

**Ogilvy & Mather Group (Holdings) Limited**  
(Registered number: 00045810)

**Annual Report and financial statements**

**for the year ended 31 December 2017**

**Registered office address:**

Sea Containers,  
18 Upper Ground,  
London,  
SE1 9RQ

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**Ogilvy & Mather Group (Holdings) Limited**  
**(Registered number: 00045810)**

**Annual Report and financial statements**

**for the year ended 31 December 2017**

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**Ogilvy & Mather Group (Holdings) Limited**  
**(Registered number: 00045810)**

**Strategic report for the year ended 31 December 2017**

The Directors present their Strategic report on Ogilvy & Mather Group (Holdings) Limited (the 'Company') for the year ended 31 December 2017.

**Principal activities and future developments**

The Company is a member of the WPP Plc Group (the 'Group') and operates as part of the Group's Ogilvy & Mather network. The Company provides advertising and allied services as well as acting as an intermediary holding company. The Directors do not envisage any major change to the nature of the business in the foreseeable future.

**Review of business**

The Company made a profit for the year ended 31 December 2017 of £11,565,000 (2016: profit of £9,027,000). The Directors are of the opinion that the current level of activity and year end financial position of the Company are satisfactory and will remain so for the foreseeable future.

The profit for the year of £11,565,000 will be transferred to reserves (2016: £9,027,000 transfer to reserves).

**Principal risks and uncertainties**

The Company has specific policies in place to ensure that operational and business risks are properly identified, evaluated and managed. The Company considers its principal risks and uncertainties to be the same as those affecting the WPP Group, as referred to in the Directors' Report in the Group's Annual Report, which does not form part of this report. The financial statements of WPP plc are available at [www.wppinvestor.com](http://www.wppinvestor.com).

**Financial risk management objectives and policies**

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund obligations as they fall due. The most important components of financial risk are interest rate risk, currency risk, liquidity risk and price risk.

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the only financial risks the Directors consider relevant to this Company are foreign exchange risk and credit risk. Management mitigate these risks by regular monitoring throughout the year.

**Key performance indicators (KPIs)**

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 Company. The performance of the network which includes the Company, is discussed in the Group's annual report, which does not form part of this report.

By order of the Board

 27/9/18

J Cornwell  
Director

**Ogilvy & Mather Group (Holdings) Limited**  
**(Registered number: 00045810)**

**Directors' report for the year ended 31 December 2017**

The Directors present their report on the Company for the year ended 31 December 2017.

**Results and dividends**

The Company's results for the financial year are shown in the income statement on page 7.

No dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31 December 2017 (2016: £nil).

**Directors and their interests**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

J Cornwell	(appointed on 1 May 2017)
M Frohlich	(appointed on 24 September 2018)
R Clementson	
L Collinet	(resigned on 24 September 2018)
A King	(resigned on 28 March 2018)
P O'Donnell	
A Tortoulou	(resigned on 24 September 2018)
S Winters	
R Dadra	(resigned on 31 May 2017)

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business.

**Directors' indemnity**

Each of the Directors benefits from a third party qualifying indemnity given by the Company in respect of liabilities incurred by the Director in the execution and discharge of their duties. The provision remains in force throughout the financial year and up until the date of the report.

**Employees**

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, briefings and thorough group communications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception in 1997. It is open to all employees who have at least two years' service for a Company wholly-owned by WPP. The WPP stock options are granted annually with the number granted at WPP's discretion. After three years, employees can choose whether to keep their options or buy WPP stock at the fixed option price. Options may be exercised for up to 10 years from the grant date.

Our non-discrimination and anti-harassment policies are included in the Group's Code of Conduct.

**Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, 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 with that of other employees.

**Ogilvy & Mather Group (Holdings) Limited**  
**(Registered number: 00045810)**

**Directors' report for the year ended 31 December 2017**

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual report including 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), including FRS 101 'Reduced disclosure framework' ("FRS 101") 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The following items have been included in the Strategic report on page 1:

- principal activities and future developments;
- review of business;
- financial risk management; and
- principal risks and uncertainties.

**Disclosure of information to auditors**

As far as each of the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006.

**Independent auditors**

Deloitte LLP are deemed to be re-appointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

On behalf of the Board:

 22/2/18

J Cornwell  
Director

**Ogilvy & Mather Group (Holdings) Limited**  
**(Registered number: 00045810)**

**Independent auditors' report to the members of Ogilvy & Mather Group (Holdings) 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 Ogilvy & Mather Group (Holdings) Limited (the 'Company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

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.

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' responsibilities 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.

**Ogilvy & Mather Group (Holdings) Limited**  
**(Registered number: 00045810)**

**Independent auditors' report to the members of Ogilvy & Mather Group (Holdings) Limited**

**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 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](http://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.

**Ogilvy & Mather Group (Holdings) Limited**  
**(Registered number: 00045810)**

**Independent auditors' report to the members of Ogilvy & Mather Group (Holdings) Limited**

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

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

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

Under the Companies Act 2006, we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report or from the requirement to prepare a Strategic Report.

We have nothing to report in respect of these matters.

*James A Bates*

James A Bates (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory auditor  
London  
27 September 2018



**Ogilvy & Mather Group (Holdings) Limited**  
**(Registered number: 00045810)**

**Income statement**  
**for the year ended 31 December 2017**

	Notes	2017 £'000	Restated 2016 £'000
Turnover	4	266,478	256,101
Cost of sales		(144,743)	(135,510)
<b>Gross profit</b>		<b>121,735</b>	<b>120,591</b>
Administrative expenses		(114,079)	(115,498)
Income from subsidiaries and associates	7	2,124	820
<b>Operating profit</b>	5	<b>9,780</b>	<b>5,913</b>
Finance income	8	3,149	4,005
Finance expense	9	(1,061)	(974)
<b>Profit before taxation</b>		<b>11,868</b>	<b>8,944</b>
Taxation	10	(303)	83
<b>Profit for the year</b>		<b>11,565</b>	<b>9,027</b>

The results disclosed above for both the current year and prior year relate entirely to continuing operations.

An adjustment has been made to exclude £29.472 million from finance income in 2016 and prepayments and deferred income (within trade and other receivables) in relation to over recognised pension income interest and actuarial gains in 2016.

