**	60	48
Expected volatility	**n/a**	45%	40%
Dividend yield	**n/a**	1.0%	0.6%

The option element was granted at an exercise price equal to market value on the date of grant.

Notes

[1] No new LEAP awards were granted in 2003.

25 Share owners' funds

Movements during the year were as follows:

	Ordinary share capital £m	Share premium account £m	Shares to be issued £m	Merger reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Balance at 1 January 2001	111.2	709.0	386.7	2,630.2	(256.2)	(211.0)	3,369.9
2001 movements							
Ordinary shares issued in respect of acquisitions	0.7	–	1.6	62.4	–	–	64.7
Share issue costs charged to merger reserve	–	–	–	(1.0)	–	–	(1.0)
Other ordinary shares issued	3.1	96.2	(149.7)	133.1	–	(14.5)[1]	68.2
Currency translation movement	–	–	–	–	(80.6)	–	(80.6)
Retained profit for the financial year	–	–	–	–	–	219.6	219.6
Actuarial loss on defined benefit schemes	–	–	–	–	–	(43.0)	(43.0)
Write-back of goodwill on disposals of interest in associate undertaking	–	–	–	–	–	2.0	2.0
Balance at 31 December 2001	**115.0**	**805.2**	**238.6**	**2,824.7**	**(336.8)**	**(46.9)**	**3,599.8**
2002 movements							
Ordinary shares issued in respect of acquisitions	0.2	–	–	8.0	–	–	8.2
Other ordinary shares issued	0.7	32.4	(42.9)	39.0	–	(4.9)[1]	24.3
Share issue costs charged to share premium account or merger reserve	–	(1.0)	–	(2.4)	–	–	(3.4)
Share cancellations	(0.2)	–	–	–	0.2	(8.3)	(8.3)
Currency translation movement	–	–	–	–	82.3	–	82.3
Retained profit for the financial year	–	–	–	–	–	25.5	25.5
Actuarial loss on defined benefit schemes	–	–	–	–	–	(52.8)	(52.8)
Balance at 31 December 2002	**115.7**	**836.6**	**195.7**	**2,869.3**	**(254.3)**	**(87.4)**	**3,675.6**
2003 movements							
Ordinary shares issued in respect of acquisitions	**0.4**	**0.1**	**–**	**16.4**	**–**	**–**	**16.9**
Share placement	**2.1**	**98.1**	**–**	**–**	**–**	**–**	**100.2**
Other ordinary shares issued	**1.1**	**21.6**	**(65.7)**	**37.0**	**–**	**24.1**[1]	**18.1**
Share issue costs charged to share premium account or merger reserve	**–**	**(1.1)**	**–**	**(1.7)**	**–**	**–**	**(2.8)**
Share cancellations	**(0.6)**	**–**	**–**	**–**	**0.6**	**(20.2)**	**(20.2)**
Currency translation movement	**–**	**–**	**–**	**–**	**74.8**	**–**	**74.8**
Retained profit for the financial year	**–**	**–**	**–**	**–**	**–**	**131.6**	**131.6**
Other movements	**–**	**–**	**–**	**–**	**–**	**1.3**	**1.3**
Actuarial gain on defined benefit schemes	**–**	**–**	**–**	**–**	**–**	**14.0**	**14.0**
Deferred tax on defined benefit pension schemes	**–**	**–**	**–**	**–**	**–**	**10.0**	**10.0**
Balance at 31 December 2003	**118.7**	**955.3**	**130.0**	**2,921.0**	**(178.9)**	**73.4**	**4,019.5**

Other reserves at 31 December 2003 comprise: currency translation deficit £181.0 million (2002: £255.8 million, 2001: £338.1 million) and capital redemption reserve £2.1 million (2002: £1.5 million, 2001: £1.3 million).

The cumulative amount of goodwill written off against the Group's reserves, net of that relating to undertakings disposed of, is £1,157.2 million (2002: £1,158.4 million, 2001: £1,158.4 million).

Notes

[1] 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.

Reconciliation of movements in consolidated share owners' funds for the year ended 31 December 2003

	2003 £m	2002 £m	2001 £m
Profit for the year	**208.4**	88.0	271.2
Ordinary dividends payable	**(76.8)**	(62.5)	(51.6)
	131.6	25.5	219.6
Exchange adjustments on foreign currency net investments	**74.8**	82.3	(80.6)
Ordinary shares issued in respect of acquisitions	**16.9**	8.2	64.7
Share placement	**100.2**	–	–
Share issue costs charged to share premium account or merger reserve	**(2.8)**	(3.4)	(1.0)
Other share issues	**18.1**	24.3	68.2
Share cancellations	**(20.2)**	(8.3)	–
Other movements	**1.3**	–	–
Actuarial gain/(loss) on defined benefit schemes	**14.0**	(52.8)	(43.0)
Deferred tax on defined benefit pension schemes	**10.0**	–	–
Write-back of goodwill on disposals of interest in associate undertaking	**–**	–	2.0
Net additions to equity share owners' funds	**343.9**	75.8	229.9
Opening equity share owners' funds	**3,675.6**	3,599.8	3,369.9
Closing equity share owners' funds	**4,019.5**	3,675.6	3,599.8

26 Acquisition of Cordiant Communications Group plc

On 1 August 2003 the Company finalised its acquisition of Cordiant Communications Group plc ('Cordiant'). 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	Accounting policy alignments[1] £m	Fair value adjustments[2] £m	Fair value to Group £m
Tangible fixed assets	25.2	(2.1)[(i)]	(2.2)	20.9
Investments	44.6		(4.2)	40.4
Current assets	296.7		42.0[(iii)]	338.7
Total assets	366.5	(2.1)	35.6	400.0
Other creditors due within one year	(288.9)		(29.8)[(iv)]	(318.7)
Other creditors due after one year	(21.5)		(4.2)	(25.7)
Provisions	(66.5)	(11.3)[(ii)]	(17.7)[(v)]	(95.5)
Total liabilities	(376.9)	(11.3)	(51.7)	(439.9)
Net liabilities	(10.4)	(13.4)	(16.1)	(39.9)
Minority interest				(9.2)
Goodwill				269.9
Consideration				220.8
Considered satisfied by:				
Debt acquired				265.5
Debt repayments prior to acquisition date				(62.1)
Shares issued				11.3
Capitalised acquisition costs				6.1
				220.8

Notes

[1] **Accounting policy alignments**
These comprise adjustments to bring the assets and liabilities of Cordiant into compliance with WPP Group plc's accounting policies;
(i) Application of the Group's depreciation policies to tangible fixed assets acquired.
(ii) Adjustment for the application of FRS 17 for pensions accounting.

[2] **Fair value adjustments**
These comprise adjustments to bring the book value of the assets and liabilities of Cordiant to fair value:
(iii) Revaluation of current asset investments to fair value.
(iv) Recognition of accrual for corporate tax and other liabilities.
(v) Recognition of obligations under onerous property contracts and revaluation of other leasing arrangements to fair value, and provision for certain contingent liabilities where the likelihood of settlement is considered probable at the date of acquisition.

Net cash inflows/(outflows) in respect of Cordiant comprised:

	£m
Cash at bank and in hand acquired	46.1
Bank overdrafts acquired	(8.3)
Share issue and acquisition costs	(5.7)
	32.1

Cordiant contributed £85.4 million to the Group's net operating cash flows, paid £15.9 million in respect of net returns and servicing of finance, paid £1.3 million in respect of taxation and utilised £1.9 million for capital expenditure.

The summarised profit and loss accounts and statements of total recognised gains and losses of Cordiant for the period from 1 January to 31 July 2003 and the year ended 31 December 2002 are summarised below. These amounts are shown on the basis of the accounting policies and reporting formats of Cordiant prior to the acquisition. The post-acquisition contribution of Cordiant was not material to the Group's profit and loss account on page 115.

Cordiant Communications Group plc Profit and loss account	Period ended 31 July 2003 £m	Year ended 31 December 2002 £m
Revenue	**251.8**	**532.7**
Other operating expenses (net)	(280.9)	(524.6)
Operating (loss)/profit	**(29.1)**	**8.1**
Goodwill impairment	(49.0)	(171.1)
Income from associates and joint ventures	3.5	3.4
Interest expense (net)	(15.2)	(23.0)
Exceptional items[1]	(42.5)	(45.6)
Loss on ordinary activities before taxation	**(132.3)**	**(228.2)**
Tax on loss on ordinary activities	(6.3)	(1.4)
Loss on ordinary activities after taxation	**(138.6)**	**(229.6)**
Minority interests	(0.7)	(4.0)
Loss attributable to shareholders	**(139.3)**	**(233.6)**
Ordinary dividends	–	–
Retained loss for the period	**(139.3)**	**(233.6)**

Statement of recognised gains and losses	£m	£m
Loss for the financial period	(139.3)	(233.6)
Exercising of employee share schemes	0.5	–
Transfer from shares to be issued reserve	20.8	–
Transfer of unrealised gain on sale of joint venture and subsidiary undertaking	1.3	–
Gain/(loss) on foreign currency translation	12.5	(6.1)
Total recognised gains and losses relating to the period	(104.2)	(239.7)

Notes

[1] Exceptional items comprise gains on the disposal of businesses and other costs incidental to a restructuring of operations and investment write offs.

26 Acquisition of Cordiant Communications Group plc (continued)

Other acquisitions

The Group undertook a number of other acquisitions in the year. Goodwill arising on these acquisitions and reforecasts to initial goodwill calculations for acquisitions completed in prior periods was calculated as follows:

	Book value of net assets acquired £m	Fair value adjustments £m	Fair value £m	Cost of acquisition £m	Goodwill £m
Acquisitions and reforecasts	77.6	(4.2)	73.4	265.3	191.9

Goodwill above of £191.9 million includes £111.1 million in respect of the acquisition of subsidiary undertakings and £80.8 million in respect of associate undertakings. Cash consideration for acquisitions is analysed in note 11.

