

Company Registration No. 06872427

Hogarth Worldwide Limited

Report and Financial Statements

31 December 2012



Hogarth Worldwide Limited

Report and financial statements 2012

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditor's report	6
Profit and loss account	7
Company balance sheet	8
Cash flow statement	9
Notes to the financial statements	10

Hogarth Worldwide Limited

Report and financial statements 2012

Officers and professional advisers

Directors

Barry Jones
Kevan Thorn
Chris Sweetland
Paul Delaney
Jonathan Eggar
Andrew Scott
Richard Glasson

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

Addleshaw Goddard
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Hogarth Worldwide Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

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 significantly from £40,540,000 to £55,894,000 as revenues from new clients came on stream and revenue from existing clients grew

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 understating 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

Results and dividends

The Company's profit before tax for the year was £4,326,000 (2011 profit of £3,717,000). The directors recommended that no dividend be paid for the year ended 31 December 2012 (2011 £nil). During the year the company issued nil shares (2011 3,127) and proceeds from issuing share capital in the year were £nil (2011 £3,850,000). On 27 April 2012 the Company purchased Act Two Ltd, a Company specialising in high-end retouching of photographs and CGI. Further details about this acquisition are disclosed in note 11

Future prospects and subsequent events

The directors can report that the trend of revenue growth experienced in 2012 has continued into 2013, driven by growth in the UK business augmented by new subsidiaries openings around the world. Subsequent events have been disclosed in note 20

Going concern

At 31 December 2012 the company had £3,820,000 (2011 £5,232,000) of cash and net assets of £11,290,000 (2011 £8,366,000)

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. Hogarth Worldwide Limited also has access to a £12.2m credit facility with WPP Finance Co Limited, expiring in 2016, to cover working capital requirements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements

Financial risk assessment

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, in addition to the available facility noted above. The company is part of a Group banking facility

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

Hogarth Worldwide Limited

Directors' report (continued)

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.

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.

Where existing employees become disabled, our policy is to provide continuing employment and training wherever practicable.

Employees are updated on the Company's performance and matters that may concern them through regular internal communications.

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.

Policy and practice on the payment of creditors

The Company follows WPP's Global Procurement Policy, further details can be found in the Corporate Responsibility section of the latest WPP plc Annual Report.

Trade creditor days at 31 December 2012 were 40 days (2011: 40 days).

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
Chris Sweetland
Paul Delaney
Jonathan Eggar
Andrew Scott
Richard Glasson

Hogarth Worldwide Limited

Directors' report (continued)

Statement on information given to auditor

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

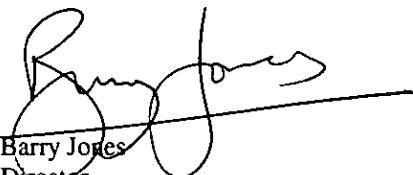
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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



Barry Jones
Director

24 September 2013

Hogarth Worldwide Limited

Statement of directors' responsibilities

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). 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 judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 to 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.

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 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement 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).

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 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 misstatements or inconsistencies we consider have 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 2012 and of its profit for the year 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 matter prescribed by the Companies Act 2006

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

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.



Mark Tolley (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
24 September 2013

Hogarth Worldwide Limited

Profit and Loss Year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	55,894	40,540
Cost of sales		(16,759)	(8,721)
Gross profit		<u>39,135</u>	<u>31,819</u>
Other operating expenses (net)	3	(34,479)	(27,769)
Operating profit		<u>4,656</u>	<u>4,050</u>
Finance charges (net)	4	(330)	(333)
Profit on ordinary activities before taxation	5	<u>4,326</u>	<u>3,717</u>
Tax charge on profit on ordinary activities	8	(1,402)	(1,046)
Profit after taxation for the financial year being retained profit carried forward	16	<u><u>2,924</u></u>	<u><u>2,671</u></u>

