

**Company Registration No. 06872427**

**Hogarth Worldwide Limited**

**Annual Report and Financial Statements**

**For the year ended 31<sup>st</sup> December 2016**



# **Hogarth Worldwide Limited**

## **Annual Report and financial statements 2016**

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# **Hogarth Worldwide Limited**

## **Annual Report and financial statements 2016**

### **Officers and professional advisers**

#### **Directors**

Barry Jones  
Kevan Thorn  
Andrew Payne  
Andrew Scott  
Richard Glasson  
Charles Ward Van Der Welle  
Mark Povey

#### **Company Secretary**

WPP Group (Nominees) Limited

#### **Registered Office**

164 Shaftesbury Avenue  
London  
WC2H 8HL

#### **Bankers**

Royal Bank of Scotland  
49 Charing Cross  
London  
SW1A 2DX

#### **Solicitors**

Simkins LLP  
Lynton House  
7-12 Tavistock Square  
Bloomsbury  
London  
WC1H 9LT

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

# Hogarth Worldwide Limited

## Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### Principal activities

The principal activity of the entity is marketing, implementation and transcreation of print, TV and digital media internationally.

### Business review

During the year, the business was able to grow its revenues from £80,640,000 to £102,808,000 as revenues from new clients came on stream and revenue from existing clients grew. Loss before tax for the year was £3,478,000 (2015: Loss £4,275,000). Net assets decreased from £18,618,000 to £14,239,000 as the company continues to grow. During the year the business had exceptional costs of £6,181,000 (2015: £7,829,000) details of which can be found in note 18.

The WPP group manages its operations on a network basis. For this reason, the Company's Directors believe that any further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the advertising network of WPP plc, which includes the company, is disclosed in the Group's Annual Report which does not form part of this Report.

### Principal risks and uncertainties

The Company's activities expose it to a number of financial risks, including credit risk and foreign exchange risk. The directors do not believe that the Company is significantly exposed to liquidity risk. The Company currently has sufficient cash to fund its activities. The company is part of a Group banking facility.

### Going concern

At 31 December 2016 the company had £6,347,000 (2015: £2,582,000) of cash and net assets of £14,239,000 (2015: £18,618,000).

The Directors have considered the latest forecasts of the business and made inquiries of management in reaching their conclusion on going concern. The Directors have every expectation that the Company has adequate resources through trading to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

### Environment

The WPP group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's Corporate Responsibility Report which does not form part of this Report. Initiatives designed to minimise the company's impact on the environment include improving our energy use efficiency, reducing paper use, increasing recycling, reviewing travel policies and through the selection of third-party suppliers.

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



Richard Glasson  
Director

30 October 2017

# Hogarth Worldwide Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 20146. The Directors' have addressed financial risk management policies and objectives; going concern; diversity; the environment and future prospects/subsequent events below.

### Research and development

During 2016 the company spent £7,995 (2015: £13,909) on non-capitalised research and development.

### Directors

The directors of the Company who served during the year (unless noted otherwise) and subsequently to the date of approving these financial statements were as follows:

Barry Jones  
Kevan Thorn  
Christopher Sweetland (resigned 01/07/16)  
Mark Povey (appointed 14/10/16)  
Andrew Payne  
Andrew Scott  
Richard Glasson  
Charles Ward Van Der Welle

### Directors indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Results and dividends

The Company's loss before tax for the year was £3,478,000 (2015: loss of £4,275,000). The directors recommended no dividend be paid for the year ended 31 December 2016 (2015: £nil).

### Future prospects and subsequent events

The directors can report that the trend of revenue growth experienced in 2015 has continued into 2016, driven by growth in the UK business augmented by new subsidiaries openings around the world. Subsequent events have been disclosed in note 21.

### Diversity and inclusion

Hogarth Worldwide Limited is an equal opportunities employer. We select, develop and promote people based on merit and regardless of factors such as race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability. Policies on harassment and non-discrimination are included in our Code of Conduct.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled while in the company's employment, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the Company magazine/Newsletter and intranet sharepoint. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

# Hogarth Worldwide Limited

## Directors' report

### Financial Risk Management

#### *Foreign exchange*

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company does not currently use financial derivatives on its financial activities owing to the project-based nature of the business. The Directors keep the situation under review in the event that a practical means of hedging becomes available.