Fair value adjustments of £4.2 million arising on these acquisitions include £1.9 million of additional tax liabilities and £2.3 million of other liabilities.

27 Principal operating subsidiary undertakings

The principal subsidiary undertakings of the Group are:

	Country of Incorporation
J. Walter Thompson Company, Inc	US
GroupM Worldwide Inc	US
The Ogilvy Group, Inc	US
Young & Rubicam, Inc	US
WPP Finance Co Limited	UK
WPP Group Services S.A.	Belgium

With the exception of WPP Finance Co. Limited, which is involved in financing arrangements with other Group companies and WPP Group Services S.A. which acts as a co-ordination centre, all of these subsidiaries are operating companies. All of the above companies are 100% owned by the Group.

A more detailed list 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.

Advantage has been taken of Section 231(5) of the Companies Act 1985 to list only those undertakings required by that provision, as an exhaustive list would involve a statement of excessive length.

28 Reconciliation to Non-GAAP measures of performance

Reconciliation of profit on ordinary activities before interest, taxation, fixed asset gains and write-downs to Headline PBIT for the year ended 31 December:

	2003 £m	2002 £m	2001 £m
Profit on ordinary activities before interest, taxation, fixed asset gains and write-downs	**421.5**	302.5	546.3
Goodwill amortisation and impairment	**112.0**	177.7	14.8
Headline PBIT	**533.5**	480.2	561.1
Net interest payable and similar charges	**71.6**	86.4	71.3
Interest cover on Headline PBIT	**7.5 times**	5.6 times	7.9 times
Interest cover on Headline PBIT (excluding FRS 17 interest)			
Headline PBIT	**533.5**	480.2	561.1
Net interest payable and similar charges on net borrowings	**60.1**	79.6	67.5
Interest cover (excluding FRS 17 interest)	**8.9 times**	6.0 times	8.3 times

Reconciliation of profit on ordinary activities before taxation to Headline PBT and headline earnings for the year ended 31 December:

	2003 £m	2002 £m	2001 £m
Profit on ordinary activities before taxation	**349.9**	205.4	411.0
Goodwill amortisation and impairment	**112.0**	177.7	14.8
Profits on disposal of fixed assets	**–**	(9.2)	(6.8)
Amounts written off fixed asset investments	**–**	19.9	70.8
Net interest charges on defined benefit pension schemes	**11.5**	6.8	3.8
Headline PBT	**473.4**	400.6	493.6
Taxation on profit on ordinary activities	**(122.1)**	(103.4)	(126.1)
Minority interests	**(19.4)**	(14.0)	(13.7)
Headline earnings	**331.9**	283.2	353.8
Ordinary dividends	**76.8**	62.5	51.6
Dividend cover on headline earnings	**4.3 times**	4.5 times	6.9 times

Calculation of effective tax rate on headline profit before tax:

	2003	2002	2001
Taxation	**(122.1)**	(103.4)	(126.1)
Tax on investment gains and other items	**–**	–	(6.9)
Taxation on headline profit before tax	**(122.1)**	(103.4)	(133.0)
Headline PBT	**473.4**	400.6	493.6
Effective tax rate on headline profit before tax	**25.8%**	25.8%	26.9%

28 Calculation of Headline PBIT, Headline PBT and headline earnings (continued)

Segmental margin analysis

Reported margins by geographical area were as follows:

	Revenue £m	Headline PBIT[1] £m	Margin (%)
UK	664.9	71.8	10.8
US	1,608.5	240.7	15.0
Continental Europe	1,079.4	121.8	11.3
Canada, Asia Pacific, Latin America, Africa & Middle East	753.2	99.2	13.2
	4,106.0	533.5	13.0

Reported margins by operating sector were as follows:

	Revenue £m	Headline PBIT[1] £m	Margin (%)
Advertising and Media investment management	1,935.8	295.5	15.3
Information, insight & consultancy	703.6	50.0	7.1
Public relations & public affairs	426.3	55.0	12.9
Branding & identity, Healthcare and Specialist communications	1,040.3	133.0	12.8
	4,106.0	533.5	13.0

Reported margins before and after income from associates were as follows:

	Margin (%)	2003 £m	Margin (%)	2002 £m	Margin (%)	2001 £m
Revenue		**4,106.0**		3,908.3		4,021.7
Headline PBIT	13.0	**533.5**	12.3	480.2	14.0	561.1
Income from associates		**40.5**		30.0		40.8
Headline PBIT excluding income from associates	12.0	**493.0**	11.5	450.2	12.9	520.3

Notes

[1] Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. The calculation of PBIT is presented above.

Reconciliation of free cash flow for the year ended 31 December 2003

	2003 £m	2002 £m	2001 £m
Operating profit	**415.3**	272.5	505.5
Add back:			
Depreciation and amortisation, including impairment	**205.2**	294.3	124.7
Plus:			
Dividends received from associates	**15.6**	9.4	14.7
Proceeds from the issue of shares[1]	**18.1**	24.4	69.0
Proceeds from sale of tangible fixed assets	**8.7**	10.2	4.2
Proceeds from disposal of investments[2]	**11.0**	3.3	26.8
Less:			
Purchase of tangible fixed assets	**(93.9)**	(100.5)	(118.1)
UK and overseas tax paid	**(93.6)**	(85.0)	(77.5)
Returns on investments and servicing of finance	**(38.3)**	(78.2)	(56.4)
Free Cash Flow[3]	**448.1**	350.4	492.9

Notes

[1] Excludes £100.2 million of proceeds from share placement.

[2] Excludes proceeds from disposal of interest in Zenith Optimedia Group.

[3] Elsewhere in this Annual Report, free cash flow in 2003 has been rounded to £447 million (2002: £349 million; 2001: £494 million). This is due to the components of the free cash flow reconciliation above being rounded to the nearest million in performing this calculation.

Company balance sheet
As at 31 December 2003

	Notes	2003 £m	2002 £m	2001 £m
Fixed assets				
Tangible assets	29	**2.9**	17.0	15.4
Investments	30	**7,089.6**	6,846.3	7,116.7
		7,092.5	6,863.3	7,132.1
Current assets				
Debtors (including amounts falling due after more than one year)	31	**472.6**	839.9	879.8
Cash at bank and in hand		**8.3**	10.8	4.3
		480.9	850.7	884.1
Creditors: amounts falling due within one year	32	**(1,162.4)**	(1,810.8)	(2,179.9)
Net current liabilities		**(681.5)**	(960.1)	(1,295.8)
Total assets less current liabilities		**6,411.0**	5,903.2	5,836.3
Creditors: amounts falling due after more than one year (including convertible bonds)	33	**(1,880.7)**	(1,706.2)	(670.2)
Net assets		**4,530.3**	4,197.0	5,166.1
Capital and reserves				
Called up share capital	34	**118.7**	115.7	115.0
Share premium account	34	**955.3**	836.6	805.2
Shares to be issued	34	**130.0**	195.7	238.6
Merger reserve	34	**2,957.0**	2,905.3	2,860.7
Other reserves	34	**92.3**	91.7	91.5
Profit and loss account	34	**277.0**	52.0	1,055.1
Equity share owners' funds		**4,530.3**	4,197.0	5,166.1

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

Signed on behalf of the Board on 10 May 2004:

Sir Martin Sorrell
Group chief executive

P W G Richardson
Group finance director

As provided by Section 230, Companies Act 1985, the profit and loss account for the Company has not been presented. Included within the consolidated profit and loss account for the financial year is a profit of £322.0 million (2002: loss of £932.3 million, 2001: profit of £7.7 million) in respect of the Company. This includes dividend income received from subsidiaries of £370.9 million (2002: £54.0 million, 2001: £0.1 million) and an impairment charge of £Nil (2002: £940.6 million, 2001: £Nil).

Notes to the Company balance sheet

29 Tangible fixed assets

The movements in 2003 and 2002 were as follows:

Costs:	Short lease-hold £m	Fixtures, fittings and equip-ment £m	Com-puter equip-ment £m	Total £m
1 January 2002	2.0	0.4	19.7	22.1
Additions	1.4	–	5.0	6.4
Disposals	(0.2)	(0.1)	(0.2)	(0.5)
31 December 2002	3.2	0.3	24.5	28.0
Additions	0.6	–	5.2	5.8
31 December 2003	**3.8**	**0.3**	**29.7**	**33.8**
Depreciation:				
1 January 2002	0.8	0.2	5.7	6.7
Charge	0.5	–	4.3	4.8
Disposals	(0.2)	(0.1)	(0.2)	(0.5)
31 December 2002	1.1	0.1	9.8	11.0
Charge	0.7	–	19.2	19.9
31 December 2003	**1.8**	**0.1**	**29.0**	**30.9**
Net book value:				
31 December 2003	**2.0**	**0.2**	**0.7**	**2.9**
31 December 2002	2.1	0.2	14.7	17.0
1 January 2002	1.2	0.2	14.0	15.4

30 Fixed asset investments

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

	Subsidiary under-takings £m	Own shares £m	Total £m
1 January 2002	6,866.3	250.4	7,116.7
Additions	5,239.2	67.6	5,306.8
Disposals	(4,626.9)	(5.8)	(4,632.7)
Write-downs	(940.6)	–	(940.6)
Other movements	(3.9)	–	(3.9)
31 December 2002	6,534.1	312.2	6,846.3
Additions	1,127.1	2.9	1,130.0
Disposals	(847.2)	(7.3)	(854.5)
Write-downs	(2.6)	–	(2.6)
Other movements	(29.6)	–	(29.6)
31 December 2003	**6,781.8**	**307.8**	**7,089.6**

Further details of the Company's holdings of own shares are detailed in note 15 to the consolidated balance sheet.