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

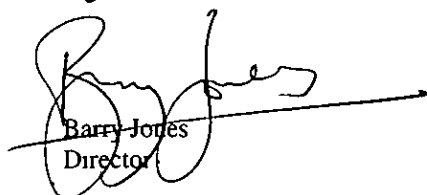
Hogarth Worldwide Limited

Balance sheet As at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments	11	1,090	2
Intangible fixed assets	9	1,213	656
Tangible fixed assets	10	6,216	4,291
		<u>8,519</u>	<u>4,949</u>
Current assets			
Cash at bank and in hand		3,820	5,232
Work in progress		4	33
Debtors amounts falling due within one year	12	25,629	17,930
		<u>29,453</u>	<u>23,195</u>
Creditors: amounts falling due within one year	13	<u>(16,360)</u>	<u>(11,253)</u>
Net current assets		<u>13,093</u>	<u>11,942</u>
Total assets less current liabilities		<u>21,612</u>	<u>16,891</u>
Creditors: amounts falling due after more than one year	14	<u>(10,322)</u>	<u>(8,525)</u>
Net assets		<u>11,290</u>	<u>8,366</u>
Capital and reserves			
Called up share capital	15	1	1
Share premium	15	6,122	6,122
Profit and loss account	16	5,167	2,243
Total shareholders' funds	16	<u>11,290</u>	<u>8,366</u>

The financial statements of Hogarth Worldwide Limited, registered number 06872427 were approved by the Board of Directors on 24 September 2013

Signed on behalf of the Board of Directors



Barry Jones

Director

Hogarth Worldwide Limited

Cash flow statement Year ended 31 December 2012

	2012 £'000	2011 £'000
Cash flows from operating activities		
Operating profit	4,656	4,050
Depreciation and amortisation of fixed assets	2,598	1,709
	<u>7,254</u>	<u>5,759</u>
Movements in working capital		
Increase in trade and other receivables	(7,699)	(10,411)
Increase in trade and other payables	3,705	4,477
Decrease/(increase) in work in progress	29	(33)
	<u>(3,965)</u>	<u>(5,967)</u>
Net cash inflow/(outflow) from operating activities	<u>3,289</u>	<u>(208)</u>
Returns on investments and servicing of finance		
Interest on intercompany loan with WPP Finance Co Limited	(494)	(346)
Interest on intercompany loan with Hogarth Worldwide Inc	154	-
Bank and other interest	10	14
Interest element on finance lease	-	(1)
	<u>(330)</u>	<u>(333)</u>
Net cash outflows from returns on investments and servicing of finance	<u>(330)</u>	<u>(333)</u>
Capital expenditure and financial investment		
Development costs	(839)	(659)
Payments for the purchase of fixed assets	(4,254)	(2,215)
Payments to acquire subsidiaries	(1,088)	-
Proceeds from the sale of fixed assets	13	-
	<u>(6,168)</u>	<u>(2,874)</u>
Net cash outflows from capital expenditure and financial investment	<u>(6,168)</u>	<u>(2,874)</u>
Financing		
Proceeds from issue of equity shares	-	3,775
Proceeds from related party borrowings	1,797	4,275
Repayment of finance leases	-	(65)
	<u>1,797</u>	<u>7,985</u>
Net cash inflows from financing	<u>1,797</u>	<u>7,985</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,412)</u>	<u>4,570</u>
Net (decrease)/increase in cash and cash equivalents	(1,412)	4,570
Cash and cash equivalents at the beginning of the year	5,232	662
	<u>3,820</u>	<u>5,232</u>
Cash and cash equivalents at the end of the year	<u>3,820</u>	<u>5,232</u>

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

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 accounts 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

Accounting convention

The accounts are prepared under the historical cost convention

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 2012 the company had £3,820,000 (2011 £5,232,000) of cash and net assets of £11,290,000 (2011 £8,366,000) After reviewing cashflow 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

The company also has access to a £12.2m revolving credit facility with WPP Finance Co Limited which expires in 2016 The Directors have reasonable expectations that the loan will be repayable based on forecast trading in the coming years

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

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

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

1. Accounting policies (continued)

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.