#### *Credit risk*

The Company's principal financial assets are bank balances, trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the accounts are net of allowances for doubtful receivables. An allowance for loss is made where there is an identified loss event, which, based on the experience of the directors, is evidence of a reduction in the recoverability of the cash flows.

#### **Statement on information given to auditor**

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 (2) of the Companies Act 2006.

#### **Re-appointment of the auditor**

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

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



Richard Glasson  
Director

30/10/2017

## **Hogarth Worldwide Limited**

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

## **Hogarth Worldwide Limited**

### **Independent auditor's report to the members of Hogarth Worldwide Limited**

We have audited the financial statements of Hogarth Worldwide Limited for the year ended 31 December 2016 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

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

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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



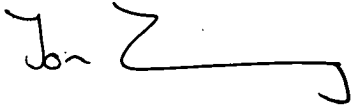
## Hogarth Worldwide Limited

### Independent auditor's report to the members of Hogarth Worldwide Limited continued

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

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

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



Jon Young (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

30 October 2017

## Hogarth Worldwide Limited

### Income Statement For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	2	102,808	80,640
Cost of sales		<u>(38,238)</u>	<u>(31,196)</u>
<b>Gross profit</b>		64,570	49,444
Administrative expenses		(10,348)	(5,310)
Other operating expenses (net)	3	(51,027)	(40,261)
Exceptional items	18	<u>(6,181)</u>	<u>(7,829)</u>
<b>Operating Loss</b>		(2,986)	(3,956)
Finance charges (net)	4	<u>(492)</u>	<u>(319)</u>
<b>Loss before taxation</b>	5	(3,478)	(4,275)
Tax charge on loss	8	<u>(901)</u>	<u>901</u>
<b>Loss after taxation for the financial year being retained profit carried forward</b>		<u><u>(4,379)</u></u>	<u><u>(3,374)</u></u>

All results derive from continuing operations. There were no recognised gains or losses other than the loss for the year. Accordingly, no separate statement of other comprehensive income is presented.

## Hogarth Worldwide Limited

### Balance Sheet For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Investments	11	1,138	1,634
Intangible fixed assets	9	195	1,917
Tangible fixed assets	10	4,008	4,060
		<u>5,341</u>	<u>7,611</u>
<b>Current assets</b>			
Cash at bank and in hand		6,347	2,582
Non-current assets held for sale	12	1,168	-
Debtors: amounts falling due within one year	13	50,064	42,617
		<u>57,579</u>	<u>45,360</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(30,054)</u>	<u>(17,787)</u>
<b>Net current assets</b>		<u>27,525</u>	<u>27,573</u>
<b>Total assets less current liabilities</b>		<u>32,866</u>	<u>35,184</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(18,627)</u>	<u>(16,566)</u>
<b>Net assets</b>		<u>14,239</u>	<u>18,618</u>
<b>Capital and reserves</b>			
Called up share capital	16	1	1
Share premium account	16	6,132	6,132
Profit and loss account		8,106	12,485
		<u>14,239</u>	<u>18,618</u>

The financial statements of Hogarth Worldwide Limited, registered number 06872427 were approved by the Board of Directors on 30/10/2017.

Signed on behalf of the Board of Directors



Director

Richard Glasson

## Hogarth Worldwide Limited

### Statement of changes in equity Year ended 31 December 2016

Notes	Called up share capital £'000	Share premium account £'000	Retained Earnings £'000	Total £'000
<b>Balance at 31 December 2014</b>	1	6,132	15,859	21,992
Profit for the year ended December 2015			(3,374)	(3,374)
<b>Total comprehensive income for the period</b>	-	-	(3,374)	(3,374)
<b>Balance at 31 December 2015</b>	1	6,132	12,485	18,618
Profit for the year ended December 2016			(4,379)	(4,379)
<b>Total comprehensive income for the period</b>	-	-	(4,379)	(4,379)
<b>Balance at 31 December 2016</b>	1	6,132	8,106	14,239

Dividends paid in 2016 amounts to £nil per share

# Hogarth Worldwide Limited

## 1. Accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 as WPP plc holds more than 50% of the allotted shares in the company and prepares consolidated accounts which are publicly available.