31 Debtors

The following are included in debtors:

	2003 £m	2002 £m	2001 £m
Amounts owed by subsidiary undertakings	**429.4**	800.8	826.7
Taxation and social security	**5.0**	5.3	6.8
Other debtors	**38.2**	33.8	46.3
	472.6	839.9	879.8

Included within amounts owed by subsidiary undertakings are amounts totalling £347.2 million (2002: £nil, 2001: £nil) which fall due for repayment after more than one year.

32 Creditors: amounts falling due within one year

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

	2003 £m	2002 £m	2001 £m
Bank loans and overdrafts	**548.9**	52.7	85.7
Amounts due to subsidiary undertakings	**455.6**	1,671.0	1,968.5
Taxation and social security	**5.4**	1.8	–
Dividends proposed	**52.2**	42.5	35.2
Other creditors and accruals	**100.3**	42.8	90.5
	1,162.4	1,810.8	2,179.9

33 Creditors: amounts falling due after more than one year

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

	2003 £m	2002 £m	2001 £m
Bank loans	**456.6**	617.8	609.0
Convertible bond	**443.4**	447.5	–
Amounts due to subsidiary undertakings	**980.7**	626.2	49.4
Other creditors and accruals	**–**	14.7	11.8
	1,880.7	1,706.2	670.2

The following is an analysis of all bank loans and unsecured loan notes by year of repayment:

	2003 £m	2002 £m	2001 £m
Between one and two years	**–**	227.4	–
Between two and three years	**–**	–	213.3
Between three and four years	**443.4**	–	–
Between four and five years	**456.6**	447.5	–
Over five years	**–**	390.4	395.7

In March 2002, the Company issued £450 million of 2% convertible bonds due April 2007. These bonds are initially convertible into WPP ordinary shares at a share price of £10.75. Because the bonds are redeemable at a premium of 5.35% over par, the conversion price increases during the life of the bonds to £11.33 per share.

34 Share owners' funds

Movements during the year were as follows:

	Ordinary share capital £m	Share premium account £m	Shares to be issued £m	Merger reserve £m	Other reserves £m	Profit and loss account £m
Balance at beginning of year	115.7	836.6	195.7	2,905.3	91.7	52.0
Ordinary shares issued in respect of acquisitions	0.4	0.1	–	16.4	–	–
Share placement	2.1	98.1	–	–	–	–
Other ordinary shares issued	1.1	21.6	(65.7)	37.0	–	–
Share issue costs charged to share premium account or merger reserve	–	(1.1)	–	(1.7)	–	–
Share cancellations	(0.6)	–	–	–	0.6	(20.2)
Retained profit for the financial year	–	–	–	–	–	245.2
	118.7	**955.3**	**130.0**	**2,957.0**	**92.3**	**277.0**

Other reserves at 31 December 2003 comprise: currency translation deficit £37.2 million (2002: £37.2 million, 2001: £37.2 million), capital redemption reserve £2.1 million (2002: £1.5 million, 2001: £1.3 million) and capital reserve £127.4 million (2002: £127.4 million, 2001: £127.4 million).

At 31 December 2003 the Company's distributable reserves amounted to £236.1 million (2002: £52.0 million, 2001: £153.4 million). Further details of the Company's movements in share capital are shown in notes 24 and 25.

Reconciliation of movements in share owners' funds for the year ended 31 December 2003

	2003 £m	2002 £m	2001 £m
Profit/(loss) for the year	**322.0**	(932.3)	7.7
Ordinary dividends payable	**(76.8)**	(62.5)	(51.6)
	245.2	(994.8)	(43.9)
Ordinary shares issued in respect of acquisitions	**16.9**	8.2	64.7
Share placement	**100.2**	–	–
Other ordinary shares issued	**(6.0)**	29.2	82.7
Share issue costs charged to share premium account or merger reserve	**(2.8)**	(3.4)	–
Share cancellations	**(20.2)**	(8.3)	–
Net additions to equity share owners' funds	**333.3**	(969.1)	103.5
Opening equity share owners' funds	**4,197.0**	5,166.1	5,062.6
Closing equity share owners' funds	**4,530.3**	4,197.0	5,166.1

Reconciliation to US Accounting Principles (unaudited)

The following is an unaudited summary of the significant adjustments to net income and share owners' funds which would be required if US Generally Accepted Accounting Principles (US GAAP) had been applied.

An audited reconciliation of net income and share owners' funds measured under UK GAAP to US GAAP, including additional financial statement disclosures and further discussion of potential or actual differences that could apply, including presentational differences, will be included in the Company's Annual Report on Form 20-F to be filed with the Securities and Exchange Commission by 30 June 2004. The figures presented below are therefore subject to further change after the date of publication of the 2003 Annual Report and Accounts.

	Notes	For the year ended 31 December 2003 £m	2002 £m	2001 £m
Net income				
Profit attributable to ordinary share owners under UK GAAP		**208.4**	88.0	271.2
US GAAP adjustments:				
Reverse amortisation of goodwill	(a)	**33.0**	32.0	–
Amortisation of intangibles	(a)	**(20.6)**	(13.4)	(142.2)
Goodwill impairment	(a)	**(16.9)**	–	–
Contingent consideration deemed as compensation	(b)	**(43.9)**	(49.7)	(23.1)
Executive compensation	(c)	**(3.7)**	(11.0)	(26.9)
Accounting for derivatives	(d)	**(17.9)**	48.9	4.0
Pension accounting	(e)	**(9.8)**	(5.5)	–
Accounting for associates	(f)	**1.1**	–	–
Employer payroll taxes	(g)	**2.0**	–	–
Tax items	(h)	**(21.4)**	(10.1)	(3.8)
		(98.1)	8.8	(192.0)
Net income as adjusted for US GAAP before the cumulative effect of change in accounting principle		**110.3**	79.2	79.2
Goodwill impairment upon adoption of SFAS 142	(a)	**–**	(25.7)	–
Net income as adjusted for US GAAP after the cumulative effect of change in accounting principle		**110.3**	53.5	79.2
Earnings per share before the cumulative effect of change in accounting principle				
Basic earnings per share as adjusted for US GAAP (p)	2	**9.9**	7.1	7.2
Diluted earnings per share as adjusted for US GAAP (p)	2	**9.6**	7.0	7.1
Earnings per share after the cumulative effect of change in accounting principle				
Basic earnings per share as adjusted for US GAAP (p)	2	**9.9**	4.8	7.2
Diluted earnings per share as adjusted for US GAAP (p)	2	**9.6**	4.7	7.1

A reconciliation from UK to US GAAP in respect of earnings per share is shown in note 2.

	Notes	As at 31 December 2003 £m	2002 £m	2001 £m
Share owners' funds				
Share owners' funds under UK GAAP		**4,019.5**	3,675.6	3,599.8
US GAAP adjustments:				
Capitalisation of goodwill arising on acquisition (net of accumulated amortisation and amounts capitalised under UK GAAP)	(a)	**16.3**	357.5	773.4
Listed investments	(i)	**(1.8)**	–	(5.3)
Contingent consideration deemed as compensation	(b)	**(125.3)**	(81.4)	(31.7)
Shares owned by ESOP	(j)	**(307.8)**	(312.2)	(250.4)
Accounting for derivatives	(d)	**24.3**	52.9	4.0
Pension accounting	(e)	**(0.5)**	8.7	9.3
Tax items	(h)	**(21.0)**	0.4	10.5
Accounting for associates	(f)	**1.1**	–	–
Employer payroll taxes	(g)	**2.0**	–	–
Proposed final ordinary dividend, not yet declared	(k)	**52.2**	42.5	35.2
Other		**(3.0)**	(3.2)	(3.4)
		(363.5)	65.2	541.6
Share owners' funds as adjusted for US GAAP		**3,656.0**	3,740.8	4,141.4

Movement in share owners' funds under US GAAP

	2003 £m	2002 £m	2001 £m
Net income for the year under US GAAP	**110.3**	53.5	79.2
Prior year final dividend	**(42.5)**	(35.2)	(28.5)
Current year interim dividend	**(24.6)**	(20.0)	(16.4)
Retained earnings for the year	**43.2**	(1.7)	34.3
Ordinary shares issued in respect of acquisitions	**16.9**	8.2	64.7
Share issue costs charged to merger reserve	**(2.8)**	(3.4)	(1.0)
Share options exercised	**18.1**	24.3	68.2
Share cancellations	**(20.2)**	(8.3)	–
Shares owned by ESOP	**4.4**	(61.8)	(90.2)
Share placement	**100.2**	–	–
Listed investments	**(1.8)**	5.3	(39.7)
Other movements	**1.3**	–	–
Exchange adjustments:			
– Revaluation of goodwill	**(336.5)**	(408.6)	81.4
– Foreign currency translation	**74.8**	85.6	(80.6)
Pension accounting	**13.9**	(51.2)	(73.7)
Goodwill write-back	**–**	–	2.0
Executive compensation	**3.7**	11.0	26.9
New additions to share owners' funds	**(84.8)**	(400.6)	(7.7)
Share owners' funds at 1 January	**3,740.8**	4,141.4	4,149.1
Share owners' funds at 31 December	**3,656.0**	3,740.8	4,141.4

Notes to the Reconciliation to US Accounting Principles (unaudited)

1 Significant differences between UK and US Accounting Principles

The Group's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable in the UK which differ in certain significant respects from those applicable in the US. These differences relate principally to the following items:

(a) Goodwill and other intangibles

Capitalisation of goodwill

Under US and UK GAAP, purchase consideration in respect of subsidiaries acquired is allocated on the basis of fair values to the various net assets, including intangible fixed assets, at the dates of acquisition and any net balance is treated as goodwill. Under UK GAAP, and in accordance with Financial Reporting Standard No. 10 (FRS 10) (Goodwill and Intangible Assets), goodwill arising on acquisitions on or after 1 January 1998 has been capitalised as an intangible asset. For certain acquisitions, where the directors consider it more appropriate, goodwill is amortised over its useful life, up to a 20-year period from the date of acquisition. The remaining goodwill and intangible assets of the Group are considered to have an indefinite economic life for the reasons described in the note on accounting policies in the financial statements. Goodwill arising on acquisitions before 1 January 1998 was fully written off against share owners' funds, in accordance with the then preferred treatment under UK GAAP.