**Ogilvy & Mather Group (Holdings) Limited**  
**(Registered number: 00045810)**

**Statement of comprehensive income**  
**for the year ended 31 December 2017**

	<b>2017</b>	<i>Restated</i>
	<b>£'000</b>	<b>2016</b>
		<b>£'000</b>
<b>Profit for the year</b>	<b>11,565</b>	<b>9,027</b>
<b>Items that may be subsequently reclassified to the income statement:</b>		
Exchange adjustments on foreign currency net investments	<b>(1,140)</b>	<b>2,978</b>
<b>Items that will not be reclassified to the income statement:</b>		
Actuarial gain / (losses) on pension schemes	<b>4,379</b>	<b>(5,214)</b>
Deferred tax relating to actuarial gains and losses	<b>(1,357)</b>	<b>950</b>
Other movements	<b>-</b>	<b>744</b>
<b>Other comprehensive income / (loss) for the year</b>	<b>1,882</b>	<b>(542)</b>
<b>Total comprehensive income for the year</b>	<b>13,447</b>	<b>8,485</b>

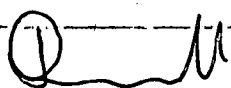
**Ogilvy & Mather Group (Holdings) Limited**  
**(Registered number: 00045810)**

**Balance sheet**  
**for the year ended 31 December 2017**

	Notes	2017 £'000	Restated 2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	11	32,167	33,408
Intangible assets	12	3	3
Investments in subsidiaries and associates	13	21,888	21,888
Pension surplus		24,369	16,384
<b>Total non-current assets</b>		<b>78,427</b>	<b>71,683</b>
<b>Current assets</b>			
Trade and other receivables	14	245,309	247,729
Work in progress	15	12,608	8,638
Cash and cash equivalents		113,996	95,105
<b>Total current assets</b>		<b>371,913</b>	<b>351,472</b>
<b>Total assets</b>		<b>450,340</b>	<b>423,155</b>
<b>Current liabilities</b>			
Trade and other payables	16	(132,087)	(135,303)
Bank overdraft		(51,150)	(42,105)
<b>Total current liabilities</b>		<b>(183,237)</b>	<b>(177,408)</b>
<b>Net current assets</b>		<b>188,676</b>	<b>174,064</b>
<b>Total assets less current liabilities</b>		<b>267,103</b>	<b>245,747</b>
<b>Non-current liabilities</b>			
Trade and other payables	16	(17,163)	(10,298)
Other provisions	17	(1,949)	(2,710)
<b>Total non-current liabilities</b>		<b>(19,112)</b>	<b>(13,008)</b>
<b>Total liabilities</b>		<b>(202,349)</b>	<b>(190,416)</b>
<b>Net assets</b>		<b>247,991</b>	<b>232,739</b>
<b>Equity</b>			
Share capital	20	124,200	124,200
Share premium		323	323
Translation reserve		143	1,283
Capital contribution reserve		28,726	28,726
Retained earnings		94,599	78,207
<b>Shareholder's equity</b>		<b>247,991</b>	<b>232,739</b>

The financial statements on pages 7 to 26 were approved by the Board of Directors on behalf by:

and signed on its

 27/9/18

J Cornwell  
Director

Ogilvy & Mather Group (Holdings) Limited  
(Registered number: 00045810)

Statement of changes in equity  
for the year ended 31 December 2017

	Note	Share capital	Share premium	Capital redemption reserve	Translation reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2016		124,200	323	28,726	(1,695)	70,377	221,931
Profit for the year		-	-	-	-	9,027	9,027
Other comprehensive income		-	-	-	2,978	(3,520)	(542)
Total comprehensive income for the year		-	-	-	2,978	5,507	8,485
Capital contribution for equity-settled share-based payments	18	-	-	-	-	2,323	2,323
As at 31 December 2016 (restated)		124,200	323	28,726	1,283	78,207	232,739
Profit for the year		-	-	-	-	11,565	11,565
Other comprehensive income		-	-	-	(1,140)	3,022	1,882
Total comprehensive income for the year		-	-	-	(1,140)	14,587	13,447
Capital contribution for equity-settled share-based payments	18	-	-	-	-	1,805	1,805
As at 31 December 2017		124,200	323	28,726	143	94,599	247,991

**Notes to the financial statements for the year ended 31 December 2017**

**1 Presentation of the financial statements**

**General information**

The Company's business activities, future development and a review of its performance and position are set out in the Strategic report on Page 1.

The Company is a private company, limited by shares, and is incorporated and domiciled in the UK. The Company is registered in England and Wales. The address of the registered office is Sea Containers, 18 Upper Ground, London, SE1 9RQ.

**2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

**(a) Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

These financial statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of derivative financial assets and liabilities at fair value through profit and loss and available for sale financial assets, and in accordance with the Companies Act 2006.

In determining if the business is a going concern, the Directors have considered the Company's financial forecasts, budgets, cash flows, liquidity, contingent liabilities and pension funding. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months from the date of signing. Accordingly, they continue to adopt the going concern as a basis in preparing the financial statements.

**Disclosure exemptions adopted**

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- IFRS 7, 'Financial instruments: disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a) (iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);
  - (iv) paragraph 62(a) and (b) of IAS 40 Investment property;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d); (statement of cash flows),
  - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirements for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third balance sheet),
  - 111 (cash flow statement information), and
  - 134 - 136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.

The financial statements of WPP plc are available at [www.wppinvestor.com](http://www.wppinvestor.com).

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

**Amendments to International Financial Reporting Standards (IFRSs) and the new Interpretations that are mandatorily effective for the current year**

In the current year, the company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

**Ogilvy & Mather Group (Holdings) Limited**  
(Registered number: 00045810)

**Notes to the financial statements for the year ended 31 December 2017**

**(b) Consolidation**

The Company is a wholly owned subsidiary of the ultimate parent company and as such has taken advantage of the exemption from preparing group financial statements under section 400 of the Companies Act 2006. WPP plc, a company incorporated in Jersey, is the Company's ultimate parent undertaking and controlling party. The largest group of undertakings for which group financial statements are prepared and which include the results of the Company are the consolidated financial statements of WPP plc. The registered address of WPP plc is Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES. Copies of the consolidated financial statements can be obtained from [www.wppinvestor.com](http://www.wppinvestor.com). The smallest group of undertakings for which group financial statements are prepared and which include the results of the Company are the consolidated financial statements of WPP Jubilee Limited, registered in England and Wales. The immediate parent undertaking is Ambassador Square. These financial statements are separate financial statements. The registered address of WPP Jubilee Limited and Ambassador Square is 27 Farn Street, London, W1J 5RJ, England.

