Appendix I

WPP GROUP PLC

Interim results for the six months ended 30 June 2005

Unaudited consolidated interim income statement for the six months ended 30 June 2005

	Notes	Six months ended 30 June 2005	Six months ended 30 June 2004		Constant Currency[1]	Year ended 31 December 2004
		£m	£m	+/(-)%	+/(-)%	£m
Turnover (billings)		11,333.6	9,155.2	23.8	23.7	19,598.0
Revenue		2,467.5	2,025.6	21.8	21.9	4,299.5
Direct costs		(111.1)	(104.7)	(6.1)	(5.1)	(225.1)
Gross profit		2,356.4	1,920.9	22.7	22.8	4,074.4
Operating costs	4	(2,103.8)	(1,738.0)	(21.0)	(21.3)	(3,598.9)
Operating profit		252.6	182.9	38.1	37.5	475.5
Share of results of associates	4	13.7	12.2	12.3	8.6	29.5
Profit before interest and taxation		266.3	195.1	36.5	35.6	505.0
Finance income		24.8	20.0	24.0	22.3	56.4
Finance costs	5	(69.6)	(55.1)	(26.3)	(27.3)	(127.0)
Profit before taxation		221.5	160.0	38.4	36.9	434.4
Taxation	7	(72.6)	(55.8)	(30.1)	(28.7)	(135.0)
Profit for the period		148.9	104.2	42.9	41.2	299.4
Attributable to:						
Equity holders of the parent		135.4	93.1	45.4	44.0	273.0
Minority interests		13.5	11.1	(21.6)	(18.0)	26.4
		148.9	104.2	42.9	41.2	299.4
Headline PBIT	6,18	299.6	228.1	31.3	30.5	560.2
Headline PBIT margin	18	**12.1%**	**11.3%**			**13.0%**
Headline PBT	18	254.8	193.0	32.0	30.6	489.6
Earnings per share[2]						
Basic earnings per ordinary share	9	11.4p	8.2p	39.0	36.6	24.0p
Diluted earnings per ordinary share	9	11.1p	8.0p	38.8	36.9	23.4p

[1] The basis for calculating the constant currency percentage change shown above is described in the glossary attached to this appendix.
[2] The calculations of the Group's earnings per share and Headline earnings per share are set out in note 9.

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Unaudited consolidated summary interim cash flow statement for the six months ended 30 June 2005

	Notes	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
		£m	£m	£m
Net cash (outflow)/ inflow from operating activities	10	**(34.0)**	**(157.8)**	**556.4**
Investing activities				
Acquisitions and disposals	10	(336.0)	(144.3)	(208.9)
Purchase of property, plant and equipment		(70.2)	(31.7)	(95.6)
Proceeds on disposal of property, plant and equipment		2.1	3.3	9.3
Net cash outflow from investing activities		**(404.1)**	**(172.7)**	**(295.2)**
Financing activities				
Issue of shares		15.8	8.5	17.9
Share repurchases and buybacks	10	(75.1)	(71.2)	(88.7)
Net (decrease)/increase in borrowings	10	(96.0)	126.6	128.6
Financing and share issue costs		(0.9)	(4.3)	(5.0)
Equity dividends paid		-	-	(81.7)
Dividends paid to minority shareholders in subsidiary undertakings		(14.3)	(11.9)	(22.5)
Net cash (outflow)/inflow from financing activities		**(170.5)**	**47.7**	**(51.4)**
Net (decrease)/ increase in cash and cash equivalents		**(608.6)**	**(282.8)**	**209.8**
Translation differences		34.5	(17.8)	(44.6)
Cash and cash equivalents at beginning of period		1,283.0	1,117.8	1,117.8
Cash and cash equivalents at end of period	10	**708.9**	**817.2**	**1,283.0**
Reconciliation of net cash flow to movement in net debt:				
Net (decrease)/ increase in cash and cash equivalents		**(608.6)**	**(282.8)**	**209.8**
Cash inflow/(outflow) from (increase)/decrease in debt financing		96.5	(122.6)	(124.2)
Net debt acquired		(140.8)	-	(9.6)
Other movements		(32.4)	(4.0)	(8.2)
Translation difference		(2.0)	31.1	(6.7)
Movement of net debt in the period		**(687.3)**	**(378.3)**	**61.1**
Net debt at beginning of period		(300.4)	(361.5)	(361.5)
IAS 39 adjustment at 1 January 2005	11	(254.3)	-	-
Net debt at end of period	12	**(1,242.0)**	**(739.8)**	**(300.4)**

Unaudited consolidated statement of recognised income and expense for the six months ended 30 June 2005

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Profit for the period	135.4	93.1	273.0
Exchange adjustments on foreign currency net investments	141.7	(91.7)	(102.7)
Actuarial loss on defined benefit pension schemes	-	-	(18.2)
Deferred tax on defined benefit pension schemes	-	-	3.3
Total recognised income and expense relating to the period	277.1	1.4	155.4
Impact of adoption of IAS 32 and IAS 39 on 1 January 2005	*(62.1)*		

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Unaudited consolidated interim balance sheet as at 30 June 2005

	Notes	30 June 2005	30 June 2004	31 December 2004
		£m	£m	£m
Non-current assets				
Intangible assets:				
Goodwill	13	5,431.3	4,366.3	4,389.7
Other	14	1,085.3	814.6	773.6
Property, plant and equipment		384.6	308.4	309.8
Interests in associates		507.0	361.7	385.5
Other investments		32.0	14.6	8.1
Deferred tax assets		118.4	90.1	100.2
		7,558.6	5,955.7	5,966.9
Current assets				
Inventories and work in progress		346.7	314.2	220.6
Trade and other receivables		4,255.8	2,363.5	2,601.0
Trade receivables within working capital:[2]				
Gross debts		-	605.3	545.7
Non-returnable proceeds		-	(275.6)	(261.0)
		-	329.7	284.7
Cash and short term deposits		1,163.0	1,017.8	1,616.0
		5,765.5	4,025.2	4,722.3
Current liabilities				
Trade and other payables	15	(5,687.7)	(4,116.6)	(4,515.9)
Corporate income tax payable		(54.1)	(32.5)	(53.1)
Bank overdrafts and loans		(873.5)	(361.8)	(597.8)
		(6,615.3)	(4,510.9)	(5,166.8)
Net current liabilities		(849.8)	(485.7)	(444.5)
Total assets less current liabilities		6,708.8	5,470.0	5,522.4
Non-current liabilities				
Bonds and bank loans		(1,531.5)	(1,395.8)	(1,318.6)
Trade and other payables	16	(647.4)	(515.8)	(536.6)
Deferred tax liabilities		(452.2)	(326.2)	(312.3)
Provision for post employment benefits		(202.3)	(198.9)	(202.3)
Provisions for liabilities and charges		(133.3)	(82.4)	(86.9)
		(2,966.7)	(2,519.1)	(2,456.7)
Net assets		3,742.1	2,950.9	3,065.7
Equity				
Called up share capital		126.3	117.9	118.5
Share premium account		1,035.3	968.6	1,002.2
Shares to be issued		44.5	118.0	49.9
Merger reserve		3,414.6	2,928.4	2,920.6
Other reserves		90.9	(84.8)	(90.6)
Own shares[1]		(281.2)	(305.3)	(277.7)
Retained earnings		(752.5)	(836.5)	(711.8)
Equity share owners' funds	17	3,677.9	2,906.3	3,011.1
Minority interests		64.2	44.6	54.6
Total Equity		3,742.1	2,950.9	3,065.7

[1]Investments in own shares held by the ESOP Trusts.
[2]Following the adoption of IAS 32 and IAS 39 the Group have reclassified the working capital facility on 1 January 2005 as IFRS does not permit linked presentation. The 2004 figures have not been restated as permitted by IFRS 1.