A notice requesting the preparation of group accounts has not been served on the company by shareholders holding in aggregate more than half of the remaining allotted shares in the company, or 5% of the total allotted shares in the company.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, financial instrument disclosures, standards not yet effective capital management and presentation of comparative information in respect of certain assets and related party transactions. Where required, the equivalent disclosures are given in the group accounts of WPP plc whose consolidated financial statements include those of the Company and are publicly available and can be obtained as set out in note 19.

The financial statements have been prepared under the historical cost convention modified to include certain items at their fair value.

Hogarth Worldwide Limited (the Company) is a private company limited by shares and has been incorporated in the United Kingdom under the Companies Act 2006 and is incorporated in England and Wales. The registered office is shown on page 1. The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

### Changes in Accounting policies and disclosures

There are no IFRS or IFRIC interpretations that are effective for the first time this financial year which have a material impact on the Company.

### Going concern

The Company is a subsidiary of WPP plc. Its business activities are set out in the business review on page 2.

At 31 December 2016 the company had £6,347,000 (2015: £2,582,000) of cash and net assets of £14,239,000 (2015: £18,618,000). After reviewing cash flow forecasts, budgets and making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, the directors of the Company continue to adopt the going concern basis in preparing these financial statements.

### Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service/product provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

### Exceptional items

Exceptional items relates to the write down, net of expenses, of the Fabric write down. Further details can be found in note 18.

## Hogarth Worldwide Limited

### Accounting policies (continued)

#### Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Trade debtors are derecognised when the contractual rights to the cash flows from the trade debtor expire or are settled

#### Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities. Trade creditors are recognised at the transaction price. Trade creditors are derecognised only when the obligation specified in the contract has been discharged, cancelled or expires.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected life, as follows:

Leasehold improvements	Over the period of the lease
Computer equipment	33% on a straight-line basis per annum
Furniture and fixtures	Over the period of the lease
Computer software	33% on a straight-line basis per annum

#### Useful lives of property, plant and equipment

As described above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the director determined that there should be no changes in the useful lives of property, plant and equipment.

#### Intangible assets

Research expenditure is expensed as incurred. Development expenditure is also expensed, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Company is expected to benefit. This period is between three and five years. Amortisation of other software is 33.3% straight line method.

#### Taxation

Corporation tax is provided at the amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### Deferred taxation

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

## **Hogarth Worldwide Limited**

### **Accounting policies (continued)**

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

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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

### **Foreign currency transactions**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are included in the profit and loss account.

### **Leases**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

### **Pension costs**

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

### **Work in progress**

Work in progress is valued at the lower of cost and net realisable value and comprises mainly outlays incurred on behalf of clients and work in progress under project arrangements. Provision is made for irrecoverable costs where appropriate.

### **Investments**

Except as stated below, fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

### **Interest Receivable**

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

## **Hogarth Worldwide Limited**

### **Accounting policies (continued)**

#### **Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### **Non-current assets held for sale**

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgements in applying the Company's accounting policies**

##### *Revenue recognition*

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the Directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.



## Hogarth Worldwide Limited

### 2. Turnover

Turnover represents amounts derived from the provision of goods and services after deduction of trade discounts and Value Added Tax. The turnover and pre-tax loss are attributable to advertising production.

All turnover arose from the principal activity of the business and originated in the United Kingdom.

### 3. Other operating expenses (net)

	2016 £'000	2015 £'000
Staff costs	41,012	29,754
Depreciation and amortisation	3,262	3,766
Establishment costs	5,689	6,334
Exchange losses	169	11
Finance and general	897	396
	<u>51,027</u>	<u>45,571</u>

### 4. Finance charges (net)

	2016 £'000	2015 £'000
<b>Interest payable and similar charges</b>		
Intercompany loan with WPP Finance Co. Limited	993	835
	<u>993</u>	<u>835</u>
<b>Interest receivable and similar income</b>		
Intercompany loan with Hogarth Worldwide Inc	(496)	(509)
Other finance income	(5)	(7)
	<u>(501)</u>	<u>(516)</u>
<b>Net finance charge</b>	<u>492</u>	<u>319</u>

## Hogarth Worldwide Limited

### 5. Loss before taxation

	2016	2015
	£'000	£'000
Loss before taxation is stated after charging		
Staff costs	41,012	29,754
Depreciation of tangible fixed assets:		
- owned	2,341	2,729
Amortisation of intangible fixed assets included in administrative expenses	921	1,037
Loss on disposal of fixed assets	101	-
Impairment of intangible assets	-	-
Fabric Write down	916	-
Receivables write down	-	7,829
Research and development costs written off	-	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	112	84
Rental Income	(62)	(208)

There were no non-audit services provided in the year (2015: £nil).