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.

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.

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

1. Accounting policies (continued)

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 of outlays incurred on behalf of clients and work in progress under project arrangements. Provision is made for irrecoverable costs where appropriate.

2. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. The turnover and pre-tax profit/(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)

	2012 £'000	2011 £'000
Staff costs	23,039	18,274
Depreciation and amortisation	2,598	1,709
Establishment costs	3,696	2,836
Other administrative expenses	4,389	4,648
Exchange losses/(gains)	122	(78)
Finance and general	635	380
	<u>34,479</u>	<u>27,769</u>

4. Finance charges (net)

	2012 £'000	2011 £'000
Interest payable and similar charges		
Intercompany loan with WPP Finance Co Limited	494	346
Intercompany loan with Hogarth Worldwide Inc	(154)	-
Finance charges payable under finance leases	-	1
	<u>340</u>	<u>347</u>
Interest receivable and similar income		
Other finance income	(10)	(14)
	<u>(10)</u>	<u>(14)</u>
Net finance charge	<u>330</u>	<u>333</u>

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

5. Profit on ordinary activities before taxation

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
- owned	2,316	1,643
Amortisation of intangible fixed assets	282	66
Loss on disposal of fixed assets	13	2
Research and development costs written off	8	5
Fees payable to the Company's auditor for the audit of the Company's annual accounts	70	70
Rental income	(100)	(100)
Operating leases		
-Land and buildings	1,047	760
-Other	179	97

6. Staff costs

	2012 £'000	2011 £'000
Wages and salaries	17,643	12,541
Social security costs	1,976	1,373
Pension costs	99	78
Other staff costs	3,321	4,282
	<u>23,039</u>	<u>18,274</u>

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

	2012 No.	2011 No.
Account handling	55	33
Admin/finance	45	25
General management	8	4
Human resources and talent management	5	2
Information technology	46	23
New business/business development	8	9
Production traffic	280	212
	<u>447</u>	<u>308</u>

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

7. Directors' remuneration

	2012 £'000	2011 £'000
Remuneration		
The remuneration of the directors was as follows		
Emoluments	1,200	650
	<u>1,200</u>	<u>650</u>

Highest paid director

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

	2012 £'000	2011 £'000
Emoluments	400	225
	<u>400</u>	<u>225</u>

Directors' transactions

The number of directors who are members of defined benefit pension scheme/money purchase pension scheme was nil (2011 nil) The Company made pension contributions of £21,750 (2011 £18,333) for one Director (2011 one Director)

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

The emoluments of Chris Sweetland, Paul Delaney, Jonathan Eggar and Andrew Scott are borne by other WPP group entities The company did not receive any charges for their services provided in either year

8. Tax on profit on ordinary activities

	2012 £'000	2011 £'000
Analysis of tax in year		
<i>Current tax</i>		
UK corporation tax	1,336	1,196
Adjustments in respect of previous periods	66	-
Total current tax	<u>1,402</u>	<u>1,196</u>
<i>Deferred tax</i>		
Current year	-	(150)
Prior year	-	-
Total tax for year	<u>1,402</u>	<u>1,046</u>

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

8. Tax on profit on ordinary activities (continued)

Factors affecting taxation in year

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	4,326	3,717
Tax charge on profit on ordinary activities at blended rate (24.5%) (2011 26.5%)	1,060	985
Factors affecting the charge in the year		
Depreciation in excess of capital allowances	159	185
Expenses not deductible for tax purposes	117	88
Tax losses (utilised)/carried forward	-	(62)
Prior year adjustment	66	-
Total actual amount of current tax	1,402	1,196