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Notes to the unaudited consolidated interim financial statements (Notes 1-18)

1. Basis of accounting

The unaudited consolidated interim financial statements are prepared under the historical cost convention, except for the revaluation of certain financial instruments as disclosed in our accounting policies.

The financial statements of the Group for the year ended 31 December 2005 will be prepared under International Financial Reporting Standards (IFRS). These interim financial statements have been prepared in accordance with IFRS with the exception that the Group has not adopted the interim reporting requirements of IAS 34 (Interim Financial Reporting).

2. Accounting policies

The accounting policies adopted by the Group are set out in Appendix II.

Statutory Information and Independent Review

The interim financial statements for the six months to 30 June 2005 and 30 June 2004 do not constitute statutory accounts. The financial information for the year ended 31 December 2004 does not constitute statutory accounts for the purposes of s240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2004, prepared under UK GAAP, were delivered to the Registrar of Companies and received an unqualified auditors' report. The interim financial statements are unaudited but have been reviewed by the auditors and their report is set out on page 28.

The announcement of the interim results was approved by the board of directors on 25 August 2005.

3. Currency conversion

The 2005 unaudited consolidated interim income statement is prepared using, among other currencies, an average exchange rate of US$1.8728 to the pound (period ended 30 June 2004: US$1.8229; year ended 31 December 2004: US$1.8326). The unaudited consolidated interim balance sheet as at 30 June 2005 has been prepared using the exchange rate on that day of US$1.7918 to the pound (30 June 2004: US$1.8144; 31 December 2004: US$1.9158).

The basis for calculating the constant currency percentage changes, shown on the face of the consolidated interim income statement, is described in the glossary attached to this appendix.

4. Operating costs and share of results of associates

Operating costs include:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Amortisation of acquired intangible assets	11.8	-	-
Goodwill impairment	20.5	26.0	40.6
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.0	5.0	12.6
Profits on disposal of fixed asset investments	-	-	(3.0)
Amounts written off fixed asset investments	-	2.0	5.0
Other operating costs	2,070.5	1,705.0	3,543.7
	2,103.8	1,738.0	3,598.9

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Notes to the unaudited consolidated interim financial statements (continued)

4. Operating costs and share of results of associates (continued)

Share of results of associates include:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Share of profit before interest and taxation	23.8	20.8	48.1
Share of interest, taxation and minority interest	(10.1)	(8.6)	(18.6)
	13.7	12.2	29.5

5. Finance costs

Finance costs include:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Net interest charges on defined benefit pension schemes	4.0	5.4	9.5
Interest payable and similar charges[1]	65.6	49.7	117.5
Finance charges (excluding revaluation of financial instruments)	69.6	55.1	127.0
Revaluation of financial instruments	-	-	-
	69.6	55.1	127.0

[1]The charge of £65.6 million for the six months ended 30 June 2005 includes expense of £7.1 million arising from the change in accounting for the Group's convertible bonds following the adoption of IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' on 1 January 2005. Prior period comparatives have not been restated as the effective date of transition to these standards was 1 January 2005 (see also the revised accounting policies of the group detailed in Appendix II). This approach also applies to the initial recognition and subsequent re-measurement of the fair value of other financial instruments shown below. UK GAAP has continued to be applied in accounting for financial instruments in previous periods.

The following are included in the revaluation of financial instruments shown above:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	-	-
Movements in fair value of treasury instruments	2.1	-	-
Revaluations of put options over minority interests (note 15)	(2.0)	-	-
Other	(0.1)	-	-
	-	-	-

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Notes to the unaudited consolidated interim financial statements (continued)

6. Segmental analysis

Reported contributions by operating sector were as follows:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Revenue			
Advertising, Media Investment Management	1,185.9	936.7	1,985.3
Information, Insight & Consultancy	387.5	336.4	744.8
Public Relations & Public Affairs	251.8	221.6	445.2
Branding & Identity, Healthcare and Specialist Communications	642.3	530.9	1,124.2
	2,467.5	2,025.6	4,299.5
Headline PBIT[1]			
Advertising, Media Investment Management	158.6	119.9	295.0
Information, Insight & Consultancy	36.1	22.5	66.1
Public Relations & Public Affairs	35.0	29.4	58.4
Branding & Identity, Healthcare and Specialist Communications	69.9	56.3	140.7
	299.6	228.1	560.2
Headline PBIT Margin	**%**	**%**	**%**
Advertising, Media Investment Management	13.4	12.8	14.9
Information, Insight & Consultancy	9.3	6.7	8.9
Public Relations & Public Affairs	13.9	13.2	13.1
Branding & Identity, Healthcare and Specialist Communications	10.9	10.6	12.5
	12.1	11.3	13.0

[1] Headline PBIT is defined in Note 18.

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Notes to the unaudited consolidated interim financial statements (continued)

6. Segmental analysis (continued)

Reported contributions by geographical area were as follows:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Revenue			
United Kingdom	389.0	343.4	728.5
North America	973.4	809.8	1,651.9
Continental Europe	662.3	524.3	1,134.8
Asia Pacific, Latin America, Africa & Middle East	442.8	348.1	784.3
	2,467.5	2,025.6	4,299.5
Headline PBIT[1]			
United Kingdom	31.3	26.4	75.7
North America	151.9	123.3	251.2
Continental Europe	68.9	45.5	128.1
Asia Pacific, Latin America, Africa & Middle East	47.5	32.9	105.2
	299.6	228.1	560.2
Headline PBIT Margin	**%**	**%**	**%**
United Kingdom	8.0	7.7	10.4
North America	15.6	15.2	15.2
Continental Europe	10.4	8.7	11.3
Asia Pacific, Latin America, Africa & Middle East	10.7	9.5	13.4
	12.1	11.3	13.0

[1] Headline PBIT is defined in Note 18.

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Notes to the unaudited consolidated interim financial statements (continued)

7. Taxation

The Group tax rate on Headline PBT[1] is 28.5% (30 June 2004: 28.9% and 31 December 2004: 27.6%). The tax charge comprises:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Total current tax	74.7	55.8	140.7
Total deferred tax	(2.1)	-	(5.7)
Total tax on profits	72.6	55.8	135.0

[1] Headline PBT is defined in Note 18.