Operating leases		
- Land and buildings	1,914	1,914
- Other	238	68

## Hogarth Worldwide Limited

### 6. Staff costs

	2016 £'000	2015 £'000
Wages and salaries	29,351	24,717
Social security costs	2,948	2,680
Pension costs	522	493
Other Staff Costs	8,191	1,864
	<u>41,012</u>	<u>29,754</u>

The average monthly number of persons employed by the Company (including directors) during the year was:

	2016	2015
Account handling	125	75
Admin/finance	44	41
General management	1	6
Human resources and talent management	15	12
Information technology	57	48
New business/business development	5	6
Production traffic	402	376
	<u>649</u>	<u>564</u>

### 7. Directors' remuneration

	2016 £'000	2015 £'000
Remuneration		
The remuneration of the directors was as follows:		
Emoluments	<u>1,054</u>	<u>1,320</u>
	<u>1,054</u>	<u>1,320</u>

#### Highest paid director

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

	2016 £'000	2015 £'000
Emoluments	<u>377</u>	<u>440</u>

The number of directors who are members of defined benefit pension scheme/money purchase pension scheme was none (2015: none). The Company made pension contributions of £35,750 (2015: £44,667) for two Directors (2015: two Directors).

There were no other transactions with directors other than Emoluments and pension contributions disclosed in this note. The emoluments of Chris Sweetland, Mark Povey, Andrew Payne, Charles Ward Van Der Welle and Andrew Scott are borne by other WPP group entities. The company did not receive any charges for their services provided in either year.

## Hogarth Worldwide Limited

### 8. Tax on loss

	2016 £'000	2015 £'000
Analysis of tax in year		
<i>Current tax</i>		
UK corporation tax	-	-
Adjustments in respect of previous periods	901	(951)
<b>Total current tax</b>	<u>901</u>	<u>(951)</u>
<i>Deferred tax</i>		
Current year	-	(215)
Prior year	-	265
<b>Total tax for year</b>	<u>901</u>	<u>(901)</u>

### Factors affecting taxation in year

	2016 £'000	2015 £'000
Loss before tax	(3,479)	(4,275)
Tax charge on loss		
UK rate 20% (2015: 21.5%)	(696)	(919)
Factors affecting the charge in the year:		
Depreciation in excess of capital allowances	154	212
Expenses not deductible for tax purposes	142	195
Tax losses carried forward	400	-
Prior year adjustment	901	(951)
<b>Total actual amount of current tax</b>	<u>901</u>	<u>(951)</u>

The tax effect of timing differences on assets/liabilities due to:

Excess of tax allowance over depreciation	-	50
	<u>-</u>	<u>50</u>
Credited to the profit and loss account in respect of deferred taxation and trading losses	-	50
	<u>-</u>	<u>50</u>
Amount falling due after more than one year	-	-
	<u>-</u>	<u>-</u>
<b>Total tax charge/(credit)</b>	<u>901</u>	<u>(901)</u>

## Hogarth Worldwide Limited

### 8. Tax on loss (continued)

At the balance sheet date, the company has unused tax losses of £3,479,000 (2015: £4,275,000) available for offset against future profits. A deferred tax asset of £1,664,000 (31 December 2015: £563,000) has not been recognised in respect of capital allowance in excess of depreciation and tax losses as it is unlikely that there will be sufficient taxable profits against which the asset will reverse in the foreseeable future. The tax rate remained at 20% throughout the financial year.

During the year ended 31 December 2015 the UK Government enacted legislation to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% from 1 April 2020. However, during the year ended 31 December 2016 the UK Government enacted legislation to further reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020. The impact of the future rate reductions will be accounted for to the extent that they are enacted at future balance sheet dates, however, it is estimated that this will not have a material impact on the Company.

