

**Company Registration No. 01525238**

**Young & Rubicam Europe Limited**

**Annual report and financial statements**

**For the year ended 31 December 2017**

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# **Young & Rubicam Europe Limited**

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# **Young & Rubicam Europe Limited**

## **Officers and professional advisers**

### **Directors**

T K Borisov  
I C Pinilla  
D J Gladwell  
I G Paul

### **Company Secretary**

H Mazur

### **Registered Office**

Greater London House  
Hampstead Road  
London  
NW1 7QP

### **Bankers**

National Westminster Bank plc  
PO Box 83  
Tavistock House  
Tavistock Square  
London  
WC1H 9XA

### **Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

# Young & Rubicam Europe Limited

## Strategic report

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

### Business review and principal activities

The Company is a wholly-owned subsidiary of WPP plc ("the Group") and operates as part of the group's Young & Rubicam network.

The Company's principal activities are the provision of technical and consulting services to the respective businesses of the European operating subsidiaries of Young and Rubicam Inc., a Company involved in the advertising and marketing services business, together with advertising services provided directly to clients. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The Company continues to invest in research and development. This has resulted in a number of updates to existing services. The directors regard investment in research and development as necessary for continuing success in the medium- to long-term future.

As shown in the Company's profit and loss account on page 8, the Company's turnover has increased by 16.21% to £21,320,000 (2016: £18,346,000). The Company incurred increased costs resulting in a loss after tax of £3,826,000 against a loss of £2,970,000 in 2016.

The balance sheet on page 9 of the financial statements shows that the Company's financial position at the year end is, in both net assets and cash terms, down when compared with the prior year. This is as a result of decreased performance. Details of amounts owed to group companies are shown in note 13 of the financial statements.

There have been no significant events since the balance sheet date until the date of this report.

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

### Principal risks and uncertainties

The Company's sales in Europe and the rest of the world are made in foreign currencies and the Company is therefore exposed to the movement of these currencies against the Sterling exchange rate.

WPP plc, the ultimate parent Company, takes out contracts to manage this risk at group level. In addition, the Company holds bank accounts in the foreign currencies in which billings are made, so billings can be paid in local currencies.

The Company has overdraft arrangements and therefore is subject to interest rate risk exposure.

Group risks are discussed in the WPP plc Annual Report which does not form part of this Report.

### Future developments

The directors expect the general level of activity to decrease in the forthcoming year. This is as a result of the transfer of all client activity to local offices. The directors expect the general level of provision of technical and consulting services to remain consistent with 2017.

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

IG Paul  
Director

29 August 2018

# **Young & Rubicam Europe Limited**

## **Directors' report**

The directors present their annual report together with the audited financial statements and auditor's opinion for the year ended 31 December 2017.

### **Going concern**

The Company has considerable financial resources with which to support itself as shown by the net current asset and net asset position, of which a substantial amount relates to cash. The directors have also considered the banking guarantee with its parent Company and are satisfied that the Company is in a net current asset position in excess of its cash balance. Consequently, the directors believe that the Company is well placed to manage its business risks successfully despite the continuing uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### **Environment**

The 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, paper use and recycling.

### **Employees**

Details of the number of employees and related costs can be found in note 6 to the financial statements.

### **Results and dividends**

The loss for the financial year was £3,334,000 (2016: £2,970,000) and has been transferred to reserves. The directors do not recommend the payment of a dividend in respect of the Company's ordinary shares (2016: £nil).

### **Directors**

The directors who served throughout the year and to the date of this report were as follows:

T K Borisov (appointed 12 April 2018)  
I C Pinilla  
D J Gladwell  
I G Paul

### **Charitable contributions**

The total amount of charitable contributions made by the Company during the year was £2,325 (2016: £ nil).

### **Disabled persons**

The Company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. The Company continues to employ persons who have become disabled during their employment. It will continue with the training, career development and promotion of disabled persons employed by the Company whenever circumstances permit.