Under US GAAP, for periods ending on or before 31 December 2001 goodwill was amortised on a straight-line basis over the useful economic life, not to exceed 40 years. Effective 1 January 2002, goodwill has been accounted for under SFAS 142 "Goodwill and other Intangible Assets". SFAS 142 directs that goodwill that has an indefinite useful life will not be amortised but rather will be tested annually for impairment. Intangible assets that have finite lives will continue to be amortised over their useful lives, but without constraint of an arbitrary ceiling. Therefore, in 2003 and 2002, the amortisation of intangibles adjustment represents amortisation of intangible assets that have finite lives. In 2001, the amortisation of intangibles adjustment principally represents amortisation of goodwill.

Under UK GAAP, the share consideration for the acquisition of Young & Rubicam Inc was measured by reference to the opening share price on 4 October 2000 of £7.99, which was when the acquisition became effective. The relevant measurement date for US GAAP was 12 May 2000, being the date of the announcement of the proposed acquisition and its recommendation to share owners by the respective Boards of directors of WPP Group plc and Young & Rubicam Inc. The opening share price on 12 May 2000 was £8.45. This resulted in a purchase price which differed by £265 million and a corresponding difference in goodwill. The impact of this adjustment is reflected in goodwill amortisation through 31 December 2001.

Implementation of SFAS 142

In accordance with SFAS 142, the Group carries out an annual impairment test. Impairment charges recorded under UK GAAP amounted to £79.0 million and £145.7 million respectively, in 2003 and 2002. The impairment charges relate to a number of under-performing businesses in the Information, insight & consultancy, and Branding & identity, Healthcare and Specialist communications sectors. The impact of the current economic climate on these businesses is sufficiently severe to indicate an impairment to the carrying value of goodwill. For further details on the Company's annual impairment review, see note 13 to the consolidated financial statements.

Additional impairment charges of £16.9 million and £25.7 million were recorded under US GAAP in 2003 and 2002, respectively. The 2003 charge was taken in connection with the annual impairment test. The 2002 charge was taken on the implementation of SFAS 142. Under UK GAAP, all such impaired goodwill had been amortised or included in the write-off against share owners' funds as of 1 January 1998, as more fully described in the note on accounting policies in the financial statements.

The following analysis shows the impact on the Company's statement of operations of discontinuing goodwill amortisation had SFAS 142 been in effect at the beginning of 2001:

For the year ended 31 December	**2003**	2002	2001
Reported net income under US GAAP	**110.3**	53.5	79.2
Add back:			
Amortisation of goodwill and other indefinite-lived intangible assets	**–**	–	155.0
Tax benefit on goodwill amortisation	**–**	–	–
Adjusted net income under US GAAP	**110.3**	53.5	234.2
Basic earnings per share:			
Reported earnings	**9.9**	4.8	7.2
Add back: goodwill amortisation, net of tax	**–**	–	14.1
Adjusted earnings	**9.9**	4.8	21.3
Diluted earnings per share:			
Reported earnings	**9.6**	4.7	7.1
Add back: goodwill amortisation, net of tax	**–**	–	13.4
Adjusted earnings	**9.6**	4.7	20.5

Business combinations

Under UK GAAP, the Group carries corporate brand names as intangible fixed assets in the balance sheet. The initial recognition of the J. Walter Thompson corporate brand was booked as a revaluation in the year following acquisition and is not recognised under US GAAP. The Ogilvy & Mather and Young & Rubicam Inc brand names, acquired as part of The Ogilvy Group, Inc and Young & Rubicam Inc respectively, were booked as acquisition adjustments to balance sheet assets acquired. These corporate brand names have been determined to have an indefinite useful life based on their institutional nature, their proven ability to maintain market leadership and profitable operations over long periods of time and WPP's commitment to develop and enhance their value.

Under US GAAP, in accordance with the provisions of SFAS 141, Business Combinations, the allocation of purchase consideration should include recognition of the fair value of identifiable intangible assets, as applicable, such as corporate brand and trade names, customer relationships and proprietary tools. The Company generally assesses the fair value of identifiable intangible assets based on the net present value of expected future cash flows to be derived. As of 31 December 2003 and 2002, the components of our intangible assets were as follows:

		As at 31 December 2003			As at 31 December 2002		
	Weighted average amorti-sation period	Gross carrying amount £m	Accum-ulated amorti-sation £m	Net book value £m	Gross carrying amount £m	Accum-ulated amorti-sation £m	Net book value £m
Goodwill		5,017.2	(484.5)	4,532.7	5,220.8	(498.2)	4,722.6
Corporate brand names		775.0	(69.7)	705.3	775.0	(69.7)	705.3
Other intangible assets subject to amortisation:							
Trade names	13	65.8	(5.8)	60.0	20.8	(2.0)	18.8
Customer related	4	79.6	(27.5)	52.1	34.2	(10.8)	23.4
Purchased software and other proprietary tools	7	11.2	(7.2)	4.0	11.2	(4.6)	6.6
Total subject to amortisation	6	156.6	(40.5)	116.1	66.2	(17.4)	48.8

The estimated aggregate amortisation expense for each of the next five years is as follows: £30.0 million in 2004, £19.7 million in 2005, £13.7 million in 2006, £11.7 million in 2007 and £9.0 million in 2008.

Under UK GAAP, goodwill arising on acquisitions is calculated at the historical exchange rate when each transaction is initially accounted for, and is therefore not retranslated at the period end. Under US GAAP, goodwill is retranslated at the end of each period presented, resulting in foreign exchange translation loss of £336.5 million in 2003 (2002: loss of £408.6 million, 2001: gain of £81.4 million) being recognised in share owners' funds.

Tangible fixed assets

The Group evaluates the carrying value of its tangible fixed assets whenever events or circumstances indicate their carrying value may exceed their recoverable amount, in accordance with the provisions of SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. An impairment loss would be recognised when the estimated future cash flows (undiscounted and without interest) expected to result from the use of an asset are less than the carrying amount of the asset. Measurement of an impairment loss is based on fair value of the asset computed using discounted cash flows if the asset is expected to be held and used.

(b) Contingent consideration deemed as compensation

Under UK GAAP, the Group provides for contingent consideration as a liability when it considers the likelihood of payment as probable. Under US GAAP, contingent consideration is not recognised until the underlying contingency is resolved and consideration is issued or becomes issuable. At 31 December 2003, the Group's liabilities for vendor payments under UK GAAP totalled £215.7 million (2002: £237.8 million, 2001: £288.2 million). As these liabilities are represented by goodwill arising on acquisitions, there is no net effect on share owners' funds. Under US GAAP, however, a balance sheet classification difference arises such that liabilities and goodwill would each be reduced by the amount indicated as of each year end.

In certain transactions the Group considers that there is a commercial need to tie in vendors to the businesses acquired; however the directors believe that, in substance, payments made under earnouts represent purchase consideration rather than compensation for services. Under US GAAP, payments made to vendors which are conditional upon them remaining in employment with the company under earnout are required to be treated as compensation, except in rare instances, and the anticipated compensation expense is therefore accrued on a systematic basis over the earnout period. This gives rise to recognition of additional compensation expense of £43.9 million (2002: £49.7 million; 2001: £23.1 million) under US GAAP.

(c) Executive compensation

UK and US GAAP accounting for stock-based remuneration differ in certain circumstances. The principal differences are:

Under UK GAAP, the part of executive compensation satisfied in stock is charged through the profit and loss account at the cost to the Group of acquiring the stock. Under US GAAP such compensation is measured at the fair value of WPP common stock at the date the performance condition is met or the award vests with the employee. Differences occur under US GAAP as the WPP ESOP acquires stock before the liability to the employee arises. These differences amounted to £3.7 million in 2003 (2002: £11.0 million, 2001: £7.0 million).

Additionally, under UK GAAP stock options granted with performance criteria do not give rise to a profit and loss account charge provided that the exercise price is equal to the fair value of the stock at the date of grant. Under US GAAP stock options granted with performance criteria (other than a requirement for employment to continue) are subject to variable plan accounting under APB Opinion 25. Under variable plan accounting any appreciation in stock value from the date of grant to the date upon which the performance conditions are satisfied is charged to the profit and loss account on a systematic basis over the vesting period. The US GAAP net income adjustment with respect to executive compensation in 2001 includes a £19.9 million charge related to such performance options.

(d) Accounting for Derivative Instruments and Hedging Activities

Effective 1 January 2001, the Group adopted SFAS 133, Accounting for Derivative Instruments and Hedging Activities.

Significant differences between UK and US Accounting Principles (continued)

The Statement requires that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. It also requires that changes in the derivative's fair value be recognised currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

As of 31 December 2002, the derivative financial instruments held by the Group were not designated and therefore did not qualify as accounting hedges, resulting in the changes in the fair value of derivatives being recognised in earnings through 2002. Effective 1 January 2003, all derivative financial instruments held by the Group were designated as hedges. The £17.9 million reduction in income recorded in 2003 reflects the subsequent reduction in market value of certain derivative financial instruments sold during the year.

(e) Pension accounting
Under UK GAAP, pension costs are accounted for in accordance with FRS 17. Under US GAAP, pension costs are determined in accordance with the requirements of Statement of Financial Accounting Standards No 87, Employers' Accounting for Pensions (SFAS 87) and SFAS 88, Employers' Accounting and Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits.