**(c) Turnover**

Turnover represents the total amount accrued and invoices to clients in respect of charges for advertising and allied services (excluding trade discounts, VAT, similar taxes and rebates) in the normal course of business. Retainer fees are recognised on a straight line basis and project fees are recognised on a percentage of completion basis.

Turnover is recognised when the service is performed.

**(d) Foreign currency transactions**

Foreign currency transactions are booked in functional currency of the Company at the exchange rate ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into functional currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in the income statement. The functional and presentation currency of the Company is Pounds Sterling.

**(e) Expenditure**

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. A provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

**(f) Finance income and expense**

Finance income and expenses are recognised on an accruals basis using the effective interest method.

**(g) Share based payments**

Incentives in the form of shares are provided to employees under share option and restricted share award schemes are fair-valued at their grant dates and the cost is charged to the income statement over the relevant vesting period.

**(h) Property, plant and equipment**

Property, plant and equipment is stated at the cost of purchase or construction less provisions for depreciation and impairment. Financing costs are capitalised within the cost of qualifying assets in construction.

Depreciation is calculated to write off the cost of property, plant and equipment, excluding freehold land, using the straight-line basis over their expected useful lives. The normal expected useful lives of the major categories of tangible fixed assets are:

Leasehold land and buildings	The shorter of lease term or 50 years
Fixtures, fittings and equipment	3 to 10 years

Residual value is calculated on prices prevailing at the date of acquisition on revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

**(i) Decommissioning liability**

Asset retirement obligations are included within the cost of an asset on its initial purchase or construction if there is a legal obligation to incur the costs on retirement of the asset. The addition to the cost of the asset and the provision are measured by discounting the expected future cash outflows to present value. The asset cost arising from recognition of the asset retirement obligation is depreciated along with the rest of the asset over the expected useful life.

**(j) Intangible assets**

Intangible assets are stated at cost less a provision for amortisation and impairment.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as intangible fixed assets where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset. ERP systems software is amortised over seven to ten years and other computer software over three to five years.

**Notes to the financial statements for the year ended 31 December 2017**

**(k) Capitalised borrowing costs**

The Company's borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as expenses in the period in which they are incurred.

**(l) Financial assets**

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

*Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date, being the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

**(m) Impairment of financial assets**

**(a) Assets carried at amortised cost**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the [income statement/statement of comprehensive income]. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

**(n) Investment in subsidiaries**

Investments in subsidiaries are held at cost less accumulated impairment losses.

**(o) Investment in associates**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are held at cost less accumulated impairment losses.

**(p) Impairment of non-financial assets**

The carrying values of all non-financial assets are reviewed for impairment, either on a standalone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Any provision for impairment is charged to the income statement in the year concerned.

Impairment losses on non-financial assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

Notes to the financial statements for the year ended 31 December 2017

(q) Leases

Operating leases

All leases are operating leases and the rental costs are charged to the income statement on a straight-line basis over the lease term.

(r) Work in progress

Work-in-progress comprises the accumulated cost of uncompleted production work not yet billed to clients, after making appropriate provisions for irrecoverable expenditure.

(s) Trade and other receivables

Trade and other receivables are carried at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade or other receivable is determined to be uncollectable it is written off, firstly against any provisions available and then to the income statement.

Subsequent recoveries of amounts previously provided for are credited to the income statement. Long-term receivables are discounted where the effect is material.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value and then held at amortised cost using the effective interest method. Long-term payables are discounted where the effect is material.

(v) Taxation

Current tax is provided at the amounts expected to be paid or refunded applying the rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(w) Provisions for liabilities

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(x) Pensions

The costs of providing pensions under defined benefit pension schemes are calculated using the projected unit credit method and spread over the period during which benefit is expected to be derived from the employees' services, consistent with the advice of qualified actuaries. Pension obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the yields of high quality corporate bonds. Pension scheme assets are measured at fair value at the balance sheet date.

The costs of other post-employment liabilities are calculated in a similar way to defined benefit pension schemes and spread over the period during which benefit is expected to be derived from the employees' services, in accordance with the advice of qualified actuaries.

Actuarial gains and losses and the effect of changes in actuarial assumptions, are recognised in the statement of comprehensive income in the year in which they arise. The Company's contributions to defined contribution plans are charged to the income statement as incurred.

(y) Dividend income

Dividends received are included in the income statement in the year in which the right to receive the payment is established.



Notes to the financial statements for the year ended 31 December 2017

**3 Key accounting judgements and estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the key accounting judgements and estimates made.

**(a) Taxation**

Current tax is provided at the amounts expected to be paid or refunded, and deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised, based on management's assumptions relating to the amounts and timing of future taxable profits.

**(b) Useful economic lives of property, plant and equipment**

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the asset. See Note 11 for the carrying values of property, plant and equipment. Useful economic lives are disclosed in the accounting policy for property, plant and equipment.

**(c) Pensions and other post-employment benefits**

The costs of providing pensions and other post-employment benefits are charged to the income statement in accordance with IAS 19 'Employee benefits' over the period during which benefit is derived from the employee's services. The costs are assessed on the basis of assumptions selected by management. These assumptions include future earnings and pension increases, discount rates, expected long-term rates of return on assets and mortality rates, and are disclosed in Note 19. Where a surplus on a defined benefit scheme arises, or there is potential for a surplus to arise from committed future contributions, the rights of the Trustees to prevent the Company from obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised.

Discount rates are derived from AA rated corporate bond yields.

**(d) Impairment of investments in subsidiaries and associates**

Investments in subsidiaries and associates are held at cost less accumulated impairment losses. Annual impairment tests are carried out to ascertain if the carrying value of investments are impaired. These tests comprise a comparison between the carrying value of investment in subsidiary and associates and the net asset value of the subsidiary and associates. In some instances, valuations of subsidiary companies and associates are prepared. Valuations for impairment tests are based on established market multiples or risk-adjusted future cash flows over the estimated useful life of the asset, where limited, discounted using appropriate interest rates.

