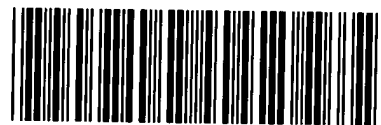


Company Registration No. 06872427

Hogarth Worldwide Limited

**Annual Report and Financial Statements
For the year ended 31 December 2017**

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Hogarth Worldwide Limited

Annual Report and financial statements 31 December 2017

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Hogarth Worldwide Limited

Annual Report and financial statements 2017

Officers and professional advisers

Directors

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

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 £102,808,000 to £154,378,000 as revenues from new clients came on stream and revenue from existing clients grew. Profit before tax for the year was £3,476,000 (2016: Loss £3,478,000) as the company continues to grow. Net assets decreased from £14,239,000 to £9,364,000. During the year the business had exceptional costs of £1,307,000 (2016: £6,181,000) 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

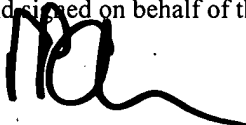
At 31 December 2017 the company had £9,228,000 (2016: £6,347,000) of cash and net assets of £9,364,000 (2016: £14,239,000).

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

24 May 2018

Hogarth Worldwide Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2017. 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 2017 the company spent £3,895 (2016: £7,995) 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:

Kevan Thorn
Mark Povey
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 Profit before tax for the year was £3,476,000 (2016: loss of £3,478,000). The directors recommended dividends be paid during the year ended 31 December 2017 of £7,259,000 (2016: £nil).

Future prospects and subsequent events

The directors can report that the trend of revenue growth experienced in 2017 has continued in 2018, 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. The Company regularly consults employees, or their representatives, for views on matters affecting them. This is achieved through formal and informal meetings and town halls, the Company magazine/Newsletter and intranet sharepoint.

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 nor do we apply hedge accounting. The Directors continuously review the financial activities of the Company 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:

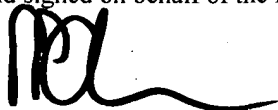
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

29 May 2018

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 parent company 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 the parent company 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;
- apply U.K. Accounting Standards, 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 the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Hogarth Worldwide Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hogarth Worldwide Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial

Hogarth Worldwide Limited

statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Hogarth Worldwide Limited

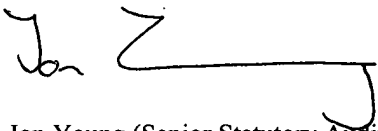
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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;

We have nothing to report in respect of these matters.


Jon Young (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor

London, United Kingdom

29 May 2018

Hogarth Worldwide Limited

Income Statement For the year ended 31 December 2017

| | Note | 2017 £'000 | 2016 £'000 |
|--|------|---------------------|-----------------------|
| Turnover | 2 | 154,378 | 102,808 |
| Cost of sales | | <u>(73,271)</u> | <u>(38,238)</u> |
| Gross profit | | 81,106 | 64,570 |
| Administrative expenses | | (19,901) | (10,348) |
| Other operating expenses (net) | 3 | (55,883) | (51,027) |
| Exceptional items | 18 | <u>(1,306)</u> | <u>(6,181)</u> |
| Operating Profit/(Loss) | | 4,017 | (2,986) |
| Interest payable | 4 | <u>(541)</u> | <u>(492)</u> |
| Profit (Loss) before taxation | 5 | 3,476 | (3,478) |
| Tax charge on profit | 8 | <u>(1,093)</u> | <u>(901)</u> |
| Profit/(Loss) after taxation for the financial year being retained profit carried forward | | <u><u>2,383</u></u> | <u><u>(4,379)</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