The differences in accounting policy are primarily due to differing treatment of actuarial gains and losses which arise over the accounting period (as a result of investment returns and demographic assumptions differing from those previously assumed, and also the effect of changing actuarial assumptions). Under FRS 17, these actuarial gains and losses are immediately recognised in the Statement of Total Recognised Gains and Losses ('STRGL'), whereas under SFAS 87 the actuarial gains and losses that at the beginning of the year exceed 10% of the greater of the value of the assets and the projected benefit obligation, are amortised over the future working lifetime of the scheme members. Similarily, any related deferred tax effect recognised in the STRGL under UK GAAP is reversed under US GAAP. In 2003, deferred taxes recognised in the STRGL amounted to £10.0 million (2002: £nil; 2001: £nil).

FRS 17 also requires the cost of prior service costs to be expensed over the period in which the benefit vests, whereas SFAS 87 provides for these costs to be amortised over the future service periods of those employees active at the date of the amendment who are expected to receive benefits under the plan.

Further, SFAS 87 requires the recognition of an additional liability to the extent that the liability in respect of any scheme does not cover the unfunded accumulated benefit obligation for that scheme.

The 2003 financial statements reflect a £9.8 million (2002: £5.5 million; 2001: £nil) difference in the defined benefit pensions charge between UK GAAP and US GAAP. This is largely due to the fact that the Group's defined benefit schemes have recently experienced actuarial losses, primarily due to poor investment returns. The 2003 and 2002 US GAAP charges therefore include an amortisation component in respect of these losses, which is not reflected in the UK GAAP charge.

(f) Accounting for associates
Under UK GAAP, the consolidated profit and loss account includes the Group's share of the profits less losses of associated undertakings. Under US GAAP, the application of equity method 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. In 2003, £1.1 million (2002: £nil; 2001: £nil) of associate losses were reversed.

(g) Employer payroll taxes
Under UK GAAP, provisions for National Insurance contributions are required to be measured initially at the date of grant of share options and recognised over the vesting period. Under US GAAP, National Insurance contributions are to be recognised on the date of the event triggering the measurement and payment of the contribution, which is generally the exercise date. In 2003, this adjustment was £2.0 million (2002: £nil; 2001: £nil).

(h) Tax items
Deferred taxes
Under UK GAAP, the Group accounts for deferred tax in accordance with FRS 19 (Deferred Tax) as described in the note on accounting policies in the financial statements. Under US GAAP, deferred taxes are accounted for on all temporary differences and a valuation allowance is established in respect of those deferred tax assets where it is more likely than not that some portion will remain unrealised.

Treatment of pre-acquisition losses
Under UK GAAP, the tax effect of the utilisation of pre-acquisition losses may be taken to the profit and loss account in certain circumstances. Under US GAAP, the tax effect of the utilisation of pre-acquisition losses is recorded to goodwill. In 2003, the adjustment for tax items includes £30.3 million (2002: £nil; 2001: £nil) of tax expense resulting from the utilisation of pre-acquisition losses. A corresponding adjustment was recorded to goodwill.

(i) Listed investments
Under UK GAAP, the carrying value of listed investments, where these represent an interest of less than 20%, is determined as cost less any provision for permanent impairment. Under US GAAP, such investments are marked to market and any resulting unrealised gain or loss is taken to share owners' funds. Where the decline in value is other than temporary, the resulting loss would be taken to the profit and loss account under both UK and US GAAP. The listed investments of the Group are generally considered to be 'available for sale' securities under US GAAP.

(j) Shares owned by Employee Share Ownership Plan (ESOP)
Under UK GAAP, shares purchased by the ESOP are recorded as fixed asset investments at cost less amounts written off. Under US GAAP, these shares are recorded at cost and deducted from share owners' equity.

The Group's ESOP comprises trusts which acquire WPP shares in the open market to fulfill obligations under the Group's stock-based compensation plans. These trusts do not meet the definition of an 'ESOP' under US GAAP.

(k) Proposed final ordinary dividend, not yet declared
Under UK GAAP, final ordinary dividends are provided in the financial statements on the basis of recommendation by the directors. This requires subsequent approval by the share owners to become a legal obligation of the Group. Under US GAAP, dividends are provided only when the legal obligation to pay arises.

2 Earnings per share – reconciliation from UK to US GAAP

Both basic and diluted earnings per share under US GAAP have been calculated by dividing the net income as adjusted for US GAAP differences by the weighted average number of shares in issue during the year. For the years ended 31 December 2003 and 2002 both the $287.5 million convertible bonds and the £450 million convertible bonds were accretive to earnings per share and therefore excluded from the calculation. Had the convertible bonds been dilutive to earnings per share, incremental shares attributable to the assumed conversion of the bonds would have increased diluted shares outstanding by 58.2 million shares as at the end of each year. In addition, options to purchase 33.6 million and 19.8 million ordinary shares were outstanding at 31 December 2003 and 2002, respectively but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the shares and, therefore, the effect would be antidilutive. For the year ended 31 December 2001 the $287.5 million convertible bond was dilutive and earnings were consequently adjusted by £3.6 million. The calculation of the weighted average number differs for UK and US GAAP purposes as follows:

Year ended 31 December 2003	Basic earnings per share No.	Diluted earnings per share No.
Under UK GAAP	1,115,319,576	1,145,014,508
Weighted average number of share options issued with exercise criteria not yet satisfied at 31 December 2003	–	–
Under US GAAP	1,115,319,576	1,145,014,508
Year ended 31 December 2002		
Under UK GAAP	1,110,556,878	1,136,548,459
Weighted average number of share options issued with exercise criteria not yet satisfied at 31 December 2002	–	–
Under US GAAP	1,110,556,878	1,136,548,459
Year ended 31 December 2001		
Under UK GAAP	1,101,937,750	1,157,080,255
Weighted average number of share options issued with exercise criteria not yet satisfied at 31 December 2001	–	2,047,943
Under US GAAP	1,101,937,750	1,159,128,198

3 Accounting for stock options

The Company applies US Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations when accounting for its stock option plans. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards under those plans consistent with the method of SFAS 123, Accounting for Stock-Based Compensation, the Company's net income and earnings per share under US GAAP would have been reduced to the pro forma amounts indicated below:

	2003	2002	2001
Net income (loss) as adjusted for US GAAP before the cumulative change in accounting principle			
As reported (£m)	**110.3**	79.2	79.2
Add back: Stock-based employee compensation expense included in reported net income, net of tax	**14.1**	29.5	40.9
Deduct: Total fair value of stock-based employee compensation expense, net of tax	**(37.8)**	(57.4)	(53.2)
Pro forma (£m)	**86.6**	51.3	66.9
Net income (loss) as adjusted for US GAAP after the cumulative effect of change in accounting principle			
As reported (£m)	**110.3**	53.5	79.2
Pro forma (£m)	**86.6**	25.6	66.9
Earnings per share before the cumulative effect of change in accounting principle			
Basic earnings per share per US GAAP:			
As reported (p)	**9.9**	7.1	7.2
Pro forma (p)	**7.8**	4.6	6.4
Diluted earnings per share per US GAAP:			
As reported (p)	**9.6**	7.0	7.1
Pro forma (p)	**7.6**	4.5	6.1
Earnings per share after the cumulative effect of change in accounting principle			
Basic earnings per share per US GAAP:			
As reported (p)	**9.9**	4.8	7.2
Pro forma (p)	**7.8**	2.3	6.4
Diluted earnings per share per US GAAP:			
As reported (p)	**9.6**	4.7	7.1
Pro forma (p)	**7.6**	2.3	6.1

The Company has adopted the disclosure requirements of SFAS 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" an amendment of FASB Statement No. 123. This disclosure requirement did not have an impact on our consolidated results of operations or financial position. The FASB recently indicated that they will issue a new accounting standard that will require stock-based employee compensation to be recorded as a charge to earnings beginning in 2004. We will continue to monitor the progress of the FASB with regard to the issuance of this standard. Information about our specific awards and stock plans can be found in note 24 to the consolidated financial statements.

4 Reconciliation of consolidated statements of cash flows

The consolidated statement of cash flows prepared under UK GAAP in accordance with FRS 1 presents substantially the same information as that required under US GAAP. Under US GAAP, however, there are certain differences from UK GAAP with regard to classification of items within the cash flow statement and with regard to the definition of cash and cash equivalents. Cash flow under UK GAAP represents increases and decreases in cash, which comprises both cash in hand and overdrafts. Under US GAAP, cash flow represents increases or decreases in "cash and cash equivalents", which includes short-term, highly liquid investments with original maturities of less than 90 days, and excludes overdrafts.

Under UK GAAP, cash flows are presented separately for operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends, management of liquid resources and financing activities. Under US GAAP, however, only three categories of cash flow activity are reported, being operating activities, investing activities and financing activities.