The assumptions relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Company.

**(e) Recognition of share-based payment charge**

As disclosed in Note 18, certain employees of the Company provide services to other entities in the Group. Management has assessed if it is appropriate for the Company to recognise the share-based payment charge for all employees in the Company, or if part of the share-based payment charge should be recognised by the entities receiving services from the employees of the Company.

Factors that have led to this conclusion include (i) all employees are contracted with the Company (ii) no secondment arrangements are in place where employees provide services to other members of the Group (iii) employees can provide service to a number of other entities in the Group without the need for new contracts of employment (iv) review of salaries and awarding of bonuses for all UK employees is the responsibility of the UK Human Resource function, which is contained within the Company.

Based on these factors, and in light of the function of the Company within the Group, management has concluded that it is appropriate that the Company recognised the share-based payment charge for all of the employees of the Company.

**Ogilvy & Mather Group (Holdings) Limited**  
**(Registered number: 00045810)**

**Notes to the financial statements for the year ended 31 December 2017**

**4 Turnover**

Analysis of turnover by geography:

	2017 £'000	2016 £'000
UK	258,878	191,520
Rest of Europe	4,536	28,515
Rest of World	3,064	36,066
	<b>266,478</b>	<b>256,101</b>

The Company's turnover is derived entirely from advertising and allied services.

**5 Operating profit**

	2017 £'000	2016 £'000
<b>The following items have been (charged) / credited in operating profit:</b>		
Depreciation of property, plant and equipment:	(2,493)	(2,769)
Income from subsidiaries and associates	2,124	820
Operating lease rentals	(5,783)	(5,783)
Exchange (losses) / gains on foreign currency transactions	(609)	1,271
Employee costs	(69,255)	(76,744)
Audit fees		
Auditors' UK firm	(646)	(293)

No non-audit work was undertaken and charged to the Company by the UK audit firm.

**6 Employees**

	2017 £'000	2016 £'000
<b>Employee costs</b>		
Wages and salaries	52,902	58,908
Social security costs	9,212	8,845
Other post retirement costs	2,022	2,235
Pension costs- defined contribution plans	3,313	3,509
Pension costs- defined benefit plans		924
Share based payments	1,805	2,323
	<b>69,255</b>	<b>76,744</b>

**7 Income from investments**

	2017 £'000	2016 £'000
<b>Dividends from subsidiaries</b>	<b>2,124</b>	<b>820</b>
	<b>2,124</b>	<b>820</b>

The dividend income for the year mainly relates to a dividend received of £2.118 million from Ogilvy One Business Limited on 2 November 2017 (2016: £0.814 million received on 29 March 2016). The remaining dividend income relates to dividend received of £0.006 million from OgilvyOne Worldwide Limited on 12 April 2017 (2016: £0.006 million received on 30 March 2016).

**Ogilvy & Mather Group (Holdings) Limited**  
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Notes to the financial statements for the year ended 31 December 2017

**8 Finance income**

	2017 £'000	Restated 2016 £'000
Interest on loans with Group undertakings	2,692	3,210
Interest on defined benefit pension scheme	457	795
<b>Total finance income</b>	<b>3,149</b>	<b>4,005</b>

**9 Finance expense**

	2017 £'000	Restated 2016 £'000
Interest payable on bank overdrafts and loans	699	827
Dividends payable on preference shares	318	147
Bank charges	44	-
<b>Total finance expense</b>	<b>1,061</b>	<b>974</b>

**10 Taxation**

	2017 £'000	Restated 2016 £'000
<b>Income tax expense/(credit) on profit</b>		
Current tax:		
UK Corporation tax at 19.25% (2016: 20.00%)	51	64
<b>Total current tax</b>	<b>51</b>	<b>64</b>
<b>Total deferred tax</b>	<b>252</b>	<b>(147)</b>
<b>Total tax charge for the year to the income statement</b>	<b>303</b>	<b>(83)</b>
<b>Deferred tax on movement in the pension surplus</b>	<b>(1,357)</b>	<b>(950)</b>
<b>Total tax credit for the year to the statement of comprehensive income</b>	<b>(1,054)</b>	<b>(1,033)</b>

The tax assessed for the year is lower (2016: lower) than the blended rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20.00%). The differences are explained below:

	2017 £'000	2016 £'000
<b>Reconciliation of total tax charge to the income statement</b>		
Profit before taxation	11,868	8,944
Profit on ordinary activities at the UK blended rate 19.25% (2016: 20.00%)	2,285	1,789
Effects of:		
Expenses not deductible for tax purposes	705	481
Income not taxable	(409)	(164)
Recognition of previously unrecognised temporary differences	240	13
Withholding tax suffered	51	64
Capital allowances in excess of depreciation	224	290
Group relief claimed for nil consideration	(2,793)	(2,556)
<b>Total tax charge/(credit) for the year</b>	<b>303</b>	<b>(83)</b>

Factors that may affect future tax charges:

The UK tax rate for the year ended 31 December 2017 is 19.25%. Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

	2017 £'000	2016 £'000
<b>Tax credit included in other comprehensive income</b>		
Deferred tax:		
Defined benefit pension plans	(1,357)	(950)
<b>Total tax credit included in other comprehensive income</b>	<b>(1,357)</b>	<b>(950)</b>

Notes to the financial statements for the year ended 31 December 2017

11 Property, plant and equipment

	Computer equipment £'000	Land and buildings £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 1 January 2017	4,623	30,824	2,191	37,638
Additions	653	318	282	1,253
At 31 December 2017	5,276	31,142	2,473	38,891
<b>Accumulated depreciation</b>				
At 1 January 2017	(2,924)	(1,036)	(271)	(4,231)
Charge for the year	(680)	(1,328)	(485)	(2,493)
At 31 December 2017	(3,603)	(2,364)	(756)	(6,724)
Net book value at 31 December 2016	1,700	29,788	1,920	33,408
Net book value at 31 December 2017	1,673	28,778	1,716	32,167

12 Intangible assets

	Intellectual property £'000
<b>Cost</b>	
At 1 January and 31 December 2017	361
<b>Accumulated amortisation</b>	
At 1 January and 31 December 2017	(358)
Net book value at 1 January 2017	361
Net book value at 31 December 2017	3

Intangible asset amortisation and impairments are recorded within administrative expenses in the income statement.