8. Ordinary dividends

The Board has recommended an interim dividend of 3.00p (2004: 2.50p) per ordinary share. This is expected to be paid on 14 November 2005 to share owners on the register at 14 October 2005.

The Board recommended a final dividend of 5.28p per ordinary share in respect of 2004. This was approved by the company's shareholders in the general meeting on 27 June 2005 and paid on 4 July 2005.

9. Earnings per share

Basic EPS

The reconciliation between Reported and Headline EPS, and between earnings figures used in calculating them, is as follows:

	Six months ended 30 June 2005	Six months ended 30 June 2004	+/(-)%	Constant Currency +/(-)%	Year ended 31 December 2004
Reported earnings[1] (£m)	135.4	93.1			273.0
Headline earnings (£m) (note 18)	168.7	126.1			328.2
Average shares used in Basic EPS calculation (m)	1,192.7	1,132.0			1,136.1
Reported EPS	11.4p	8.2p	39.0	36.6	24.0p
Headline EPS	14.1p	11.1p	27.0	25.6	28.9p

[1] Reported earnings is equivalent to profit for the period attributable to equity holders of the parent.

Diluted EPS

The diluted Reported and Headline EPS are set out below:

	Six months ended 30 June 2005	Six months ended 30 June 2004	+/(-)%	Constant Currency +/(-)%	Year ended 31 December 2004
Diluted Reported Earnings (£m)	135.4	93.1			285.2
Diluted Headline Earnings (£m)	168.7	126.1			340.4
Shares used in Diluted EPS calculation (m)	1,218.6	1,162.8			1,219.6
Diluted Reported EPS	11.1p	8.0p	38.8	36.9	23.4p
Diluted Headline EPS	13.8p	10.8p	27.8	26.4	27.9p

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Notes to the unaudited consolidated interim financial statements (continued)

9. Earnings per share (continued)

Diluted EPS has been calculated based on the Reported and Headline Earnings amounts above. For the six month periods ended 30 June 2005 and 30 June 2004, both the $287.5 million convertible bonds and the £450 million convertible bonds were accretive to earnings and therefore excluded from the calculation of dilutive earnings. In addition, for the six months ended 30 June 2005 the $150 million Grey convertible was accretive to earnings and therefore excluded from the calculation of dilutive earnings. For the year ended 31 December 2004, both the $287.5 million convertible bonds and the £450 million convertible bonds were dilutive and earnings were consequently increased by £12.2 million.

A reconciliation between the shares used in calculating Basic and Diluted EPS is as follows:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	m	m	m
Average shares used in Basic EPS calculation	1,192.7	1,132.0	1,136.1
Dilutive share options outstanding	19.3	21.7	20.6
Other potentially issuable shares	6.6	9.1	4.6
$287.5 million convertible bonds	-	-	16.4
£450 million convertible bonds	-	-	41.9
Shares used in Diluted EPS calculation	1,218.6	1,162.8	1,219.6

At 30 June 2005 there were 1,262,775,409 ordinary shares in issue.

10. Analysis of cash flows

The following tables analyse the items included within the main cash flow headings on page 12:

Net cash (outflow)/inflow from operating activities:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Operating profit	252.6	182.9	475.5
Adjustments for:			
Non cash share-based incentive plans (including stock options)	30.3	22.9	58.8
Depreciation of property, plant and equipment	51.0	47.9	103.4
Impairment of goodwill	20.5	26.0	40.6
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.0	5.0	12.6
Amortisation of acquired intangible assets	11.8	-	-
Profits on disposal of fixed asset investments	-	-	(3.0)
Loss on sale of property, plant and equipment	-	-	1.9
Amounts written off fixed asset investments	-	2.0	5.0
Operating cash flow before movements in working capital	**367.2**	**286.7**	**694.8**
Movements in working capital and provisions	(317.9)	(368.0)	(4.8)
Cash generated by operations	**49.3**	**(81.3)**	**690.0**
Corporation and overseas tax paid	(57.3)	(48.1)	(101.3)
Interest and similar charges	(63.0)	(58.1)	(99.7)
Interest received	27.5	20.2	48.9
Dividends from associates	9.5	9.5	18.5
	(34.0)	**(157.8)**	**556.4**

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Notes to the unaudited consolidated financial statements (continued)

10. Analysis of cash flows (continued)

Acquisitions and disposals:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Initial cash consideration	(468.9)	(40.7)	(97.3)
Cash/(overdraft) acquired	176.1	(12.5)	6.3
Earnout payments	(69.3)	(65.6)	(78.6)
Loan note redemptions	(3.2)	(14.8)	(26.6)
Purchase of other investments (including associates)	(8.2)	(10.7)	(22.0)
Proceeds on disposal of investments	37.5	-	9.3
	(336.0)	**(144.3)**	**(208.9)**

Share repurchases and buybacks:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Share cancellations (including brokerage fees)	(58.9)	(67.6)	(73.7)
Purchase of own shares by ESOP trust	(16.2)	(3.6)	(15.0)
	(75.1)	**(71.2)**	**(88.7)**

Net (decrease)/increase in borrowings:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Increase/(decrease) in drawings on bank loans	123.7	(1.1)	0.9
Repayment of $287.5 million convertible bond	(154.4)	-	-
Repayment of $125 million Grey debt	(65.3)	-	-
Proceeds from issue of $650 million 10 year bond	-	358.2	358.2
Repayment of €350 million bond	-	(230.5)	(230.5)
	(96.0)	**126.6**	**128.6**

Cash and cash equivalents:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Cash at bank and in hand	1,088.7	804.4	1,372.0
Short-term bank deposits	74.3	213.4	244.0
Overdrafts[1]	(454.1)	(200.6)	(333.0)
	708.9	**817.2**	**1,283.0**

[1] Bank overdrafts are included in cash and cash equivalents because they form an integral part of the entity's cash management.

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Notes to the unaudited consolidated interim financial statements (continued)

11. Financial instruments

The IAS 32 and IAS 39 adjustments to net debt at 1 January 2005 are made up of the following:

	£m
Reclassification of components of convertible debt	32.4
Reclassification of the deferred gain recognised under UK GAAP	(18.6)
Recognition of financial instruments at fair value	(7.1)
Reclassification of the working capital facility (note 12)	(261.0)
	(254.3)

12. Net debt

	30 June 2005	30 June 2004	31 December 2004
	£m	£m	£m
Cash and short term deposits	1,163.0	1,017.8	1,616.0
Bank loans and overdrafts due within one year	(594.5)	(361.8)	(597.8)
Corporate bond and loans due after one year	(1,531.5)	(1,395.8)	(1,318.6)
Working capital facility[1]	(279.0)	-	-
	(1,242.0)	**(739.8)**	**(300.4)**

[1]The Group has a working capital facility (the advance of cash financing against which certain trade debts have been assigned) that IAS 32 and IAS 39 require to be presented as a bank borrowing. As the Group have elected to apply IAS 32 and IAS 39 from 1 January 2005, the periods before this date will continue to comply with 2004 UK GAAP as a deduction from debtors, in accordance with the 'linked presentation' required by FRS 5 (Reporting the substance of transactions). The drawdown on the facility has remained at $500 million for all of the periods above.