A reconciliation between the consolidated statements of cash flows presented in accordance with UK GAAP and US GAAP is shown below:

	For the year ended 31 December		
	2003 £m	2002 £m	2001 £m
Operating activities			
Net cash inflow from operating activities under UK GAAP	**942.0**	779.9	173.9
Dividends received from associates	**15.6**	9.4	14.7
Interest and similar charges paid	**(52.8)**	(98.9)	(84.2)
Interest received	**30.2**	32.7	38.6
UK and overseas tax paid	**(93.6)**	(85.0)	(77.5)
Net cash provided by operating activities under US GAAP	**841.4**	638.1	65.5
Investing activities			
Capital expenditure and financial investment under UK GAAP	**(88.1)**	(157.9)	(217.2)
Acquisitions and disposals	**(344.5)**	(277.3)	(730.3)
Net cash used in investing activities under US GAAP	**(432.6)**	(435.2)	(947.5)
Financing activities			
Net cash inflow from financing under UK GAAP	**119.7**	213.9	499.0
Movements in overdrafts	**113.9**	(131.7)	22.3
Equity dividends paid	**(67.0)**	(55.6)	(44.4)
Dividends paid to minorities	**(15.7)**	(12.0)	(10.8)
Net cash provided from financing activities under US GAAP	**150.9**	14.6	466.1
Translation difference	**(19.3)**	(0.4)	10.7
Net increase (decrease) in cash and cash equivalents under US GAAP	**540.4**	217.1	(405.2)
Cash and cash equivalents under US GAAP at the beginning of the period	**879.5**	662.4	1,067.6
Cash and cash equivalents under US GAAP at the end of the period	**1,419.9**	879.5	662.4

5 New US GAAP Accounting Pronouncements

The Group has considered the following recent US GAAP accounting pronouncements for their potential impact on our results of operations and financial position:

In June 2002, SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities was issued. SFAS 146 requires that costs associated with exit or disposal activities, including restructuring charges, be recognised and measured initially at fair value only when the liability is incurred, and is effective for any such activities initiated after 31 December 2002. It has no effect on charges recorded for exit activities begun prior to this date. The adoption of SFAS 146 did not have a material impact on the Group's consolidated results of operations or financial position.

In November 2002, Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45) was issued. This interpretation elaborates on the existing disclosure requirements under US GAAP. It also requires (for guarantees issued after 1 January 2003) that a guarantor must recognise, at the inception of a guarantee, a liability for the fair value of obligations undertaken. The application of FIN 45 did not have a material impact on our consolidated results of operations or financial position or result in additional disclosure.

In December 2002, SFAS 148, Accounting for Stock-Based Compensation-Transition and Disclosure, was issued as an amendment of SFAS 123. The Group has elected to continue with its current practice of applying the recognition and measurement principles of APB 25 under US GAAP and has adopted the disclosure requirements of SFAS 148.

In January 2003, the FASB issued FASB Interpretation 46, Consolidation of Variable Interest Entities, an interpretation of ARB 51. FIN 46 clarifies the application of Accounting Research Bulletin 51, Consolidated Financial Statements, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN 46 requires the consolidation of these entities, known as variable interest entities, by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

In December 2003, the FASB issued a revision to FIN 46 (FIN 46R). Among other changes, the revisions of FIN 46R (a) clarified some requirements of the original FIN 46, which had been issued in January 2003, (b) eased some implementation problems, and (c) added new scope exceptions. FIN 46R deferred the effective date of the Interpretation for public companies, to the end of the first reporting period ending after 15 March 2004, except that all public companies must at a minimum apply the provisions of the Interpretation to entities that were previously considered "special-purpose entities" under the FASB literature prior to the issuance of FIN 46R by the end of the first reporting period ending after 15 December 2003. The Group does not expect the adoption of FIN 46R to have a material impact on its consolidated results of operations or financial position.

In January 2003, the Emerging Issues Task Force reached a final consensus related to accounting for subsequent investments in an investee after suspension of equity method loss recognition (EITF 02-16). The consensus requires that if the additional investment, in whole or in part, represents, in substance, the funding of prior losses, the investor should recognise previously suspended losses. This guidance, which was ratified by the FASB on 5 February 2003, should be applied to additional investments in equity-method investees made after 5 February 2003 and previously suspended cumulative losses existing at the time of that investment. The Group has adopted EITF 02-16 for all additional investments made in equity-method investees subsequent to 5 February 2003. There were no previously suspended losses recognised as a result of the adoption of EITF 02-16.

In April 2003, the FASB issued SFAS 149, Amendment to Statement 133 on Derivative Instruments and Hedging Activities. SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. SFAS 149 is applied prospectively and is effective for contracts entered into or modified after 30 June 2003, except for SFAS 133 implementation issues that have been effective prior to 15 June 2003 and certain provisions relating to forward purchases and sales on securities that do not yet exist. The adoption of SFAS 149 did not have a material impact on the Group's consolidated results of operations or financial position.

In May 2003, the FASB issued SFAS 150, Accounting for Certain Financial Instruments with Characteristics of Both Liability and Equity. SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS 150 is effective for financial investments entered into or modified after 15 May 2003. The adoption of SFAS 150 did not have an impact on, or result in additional disclosure in, our consolidated results of operations or financial position.

In December 2003, SFAS 132, Employers' Disclosures about Pensions and Other Postretirement Benefits, was revised (SFAS 132R). This statement requires additional disclosures concerning the assets, investment strategy, measurement dates, obligations, cash flows, and net periodic benefit costs of defined benefit schemes. The Company has adopted the disclosure requirements of SFAS 132R for its UK schemes, the disclosure requirements with respect to our non-UK schemes, as well as the disclosure of expected 10 year future benefit payments, are effective beginning with fiscal years ending after 15 June 2004.

In March 2004, the EITF reached a consensus on Issue 03-01, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments (EITF 03-01). EITF 03-01 provides a step model to determine whether an investment within the scope of the Issue is impaired and if an impairment is other-than-temporary. In addition, it requires that investors provide certain disclosures for cost method investments and, if applicable, other information related specifically to cost method investments, such as the aggregate carrying amount of cost method investments, the aggregate amount of cost method investments that the investor did not evaluate for impairment because an impairment indicator was not present, and the situations under which the fair value of a cost method investment is not estimated. The disclosures related to cost method investments should not be aggregated with other types of investments. The EITF 03-01 impairment model shall be applied prospectively to all current and future affected investments, effective in reporting periods beginning after 15 June 2004. The disclosure requirements are effective for annual periods for fiscal years ending after 15 June 2004.

Five-year summary

	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m
Profit and loss					
Turnover (gross billings)	**18,621.3**	18,028.7	20,886.9	13,949.4	9,345.9
Revenue	**4,106.0**	3,908.3	4,021.7	2,980.7	2,172.6
Operating profit	**415.3**	272.5	505.5	379.4	265.0
Profit on ordinary activities before taxation	**349.9**	205.4	411.0	365.7	255.4
Headline PBT[1]	**473.4**	400.6	493.6	382.2	256.9
Profit attributable to ordinary share owners	**208.4**	88.0	271.2	244.7	172.8
Balance sheet					
Fixed assets	**6,694.2**	6,363.0	6,376.2	5,389.0	1,313.9
Net current liabilities	**(613.1)**	(524.3)	(782.4)	(529.4)	(227.5)
Creditors: amounts falling due after more than one year	**(1,691.1)**	(1,837.5)	(1,711.5)	(1,279.6)	(652.5)
Provisions for liabilities and charges (including pension provision)	**(322.4)**	(286.8)	(241.4)	(185.9)	(92.2)
Net assets	**4,067.6**	3,714.4	3,640.9	3,394.1	341.7
Net (debt)/funds	**(361.5)**	(722.7)	(885.1)	(24.6)	91.9
Average net debt	**(1,222.0)**	(1,343.0)	(834.0)	(423.0)	(206.0)

		2003	2002	2001	2000	1999
Our people						
Revenue per employee (£000)		**79.6**	77.5	79.7	82.4	78.4
Gross profit per employee (£000)		**75.0**	73.2	75.1	75.7	67.0
Operating profit per employee (£000)		**8.0**	5.4	10.0	10.5	9.6
Average headcount		**51,604**	50,417	50,487	36,157	27,711
Share information						
Headline[2]	– basic earnings per ordinary share	**29.8p**	25.5p	32.1p	31.3p	23.1p
	– diluted earnings per ordinary share	**29.0p**	24.9p	30.9p	30.3p	22.7p
Standard	– basic earnings per ordinary share	**18.7p**	7.9p	24.6p	29.3p	22.9p
	– diluted earnings per ordinary share	**18.2p**	7.7p	23.7p	28.4p	22.5p
Dividends per share		**6.48p**	5.40p	4.50p	3.75p	3.10p
Share price	– high	**596p**	811p	889p	1,324p	996p
	– low	**320p**	391p	460p	693p	359p
Market capitalisation at year-end (£m)		**6,513.1**	5,491.5	8,736.8	9,631.2	7,598.3

Notes

[1] Headline PBT: Profit on ordinary activities before taxation, goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. The calculation of Headline PBT is set out in note 28.

[2] Headline earnings per ordinary share excludes goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. The calculation of headline earnings is set out in note 28.

The information on this page is unaudited.

Unaudited consolidated profit and loss account: euro illustration

For the year ended 31 December 2003

	2003 €m	2002 €m	2001 €m
Turnover (gross billings)	**26,907.8**	28,683.7	33,598.7
Cost of sales	**(20,974.6)**	(22,465.6)	(27,129.4)
Revenue	**5,933.2**	6,218.1	6,469.3
Direct costs	**(342.6)**	(347.2)	(373.2)
Gross profit	**5,590.6**	5,870.9	6,096.1
Operating costs excluding goodwill amortisation and impairment	**(4,878.2)**	(5,154.7)	(5,259.2)
Goodwill amortisation and impairment – subsidiaries	**(112.3)**	(282.7)	(23.8)
Operating costs	**(4,990.5)**	(5,437.4)	(5,283.0)
Operating profit	**600.1**	433.5	813.1
Income from associates	**58.5**	47.7	65.6
Goodwill amortisation and impairment – associates	**(49.5)**	–	–
Profit on ordinary activities before interest, taxation, fixed asset gains and write-downs	**609.1**	481.2	878.7
Profit on disposal of fixed assets	**–**	14.6	10.9
Amounts written off fixed asset investments	**–**	(31.7)	(113.9)
Net interest payable and similar charges on net borrowings	**(86.9)**	(126.6)	(108.6)
Net interest charges on defined benefit pension schemes	**(16.6)**	(10.8)	(6.1)
Net interest payable and similar charges	**(103.5)**	(137.4)	(114.7)
Profit on ordinary activities before taxation	**505.6**	326.7	661.0
Taxation on profit on ordinary activities	**(176.4)**	(164.5)	(202.8)
Profit on ordinary activities after taxation	**329.2**	162.2	458.2
Minority interests	**(28.0)**	(22.3)	(22.0)
Profit attributable to ordinary share owners	**301.2**	139.9	436.2
Ordinary dividends	**(111.0)**	(99.4)	(83.0)
Retained profit for the year transferred to reserves	**190.2**	40.5	353.2

Headline PBIT[1]	**770.9**	764.0	902.5
Headline PBIT[1] margin	**13.0%**	12.3%	14.0%
Headline PBT[1]	**684.1**	637.3	793.9

Headline earnings per share[2]			
Basic earnings per ordinary share	**43.1¢**	40.6¢	51.6¢
Diluted earnings per ordinary share	**41.9¢**	39.6¢	49.7¢

Standard earnings per share			
Basic earnings per ordinary share	**27.0¢**	12.6¢	39.6¢
Diluted earnings per ordinary share	**26.3¢**	12.3¢	38.1¢

The consolidated profit and loss account and balance sheet have been presented in euros for illustrative purposes only using the approximate average rate for the year for the profit and loss account (2003: €1.4450 = £1, 2002: €1.5910 = £1, 2001: €1.6086 = £1) and the rate in effect on 31 December for the balance sheet (2003: €1.4198 = £1, 2002: €1.5345 = £1, 2001: €1.6322 = £1). This translation should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into euros at the rates indicated.