13 Investments in subsidiary undertakings and associates

	Subsidiary undertakings £'000	Associates £'000	Total £'000
Cost and carrying value at 1 January 2016	21,542	-	21,542
Cost and carrying value at 31 December 2016	21,542	346	21,888
Cost and carrying value at 31 December 2017	21,542	346	21,888

Details of the subsidiary undertakings and associates of the Company as at 31 December 2017 are given in Note 25.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

**Ogilvy & Mather Group (Holdings) Limited**  
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**Notes to the financial statements for the year ended 31 December 2017**

**14 Trade and other receivables**

	2017 £'000	Restated 2016 £'000
<b>Amounts due within one year</b>		
Trade receivables	30,150	29,194
Amounts owed by Group undertakings	192,495	193,397
Prepayments, accrued income and other debtors	22,664	25,138
	<b>245,309</b>	<b>247,729</b>

The amounts owed by group undertakings are unsecured, interest free and are repayable on demand except a loan amount of £176 million (2016: £176 million) provided to another Group company at an interest rate of 1.53% per annum (2016: 1.82%).

**15 Work in progress**

	2017 £'000	2016 £'000
Work in progress	12,608	8,638
	<b>12,608</b>	<b>8,638</b>

**16 Trade and other payables**

	2017 £'000	2016 £'000
<b>Amounts falling due within one year</b>		
Trade payables	25,405	19,275
Amounts owed to Group undertakings	14,038	17,291
Redeemable preference shares	31,832	30,692
Accruals and other payables	60,811	68,045
	<b>132,087</b>	<b>135,303</b>
<b>Amounts falling due after more than one year</b>		
Amounts owed to Group undertakings	-	1,781
Other payables	17,163	8,517
	<b>17,163</b>	<b>10,298</b>
	<b>149,249</b>	<b>145,601</b>

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

**(a) Redeemable preference shares**

	2017 Number of shares	2016 Number of shares	2017 £'000	2016 £'000
<b>Issued and fully paid</b>				
1% A cumulative redeemable preference shares of €1 each (2016: €1 each)	19,594,846	19,594,846	26,011	25,000
1% B cumulative redeemable preference shares of €1 each (2016: €1 each)	2,450,890	2,450,890	3,321	3,192
1% C cumulative redeemable preference shares of £10 each (2016: £10 each)	250,000	250,000	2,500	2,500
	<b>22,295,736</b>	<b>22,295,736</b>	<b>31,832</b>	<b>30,692</b>

Holders of the cumulative redeemable preference shares have identical voting rights to ordinary shareholders with one vote for every share held. They are also entitled to a fixed cumulative preference dividend of 1% (net of associated tax credit) per annum on each share fully paid or fully credited. The 'B' fixed rate cumulative redeemable preference shares may be redeemed at par together with any arrears of dividend at any time (but no later than 24 August 2050) at the option of the Company or preference shareholders.

The 'B' shares rank after the 'A' and 'C' shares for dividends and in their rights on winding up.

Notes to the financial statements for the year ended 31 December 2017

17 Provisions for liabilities

The Company had the following provisions during the year:

	Property provision £'000	Deferred tax liability £'000	Other provisions £'000	Total £'000
At 1 January 2016	11,084	1,940	-	13,024
Charge for the year	-	-	1,938	1,938
Released	(11,155)	-	-	(11,155)
Movement in deferred tax	-	(1,097)	-	(1,097)
At 31 December 2016	(71)	843	1,938	2,710
Utilised	(1,867)	-	-	(1,867)
Movement in deferred tax- other	-	(252)	-	(252)
Movement in deferred tax- pension	-	1,358	-	1,358
Reclassifications and other movements	1,938	-	(1,938)	-
At 31 December 2017	-	1,949	-	1,949

Breakdown of deferred tax balances is provided in note 11.

18 Share based payments

Certain employees of the Company benefit from equity-settled share-based payments through participation in stock option and restricted stock incentive schemes. Such awards are satisfied by the delivery of shares in WPP plc, the ultimate parent undertaking.

Equity-settled share option scheme

Equity-settled share-based payments are measured at fair value (excluding the impact of non-market-based vesting conditions) at the date of grant. Fair value is determined by the market price on that date or the application of a Black-Scholes model, depending on the characteristics of the scheme concerned. For the years presented, the majority of the charge to the income statement related to schemes where fair value equalled market prices since the equity instrument had no restrictions that impacted valuation. Market price on any given day is obtained from external, publicly available resources.

The fair value determined at the grant date is recognised in the income statement as an expense on a straight-line basis over the relevant vesting period, based on the Company's estimate of the number of shares that will ultimately vest and adjusted for the effect of any other non-market based vesting conditions.

WPP Share Option Plan

The WPP Share option plan grants options to employees who have worked at a Company owned by WPP plc for at least two years which are not subject to performance conditions or on a discretionary basis subject to the satisfaction of performance conditions.

Stock options have a life of ten years, including the vesting period. The terms of stock options with performance conditions are such that, if after nine years and eight months, the performance conditions have not been met, then the stock option will vest automatically. Stock options are satisfied out of newly issued shares in WPP Plc.

The number of options granted in 2017 and 2016 was not material.

Restricted stock scheme

Certain employees participate in restricted stock schemes, which are in most cases satisfied by the delivery of stock from one of the WPP Plc ESOP Trusts. The most significant schemes are:

Executive Share Awards (ESA)

Grants of stock under ESA are dependent upon annual performance targets, typically based on one or more of: consolidated Group operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement, and vest two years after grant date provided that the individual concerned is continually employed by a WPP company throughout this time.

Leaders, Partners and High Potential Group

This scheme provides annual grants of restricted stock for key executives. Performance conditions include continued employment over a three-year vesting period.

Special Share Awards

From time to time, one-off awards are made to individuals in the form of restricted stock. Performance conditions include continued employment over the vesting period. As these are one-off awards the vesting period will differ for each award granted.