As at 31 December 2017

| | Note | 2017 £'000 | 2016 £'000 |
|--|------|-----------------|-----------------|
| Fixed assets | | | |
| Investments | 11 | 1,138 | 1,138 |
| Intangible fixed assets | 9 | 12 | 195 |
| Tangible fixed assets | 10 | 3,409 | 4,008 |
| | | <u>4,559</u> | <u>5,341</u> |
| Current assets | | | |
| Cash at bank and in hand | | 9,228 | 6,347 |
| Non-current assets held for sale | 12 | - | 1,168 |
| Debtors: amounts falling due within one year | 13 | 54,100 | 50,064 |
| | | <u>63,328</u> | <u>57,579</u> |
| Creditors: amounts falling due within one year | 14 | <u>(40,367)</u> | <u>(30,054)</u> |
| Net current assets | | <u>22,961</u> | <u>27,525</u> |
| Total assets less current liabilities | | <u>27,520</u> | <u>32,866</u> |
| Creditors: amounts falling due after more than one year | 15 | <u>(18,156)</u> | <u>(18,627)</u> |
| Net assets | | <u>9,364</u> | <u>14,239</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 1 | 1 |
| Share premium account | 16 | 6,132 | 6,132 |
| Profit and loss account | | 3,231 | 8,106 |
| | | <u>9,364</u> | <u>14,239</u> |

The financial statements of Hogarth Worldwide Limited, registered number 06872427 were approved by the Board of Directors on 29 May 2018.

Signed on behalf of the Board of Directors



Director

Richard Glasson

29 May 2018

Hogarth Worldwide Limited

Statement of changes in equity Year ended 31 December 2017

| | Note | Called up share capita l £'000 | Share premium account £'000 | Retained Earnings £'000 | Total £'000 |
|--|------|---|--------------------------------------|-------------------------------|----------------|
| Balance at 1 January 2016 | | 1 | 6,132 | 12,485 | 18,618 |
| Loss for the year ended December 2016 | | | | (4,379) | (4,379) |
| Total comprehensive income for the period | | | | (4,379) | (4,379) |
| Balance at 31 December 2016 | | 1 | 6,132 | 8,106 | 14,239 |
| Profit for the year ended December 2017 | | | | 2,383 | 2,383 |
| Total comprehensive income for the period | | | | 2,383 | 2,383 |
| Dividends Paid | 22 | | | (7,259) | (7,259) |
| Balance at 31 December 2017 | | 1 | 6,132 | 3,231 | 9,364 |

Dividends paid in 2017 amounts to £552.96 per share

Hogarth Worldwide Limited

Notes to the financial statements (continued)

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.

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.

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 2017 the company had £9,228,000 (2016: £6,347,000) of cash and net assets of £9,364,000 (2016: £14,239,000). 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 sales of our Copycentral and Cortex business units. Further details can be found in note 18.

Hogarth Worldwide Limited

Notes to the financial statements (continued)

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 directors determined that there should be no changes in the useful lives of property, plant and equipment.

Investments

Investments are stated at cost net of any provision for impairment. The company assesses the carrying value of investments to determine if any impairment has occurred. During the year, the directors determined that there was no impairment to the investments.

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.

Hogarth Worldwide Limited

Notes to the financial statements (continued)

Accounting policies (continued)

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.

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.

Hogarth Worldwide Limited

Notes to the financial statements (continued)

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.

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.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Interest payable, 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.

There are no key sources of estimation uncertainty

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

Notes to the financial statements (continued)

2. Turnover

Turnover represents amounts derived from the provision of 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)

| | 2017 £'000 | 2016 £'000 |
|-------------------------------|---------------|---------------|
| Staff costs | 52,733 | 41,012 |
| Depreciation and amortisation | 3,898 | 3,262 |
| Establishment costs | 5,838 | 5,689 |
| Exchange losses | (811) | 169 |
| Finance and general | (5,775) | 897 |
| | <u>55,883</u> | <u>51,027</u> |

4. Interest payable (net)

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Interest payable and similar charges | | |
| Intercompany loan with WPP Finance Co. Limited | 934 | 993 |
| | <u>934</u> | <u>993</u> |
| Interest receivable and similar income | | |
| Intercompany loan with Hogarth Worldwide Inc | (360) | (496) |
| Other finance income | (33) | (5) |
| | <u>(393)</u> | <u>(501)</u> |
| Net finance charge | <u>541</u> | <u>492</u> |