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

	2012 £'000	2011 £'000
Excess of tax allowance over depreciation	-	(150)
Trading losses	-	-
	-	(150)
Credited to the profit and loss account in respect of deferred taxation and trading losses	-	(150)
Amount falling due after more than one year	-	-
Total tax charge	1,402	1,046

A deferred tax asset of £148,000 (31 December 2011 £150,000) 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

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

9. Intangible fixed assets – development costs

	Total £'000
Cost	
At 1 January 2012	722
Additions	839
At 31 December 2012	<u>1,561</u>
Depreciation	
At 1 January 2012	66
Charge for the year	282
At 31 December 2012	<u>348</u>
Net book value	
At 31 December 2012	<u>1,213</u>
At 31 December 2011	<u>656</u>

Development costs have been capitalised in accordance with SSAP 13 Accounting for research and development and are therefore not treated, for dividend purposes, as a realised loss

The costs related to Phase 1 of the development of ZONZA, the Global media asset management and distribution platform and the initial launch of FIDO2, the global digital asset management system Phase 1 of ZONZA went live on 1 March 2011, and the related costs are being amortised over three years from that date FIDO2 went live in March 2013, with costs subject to amortisation over three years

10. Tangible fixed assets

Company	Computer equipment £'000	Computer software £'000	Furniture and fixtures £'000	Leasehold improvements £'000	Total £'000
Cost					
At 1 January 2012	3,246	1,668	766	1,384	7,064
Additions	2,462	387	256	1,149	4,254
Disposals	-	-	-	(13)	(13)
At 31 December 2012	<u>5,708</u>	<u>2,055</u>	<u>1,022</u>	<u>2,520</u>	<u>11,305</u>
Depreciation					
At 1 January 2012	1,463	903	156	251	2,773
Charge for the year	1,379	546	165	226	2,316
At 31 December 2012	<u>2,842</u>	<u>1,449</u>	<u>321</u>	<u>477</u>	<u>5,089</u>
Net book value					
At 31 December 2012	<u>2,866</u>	<u>606</u>	<u>701</u>	<u>2,043</u>	<u>6,216</u>
At 31 December 2011	<u>1,783</u>	<u>765</u>	<u>610</u>	<u>1,133</u>	<u>4,291</u>

The directors have considered the value of fixed assets and are satisfied that the aggregate value of those assets at 31 December 2012 was not less than the aggregate amount at which they are stated in these accounts

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

11. Fixed asset investments

	Subsidiary undertakings £'000
Cost	
At 1 January 2012	2
Additions	1,088
At 31 December 2012	<u>1,090</u>
Provision for impairment	
At 1 January 2012 and 31 December 2012	<u>-</u>
Net book value	
At 31 December 2012	<u>1,090</u>
At 31 December 2011	<u>2</u>

Principal investments

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	Dormant	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	26th 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° 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 Incorporated	230 Park Avenue South, 1 1 th 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

Act Two Ltd, a Company incorporated in the Great Britain, specialising in high-end retouching of photographs and C G I, was purchased on 27 April 2012 Hogarth Argentina S A was incorporated on 20 December 2012 and had not commenced trading by 31 December 2012

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

12. Debtors

	2012 £'000	2011 £'000
Trade debtors	8,181	4,947
Amounts owed by Group undertakings	11,930	10,125
Other debtors	121	279
Prepayments and accrued income	5,174	2,354
Deferred tax	148	150
Called up share capital not paid	75	75
	<hr/>	<hr/>
Amounts falling due within one year	<u>25,629</u>	<u>17,930</u>