Notes

1 Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs.
Headline PBT: Profit on ordinary activities before taxation, goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. The calculation of Headline PBIT and Headline PBT is set out in note 28.

2 Headline earnings per ordinary share excludes goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. The calculation of headline earnings is set out in note 28.

Unaudited consolidated balance sheet: euro illustration

As at 31 December 2003

	2003 €m	2002 €m	2001 €m
Fixed assets			
Intangible assets:			
Corporate brands	**1,348.8**	1,457.8	1,550.6
Goodwill	**6,687.7**	6,762.5	7,246.8
Tangible assets	**489.2**	579.0	706.4
Investments	**978.7**	964.7	903.4
	9,504.4	9,764.0	10,407.2
Current assets			
Stocks and work in progress	**382.8**	447.5	386.7
Debtors	**3,399.7**	3,462.4	3,903.9
Trade debtors within working capital facility:			
Gross debts	**720.5**	591.9	540.3
Non-returnable proceeds	**(398.1)**	(333.6)	(134.7)
	322.4	258.3	405.6
Current asset investments (short-term bank and escrow deposits)	**570.5**	292.2	125.4
Cash at bank and in hand	**1,445.5**	1,057.4	955.8
	6,120.9	5,517.8	5,777.4
Creditors: amounts falling due within one year	**(6,991.4)**	(6,322.3)	(7,054.4)
Net current liabilities	**(870.5)**	(804.5)	(1,277.0)
Total assets less current liabilities	**8,633.9**	8,959.5	9,130.2
Creditors: amounts falling due after more than one year (including convertible bonds)	**(2,401.0)**	(2,819.7)	(2,793.5)
Provisions for liabilities and charges	**(189.5)**	(156.5)	(173.2)
Net assets excluding pension provision	**6,043.4**	5,983.3	6,163.5
Pension provision	**(268.2)**	(283.6)	(220.8)
Net assets including pension provision	**5,775.2**	5,699.7	5,942.7

Capital and reserves			
Called up share capital	**168.5**	177.5	187.7
Share premium account	**1,356.4**	1,283.8	1,314.2
Shares to be issued	**184.6**	300.3	389.4
Merger reserve	**4,147.2**	4,402.9	4,610.5
Other reserves	**(254.0)**	(390.2)	(549.6)
Profit and loss account	**104.2**	(134.1)	(76.6)
Equity share owners' funds	**5,706.9**	5,640.2	5,875.6
Minority interests	**68.3**	59.5	67.1
Total capital employed	**5,775.2**	5,699.7	5,942.7

Unaudited consolidated profit and loss account: to present the impact of US transitional guidelines on the expensing of share options, for illustrative purposes only

For the year ended 31 December 2003

	2003 £m	2002 £m	2001 £m
Turnover (gross billings)	**18,621.3**	18,028.7	20,886.9
Cost of sales	**(14,515.3)**	(14,120.4)	(16,865.2)
Revenue	**4,106.0**	3,908.3	4,021.7
Direct costs	**(237.1)**	(218.2)	(232.0)
Gross profit	**3,868.9**	3,690.1	3,789.7
Operating costs excluding goodwill amortisation and impairment	**(3,375.9)**	(3,239.9)	(3,269.4)
Fair value of share options[3]	**(13.9)**	(5.0)	–
Goodwill amortisation and impairment – subsidiaries	**(77.7)**	(177.7)	(14.8)
Operating costs	**(3,467.5)**	(3,422.6)	(3,284.2)
Operating profit	**401.4**	267.5	505.5
Income from associates	**40.5**	30.0	40.8
Goodwill amortisation and impairment – associates	**(34.3)**	–	–
Profit on ordinary activities before interest, taxation, fixed asset gains and write-downs	**407.6**	297.5	546.3
Profit on disposal of fixed assets	**–**	9.2	6.8
Amounts written off fixed asset investments	**–**	(19.9)	(70.8)
Net interest payable and similar charges on net borrowings	**(60.1)**	(79.6)	(67.5)
Net interest charges on defined benefit pension schemes	**(11.5)**	(6.8)	(3.8)
Net interest payable and similar charges	**(71.6)**	(86.4)	(71.3)
Profit on ordinary activities before taxation	**336.0**	200.4	411.0
Taxation on profit on ordinary activities	**(120.6)**	(102.7)	(126.1)
Profit on ordinary activities after taxation	**215.4**	97.7	284.9
Minority interests	**(19.4)**	(14.0)	(13.7)
Profit attributable to ordinary share owners	**196.0**	83.7	271.2
Ordinary dividends	**(76.8)**	(62.5)	(51.6)
Retained profit for the year transferred to reserves	**119.2**	21.2	219.6
Headline PBIT[1]	**519.6**	475.2	561.1
Headline PBIT[1] margin	**12.7%**	12.2%	14.0%
Headline PBT[1]	**459.5**	395.6	493.6
Headline earnings per share[2]			
Basic earnings per ordinary share	**28.6p**	25.1p	32.1p
Diluted earnings per ordinary share	**27.9p**	24.5p	30.9p
Standard earnings per share			
Basic earnings per ordinary share	**17.6p**	7.5p	24.6p
Diluted earnings per ordinary share	**17.1p**	7.4p	23.7p
Headline earnings per ADR[2, 4]			
Basic earnings per ADR	**$2.34**	$1.89	$2.31
Diluted earnings per ADR	**$2.28**	$1.84	$2.22
Standard earnings per ADR[4]			
Basic earnings per ADR	**$1.44**	$0.56	$1.77
Diluted earnings per ADR	**$1.40**	$0.56	$1.71

Notes

1 Headline PBIT: Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs. Headline PBT: Profit on ordinary activities before taxation, goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. The calculation of Headline PBIT and Headline PBT is set out in note 28.

2 Headline earnings per ordinary share and ADR excludes goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes. The calculation of headline earnings is set out in note 28.

3 Expensing of share options is consistent with current US transitional guidelines under the prospective adoption method contained within SFAS No.148, Accounting for Stock-Based Compensation-Transition and Disclosure.

4 These figures have been translated for convenience purposes only, using the profit and loss exchange rates shown on page 115. 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.

Independent auditors' report

Independent auditors' report to the members of WPP Group plc

We have audited the financial statements of WPP Group plc for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the statement of accounting policies and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of 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 section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities in the Directors' report, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable UK law and accounting standards. They are also responsible for the preparation of the other information contained in the Annual Report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant UK legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. 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, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the 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 Directors' report and the other information contained in the Annual Report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and 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 UK auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 and the part of the directors' remuneration report described as having been audited 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 described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the profit of the Group for the year then ended; and
- the financial statements and that part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. ■

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

10 May 2004

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 ADR and ADS interchangeably
Average 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
Called-up share capital	Ordinary shares, issued and fully paid
Capital allowances	Tax term equivalent to US tax depreciation allowances
Cash at bank and in hand	Cash
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 2003 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 excludes any variances attributable to foreign exchange rate movements
Creditors	Accounts payable
Creditors: amounts falling due after more than one year	Long-term debt
Creditors: amounts falling due within one year	Current liabilities
Debtors	Accounts receivable
ESOP	Employee share ownership plan
EURIBOR	The euro area inter-bank offered rate for the euro
Finance lease	Capital lease
Free cash flow	Free cash flow is calculated as Headline PBIT (see below) before equity income and depreciation (including dividends received from associates, proceeds from the issue of shares, and proceeds from disposal of tangible fixed assets and investments), less tax paid, returns on investments and servicing of finance and the purchase of tangible fixed assets
Freehold	Ownership with absolute rights in perpetuity
FRS	Financial reporting standard in the UK
Interest receivable	Interest income
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 on profit on ordinary activities and minority interests
Headline operating profit	Operating profit before goodwill amortisation and impairment
Headline PBIT	Profit on ordinary activities before interest, taxation, goodwill amortisation and impairment, fixed asset gains and write-downs
Headline PBT	Profit on ordinary activities before taxation, goodwill amortisation and impairment, fixed asset gains and write-downs, and net interest charges on defined benefit pension schemes
Higgs Report	Report in the UK by Derek Higgs on the role and effectiveness of non-executive directors
LIBOR	The London inter-bank offered rate
Other reserves	Additional paid-in capital or paid-in surplus (distributable in certain circumstances)
Profit attributable to ordinary share owners	Net income
Profit	Income
Profit and loss account reserve (under 'capital and reserves')	Retained earnings
Profit and loss account (statement)	Income statement
Proforma ('like for like')	Proforma comparisons are calculated as follows: current year actual results (which include acquisitions from the relevant date of completion) are compared with prior year actual results, adjusted to include the results of acquisitions for the commensurate period in the prior year. The Group uses 'proforma' and 'like for like' interchangeably
Proposed dividend	Dividend declared by directors but not yet approved by share owners
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
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
Stocks	Inventories
Tangible fixed assets	Property and equipment
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

Share owners' register

A register of share owners' interests is kept at the Company's head office and is available for inspection on request. The register includes information on nominee accounts and their beneficial owners.