13. Goodwill and acquisitions

During the period, the Group charged £20.5 million (30 June 2004: £26.0 million; 31 December 2004: £40.6 million) of goodwill impairment to the income statement, £11.8 million (30 June 2004: £nil; 31 December 2004: £nil) of amortisation of acquired intangible assets, primarily comprising the value of company brand names and client relationships recognised on acquisitions, and £1.0 million (30 June 2004: £5.0 million; 31 December 2004: £12.6 million) in relation to the utilisation of pre-acquisition tax losses.

The impairment charge relates to a number of under-performing businesses in the Advertising and Media investment management, and Branding & identity, Healthcare and Specialist communications sectors. In certain markets, the impact of current, local economic conditions and trading circumstances on these businesses is sufficiently severe to indicate impairment to the carrying value of goodwill. The Directors will reassess the need for any further impairment write-downs at the year end.

In addition the Group charged £nil of fixed asset investment write offs (30 June 2004: £2.0 million; 31 December 2004: £5.0 million) to the income statement.

Goodwill in relation to subsidiary undertakings increased by £1,041.6 million in the period. Other than impairment this includes both goodwill arising on acquisitions completed in the period and also adjustments to goodwill relating to acquisitions completed in prior periods. Goodwill in relation to associate undertakings increased by £88.0 million in the period.

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Notes to the unaudited consolidated interim financial statements (continued)

13. Goodwill and acquisitions (continued)

Future anticipated payments to vendors in respect of both deferred and earnout obligations totalled £233.1 million (period ended 30 June 2004: £246.3 million; year ended 31 December 2004: £298.6 million). 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.

On 7 March 2005 the Group completed the acquisition of Grey Global Group, Inc. (Grey) in consideration for 78 million new WPP ordinary shares and £384 million in cash. Grey has been consolidated in the results of the Group from the date of completion.

In aggregate, for the six months ended 30 June 2005, acquisitions contributed £274.0 million to revenue, £40.4 million to operating profit and £40.9 million to Headline PBIT.

14. Other intangible assets

The following are included in other intangibles:

	30 June 2005	**30 June 2004**	**31 December 2004**
	£m	£m	£m
Brands with an indefinite life	794.0	784.1	742.6
Acquired intangibles	260.2	7.0	7.0
Other	31.1	23.5	24.0
	1,085.3	**814.6**	**773.6**

Acquired intangible assets increased by £253.2 million during the period, primarily due to the recognition at fair value of corporate brands and customer relationships resulting from the acquisition of Grey. These assets are being amortised over their respective useful lives, which vary from 2 to 20 years, depending on the nature of the asset concerned. In accordance with IAS 12 the Group has recognised a deferred tax liability of £100.2 million, being the difference between the book and tax carrying values of these intangibles. This has increased the goodwill on the acquisition of Grey by the same amount even though the Group does not consider that any deferred tax liability in respect of this item will ever crystallise.

WPP GROUP PLC

Notes to the unaudited consolidated interim financial statements (continued)

15. Trade and other payables: amounts falling due within one year

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

	30 June 2005	30 June 2004	31 December 2004
	£m	£m	£m
Trade creditors	3,713.4	2,542.3	2,885.3
Dividends payable	62.6	52.2	-
Deferred income	570.9	417.5	405.8
Payments due to vendors	87.1	82.4	146.6
Loan notes due to vendors	34.1	19.4	7.2
Liabilities in respect of put option agreements of vendors[1]	23.5	-	-
Other creditors and accruals	1,196.1	1,002.8	1,071.0
	5,687.7	4,116.6	4,515.9

[1]The recognition of liabilities in respect of put options arises from the adoption of IAS 32 and IAS 39 on 1 January 2005. Prior years have not been restated as permitted by IFRS 1 (see also the revised accounting policies in Appendix II).

16. Trade and other payables: amounts falling due after more than one year

The following are included in trade and other payables falling due after more than one year:

	30 June 2005	30 June 2004	31 December 2004
	£m	£m	£m
Corporate income tax payable	320.3	281.2	290.6
Payments due to vendors	146.0	163.9	152.0
Liabilities in respect of put option agreements with vendors	32.6	-	-
Other creditors and accruals	148.5	70.7	94.0
	647.4	515.8	536.6

The following table sets out the directors' best estimates of future deferred and earnout related obligations:

	30 June 2005	30 June 2004	31 December 2004
	£m	£m	£m
Within one year	87.1	82.4	146.6
Between 1 and 2 years	68.5	78.6	65.0
Between 2 and 3 years	36.9	50.3	61.0
Between 3 and 4 years	14.9	29.4	3.4
Between 4 and 5 years	18.9	3.9	21.4
Over 5 years	6.8	1.7	1.2
	233.1	246.3	298.6

The Group does not consider there to be any material contingent liabilities as at 30 June 2005.

WPP GROUP PLC

Notes to the unaudited consolidated interim financial statements (continued)

16. Trade and other payables: amounts falling due after more than one year (continued)

The corporate and convertible bonds, bank loans and overdrafts and working capital facility included within short and long term creditors fall due for repayment as follows:

	30 June 2005	30 June 2004	31 December 2004
	£m	£m	£m
Within one year	873.5	361.8	597.8
Between 1 and 2 years	532.4	110.0	2.5
Between 2 and 3 years	451.2	441.5	453.3
Between 3 and 4 years	55.8	434.7	510.9
Between 4 and 5 years	-	55.0	-
Over 5 years	492.1	354.6	351.9
	2,405.0	1,757.6	1,916.4

17. Reconciliation of movements in consolidated equity share owners' funds

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Profit for the period	135.4	93.1	273.0
Ordinary dividends payable	(62.6)	(52.2)	(81.6)
	72.8	40.9	191.4
Non cash share-based incentive plans (including stock options)	30.3	22.9	58.8
Exchange adjustments on foreign currency net investments	141.7	(91.7)	(102.7)
Ordinary shares issued in respect of acquisitions	506.4	-	-
Share issue / cancellation costs	(3.6)	(0.3)	(0.8)
Other share issues	15.4	8.5	32.8
Share cancellations	(58.9)	(67.5)	(73.6)
Actuarial loss on defined benefit schemes	-	-	(18.2)
Deferred tax on defined benefit pension schemes	-	-	3.3
Net additions of own shares by ESOP Trusts	(16.2)	(3.6)	(14.9)
Transfer to goodwill	-	-	(67.3)
Tax benefit of share-based payments	3.5	3.7	8.7
Revaluation of other investments	15.8	-	-
Equity component of Grey convertible debt acquired	19.2	-	-
Other movements	2.5	3.2	3.4
Net additions/(deductions) to equity share owners' funds	728.9	(83.9)	20.9
Opening equity share owners' funds	3,011.1	2,990.2	2,990.2
Impact of adoption of IAS 32 and IAS 39 on 1 January 2005	(62.1)	-	-
Closing equity share owners' funds	3,677.9	2,906.3	3,011.1