Amounts owed by Group companies can be broken down as follows

Group Company	2012 £'000	2011 £'000
Act Two Limited	5	-
Addison Corporate Marketing Ltd	-	1
Atletico International Advertising S L	15	-
Beyond Worldwide Ltd	4	76
G2 London Limited	12	299
Grey Advertising Limited	1,007	1,229
Grey Communications Group Ltd	16	22
GREY GLOBAL GROUP INC	37	2
Grey Healthcare Group Ltd	-	131
Grey Healthcare London Ltd	-	3
Grey Worldwide GmbH	-	1
Grey Worldwide Italia Srl	-	1
Group Activation Ltd	1	-
Gruppa66 Ogilvy Sp z o o	2	-
Hogarth Worldwide (Hong Kong) Ltd	458	341
Hogarth Worldwide De Mexico S de R L de C V	20	618
Hogarth Worldwide Inc	6,192	2,442
Hogarth Worldwide PTE Ltd (Singapore)	202	2,028
Hogarth Worldwide Publicidade Brasil Ltda	57	-
Hogarth Worldwide S R L	387	-
Initiativ Nya Grey Ogilvy INGO AB	11	-
J Walter Thompson Company	-	7
J Walter Thompson Group Limited	694	1,751
J Walter Thompson Company Ltd	11	-
MediaCom Holdings Limited	4	-
Mediaedge Cia UK Ltd	7	-
Mindshare Media UK Limited	64	-
Ogilvy & Mather (Sydney) PTY Ltd	2	-
Ogilvy & Mather Group (Holdings) Limited	154	254
Ogilvy & Mather LLC	5	5
Ogilvy & Mather Ltd	2	-
Ogilvy & Mather Portugal Publicidade Unipessoal, Lda	2	1
Ogilvy & Mather S p A	17	-
Ogilvy & Mather spol s r o	-	1
Ogilvy Advertising Ltd	1,298	-
Ogilvy and Mather Reklamcılık AS	4	-
Ogilvy Brand Center GmbH	11	-
Ogilvy Group (Nederland) BV	2	-
Possible Worldwide Ltd	4	-

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

12. Debtors (continued)

Group Company	2012 £'000	2011 £'000
RKCR Y&R a division of Young and Rubicam Group Ltd	897	731
SC Ogilvy & Mather Advertising SRL	3	3
SCHOLZ & FRIENDS ROME SRL	1	-
Soho Square (Advertising) Ltd	-	19
VML Inc	1	-
VML London Ltd	-	-
Wildfire Word of Mouth Ltd	-	-
WPP 2005 Ltd	8	-
WPP Deliver LLC	-	13
WPP Marketing Communications Inc	-	1
Wunderman (a Division of Young and Rubicam Group Ltd)	9	3
Wunderman SAS	3	-
Y&R New York Inc	12	-
Young & Rubicam France Ltd	184	78
Young & Rubicam Praha s r o	100	61
Young & Rubicam Roma SRL	3	-
Young & Rubicam SA (Pty) Ltd	-	2
Young and Rubicam Europe Ltd	2	-
Other	-	1
	<u>11,930</u>	<u>10,125</u>

13. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	2,982	2,217
Amounts owed to Group undertakings	5,098	3,826
Other creditors	5	41
Taxation and social security	1,974	2,304
Accruals and deferred income	6,301	2,865
	<u>16,360</u>	<u>11,253</u>

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

13 Creditors: amounts falling due within one year (continued)

Amounts owed to Group companies as at 31 December 2012 can be broken down as follows

	2012 £'000	2011 £'000
Acao Producoes e Electronicas Ltda	-	7
Act Two Limited	553	-
Cortex Worldwide Limited	1	1
G2 London Limited	11	24
Grey Advertising Limited	1,229	823
Grey Communications Group Ltd	47	-
GREY GLOBAL GROUP INC	-	7
Grey Group Paris	4	2
Hogarth Nearsure Ltd	-	1
Hogarth Worldwide (Hong Kong) Ltd	63	-
Hogarth Worldwide De Mexico S de R L de C V	2	1
Hogarth Worldwide Inc	75	18
Hogarth Worldwide PTE Ltd (Singapore)	51	37
Hogarth Worldwide S R L	16	-
Initiativ Nya Grey Ogilvy INGO AB	1	-
J Walter Thompson Group Limited	852	872
Native Limited	-	1
Ogilvy Advertising Ltd	448	-
RKCR Y&R a division of Young and Rubicam Group Ltd	1,152	1,897
WPP 2005 Ltd	157	29
WPP Group (UK) Ltd	37	-
WPP Group USA Inc	7	-
WTMS Ltd	281	79
Wunderman (a Division of Young and Rubicam Group Ltd)	15	-
Y&R New York Inc	44	27
Young & Rubicam Praha s r o	52	-
	<u>5,098</u>	<u>3,826</u>