Notes to the financial statements for the year ended 31 December 2017

18 Share based payments (continued)

Performance Share Awards (PSA) / Long-term Incentive Plan Awards (LTIP)

Grants of stock under PSA and LTIP are dependent upon annual performance targets, typically based on one or more of: operating profit, profit before taxation or operating margin. Grants are made in the year following the year of performance measurement, and will vest two years after grant provided the individual concerned is continually employed by a WPP company throughout this time. Since 2011, the Company made grants as LTIP awards whereas in previous years grants were made as PSA. There is no significant difference in the terms and conditions of these plans.

Executive Performance Share Plan (EPSP)

The first grant of restricted stock under the EPSP was made in 2013. This scheme is intended to reward and incentivize the most senior executives of the Group and has effectively replaced LEAP III. The performance period is five complete financial years, commencing with the financial year which the award is granted. Grant date will usually be in the first half of the first performance year, with vest date in the March following the end of the five year performance period. Vesting is conditional on continued employment throughout the vesting period.

There are three performance criteria, each constituting one third of the vesting value, and each measured over this five year period:

- (i) TSR against a comparator group of companies. Threshold performance (equating to ranking in the 50th percentile of the comparator group) will result in 20% vesting of the part of the award depending on TSR. The maximum vest of 100% will arise if performance ranks in the 90th percentile, with a sliding scale of vesting for performance between threshold and maximum.
- (ii) Headline diluted earnings per share. Threshold performance (7% compound annual growth) will again result in a 20% vest. Maximum performance of 14% compound annual growth will give rise to a 100% vest, with a sliding vesting scale for performance between threshold and maximum.
- (iii) Return on equity (ROE). Average annual ROE defined as headline diluted EPS divided by the balance sheet value per share of share owners' equity. Threshold performance of 10% average annual ROE, maximum performance of 14%, with a sliding scale for performance in between. Threshold again gives rise to a 20% vest with 100% for maximum.

The share based compensation charge has been recorded in the income statement as operating expenses of £1.8 million (2016: £2.3 million).

Valuation of share options

For the purpose of valuing options and savings-related options to arrive at the share based payment charge, the Black-Scholes option pricing model has been used. The assumptions used in the model are as follows:

	2017	2016
Risk-free rate	0.57%	0.44%
Dividend yield	2.90%	2.80%
Volatility	17%	16%
Expected life	48	48
Savings-related options grant price	112.0p	135.0p

Options outstanding

Leaders, Partners and High Potential Group

	Number	Weighted exercise price £	Weighted fair value £
As at 1 January 2016	88,598	14.17	1,255,434
Options granted	49,777	17.06	849,196
Options transferred in	17,153	13.96	239,456
Options exercised	(22,159)	13.51	(299,368)
Options cancelled	(1,406)	13.32	(18,733)
As at 31 December 2016	131,963	15.35	2,025,984
Options granted	54,218	13.09	709,714
Options exercised	(32,037)	13.15	(421,287)
Options cancelled	(23,943)	15.12	(362,013)
As at 31 December 2017	130,201	15.00	1,952,398

Long-Term Incentive Plan Share Awards (LTIP)

	Number	Weighted exercise price £	Weighted fair value £
As at 1 January 2016	209,974	15.63	3,282,570
Options granted	70,927	15.99	1,134,123
Options exercised	(41,431)	12.89	(534,046)
Options cancelled	(2,060)	15.84	(32,630)
As at 31 December 2016	237,410	16.22	3,850,017
Options granted	49,614	17.21	853,857
Options exercised	(44,912)	15.84	(711,406)
Options cancelled	(8,912)	16.10	(143,468)
As at 31 December 2017	233,200	16.51	3,849,000

18 Share based payments (continued)

<b>ESA</b>	<b>Number</b>	<b>Weighted exercise price £</b>	<b>Weighted fair value £</b>
As at 1 January 2016	3,463	12.89	44,638
Options granted	4,035	15.99	64,520
Options exercised	(3,463)	12.89	(44,638)
As at 31 December 2016	4,035	15.99	64,520
Options granted	4,510	17.21	77,617
As at 31 December 2017	8,545	16.63	142,137

<b>EPSP</b>	<b>Number</b>	<b>Weighted exercise price £</b>	<b>Weighted fair value £</b>
As at 1 January 2016			
Options transferred in	211,798	5.43	1,150,863
As at 31 December 2016 and 2017	211,798	5.43	1,150,863

<b>Special Awards</b>	<b>Number</b>	<b>Weighted exercise price £</b>	<b>Weighted fair value £</b>
As at 1 January 2016	24,842	14.38	357,208
Options granted	6,350	15.99	101,537
Options exercised	(2,297)	15.10	(34,683)
Options cancelled	(1,199)	12.58	(15,083)
As at 31 December 2016	27,696	14.77	408,978
Options granted	5,187	17.21	89,268
Options exercised	(10,453)	19.04	(198,982)
Options cancelled	(8,833)	14.72	(130,022)
As at 31 December 2017	13,597	12.45	169,243

<b>STIP Bonus Award</b>	<b>Number</b>	<b>Weighted exercise price £</b>	<b>Weighted fair value £</b>
As at 1 January 2016	2,171	7.69	16,695
Options granted	2,192	15.99	35,050
As at 31 December 2016	4,363	11.86	51,745
Options granted	349	17.21	6,006
Options cancelled	(1,074)	15.99	(17,173)
As at 31 December 2016 and 2017	3,638	11.15	40,578

<b>Deferred Bonus</b>	<b>Number</b>	<b>Weighted exercise price £</b>	<b>Weighted fair value £</b>
As at 1 January 2016	13,647	12.02	164,036
Options granted	2,171	15.99	34,714
Options exercised	(1,386)	8.34	(11,559)
As at 31 December 2016	14,432	12.97	187,191
Options granted	1,073	17.21	18,466
Options exercised	(7,021)	11.65	(81,795)
As at 31 December 2016 and 2017	8,484	14.60	123,863



Notes to the financial statements for the year ended 31 December 2017

19 Pensions

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to the income statement of £3,313,000 (2016: £3,509,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. There are no outstanding or prepaid contributions at the balance sheet date.

Defined benefit schemes

The Company provides pension arrangements to full-time employees through a defined benefit scheme, Ogilvy & Mather Group Pension and Life Assurance Plan.