WPP GROUP PLC

Notes to the unaudited consolidated interim financial statements (continued)

18. Non-GAAP measures of performance

Reconciliation of Headline PBIT and Headline PBT under IFRS to 2004 UK GAAP

	Margin (%)	Six months ended 30 June 2005	Margin (%)	Six months ended 30 June 2004
		£m		£m
Revenue		**2,467.5**		**2,025.6**
Headline PBIT (IFRS)	12.1%	299.6	11.3%	228.1
Share-based payments (IFRS 2)	0.6%	13.5	0.6%	13.0
Accumulating compensated absences (IAS 19)	0.6%	15.0	0.8%	15.0
Accounting for associates (IAS 28)	0.4%	10.1	0.4%	8.6
		38.6		36.6
Headline PBIT (2004 UK GAAP)	13.7%	338.2	13.1%	264.7
Headline PBT (IFRS)		254.8		193.0
Adjustments to Headline PBIT (as above)		38.6		36.6
Additional interest on convertible debt (IAS 32)		7.1		-
Interest on associates (IAS 28)		-		(0.3)
Headline PBT (2004 UK GAAP)		300.5		229.3

Reconciliation of profit before interest and taxation to Headline PBIT for the six months ended 30 June 2005

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Profit before interest and taxation	**266.3**	**195.1**	**505.0**
Profits on disposal of fixed asset investments	-	-	(3.0)
Amounts written off fixed asset investments	-	2.0	5.0
Goodwill impairment	20.5	26.0	40.6
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.0	5.0	12.6
Amortisation of acquired intangible assets	11.8	-	-
Headline PBIT	**299.6**	**228.1**	**560.2**
Investment income	24.8	20.0	56.4
Finance charges (excluding revaluation of financial instruments)	(69.6)	(55.1)	(127.0)
	(44.8)	(35.1)	(70.6)
Interest cover on Headline PBIT[1]	**6.7 times**	**6.5 times**	**7.9 times**

[1]The finance charges for the six months ended 30 June 2005 of £69.9 million shown above include £7.1 million arising from the change in accounting for the Group's convertible bonds under IFRS. Interest cover on a comparable basis with prior periods would be 8.0 times.

WPP GROUP PLC

Notes to the unaudited consolidated interim financial statements (continued)

18. Non-GAAP measures of performance (continued)

Reconciliation of profit before taxation to Headline PBT and Headline earnings for the six months ended 30 June 2005

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Profit before taxation	**221.5**	**160.0**	**434.4**
Profits on disposal of fixed assets	-	-	(3.0)
Amounts written off fixed asset investments	-	2.0	5.0
Goodwill impairment	20.5	26.0	40.6
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.0	5.0	12.6
Amortisation of acquired intangibles	11.8	-	-
Revaluation of financial instruments	-	-	-
Headline PBT	**254.8**	**193.0**	**489.6**
Taxation	(72.6)	(55.8)	(135.0)
Minority interests	(13.5)	(11.1)	(26.4)
Headline earnings	**168.7**	**126.1**	**328.2**
Ordinary dividends	62.6	52.2	81.6
Dividend cover on Headline earnings	**2.7 times**	**2.4 times**	**4.0 times**

Reported margins before and after share of results of associates

	Margin (%)	Six months ended 30 June 2005	Margin (%)	Six months ended 30 June 2004
		£m		£m
Revenue		2,467.5		2,025.6
Headline PBIT	**12.1%**	299.6	**11.3%**	228.1
Share of results of associates		13.7		12.2
Headline PBIT excluding share of results of associates	**11.6%**	**285.9**	**10.7%**	**215.9**

WPP GROUP PLC

Notes to the unaudited consolidated interim financial statements (continued)

18. Non-GAAP measures of performance (continued)

Reconciliation of free cash flow for the six months ended 30 June 2005

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	£m	£m	£m
Cash generated by operations	**49.3**	**(81.3)**	**690.0**
Plus:			
Interest received	27.5	20.2	48.9
Dividends received from associates	9.5	9.5	18.5
Issue of shares	15.8	8.5	17.9
Proceeds on disposal of property, plant and equipment	2.1	3.3	9.3
Movements in working capital and provisions	317.9	368.0	4.8
Less:			
Loss on sale of property, plant and equipment	-	-	(1.9)
Interest and similar charges	(63.0)	(58.1)	(99.7)
Purchase of property, plant and equipment	(70.2)	(31.7)	(95.6)
Corporation and overseas tax paid	(57.3)	(48.1)	(101.3)
Dividends paid to minority shareholders in subsidiary undertakings	(14.3)	(11.9)	(22.5)
Free Cash Flow[1]	**217.3**	**178.4**	**468.4**

[1]Elsewhere in this release free cash flow in 2005 has been rounded to £218 million.

INDEPENDENT REVIEW REPORT TO WPP GROUP PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and related notes 1 to 18 and the statement of accounting policies in Appendix II. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

International Financial Reporting Standards

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules. The accounting policies are consistent with those that the directors intend to use in the annual financial statements. There is, however, a possibility that the Directors may determine some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRS as adopted for use in the EU.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Deloitte & Touche LLP
London
Chartered Accountants

25 August 2005

Appendix II

WPP GROUP PLC

IFRS Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in Appendix III. A more detailed summary of the key impacts from the transition from UK GAAP to IFRS is included in the Appendix to the Group's first Quarterly Trading Update issued on 22 April 2005.

A summary of the Group's principal accounting policies, which have been applied consistently throughout the year is set out below. A reconciliation to non-GAAP measures of performance is set out in Appendix I.

IFRS 1 Exemptions

IFRS 1 (First-time adoption of International Financial Reporting Standards) allows a number of exemptions from the full requirements of IFRS for those companies adopting IFRS for the first time. WPP has taken advantage of certain of these exemptions as follows:

Financial Instruments

The Group has taken advantage of the exemption available under IFRS 1 not to apply IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation) in respect of the year ended 31 December 2004. UK GAAP has continued to be applied in accounting for financial instruments in this period. The Group will adopt IAS 39 and IAS 32 with effect from 1 January 2005 and consequently restate the balance sheet at that date in accordance with the requirements of these standards, which will generally mean a recognition of financial instruments at fair value.

Business Combinations

The Group has elected not to apply IFRS 3 (Business combinations) retrospectively to business combinations that completed prior to 1 January 2004.

Share-based Payments

IFRS 2 applies to all share-based payments granted since 7 November 2002, but the Group has elected for full retrospective restatement as this better represents the ongoing charge to the income statement.

Presentation of Financial Information

The primary financial statements contained in this note have been presented substantially in accordance with the requirements of IAS 1 (Presentation of Financial Statements). The presentation has been used in this note for a more clear illustration of comparisons between IFRS and UK GAAP.

Basis of consolidation

The consolidated interim 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 period are included or excluded from the income statement from the effective date of acquisition or disposal.