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

14. Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Intercompany loan with WPP Finance Co Ltd	10,322	8,525
Creditors amounts falling due after more than one year	10,322	8,525

Borrowings are repayable as follows

	2012 £'000	2011 £'000
Intercompany loans		
Greater than two years	10,322	8,525
	10,322	8,525

The intercompany loan repayable to WPP Finance Co Ltd is a credit facility with WPP, expiring in 2016. Interest at 5.0% per annum above the Bank of England Base Rate is charged on a monthly basis on the outstanding balance.

15. Called up share capital

	2012 £'000	2011 £'000
Authorised, called up, allotted and fully paid		
13,126 (2011: 13,126) ordinary shares of £0.10 each	1	1
Share premium account		
Share premium	6,122	6,122

16. Reserves

	Share premium account £'000	Share capital account £'000	Profit and loss account £'000	Total £'000
At 1 January 2012	6,122	1	2,243	8,366
Profit for the financial year	-	-	2,924	2,924
At 31 December 2012	6,122	1	5,167	11,290

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

17. Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2012 £'000	2011 £'000
Land and buildings		
Expiring		
- after five years	1,407	908
	<u>1,407</u>	<u>908</u>

18. Analysis and reconciliation of net debt

	1 January 2012 £'000	Cash flow £'000	31 December 2012 £'000
Cash in hand, at bank	5,232	(1,412)	3,820
	<u>5,232</u>	<u>(1,412)</u>	<u>3,820</u>
Debt due after 1 year	(8,525)	(1,797)	(10,322)
	<u>(8,525)</u>	<u>(1,797)</u>	<u>(10,322)</u>
Net debt	<u>(3,293)</u>	<u>(3,209)</u>	<u>(6,502)</u>
		2012 £'000	2011 £'000
Decrease/increase in cash in the year		(1,412)	4,570
Cash inflow from increase in debt		(1,797)	(4,210)
		<u>(3,209)</u>	<u>360</u>
Change in net debt resulting from cash flows		<u>(3,209)</u>	<u>360</u>
Movement in net debt in year		(3,209)	360
Net debt at 1 January	(3,293)		(3,653)
Net debt at 31 December		<u>(6,502)</u>	<u>(3,293)</u>