The pension costs are assessed in accordance with advice of independent qualified actuaries. The latest full actuarial valuations for the various schemes were carried out as at various dates in the last three years. These valuations have been updated by the independent qualified actuaries to 31 December 2017.

In accordance with IAS 19, the actuarial calculations have been carried out using the Projected Unit Method. In these circumstances, use of this method implies that the contribution rate implicit in the current service costs will increase in future years.

There is no contractual agreement or stated policy for charging the net defined benefit cost and, therefore, the Company recognises the whole of the scheme surplus or deficit in its financial statements. In accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to its contribution payable for the period, which in the year ended 31 December 2017 was £28,000 (year ended 31 December 2016: £129,000).

Ogilvy & Mather Group Pension and Life Assurance Plan

The scheme has been closed to new entrants.

	2017 £'000	2016 £'000
<b>Pension surplus</b>		
Net pension asset at 1 January	16,384	20,750
Service cost	357	(129)
Actuarial remeasurements	4,379	(5,314)
Net interest income	457	795
Employer contributions	3,037	537
Administrative expenses	(245)	(255)
<b>Net pension asset at 31 December</b>	<b>24,369</b>	<b>16,384</b>

(a) Assumptions

The main weighted average assumptions used for the actuarial valuations at 31 December are shown in the following table:

	2017 % pa	2016 % pa
Rate of increase of future earnings	3.50%	3.10%
Discount rate	2.60%	3.80%
Inflation rate	2.60%	2.20%
Weighted average return on assets	5.00%	3.98%

Note: Assumptions on the expected rate of return on bonds reflect the yield expected in actual bonds held, where the discount rate assumptions are based on high quality bond yields.

Mortality Assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 28.2 years if they are male and for a further 29.2 years if they are female. For a member who retires in 2035 at age 60 the assumptions are that they will live on average for a further 29.7 years after retirement if they are male and for a further 30.9 years after retirement if they are female.

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**Notes to the financial statements for the year ended 31 December 2017**

**(b) Assets and liabilities**

At 31 December, the fair values of the assets in the scheme and the assessed present value of the liabilities in the scheme are as follows:

	2017 £'000	2016 £'000	2015 £'000
Equities	18,634	21,335	16,325
Debt	147,095	143,891	123,831
Cash	2,335	1,510	6,173
Other assets	36,368	38,588	35,945
Fair value of assets	204,432	205,324	182,274
Present value of funded scheme obligations	(180,063)	(188,940)	(161,524)
<b>Net pension surplus recognised on the balance sheet</b>	<b>24,369</b>	<b>16,384</b>	<b>20,750</b>

**(c) Pension expense**

The following amounts represent pension expenses which were recorded in the Income statement and Statement of comprehensive income as at 31 December.

	2017 £'000	2016 £'000
<b>Amounts charged to operating profit</b>		
Current service cost	(28)	(129)
Past service cost	385	-
Expenses	(245)	(355)
<b>Total charged to operating profit</b>	<b>112</b>	<b>(484)</b>

**Amounts (credited)/charged to net finance costs**

Interest income	5,180	6,805
Interest on scheme liabilities	(4,723)	(6,010)
<b>Total credit / (charged) to net finance costs</b>	<b>457</b>	<b>795</b>

**Amounts recorded in statement of other comprehensive income**

Returns on plan assets, excluding amounts included in interest	5,688	24,257
Loss on pension scheme assets relative to expected returns	(5,454)	(29,367)
Gain on pension scheme due to changes in demographic assumptions	4,484	-
Experience losses arising on scheme liabilities	(339)	(104)
<b>Remeasurement gains</b>	<b>4,379</b>	<b>(5,214)</b>

**(d) Reconciliation of the schemes assets and liabilities**

	Assets £'000	2017 Liabilities £'000	Total £'000	Assets £'000	2016 Liabilities £'000	Total £'000
<b>Reconciliation of scheme assets and liabilities:</b>						
At 1 January	205,324	(188,940)	16,384	182,274	(161,524)	20,750
Current service cost	-	(28)	(28)	-	(129)	(129)
Past service cost	-	385	385	-	-	-
Interest income/expense	5,180	(4,723)	457	6,805	(6,010)	795
Expenses	(245)	-	(245)	(355)	-	(355)
Contributions by plan participants	1	(1)	-	15	(15)	-
Benefits paid	(14,553)	14,553	-	(8,209)	8,209	-
Employer contributions	3,037	-	3,037	537	-	537
Remeasurement gains/(losses)	5,688	-	5,688	24,257	-	24,257
Actuarial gains and losses due to changes in demographic assumptions	-	4,484	4,484	-	-	-
Actuarial gain/(loss) due to changes in financial assumptions	-	(5,454)	(5,454)	-	(29,367)	(29,367)
Actuarial gain/(loss) - experience losses	-	(339)	(339)	-	(104)	(104)
<b>At 31 December</b>	<b>204,432</b>	<b>(180,063)</b>	<b>24,369</b>	<b>205,324</b>	<b>(188,940)</b>	<b>16,384</b>

**(e) Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	2017 £'000	2016 £'000
A 0.25% decrease in discount rate would have the following approximate effect:	187	196
A 0.25% increase in discount rate would have the following approximate effect:	173	182
A one year increase in life expectancy would have the following approximate effect:	188	198
A 1% increase in the rate of future healthcare inflation would have the following approximate effect:		
A 0.25% decrease in inflation would have the following approximate effect:	180	189
A 0.25% increase in inflation would have the following approximate effect:	180	189
A 0.25% decrease in salaries would have the following approximate effect:	180	189
A 0.25% increase in salaries would have the following approximate effect:	180	189
A 0.25% decrease in inflation would have the following approximate effect:	180	189
A 0.25% increase in inflation would have the following approximate effect:	180	189

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**Notes to the financial statements for the year ended 31 December 2017**

**20 Share capital**

	2017 Number of shares	2016 Number of shares	2017 £'000	2016 £'000
<b>Issued and fully paid</b>				
Ordinary shares of 100p each (2016: 100p each)	124,200,002	124,200,002	124,200	124,200
	124,200,002	124,200,002	124,200	124,200

**21 Commitments**

Commitments under non-cancellable operating leases are disclosed below. £nil (2016: £nil) is provided against these commitments on the Company's balance sheet. Lease payments under operating leases recognised as an expense in the income statement in year total £1.2 million for the year ended 31 December 2017 (2016: £0.5 million).