Hogarth Worldwide Limited

Notes to the financial statements (continued)

5. Profit/(Loss) before taxation

| | 2017 | 2016 |
|--|--------|--------|
| | £'000 | £'000 |
| Profit/(Loss) before taxation is stated after charging | | |
| Staff costs | 52,694 | 41,012 |
| Depreciation of tangible fixed assets: | | |
| - owned | 2,242 | 2,341 |
| Amortisation of intangible fixed assets included in administrative expenses | 604 | 921 |
| Loss on disposal of fixed assets | 676 | 101 |
| Fabric Write down | | 916 |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 156 | 112 |
| Rental Income | (62) | (62) |

There were no non-audit services provided in the year (2016: £nil).

| | | |
|----------------------|-------|-------|
| Operating leases | | |
| - Land and buildings | 1,914 | 1,914 |
| - Other | 544 | 238 |

Rental income is derived from the sublease of certain areas of our buildings on a short term basis. There are no rental agreements greater than 12 months in place.

During 2017 the company spent £3,895 (2016: £7,995) on non-capitalised research and development.

6. Staff costs

| | 2017 | 2016 |
|-----------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 37,623 | 29,351 |
| Social security costs | 3,946 | 2,948 |
| Pension costs | 707 | 522 |
| Other Staff Costs | 10,418 | 8,191 |
| | <u>52,694</u> | <u>41,012</u> |

Hogarth Worldwide Limited

Notes to the financial statements (continued)

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

| | 2017 | 2016 |
|---------------------------------------|------------|------------|
| Account handling | 160 | 125 |
| Admin/finance | 62 | 44 |
| General management | 2 | 1 |
| Human resources and talent management | 13 | 15 |
| Information technology | 66 | 57 |
| New business/business development | 3 | 5 |
| Production traffic | 503 | 402 |
| | <u>809</u> | <u>649</u> |

7. Directors' remuneration

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Remuneration | | |
| The remuneration of the directors was as follows: | | |
| Emoluments | 944 | 1,054 |
| | <u>944</u> | <u>1,054</u> |

Highest paid director

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

| | 2017 £'000 | 2016 £'000 |
|------------|---------------|---------------|
| Emoluments | 587 | 377 |
| | <u>587</u> | <u>377</u> |

The number of directors who are members of defined benefit pension scheme/money purchase pension scheme was none (2016: none). The Company made pension contributions of £37,625 (2016: £35,750) for two Directors (2016: two Directors).

There were no other transactions with directors other than Emoluments and pension contributions disclosed in this note. The emoluments of 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

Notes to the financial statements (continued)

8. Tax on Profit

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Analysis of tax in year | | |
| <i>Current tax</i> | | |
| UK corporation tax | 959 | - |
| Adjustments in respect of previous periods | - | 901 |
| Total current tax | <u>959</u> | <u>901</u> |
| <i>Deferred tax</i> | | |
| Current year | 134 | - |
| Prior year | - | - |
| Total tax for year | <u>1,093</u> | <u>901</u> |

Factors affecting taxation in year

| | 2017 £'000 | 2016 £'000 |
|--|---------------|----------------|
| Profit before tax | <u>3,476</u> | <u>(3,478)</u> |
| Tax charge on loss | | |
| UK rate 19.25% (2016: 20%) | 669 | (696) |
| Factors affecting the charge in the year: | | |
| Depreciation in excess of capital allowances | 168 | 154 |
| Expenses not deductible for tax purposes | 122 | 142 |
| Tax losses carried forward | - | 400 |
| Prior year adjustment | - | 901 |
| Movement in short term timing differences | 134 | - |
| Total actual amount of current tax | <u>1,093</u> | <u>901</u> |

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

| | | |
|--|--------------|------------|
| Excess of tax allowance over depreciation | - | - |
| | - | - |
| | - | - |
| Credited to the profit and loss account in respect of deferred taxation and trading losses | - | - |
| | - | - |
| Amount falling due after more than one year | - | - |
| Total tax charge/(credit) | <u>1,093</u> | <u>901</u> |

Hogarth Worldwide Limited

Notes to the financial statements (continued)

8. Tax on loss (continued)

A deferred tax asset of £375,000 (31 December 2016: £509,000) has been recognised in respect of capital allowance in excess of depreciation as it is likely that there will be sufficient taxable profits against which the asset will reverse in the foreseeable future.