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

19. Related party transactions

WPP subsidiary	Service value received 2012	Service value provided 2012	Service value received 2011	Service value provided 2011	Management services 2012	Management services 2011
Acao Producoes e Electronicas Ltda (T/A Y&R Brazil)	-	-	10	-	-	-
Act Two Limited	-	2	-	-	-	-
Addison Corporate Marketing Ltd	-	-	-	1	-	-
Atletico International Advertising S L	-	21	-	-	-	-
Bassat Ogilvy Mather Madrd SA	-	3	-	65	-	-
Blue Hive Shanghai Advertising Co Ltd	341	-	-	-	-	-
Bold Ogilvy & Mather AEE	-	-	-	13	-	-
Burrows	-	1	-	-	-	-
Burson-Marsteller (a Division of Young and Rubicam Group Ltd)	-	-	-	1	-	-
DDFH & B Ltd	-	-	-	-	-	-
Deliver LLC	-	4	-	79	-	-
Dorlands and Grey S A	-	6	-	-	-	-
G2 Branding & Design	-	10	-	28	-	-
G2 Joshua	4	288	-	127	11	24
G2 United Kingdom Limited (T/A G2 London Limited)	-	13	-	622	-	-
Grey Advertising Hong Kong Limited	-	-	-	-	-	-
Grey Advertising Inc	-	92	-	203	-	-
Grey Advertising Ltd	-	5,694	1,826	4,592	769	663
Grey CIS Werbeagentur Gmbh (Moscow)	-	4	-	-	-	-
Grey Communications Group Ltd	344	305	18	48	-	-
Grey Espana SLU	-	-	-	-	-	-
Grey Healthcare Group Ltd	269	-	-	271	-	-
Grey Healthcare London Ltd	-	1	-	102	-	-
Grey Paris	341	1	3	-	-	-
Grey Worldwide GmbH	-	3	-	9	-	-
Grey Worldwide Italia Srl	-	-	-	1	-	-
Grey Worldwide Romania S R L	-	-	-	-	-	-
Group Activation	-	6	-	-	-	-
Gruppa66 Ogilvy Sp z o o	-	-	-	52	-	-
Hogarth Worldwide (De Mexico) SRL de CV	1,936	211	-	283	-	-
Hogarth Worldwide (Hong Kong) Limited	8	15	-	-	-	-
Hogarth Worldwide Inc	2	423	16	1,210	-	10
Hogarth Worldwide PTE Ltd (Singapore)	2	164	37	530	-	-
Hogarth Worldwide S R L (Bucharest)	305	49	-	-	-	-
Initiativ Nya Grey Ogilvy INGO AB	-	11	-	72	-	-
J WALTER THOMPSON (SINGAPORE) PTE LTD	-	-	46	2	-	-
J Walter Thompson Company (New York)	-	126	-	16	-	-
J Walter Thompson Company (New York) T/A Team Detroit	-	-	-	88	-	-

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

19. Related party transactions (continued)

WPP subsidiary	Service value received 2012	Service value provided 2012	Service value received 2011	Service value provided 2011	Management services 2012	Management services 2011
J WALTER THOMPSON COMPANY						
JAPAN GK	149	-	-	-	-	-
J Walter Thompson GmbH	-	3	-	121	-	-
J Walter Thompson Group Limited	60	4,216	1,258	5,655	646	593
J Walter Thompson Chilena SpA	-	-	-	-	-	-
J Walter Thompson Company Ltd	-	11	-	-	-	-
JWT Netherlands International	-	56	-	40	-	-
JWT Sdn Bhd (Kuala Lumpur)	-	-	-	3	-	-
JWT Warszawa Sp z o o	-	-	-	-	-	-
Landor Associates Europe Ltd	-	-	-	1	-	-
Mather Communications	-	1	-	-	-	-
MediaCom Holdings Limited	-	39	-	-	-	-
Mediaedge Cia UK Ltd	-	16	-	-	-	-
Mindshare Media UK Limited	-	124	-	40	-	-
Mindshare S R O	-	-	-	-	-	-
Ogilvy & Mather (Sydney) PTY Ltd	-	2	-	-	-	-
Ogilvy & Mather Advertising SRL	-	-	-	-	-	-
Ogilvy & Mather AG	-	5	-	56	-	-
Ogilvy & Mather Gesellschaft mbH	-	6	-	21	-	-
Ogilvy & Mather Group (Holdings) Limited	18	1,865	-	1,629	115	-
Ogilvy & Mather LLC	-	-	-	5	-	-
Ogilvy & Mather Ltd	-	7	2	11	-	-
Ogilvy & Mather Portugal Publicidade Unipessoal Lda	-	8	-	22	-	-
Ogilvy & Mather S p A	-	17	-	-	-	-
Ogilvy & Mather spol Sro	-	1	-	411	-	-
Ogilvy Action Sp z o o	1	2	-	-	-	-
Ogilvy Advertising Ltd	-	419	-	207	-	-
Ogilvy and Mather Reklamcılık AS	-	5	-	-	-	-
Ogilvy Brand Center GmbH	1,142	-	-	-	-	-
Ogilvy Brand Center GmbH	-	12	-	45	-	-
Ogilvy Groep (Nederland) BV	-	5	-	17	-	-
Ogilvy Group SA	-	3	-	24	-	-
Ogilvy Group Zrt	-	2	-	-	-	-
Pointblank Productions Ltd	-	3	-	-	-	-
Possible Worldwide Ltd	-	4	-	-	-	-
Public Relations and International						
Sports Marketing Ltd	-	-	-	14	-	-
Redworks Broadcast	-	-	-	9	-	-