Goodwill and intangible fixed assets

Intangible fixed assets comprise goodwill, certain acquired separable corporate brand names, customer relationships and capitalised computer software not integral to a related item of hardware.

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. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

WPP GROUP PLC

IFRS Significant Accounting Policies (continued)

Goodwill and intangible fixed assets (continued)
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.

Certain corporate brands of the Group are considered to have an indefinite economic life because of the institutional nature of the corporate brand names, their proven ability to maintain market leadership and profitable operations over long periods of time and 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. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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 a steady growth rate representing an appropriate long term growth rate for the industry is applied.

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.

Property, Plant and Equipment
Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment with the exception of freehold land which is not depreciated. 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 net of tax, interest and minority interest is included in the consolidated income statement and the Group's share of net assets is shown within 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.

The Group accounts for joint venture investments under the equity method which is consistent with the Group's treatment of associates.

Current asset investments are stated at the lower of cost and net realisable value.

WPP GROUP PLC

IFRS Significant Accounting Policies (continued)

Inventories
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 directly attributable costs and overheads on incomplete assignments. Provision is made for irrecoverable costs where appropriate. Inventories are stated at the lower of cost and net realisable value.

Trade receivables
Trade receivables are stated net of provisions for bad and doubtful debts.

Financial instruments
The Group has taken advantage of the exemption available under IFRS 1 not to apply IAS 32 and IAS 39 in respect of the year ended 31 December 2004. UK GAAP has continued to be applied to financial instruments in this period.

The accounting policy under UK GAAP for the year ended 31 December 2004 is disclosed in the published 2004 Annual Report.

The accounting policy under IFRS for the period commencing 1 January 2005 is as follows:

Foreign Currency and Interest Rate Hedging
The Group's policy on Interest Rate and Foreign Exchange Rate Management sets out the instruments and methods available to hedge interest and currency risk exposures and the control procedures in place to ensure effectiveness.

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

WPP GROUP PLC

IFRS Significant Accounting Policies (continued)

Liabilities in respect of option agreements
Option agreements that allow the Group's equity partners to require the Group to purchase the minority interest are treated as derivatives over equity instruments and are recorded in the balance sheet at fair value and the valuation is re-measured at each period end. The movement in the fair value is recognised as income or expense within finance charges in the income statement.

Convertible Debt
The classification of convertible debt is assessed according to the substance of the contractual arrangements and will be split into liability and equity elements on the basis of the initial fair value of the liability element. The difference between this figure and the cash received is classified as equity.

The income statement charge for the finance cost will be spread evenly over the term of the bonds so that at redemption the liability equals the redemption value.

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.

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

Turnover and revenue recognition
Turnover (billings) comprises the gross amounts of billed to clients in respect of commission-based income together with the total of other fees earned. 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 recognised in proportion to the level of service performed for market research contracts is based on proportional performance. In assessing contract performance, both input and output criteria are reviewed. Costs incurred are used as an objective input measure of performance. The primary input of all work performed under these arrangements is labour. As a result of the relationship between labour and cost, there is normally a direct relationship between costs incurred and the proportion of the contract performed to date. Costs incurred as a proportion of expected total costs is used as an initial proportional performance measure. This indicative proportional performance measure is always subsequently validated against other more subjective criteria (i.e., relevant output measures) such as the percentage of interviews completed, percentage of reports delivered to a client and the achievement of any project milestones stipulated in the contract. In the event of divergence between the objective and more subjective measures, the more subjective measures take precedence since these are output measures.

WPP GROUP PLC

IFRS Significant Accounting Policies (continued)

Information, Insight & Consultancy (continued)
While most of the studies provided in connection with the Group's market research contracts are undertaken in response to an individual client's or group of clients' specifications, in certain instances a study may be developed as an off-the-shelf product offering sold to a broad client base. For these transactions, revenue is recognised when the product is delivered. Where the terms of transaction provide for licensing the product on a subscription basis, revenue is recognised over the subscription period on a straight-line basis or, if applicable, based on usage.
Substantially all services are provided on a fixed price basis. Pricing may also include a provision for a surcharge where the actual labour hours incurred in completing a project are significantly above the labour hours quoted in the project proposal. In instances where this occurs, the surcharge will be included in the total revenue base on which to measure proportional performance when the actual threshold is reached provided that collectibility is reasonable assured.

Public Relations & Public Affairs and Branding & identity, Healthcare and Specialist Communications
Revenue is typically derived from retainer fees and services to be performed subject to specific agreement. Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement. Revenue is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the income statement revenue and related costs as contract activity progresses.

Taxation
Corporate taxes are payable on taxable profits at current rates.

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

WPP GROUP PLC

IFRS Significant Accounting Policies (continued)

Retirement benefit costs
For defined contribution schemes, contributions are charged to the income statement as payable in respect of the accounting period.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown 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 income and expense.

Where defined benefit schemes are funded, the assets of the scheme are held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. 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
Assets held under finance leases are recognised as assets of the Group at the inception of the lease at the lower of their fair value and the present value of the minimum lease payments. Depreciation on leased assets is charged to the income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement as it is incurred.

Operating leases
Operating lease rentals are charged to the income statement on a 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 income statement as they arise. The income statement 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 Recognised Income and Expense.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Share-based payments
IFRS 2 requires that share-based payments (including share options) are recognised in the income statement as an expense, spread over the relevant vesting period using a fair value model. The Group has used a Black-Scholes valuation model for this purpose.

IFRS 2 permits prospective adoption for grants made after November 2002, but the Group has chosen to adopt IFRS 2 on a full retrospective basis, for all option and share award grants as the resulting charge better reflects the ongoing impact on the Group.

Appendix III

WPP GROUP PLC

The following reconciliations are in 2004 UK GAAP format

Reconciliations from UK GAAP to IFRS
Consolidated equity share owners' funds as at 1 January 2004

	Ordinary share capital £m	Share premium account £m	Shares to be issued £m	Merger reserve £m	Other reserve £m	Own Shares £m	Income statement £m	Total £m
UK GAAP reported 1 January 2004	**118.7**	**955.3**	**130.0**	**2,921.0**	**(178.9)**	**(307.8)**	**129.4**	**3,767.7**
IFRS 1 First time adoption of IFRS[1]	**-**	**-**	**-**	**-**	**181.0**	**-**	**(181.0)**	**-**
IFRS 3 Business Combinations[2]	**-**	**-**	**-**	**-**	**-**	**-**	**(818.7)**	**(818.7)**
IAS 10 Events after the balance sheet date	**-**	**-**	**-**	**-**	**-**	**-**	**52.2**	**52.2**
Other	**-**	**-**	**-**	**-**	**-**	**-**	**(11.0)**	**(11.0)**
IFRS restated 1 January 2004	**118.7**	**955.3**	**130.0**	**2,921.0**	**2.1**	**(307.8)**	**(829.1)**	**2,990.2**

[1]Election to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS.
[2]Full retrospective restatement of goodwill and corporate brands in the functional currency of the acquiree.