### 9 Intangible fixed assets – development costs

	<b>Total £'000</b>
<b>Cost</b>	
At 1 January 2016	4,960
Reclassifications	(1,657)
Additions	153
Non-current asset held for sale	(1,720)
At 31 December 2016	<u>1,736</u>
<b>Accumulated Amortisation</b>	
At 1 January 2016	3,043
Charge for the year	921
Reclassifications	(1,593)
Non-current asset held for sale	(830)
At 31 December 2016	<u>1,541</u>
<b>Net book value</b>	
At 31 December 2016	<u>195</u>
At 31 December 2015	<u>1,917</u>

Development costs have been capitalised in accordance with IAS38 Accounting for research and development and are therefore not treated, for dividend purposes, as a realised loss.

The costs related to the development of FIDO, the global digital asset management system. FIDO went live in March 2013, with costs subject to amortisation over three years.

## Hogarth Worldwide Limited

### 10. Tangible fixed assets

Company	Computer equipment £'000	Computer software £'000	Furniture and fixtures £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>					
At 1 January 2016	8,929	3,540	1,250	3,873	17,592
Reclassifications	-	-	-	-	-
Additions	1,653	269	107	278	2,307
Disposals	(5,468)	(2,082)	(179)	-	(7,729)
At 31 December 2016	<u>5,114</u>	<u>1,727</u>	<u>1,178</u>	<u>4,151</u>	<u>12,170</u>
<b>Depreciation</b>					
At 1 January 2016	7,817	2,943	941	1,832	13,533
Charge for the year	1,150	446	174	571	2,341
Disposals	(5,478)	(2,060)	(184)	10	(7,712)
At 31 December 2016	<u>3,489</u>	<u>1,329</u>	<u>931</u>	<u>2,413</u>	<u>8,162</u>
<b>Net book value</b>					
At 31 December 2016	<u>1,624</u>	<u>397</u>	<u>247</u>	<u>1,740</u>	<u>4,008</u>
At 31 December 2015	<u>1,112</u>	<u>598</u>	<u>309</u>	<u>2,041</u>	<u>4,060</u>

The directors have considered the value of fixed assets and are satisfied that the aggregate value of those assets at 31 December 2016 was not less than the aggregate amount at which they are stated in these accounts.

### 11. Fixed asset investments

	Subsidiary undertakings £'000
<b>Cost</b>	
At 1 January 2016	1,634
Additions	1,058
Written off	(1,554)
At 31 December 2016	<u>1,138</u>
<b>Provision for impairment</b>	
At 1 January 2016	-
Impairment in the year	(1,554)
At 31 December 2016	<u>1,138</u>
At 31 December 2015	<u>1,634</u>

During the year, as the result of poor performance and subsequent decision to liquidate, Hogarth carried out a review of the recoverable amount of the investment in the subsidiaries Zonza and Act 2. The review led to the recognition of an impairment loss of £1,057,679 and £496,167, respectively, which has been recognised in profit or loss.

## Hogarth Worldwide Limited

### 11. Fixed asset investments (continued)

#### Subsidiary Undertakings

The parent Company has shares in the following subsidiary undertakings.