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

19. Related party transactions (continued)

WPP subsidiary	Service value received 2012 £'000	Service value provided 2012 £'000	Service value received 2011 £'000	Service value provided 2011 £'000	Management services 2012 £'000	Management services 2011 £'000
RKCR Young and Rubicam a division of Young and Rubicam Group Limited	1,411	4,178	1,025	4,206	774	808
RMG Connect Ltd	-	-	-	-	-	-
Saint at RKCR Y&R a division of Young and Rubicam Group Ltd	-	19	-	6	-	-
SC Ogilvy & Mather Advertising SRL	-	3	-	8	-	-
Soho Square (Advertising) Ltd	-	13	-	16	-	-
Suunnittelutoimisto Tarvas Oy	-	-	-	11	-	-
The Farm Post Production Limited	-	-	4	-	-	-
VML Inc	-	1	-	-	-	-
Wildfire Word of Mouth Ltd	-	14	-	35	-	-
WPP 2005 Ltd	13	12	262	3	-	-
WPP Group (UK) Ltd	8	-	-	-	-	-
WPP Group USA Inc	1,936	-	-	-	-	-
WPP Marketing Communications Inc	-	1	-	1	-	-
WTMS Ltd	215	-	304	-	-	-
Wunderman (a Division of Young and Rubicam Group Ltd)	113	19	-	49	-	-
Wunderman SAS	-	4	-	-	-	-
Y&R Hong Kong	-	42	-	-	-	-
Y&R New York	-	-	28	-	-	-
Young & Rubicam France	-	1,065	-	922	-	-
Young & Rubicam GmbH	-	7	-	-	-	-
Young & Rubicam Praha s r o	105	848	-	869	-	-
Young & Rubicam Roma SRL	-	5	-	7	-	-
Young & Rubicam SA (Pty) Ltd	-	5	-	4	-	-
Young and Rubicam Europe Ltd	-	2	-	-	-	-
Young and Rubicam Inc	404	114	-	-	-	-
	<u>9,127</u>	<u>20,637</u>	<u>4,839</u>	<u>22,883</u>	<u>2,315</u>	<u>2,098</u>

WPP 2005 Limited, a fellow WPP plc subsidiary held leases relating to the Ground, 1st, 2nd, 4th, 5th and 6th floors of the property occupied by the Company at 164 Shaftesbury Avenue, London WC2H 8HL. The Company made all payments relating to these leases in the period, to the value of £908,490 (2011 £886,714). No amounts were outstanding at the year end in relation to this.

During the prior year the Company received loan financing from WPP Finance Co Limited, a fellow WPP plc subsidiary. Amounts owed to WPP Finance Co Limited are disclosed in note 14. The interest payable on the loan balances during the year was £494,384 (2011 £345,704).

Amounts owed to and from related parties are disclosed in notes 12 and 13.

Hogarth Worldwide Limited

Notes to the financial statements Year ended 31 December 2012

20. Subsequent events

On 30 June 2013 the Company entered into a joint venture with Deluxe Entertainment Services Group Inc to form a new company Zonza Limited which will provide online media asset management and distribution platforms to customers using Hogarth's Zonza technology

21. Ultimate parent and controlling parent undertaking

The directors regard WPP Group (UK) Limited, a company incorporated in The United Kingdom and registered 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 The parent undertaking of the smallest such group is Lexington International BV, registered in the 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