WPP GROUP PLC

Reconciliations from UK GAAP to IFRS
Consolidated income statement for the six months ended 30 June 2004

	30 June 2004 Reported under UK GAAP £m	IFRS3 Business Combinations £m	IFRS 2 Share Options £m	IAS 28 Associates £m	IAS 19 Employee Benefits £m	IAS 12 Income Taxes £m	Other £m	Total IFRS adjustments £m	30 June 2004 Restated IFRS £m
Revenue	**2,025.6**								**2,025.6**
Operating profit before goodwill	**243.9**	**-**	**(13.0)**	**-**	**(15.0)**	**-**	**-**	**(28.0)**	**215.9**
Goodwill amortisation and impairment - subsidiaries	**(49.3)**	**23.3**				**(5.0)**		**18.3**	**(31.0)**
Operating profit	**194.6**	**23.3**	**(13.0)**	**-**	**(15.0)**	**(5.0)**	**-**	**(9.7)**	**184.9**
Goodwill amortisation and impairment - associates	**(1.7)**	**1.7**						**1.7**	**-**
Income from associates and joint ventures	**20.8**							**-**	**20.8**
Tax, interest and minority interest on associates	**-**			**(8.6)**				**(8.6)**	**(8.6)**
Net income from associates and joint ventures	**20.8**			**(8.6)**				**(8.6)**	**12.2**
Profit on ordinary activities before interest, taxation and amounts written off fixed asset investments	**213.7**	**25.0**	**(13.0)**	**(8.6)**	**(15.0)**	**(5.0)**	**-**	**(16.6)**	**197.1**
Amounts written off fixed asset investments	**(2.0)**							**-**	**(2.0)**
Investment income	**-**						**20.0**	**20.0**	**20.0**
Finance costs (shown net under UK GAAP)	**(35.4)**			**0.3**			**(20.0)**	**(19.7)**	**(55.1)**
Profit on ordinary activities before taxation	**176.3**	**25.0**	**(13.0)**	**(8.3)**	**(15.0)**	**(5.0)**	**-**	**(16.3)**	**160.0**
Taxation on profit on ordinary activities	**(60.6)**			**8.3**		**(3.5)**		**4.8**	**(55.8)**
Profit on ordinary activities after taxation	**115.7**	**25.0**	**(13.0)**	**-**	**(15.0)**	**(8.5)**	**-**	**(11.5)**	**104.2**
Minority interests	**(9.8)**						**(1.3)**	**(1.3)**	**(11.1)**
Profit attributable to ordinary share owners	**105.9**	**25.0**	**(13.0)**	**-**	**(15.0)**	**(8.5)**	**(1.3)**	**(12.8)**	**93.1**
Ordinary dividends	**(29.4)**						**(22.8)**	**(22.8)**	**(52.2)**
Retained profit for the year	**76.5**	**25.0**	**(13.0)**	**-**	**(15.0)**	**(8.5)**	**(24.1)**	**(35.6)**	**40.9**
Headline PBIT	**264.7**	**-**	**(13.0)**	**(8.6)**	**(15.0)**	**-**	**-**	**(36.6)**	**228.1**
Headline PBIT margin	**13.1%**								**11.3%**
Headline PBT	**229.3 ***	**-**	**(13.0)**	**(8.3)**	**(15.0)**	**-**	**-**	**(36.3)**	**193.0**

*Restated to include interest on defined benefit pension schemes of £5.4 million as a deduction from Headline profits.

WPP GROUP PLC

Reconciliations from UK GAAP to IFRS
Consolidated equity share owners' funds as at 30 June 2004

	Ordinary share capital £m	Share premium account £m	Shares to be issued £m	Merger reserve £m	Other reserve £m	Own Shares £m	Income state-ment £m	Total £m
UK GAAP reported 30 June 2004	**117.9**	**968.6**	**118.0**	**2,928.4**	**(146.7)**	**(305.3)**	**56.5**	**3,737.4**
IFRS 1 First time adoption of IFRS[1]	-	-	-	-	181.0	-	(181.0)	-
IFRS 2 Share based payment	-	-	-	-	-	-	87.9	87.9
IFRS 3 Business combinations[2]	-	-	-	-	(125.6)	-	(474.5)	(600.1)
IAS 28 Investments in Associates	-	-	-	-	-	-	1.1	1.1
IAS 10 Events after the balance sheet date	-	-	-	-	-	-	29.4	29.4
IAS 12 Income taxes	-	-	-	-	6.5	-	(327.6)	(321.1)
Other	-	-	-	-	-	-	(28.3)	(28.3)
IFRS restated 30 June 2004	**117.9**	**968.6**	**118.0**	**2,928.4**	**(84.8)**	**(305.3)**	**(836.5)**	**2,906.3**

[1]Election to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS.
[2]Full retrospective restatement of goodwill and corporate brands in the functional currency of the acquiree.

WPP GROUP PLC

Reconciliations from UK GAAP to IFRS
Consolidated income statement for the year ended 31 December 2004

	31 Dec 2004 Reported under UK GAAP £m	IFRS3 Business Combinations £m	IFRS2 Share Options £m	IAS28 Associates £m	IAS10 Dividends £m	IAS12 Income Taxes £m	Other £m	Total IFRS Adjustments £m	31 Dec 2004 Restated IFRS £m
Revenue	**4,299.5**								**4,299.5**
Operating profit before goodwill	**559.6**	**-**	**(28.9)**	**-**	**-**	**-**	**-**	**(28.9)**	**530.7**
Goodwill amortisation and impairment - subsidiaries	**(75.0)**	**34.4**				**(12.6)**		**21.8**	**(53.2)**
Operating profit	**484.6**	**34.4**	**(28.9)**	**-**	**-**	**(12.6)**	**-**	**(7.1)**	**477.5**
Goodwill amortisation and impairment - associates	**(3.5)**	**3.5**						**3.5**	**-**
Income from associates and joint ventures	**48.1**							**-**	**48.1**
Tax, interest and minority interest on associates	**-**			**(18.6)**				**(18.6)**	**(18.6)**
Net income from associates and joint ventures	**48.1**			**(18.6)**				**(18.6)**	**29.5**
Profit on ordinary activities before interest, taxation and amounts written off fixed asset	**529.2**	**37.9**	**(28.9)**	**(18.6)**	**-**	**(12.6)**	**-**	**(22.2)**	**507.0**
Profits on disposal of fixed assets	**3.0**							**-**	**3.0**
Amounts written off fixed asset investments	**(5.0)**							**-**	**(5.0)**
Investment income	**-**						**56.4**	**56.4**	**56.4**
Finance costs (shown net under UK GAAP)	**(70.7)**			**0.1**			**(56.4)**	**(56.3)**	**(127.0)**
Profit on ordinary activities before taxation	**456.5**	**37.9**	**(28.9)**	**(18.5)**	**-**	**(12.6)**	**-**	**(22.1)**	**434.4**
Taxation on profit on ordinary activities	**(140.2)**		**2.0**	**17.9**		**(14.7)**		**5.2**	**(135.0)**
Profit on ordinary activities after taxation	**316.3**	**37.9**	**(26.9)**	**(0.6)**	**-**	**(27.3)**	**-**	**(16.9)**	**299.4**
Minority interests	**(24.0)**			**0.6**			**(3.0)**	**(2.4)**	**(26.4)**
Profit attributable to ordinary share owners	**292.3**	**37.9**	**(26.9)**	**-**	**-**	**(27.3)**	**(3.0)**	**(19.3)**	**273.0**
Ordinary dividends	**(92.0)**				**10.4**			**10.4**	**(81.6)**
Retained profit for the year	**200.3**	**37.9**	**(26.9)**	**-**	**10.4**	**(27.3)**	**(3.0)**	**(8.9)**	**191.4**
Headline PBIT	**607.7**	**-**	**(28.9)**	**(18.6)**	**-**	**-**	**-**	**(47.5)**	**560.2**
Headline PBIT margin	**14.1%**								**13.0%**
Headline PBT	**537.0 ***	**-**	**(28.9)**	**(18.5)**	**-**	**-**	**-**	**(47.4)**	**489.6**