On 1 April 2017 the main rate of UK corporation tax was reduced to 19% from 20% resulting in a blended tax rate for the year ended 31 December 2017 of 19.25%. 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 have been used to measure deferred tax assets and liabilities where applicable.

9 Intangible fixed assets – development costs

| | Total £'000 |
|---------------------------------|------------------------|
| Cost | |
| At 1 January 2017 | 1,736 |
| At 31 December 2017 | <u>1,736</u> |
| Accumulated Amortisation | |
| At 1 January 2017 | 1,541 |
| Charge for the year | 183 |
| At 31 December 2017 | <u>1,724</u> |
| Net book value | |
| At 31 December 2017 | <u>12</u> |
| At 31 December 2016 | <u>195</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

Notes to the financial statements (continued)

10. Tangible fixed assets

| Company | Computer equipment £'000 | Computer software £'000 | Furniture and fixtures £'000 | Leasehold improvements £'000 | Total £'000 |
|-----------------------|-----------------------------|----------------------------|---------------------------------|---------------------------------|----------------|
| Cost | | | | | |
| At 1 January 2017 | 5,114 | 1,726 | 1,178 | 4,152 | 12,170 |
| Reclassifications | | | | | |
| Additions | 1,356 | 208 | 133 | 151 | 1,848 |
| Disposals | (57) | (6) | (69) | (304) | (436) |
| At 31 December 2017 | <u>6,413</u> | <u>1,928</u> | <u>1,242</u> | <u>3,999</u> | <u>13,582</u> |
| Depreciation | | | | | |
| At 1 January 2017 | 3,489 | 1,328 | 931 | 2,412 | 8,160 |
| Charge for the year | 1,166 | 328 | 184 | 563 | 2,241 |
| Disposals | (62) | (6) | (48) | (116) | (232) |
| At 31 December 2017 | <u>4,594</u> | <u>1,650</u> | <u>1,067</u> | <u>2,859</u> | <u>10,170</u> |
| Net book value | | | | | |
| At 31 December 2017 | <u>1,819</u> | <u>278</u> | <u>175</u> | <u>1,140</u> | <u>3,409</u> |
| At 31 December 2016 | <u>1,624</u> | <u>397</u> | <u>247</u> | <u>1,740</u> | <u>4,008</u> |

The directors have considered the value of fixed assets and are satisfied that the aggregate value of those assets at 31 December 2017 was not less than the aggregate amount at which they are stated in these accounts.

11. Fixed asset investments

| | Subsidiary undertakings £'000 |
|------------------------------------|----------------------------------|
| Cost | |
| At 1 January 2017 | 1,138 |
| Additions | nil |
| Written off | - |
| Net Book Value 31 December 2017 | <u>1,138</u> |
| Net Book Value at 31 December 2016 | <u>1,138</u> |

Hogarth Worldwide Limited

Notes to the financial statements (continued)

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 | % |
|---|---|--------------------------|--|--------|
| Hogarth Worldwide (Hong Kong) Limited | 26 th 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 ^o 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, 25 th 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 | 4 th 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 Muntul 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 st 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

Notes to the financial statements (continued)

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 th 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 ^o e 27 ^o 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

| | 2017 £'000 | 2016 £'000 |
|-------------------------------------|---------------|---------------|
| Non-Current Assets held for sale | - | 1,168 |
| Amounts falling due within one year | - | 1,168 |