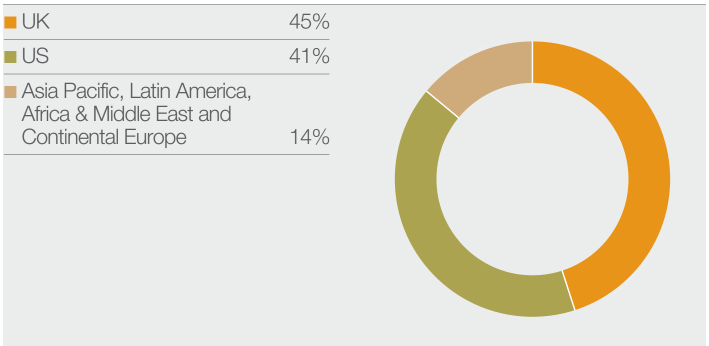
Analysis of shareholdings at 31 December 2003

Issued share capital as at 31 December 2003: 1,187,432,353 ordinary shares.

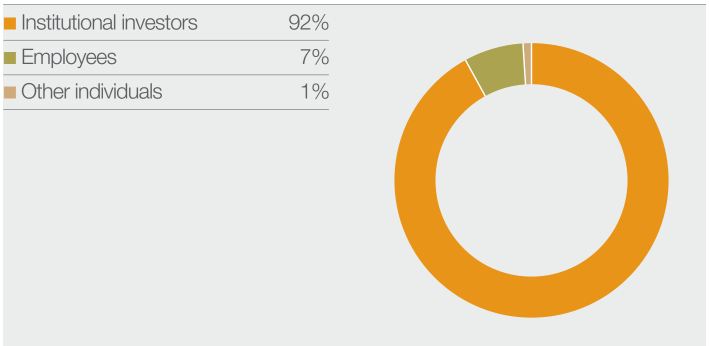
Number of shares held	Number of owners	%	Total of shares	%
1 – 100	2,901	21.04%	95,163	0.01%
101 – 250	1,597	11.58%	295,258	0.02%
251 – 500	2,113	15.32%	811,739	0.07%
501 – 1,000	2,364	17.14%	1,839,452	0.16%
1,001 – 5,000	2,791	20.24%	6,250,933	0.53%
5,001 – 10,000	437	3.17%	3,116,268	0.26%
10,001 – 25,000	437	3.17%	7,126,295	0.60%
25,001 – 50,000	267	1.94%	9,777,800	0.82%
50,001 – 100,000	251	1.82%	18,052,934	1.52%
100,001 – 500,000	361	2.62%	83,964,146	7.07%
500,001 – 1,000,000	103	0.75%	72,450,390	6.10%
1,000,001 – 2,000,000	72	0.52%	101,784,149	8.57%
2,000,001 – 3,000,000	25	0.18%	61,981,496	5.22%
3,000,001 – 4,000,000	16	0.12%	54,499,177	4.59%
4,000,001 and above	54	0.39%	765,387,153	64.46%
Totals	**13,789**	**100%**	**1,187,432,353**	**100%**

Share owners by geography	%	Share owners by type	%
UK	45	Institutional investors	92
US	41	Employees	7
Asia Pacific, Latin America, Africa & Middle East and Continental Europe	14	Other individuals	1
Total	**100**	**Total**	**100**

Share owners by geography



Share owners by type



Dividends

Ordinary share owners have received the following dividends in respect of each financial year:

	2003	2002	2001	2000	1999
Interim dividend per ordinary share	**2.08p**	1.73p	1.44p	1.20p	1.00p
Final (2003 proposed) dividend per ordinary share	**4.40p**	3.67p	3.06p	2.55p	2.10p
Total	**6.48p**	**5.40p**	**4.50p**	**3.75p**	**3.10p**

American Depositary Receipts (ADRs)

Each ADR represents five ordinary shares.

ADR holders receive the annual and interim reports issued by WPP Group plc.

WPP Group 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. Form 20-F is also available from our Investor Relations departments in London or New York.

ADR dividends

ADR holders are eligible for all stock dividends or other entitlements accruing on the underlying WPP Group 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 depositary. Dividends on ADRs that are registered with brokers are sent to the brokers, who forward them to ADR holders. WPP's US depositary is Citibank N.A. (address on page 147).

Dividends per ADR, including UK tax refunds but before US tax credits, in respect of each financial year are set out below.

	2003	2002	2001	2000	1999
In £ sterling					
Interim	**10.40p**	8.65p	7.20p	6.00p	5.00p
Final (2003 proposed)	**22.00p**	18.35p	15.30p	12.75p	10.50p
Total	**32.40p**	27.00p	22.50p	18.75p	15.50p
In US dollars[1]					
Interim	**17.01¢**	13.00¢	10.40¢	9.10¢	8.10¢
Final (2003 proposed)	**35.98¢**	27.60¢	22.00¢	19.30¢	17.00¢
Total	**52.99¢**	40.60¢	32.40¢	28.40¢	25.10¢

Notes

[1] These figures have been translated for convenience purposes only, using the profit and loss exchange rate shown on page 115. 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.

For dividends paid on or after 6 April 1999, and up to 30 April 2003, or where individuals have elected for the old UK:US treaty to apply to 30 April 2004, ADR holders are no longer able to reclaim any part of the UK tax credit related to dividends. Under the terms of the US treaty, dividend payments will be reduced by a maximum withholding tax amount of 15% of the total of the dividend and the accompanying tax credit. The tax credit may not be reclaimed but the excess of the withholding tax (15% of the total dividend and the accompanying tax credit) over the tax credit (one-ninth of the dividend) is not collected and does not reduce the dividend payable.

The aggregate of the dividend and the tax credit will be treated as a dividend for US tax credit purposes. Any US taxation liability can be reduced by a claim for credit for the UK withholding tax actually suffered.

Dollar amounts paid to ADR holders depend on the sterling/dollar exchange rate at the time of payment.

Due to the ratification of the new UK:US treaty, for dividends paid on or after 1 May 2003 no withholding tax will be imposed on dividends paid to ADR holders and there will no longer be any entitlement to offset any part of the UK taxation credit against any US taxation liability. The dividend received (without any gross up for withholding tax suffered or tax credits) will be subject to US taxation.

Whether it is beneficial for an individual to elect for the old UK:US treaty to apply to 30 April 2004 will depend on individual circumstances and therefore share owners are advised to consult their professional advisors.

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 2003 final dividend will be paid on 5 July 2004 to share owners on the register at 4 June 2004.
- Interim statements for the half-year ending 30 June are issued in August.
- Quarterly trading announcements are issued in April and October.
- Interim dividends are paid in November.
- Preliminary announcements of results for the financial year ending 31 December are issued in February.
- Annual reports are posted to share owners in May.
- Annual General Meetings are held in London in June.

Share price

The mid-market price of the shares at 31 December was as follows:

	2003	2002	2001
Ordinary 10p shares	**548.5p**	474.5p	760.0p

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 0906 843 4544; calls charged at 60p per minute at all times).

Access numbers/Ticker symbols

	NASDAQ	Reuters	Bloomberg
Ordinary shares	–	WPP.L	WPP LN
American Depositary Shares	WPPGY	WPPGY.O	WPPGY US

www.wppinvestor.com
This public website, created specifically for WPP's share owners and the worldwide financial community, contains a comprehensive menu of current and historical financial information, news releases, trading reports and share price information.

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PO Box 82
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Bridgwater Road
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Pennypot Industrial Estate
Hythe
Kent CT21 6PE
The Company's registered number is 1003653.

Tax information

Reclaiming income tax on dividends

For dividends paid on or after 6 April 1999, the tax credit available to individual share owners resident in the UK is reduced to one-ninth of the dividend, and tax credits are no longer repayable to UK holders with no tax liability. Also with effect from 6 April 1999, 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 continue to satisfy their income tax liability on UK dividends. The higher rate of tax on dividend income was also reduced to 32.5% from 6 April 1999, which is intended to leave higher rate taxpayers with the same amount of after-tax income as they would have received prior to the changes.

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 shares 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. ■

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Recognition for previous WPP Annual Reports

2002 Silver Award in the League of American Communications Professionals' Vision Awards Annual Report Competition.

2000 Annual Report received a ProShare Commendation for best Annual Report for private investors in a FTSE 100 Company.

1999 Annual Report selected by the D&AD 2001 Annual, a showcase of the world's best design work.

1999 ProShare Award for best Annual Report and Accounts for private investors in a FTSE 100 Company, for the second year in a row.

1999 British Design and Art Direction Awards: Silver Award to WPP director Jeremy Bullmore for his essay, *Polishing the Apples*.

1998 Stock Exchange and Chartered Accountants Annual Awards for Published Accounts: Highly Commended.

1998 ProShare Award for best Annual Report and Accounts for private investors in a FTSE 100 Company.

Group information

Group information
If you would like further general information about WPP, its companies or any of the programs, publications or initiatives mentioned in this report, please visit our website: **www.wpp.com** or contact:

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e.wire, our monthly online bulletin providing a round-up of news from around the WPP world, is automatically delivered to subscribers' e-mail addresses. Register to receive e.wire at **www.wpp.com**

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