*Restated to include interest on defined benefit pension schemes of £9.5 million as a deduction from Headline profits.

WPP GROUP PLC

Reconciliations from UK GAAP to IFRS
Consolidated balance sheet as at 31 December 2004

	31 Dec 2004 Reported under UK GAAP	IFRS3 Business Combi-Nations	IAS 28 Associates	IAS 10 Dividends	IAS 12 Income Taxes	IAS 38 Intangibles and software reclass	Other	Total IFRS Adjustments	31 Dec 2004 Restated IFRS
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-current assets									
Intangible assets:									
Corporate brands	950.0	(207.4)						(207.4)	742.6
Goodwill	4,845.7	(436.4)			(12.6)	(7.0)		(456.0)	4,389.7
Other	-					31.0		31.0	31.0
Property plant and equipment	333.8					(24.0)		(24.0)	309.8
Deferred tax assets	-				100.2			100.2	100.2
Investments	389.3	3.2	1.1					4.3	393.6
	6,518.8	(640.6)	1.1	-	87.6	-	-	(551.9)	5,966.9
Current assets									
Inventories and work in progress	220.6								220.6
Debtors	2,677.6				(76.6)			(76.6)	2,601.0
Trade debtors within working capital facility:									
Gross debts	545.7								545.7
Non-returnable proceeds	(261.0)								(261.0)
	284.7								284.7
Current asset investments (short-term bank deposits)	244.0						(244.0)	(244.0)	-
Cash and cash equivalents	1,372.0						244.0	244.0	1,616.0
	4,798.9	-	-	-	(76.6)	-	-	(76.6)	4,722.3
Current liabilities									
Creditors: amounts falling due within one year (including convertible bonds)	(5,220.0)			62.6	-		(9.4)	53.2	(5,166.8)
Net current liabilities	(421.1)	-	-	62.6	(76.6)	-	(9.4)	(23.4)	(444.5)
Total assets less current liabilities	6,097.7	(640.6)	1.1	62.6	11.0	-	(9.4)	(575.3)	5,522.4
Non-current liabilities									
Creditors: amounts falling due after more than one year (including convertible bonds)	(1,852.6)						(2.6)	(2.6)	(1,855.2)
Deferred tax liabilities	-				(312.3)			(312.3)	(312.3)
Provisions for liabilities and charges	(91.2)	4.3						4.3	(86.9)
Post-employment benefits	(187.8)				(14.5)			(14.5)	(202.3)
Net assets	3,966.1	(636.3)	1.1	62.6	(315.8)	-	(12.0)	(900.4)	3,065.7
Capital and reserves									
Called up share capital	118.5								118.5
Share premium account	1,002.2								1,002.2
Shares to be issued	49.9								49.9
Merger reserve	2,920.6								2,920.6
Other reserves	(125.5)	(174.7)			28.6		181.0	34.9	(90.6)
Own shares	(277.7)								(277.7)
Retained earnings	226.5	(461.6)	1.1	62.6	(344.4)		(196.0)	(938.3)	(711.8)
Equity share owners' funds	3,914.5	(636.3)	1.1	62.6	(315.8)	-	(15.0)	(903.4)	3,011.1
Minority interests	51.6						3.0	3.0	54.6
Total capital employed	3,966.1	(636.3)	1.1	62.6	(315.8)	-	(12.0)	(900.4)	3,065.7

WPP GROUP PLC

Reconciliations from UK GAAP to IFRS
Consolidated equity share owners' funds as at 1 January 2005

	Ordinary share capital £m	Share premium account £m	Shares to be issued £m	Merger reserve £m	Other reserve £m	Own Shares £m	Income statement £m	Total £m
IFRS opening 1 January 2005	**118.5**	**1,002.2**	**49.9**	**2,920.6**	**(90.6)**	**(277.7)**	**(711.8)**	**3,011.1**
Reclassification of components of convertible debt	**-**	**-**	**-**	**-**	**88.6**	**-**	**(65.8)**	**22.8**
Recognition of additional financial liabilities required by IAS 39 (including put options)	**-**	**-**	**-**	**-**	**(57.8)**	**-**	**(27.1)**	**(84.9)**
IFRS 1 January 2005 restated for IAS 32 and IAS 39	**118.5**	**1,002.2**	**49.9**	**2,920.6**	**(59.8)**	**(277.7)**	**(804.7)**	**2,949.0**

WPP GROUP PLC

GLOSSARY AND BASIS OF PREPARATION

2004 UK GAAP

UK Generally Accepted Accounting Principles ('UK GAAP') extant in respect of 2004 – the basis of preparation of the Group's consolidated financial statements for the year ended 31 December 2004 and six months ended 30 June 2004, as previously reported, prior to the implementation of International Financial Reporting Standards ('IFRS').

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.

Constant currency

The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying constant exchange rates to local currency reported results for the current and prior year. This gives a US dollar – denominated income statement and balance sheet which exclude any variances attributable to foreign exchange rate movements.

Estimated net new billings

Net new billings represent the estimated annualised impact on billings (turnover) of new business gained from both existing and new clients, net of existing client business lost. The estimated impact is based upon initial assessments of the clients' media budget, which may not necessarily result in actual billings of the same amount.

Free cash flow

Free cash flow is calculated as Headline PBIT 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.

Headline PBIT

Profit on ordinary activities before interest, taxation, goodwill impairment, goodwill write-down relating to utilisation of pre-acquisition tax losses, amortisation of acquired intangible assets, fixed assets gains and write-downs and the revaluation of financial instruments.

Headline PBT

Profit on ordinary activities before taxation, goodwill impairment, goodwill write-down relating to utilisation of pre-acquisition tax losses, amortisation of acquired intangible assets, fixed assets gains and write-downs and the revaluation of financial instruments.

Headline earnings

Headline PBT less taxation and minority interests.

Operating margin

Headline PBIT as a percentage of revenue.

Pro forma ('like for like')

Pro forma 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 the terms 'pro forma' and 'like for like' interchangeably.