Subsidiary undertaking	Country of incorporation or principal business address	Principal activity	Holding	%
Cortex Worldwide Limited	164 Shaftesbury Avenue, London WC2H 8HL	Digital platform	700 shares of the £1.00 ordinary stock	100.00
Hogarth Nearshore Limited	164 Shaftesbury Avenue, London WC2H 8HL	Dormant	510 shares of the £1.00 ordinary-a stock	51.00
Hogarth Worldwide (Hong Kong) Limited	26 <sup>th</sup> Floor, The Center, 99 Queen's Road Central, Hong Kong	Marketing Implementation	1 Share of the HKD1.00 ordinary stock	100.00
Hogarth Worldwide de México, S.R.L. de C.V.	Blvd. Manuel Avila Camacho 176 – 4 <sup>o</sup> Floor, Mexico City	Marketing Implementation	2,999 shares of the MXP 1.00 ordinary stock	99.97
Hogarth Worldwide pte. Limited	50 Scotts Road, 02-01, Singapore (228242)	Marketing Implementation	2 shares of the SGD\$ 1.00 ordinary stock	100.00
Hogarth Worldwide Japan GK	Yebisu Garden Place Tower, 25th Floor, 4-20-3 Ebisu, Shibuya-ku, Tokyo, 150-6025, Japan	Marketing Implementation	2 shares of the ¥1.00 ordinary stock	100.00
Limited Liability Company Hogarth Worldwide	4th Lesnoy Pereulok, 4, Moscow, 125047, Russian Federation	Marketing Implementation	RUB1 Participatory share	100.00
HOGARTH WORLDWIDE İSTANBUL REKLAMCILIK LİMİTED ŞİRKETİ	Maslak Mahallesi Büyükdere Caddesi 237 1101 Sarıyer, Istanbul, Turkey	Marketing Implementation	TRY1.00 ordinary share	90.00
Hogarth Worldwide (Pty) Limited	2929 William Nicol Drive, Bryanston Office Park, South Africa	Marketing Implementation	ZAR1.00 ordinary share	74.9
Hogarth Worldwide SRL	4-10 Muntil Tatra Street, District 1, Bucharest, Romania	Marketing Implementation	20 shares of RON10.00 ordinary stock	100
Hogarth Worldwide Canada Production Ltd./Hogarth Canada Production Mondial Ltée	2929 William Nicol Drive, 100 King Street Suite 1600, Toronto, Canada M5X1G5	Marketing Implementation	1,000 shares of \$1,000 CDN ordinary stock	100
Hogarth Worldwide Incorporated	230 Park Avenue South, 1 1 <sup>th</sup> Floor New York, USA	Marketing Implementation	1 share of \$1 in the common stock	100.00
Native Limited	164 Shaftesbury Avenue, London WC2H 8HL	Dormant	760 shares of the £1.00 ordinary stock	100.00
Act Two Ltd	164 Shaftesbury Avenue, London WC2H 8HL	Marketing Implementation	107,500 shares of the GBP £0.01 ordinary stock	100.00
Hogarth Argentina S.A.	Arevalo 1880 C1414CQL, Buenos Aires Argentina	Marketing Implementation	90,000 shares of the AES1.00 ordinary stock	90.00
Hogarth Worldwide GmbH	Darmstädter Landstr. 112 60598 Frankfurt am Main Germany	Marketing Implementation	100% of the EUR 82,000 ordinary stock	100.00

## Hogarth Worldwide Limited

### 11. Fixed asset investments (continued)

Subsidiary undertaking	Country of incorporation or principal business address	Principal activity	Holding	%
Hogarth (Shanghai) image and video design and production Co., Ltd.	Units 07-08, 10 <sup>th</sup> Floor, The Center, 989 Chang Le Road, Shanghai 200031, China	Marketing Implementation	100% of the USD 300,000 capital	100.00
Hogarth Worldwide Publicidade Brasil Ltda		Marketing Implementation	594,990 shares of the 601,000 ordinary stock	99.00
RBK CONSULTORIA LTDA	Avenida Brigadeiro Faria Lima, 201, 26° e 27° andares, conjuntos 261 e 271, Pinheiros, CEP 05426-100	consultancy activities in business management	490 shares of the 1,000 ordinary stock	49.00
Hogarth Worldwide SDN. BHD	Level 15 Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur	Marketing Implementation	499,998 shares of the RM1.00 ordinary stock	100.00

### 12. Non-current assets held for sale

	2016 £'000	2015 £'000
Non-Current Assets held for sale	1,168	-
Amounts falling due within one year	1,168	-

The above represents the non-current assets held for sale in relation to the Copycentral system which met all criteria required as of 1<sup>st</sup> May 2016. A Share Purchase agreement was signed on 9<sup>th</sup> February 2017, additional information has been provided in Note 21. Subsequent Events.

### 13. Debtors

	2016 £'000	2015 £'000
Trade debtors	18,714	12,958
Amounts owed by Group undertakings	21,801	23,271
Other debtors	222	113
Work in progress	1,495	-
Prepayments and accrued income	7,279	5,716
Deferred tax	507	513
Called up share capital not paid	46	46
Amounts falling due within one year	50,064	42,617

Amounts owed by group undertakings are repayable on demand and are non-interest bearing.