13. Debtors

| | 2017 £'000 | 2016 £'000 |
|-------------------------------------|---------------|---------------|
| Trade debtors | 24,380 | 18,714 |
| Amounts owed by Group undertakings | 18,470 | 21,801 |
| Other debtors | 324 | 222 |
| Accrued income | 8,052 | 6,769 |
| Prepayments and accrued income | 2,499 | 2,005 |
| Deferred tax | 375 | 507 |
| Called up share capital not paid | - | 46 |
| Amounts falling due within one year | 54,100 | 50,064 |

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

Hogarth Worldwide Limited

Notes to the financial statements (continued)

14. Creditors: amounts falling due within one year

| | 2017 £'000 | 2016 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 3,459 | 3,125 |
| Amounts owed to Group undertakings | 18,462 | 14,911 |
| Other creditors | 3,481 | 60 |
| Taxation and social security | 3,423 | 2,017 |
| Corporation tax | 493 | |
| Accruals and deferred income | 11,049 | 9,941 |
| | <u>40,367</u> | <u>30,054</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

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Intercompany loan with WPP Finance Co. Ltd | 18,156 | 18,627 |
| Creditors amounts falling due after more than one year | <u>18,156</u> | <u>18,627</u> |

Borrowings are repayable as follows:

| | 2017 £'000 | 2016 £'000 |
|---------------------------|---------------|---------------|
| Intercompany loans | | |
| One - two years | 18,156 | 18,627 |
| | <u>18,156</u> | <u>18,627</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.

Hogarth Worldwide Limited

Notes to the financial statements (continued)

16. Called up share capital

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Authorised, called up, allotted and fully paid 13,127 (2016: 13,127) ordinary shares of £0.10 each | 1 | 1 |
| Share premium account Share premium | 6,132 | 6,132 |

17. Financial commitments

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Land and buildings | | |
| Lease payments under operating leases recognised as an expense in the year | 1,914 | 1,897 |
| | <u>1,914</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 | 2,549 | 2,282 |
| In the second to fifth years inclusive | 4,013 | 1,399 |
| After five years | - | - |
| | <u>6,561</u> | <u>3,681</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.

Hogarth Worldwide Limited

Notes to the financial statements (continued)

18. Exceptional items

| | 2017 £'000 | 2016 £'000 |
|---|---------------|----------------|
| Zonza Platform receivable write-off | | (3,711) |
| Impairment in Zonza and Act Two | | (1,554) |
| Fabric Write Down | | (916) |
| Sale of Cortex and receivable write-off | (1,779) | |
| Sale of Copycentral | 473 | |
| | <u>1,306</u> | <u>(6,181)</u> |

The Cortex amount relates to the writing off of receivable balances due to Hogarth Worldwide Limited on sale of Cortex. The Copycentral amount is related to the proceeds from the sale of our of our Copycentral system. The impairment of Zonza and Act 2 in prior year relates to the impairment of investments in 100% owned subsidiaries which have now been fully impaired.

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. 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.

Hogarth Worldwide Limited

Notes to the financial statements (continued)

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 | | | | |
| 2017 | 32 | 2,997 | - | 6,802 |
| 2016 | 26 | 5,572 | - | 4,165 |
| Entities over which the group has joint control or significant influence | | | | |
| 2017 | 58,803 | 18,635 | 18,470 | 11,660 |
| 2016 | 31,643 | 11,080 | 21,801 | 14,907 |

21. Subsequent events

Subsequent to the balance sheet date, on January 2nd 2018, WPP Group (UK) Ltd acquired 100% of the shareholding of Hogarth Worldwide Limited. Prior to this acquisition event, WPP Group (UK) Ltd held 63.72% of the outstanding shares of 13,127 or 8,365 shares. On April 1st 2018, Hogarth Worldwide Limited entered into an asset transfer agreement with Ogilvy & Mather Group (Holdings) Limited for the purchase of assets related to their print and digital production studio. The purchase price for these assets was £4,263,499.

22. Dividends

The directors recommended dividends be paid during the year ended 31 December 2017 of £7,258,740 (2016: £nil). An interim dividend of £4,827,741 was paid on 1 August 2017 and a further dividend payment of £2,431,000 was agreed for 31 October 2017.