	2017 £'000	2016 £'000
<b>Commitments under non-cancellable operating leases</b>		
Rental payments due within one year	9,907	1,194
Rental payments due between one and not later than five years	41,556	41,006
Rental payments due after five years	175,081	185,539
<b>Total commitments under non-cancellable operating leases</b>	<b>226,544</b>	<b>227,739</b>

The Company acts as a joint guarantor with respect to leasehold premises occupied by another Group company. Under this guarantee the Company is jointly and severally liable for leasehold payments.

There are no commitments in respect of finance leases entered into before the balance sheet date but due to commence after that date.

**22 Guarantees**

**Syndicated banking arrangement**

The Company participates in group banking arrangements with its ultimate parent company, WPP plc, and has access to a group cash management facility. The Company guarantees the facility to the extent of its cash deposited in the UK with its clearing bank. The Company, together with its ultimate parent company, WPP plc, and certain other subsidiary undertakings, is a party to the group's syndicated banking arrangements. The Company has jointly and severally guaranteed the borrowings under these arrangement. Details of these arrangements are included in the financial statements of WPP plc.

**23 Directors' remuneration**

	2017 £'000	2016 £'000
<b>Emoluments</b>	<b>2,378</b>	<b>3,049</b>
Company contributions to money purchase pension schemes	89	-
<b>Total</b>	<b>2,467</b>	<b>3,049</b>

Retirement benefits accrued under defined benefits pension schemes for nil Directors (2016: nil Directors) and under money purchase schemes for 4 Directors during the year ended 31 December 2017 (2016: 3 Directors).

A total of 4 Directors (2016: 4 Directors) are remunerated by other Group companies and receive no remuneration for services provided to the Company.

	2017 £'000	2016 £'000
<b>Annual compensation of the highest paid director</b>		
Emoluments	828	1,621
Company contribution to money purchase schemes	-	-
<b>Total compensation</b>	<b>828</b>	<b>1,621</b>

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**Notes to the financial statements for the year ended 31 December 2017**

**24 Related party transactions**

As a wholly owned subsidiary of the ultimate parent company, WPP plc, advantage has been taken of the exemption afforded by FRS 101 'Reduced disclosure framework' not to disclose any related party transactions with other wholly owned members of the Group, or information around remuneration of key management personnel compensation. Details of other material related party transactions are disclose below.

**25 Subsidiaries and associates**

The subsidiaries and associates of the Company as at 31 December 2017 are as follows:

Company	Direct shares held (%)	Indirect shares held (%)	Security	Address of the registered office
Artwork Direct Limited	100%	0%	Ordinary	(a)
Campaign Planning Limited	99%	0%	Ordinary	(a)
Campaign Planning Limited	99%	0%	Deferred	(a)
Creative Services Unit Limited	100%	0%	Ordinary	(a)
Creative Services Unit Limited	100%	0%	5% Cumulative Preference shares	(a)
Creative Services Unit Limited	100%	0%	6% Cumulative Preference shares	(a)
DNX Limited	0%	100%	Ordinary A	(e)
Foster Turner & Benson Limited	100%	0%	Ordinary	(a)
Jermyn Street Communications Centre Limited	50%	0%	Ordinary	(a)
Kingsway Media Services Limited	50%	0%	Ordinary	(a)
Mather Communications Limited	100%	0%	Ordinary	(a)
Media Insight Outdoor Limited	50%	0%	Ordinary	(b)
O&M Europe Limited	100%	0%	Ordinary	(a)
Ogilvy & Mather Advertising Limited	100%	0%	Ordinary	(a)
Ogilvy & Mather Dataconsult Limited	100%	0%	Ordinary	(a)
Ogilvy & Mather Direct Limited	100%	0%	Ordinary	(a)
Ogilvy & Mather Management Services	50%	0%	Ordinary	(a)
Ogilvy & Mather Public Relations Limited	99%	0%	Ordinary	(a)
Ogilvy Adams and Rinehart Limited	100%	0%	Ordinary	(a)
Ogilvy Advertising Limited	100%	0%	Ordinary	(a)
Ogilvy Primary Contact Limited	0%	86%	Ordinary	(a)
Ogilvy Public Relations Worldwide Limited	99%	0%	Ordinary	(a)
Ogilvy Public Relations Worldwide Limited	100%	0%	Preference	(a)
Ogilvyinteractive Limited	100%	0%	Ordinary	(a)
Ogilvyone Business Limited	86%	0%	Ordinary A	(a)
Ogilvyone Business Limited	100%	0%	Ordinary B	(a)
Ogilvyone Dataservices Limited	99%	0%	Ordinary	(a)
Ogilvyone Limited	100%	0%	Ordinary	(a)
Ogilvyone Management Services	50%	0%	Ordinary	(a)
Ogilvyone Worldwide Limited	100%	0%	Ordinary	(a)
Ogilvyone Worldwide Limited	100%	0%	Ordinary B	(a)
Ogilvyone Teleservices Limited	99%	0%	Ordinary	(a)
Research International Group Limited	100%	0%	Ordinary	(c)
S.H. Benson International Limited	100%	0%	Ordinary	(a)
Soho Square (Advertising) Limited	100%	0%	Ordinary	(a)
The Network (The Ogilvy Media Company) Limited	100%	0%	Ordinary	(a)
The Ogilvyone Connections Group Limited	100%	0%	Ordinary	(a)
Watershed Studio Limited	100%	0%	Ordinary	(a)
Bold Ogilvy	33.5%	0%	Ordinary	(d)

(a) Sea Containers, 18 Upper Ground, London, SE1 9RQ, England, United Kingdom

(b) The Inspire, Hornbeam Park, Harrogate, HG2 8PA, England, United Kingdom

(c) 27 Farm Street, London, W1J 5RJ, England, United Kingdom

(d) 10 Imathias Str, 15344 Gerakas, Athens, Greece

(e) High House Farm, Gomshall Lane, Shere, Guildford, Surrey, GU5 9BU, England, United Kingdom