## Hogarth Worldwide Limited

### 14. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	3,125	1,767
Amounts owed to Group undertakings	14,911	5,757
Other creditors	60	12
Taxation and social security	2,017	806
Accruals and deferred income	9,941	9,445
	<u>30,054</u>	<u>17,787</u>

Amounts owed to group undertakings are repayable on demand and are non-interest bearing.

### 15. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Intercompany loan with WPP Finance Co. Ltd	<u>18,627</u>	<u>16,566</u>
<b>Creditors amounts falling due after more than one year</b>	<u>18,627</u>	<u>16,566</u>

Borrowings are repayable as follows:

	2016 £'000	2015 £'000
<b>Intercompany loans</b>		
One - two years	<u>18,627</u>	<u>16,566</u>
	<u>18,627</u>	<u>16,566</u>

The intercompany loan repayable to WPP Finance Co. Ltd. is a credit facility with WPP which is being renegotiated. For this reason it is not due within one year of year end date. Interest at 5.0% per annum above the Bank of England Base Rate is charged on a monthly basis on the outstanding balance. This remains unpaid.

### 16. Called up share capital

	2016 £'000	2015 £'000
<b>Authorised, called up, allotted and fully paid</b>		
13,127 (2015: 13,127) ordinary shares of £0.10 each	<u>1</u>	<u>1</u>
<b>Share premium account</b>		
Share premium	<u>6,132</u>	<u>6,132</u>

## Hogarth Worldwide Limited

### 17. Financial commitments

	2016 £'000	2015 £'000
<b>Land and buildings</b>		
Lease payments under operating leases recognised as an expense in the year	1,897	1,897
	<u>1,897</u>	<u>1,897</u>

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Within one year	2,282	2,282
In the second to fifth years inclusive	1,399	3,681
After five years	-	-
	<u>3,681</u>	<u>5,963</u>

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 2 years with an option to extend for a further rental term to be agreed at the then prevailing market rate. Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

### 18. Exceptional items

	2016 £'000	2015 £'000
Zonza Platform receivable write-off	3,711	7,829
Impairment in Zonza and Act Two	1,554	-
Fabric Write Down	916	-
	<u>6,181</u>	<u>7,829</u>

The Zonza and Fabric relate to the writing off of receivable balances due to Hogarth Worldwide Ltd. The impairment of Zonza and Act 2 relates to the impairment of investments in 100% owned subsidiaries which have now been fully impaired.

## Hogarth Worldwide Limited

### 19. Ultimate parent and controlling parent undertaking

The directors regard WPP Group (UK) Limited, a company incorporated in The United Kingdom and registered at 27 Farm Street, London W1J 5RJ in England and Wales, as the immediate parent company and WPP plc, a Company incorporated in Jersey, as the ultimate parent company and the ultimate controlling party.

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which company is a member is WPP plc, incorporated in Jersey registered address 27 Farm Street, London W1J 5RJ. The parent undertaking of the smallest such group is Lexington International BV, registered in the Netherlands address Laan op Zuid 167, 3072 DB Rotterdam, Netherlands.

Copies of the financial statements of WPP plc are available at [www.wpp.com](http://www.wpp.com). Copies of the financial statements of Lexington International BV can be obtained from Laan op Zuid 167, 3072 DB Rotterdam, Netherlands or 27 Farm Street, London W1J 5RJ, UK.

### 20. Related parties

	Sales to related party £'000	Purchases from related party £'000	Amounts owed from related party £'000	Amounts owed to related party £'000
Entities with significant control over the group				
2016	26	5,572	-	4,165
2015	75	4,250	-	1,990
Entities over which the group has joint control or significant influence				
2016	31,643	11,080	21,801	14,907
2015	28,586	11,167	23,271	3,765

### 21. Subsequent events

Subsequent to the balance sheet date, Hogarth Worldwide Limited and Optimad Media Systems Limited, an unrelated company, signed a Share Purchase Agreement whereby Optimad Media Systems Limited acquired Copycentral System. This agreement was signed on 9<sup>th</sup> February 2017, however the business does not transfer until September 2017. Sale amount is £1,250,000 and the gain over carrying value is £81,781.

An interim dividend of £4,827,741 with an amount per share of 371p was paid on 1 August 2017 and a further dividend payment of £2,431,000 with an amount per share of 185p was agreed for 31 October 2017.