### **Future developments and events after the balance sheet date**

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

# Young & Rubicam Europe Limited

## Directors' report (continued)

### Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

### 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 of the Companies Act 2006.

Dejonté 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



I G Paul  
Director

29 August 2018

# **Young & Rubicam Europe Limited**

## **Directors' responsibilities statement**

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 Young & Rubicam Europe 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 loss 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 Young & Rubicam Europe (the 'Company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

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".

### **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.



# **Independent auditor's report to the members of Young & Rubicam Europe 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.

# **Independent auditor's report to the members of Young & Rubicam Europe Limited**

## **Report on other legal and regulatory requirements**

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

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

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

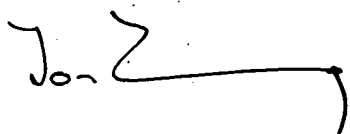
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

Statutory Auditor

London, United Kingdom

29 August 2018

## Young & Rubicam Europe Limited

### Profit and loss account For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
<b>Turnover</b>	1, 3	21,320	18,346
Cost of sales		(21,320)	(18,346)
<b>Gross profit</b>		-	-
Administrative expenses		(3,618)	(2,345)
<b>Operating loss</b>	4	(3,618)	(2,345)
<b>Loss before finance charges</b>		(3,618)	(2,345)
Interest payable and similar charges	5	(208)	(625)
<b>Loss before taxation</b>		(3,826)	(2,970)
Tax on loss	8	492	-
<b>Loss for the financial year attributable to the equity shareholders of the company</b>		(3,334)	(2,970)

The accompanying notes form an integral part of this profit and loss account.

All operations of the Company are continuing.

The Company had no recognised gains or losses other than those reflected in the profit and loss account in either year. Consequently, no separate statement of other comprehensive income is presented.

# Young & Rubicam Europe Limited

## Balance sheet

As at 31 December 2017

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Tangible assets	10	12	-
Deferred tax asset	11	525	-
		<u>537</u>	<u>-</u>
<b>Current assets</b>			
Work in progress		10	5
Debtors	12	16,335	13,469
Cash at bank and in hand		3,553	6,554
		<u>19,898</u>	<u>20,028</u>
<b>Creditors: amounts falling due within one year</b>	13	(6,234)	(3,135)
<b>Net current assets</b>		<u>13,664</u>	<u>16,893</u>
<b>Total assets less current liabilities</b>		<u>14,201</u>	<u>16,893</u>
<b>Net assets</b>		<u>14,201</u>	<u>16,893</u>
<b>Capital and reserves</b>			
Called up share capital	14	5,000	5,000
Profit and loss account		9,201	11,893
		<u>14,201</u>	<u>16,893</u>
<b>Shareholders' funds</b>		<u>14,201</u>	<u>16,893</u>

The financial statements of Young & Rubicam Europe Limited (registered number 01525238) were approved and authorised for issue by the Board of Directors on 29 August 2018.

Signed on behalf of the Board of Directors

I G Paul  
Director

## Young & Rubicam Europe Limited

### Statement of changes in equity For the year ended 31 December 2017

	Note	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2016		5,000	14,659	19,659
Profit for the year and total comprehensive income		-	(2,970)	(2,970)
Share-based compensation borne by ultimate parent	9	-	204	204
At 1 January 2017		5,000	11,893	16,893
Profit for the year and total comprehensive income		-	(3,334)	(3,334)
Share-based compensation borne by ultimate parent	9	-	609	609
Deferred tax on share-based payment transactions	11	-	33	33
At 31 December 2017		5,000	9,201	14,201

# Young & Rubicam Europe Limited

## Notes to the financial statements Year ended 31 December 2017

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

#### Basis of accounting

Young & Rubicam Europe Limited is a private Company limited by shares, registered in England and Wales, incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the business review on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

These financial statements are separate financial statements. The Company has taken advantage of the exemption under s400 of the 2006 Companies Act to prepare consolidated financial statements, because it is included in the group financial statements of WPP plc. Details of the parent in whose consolidated financial statements the Company is included are shown in note 16 to the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of WPP plc. The group financial statements of WPP plc are available to the public and can be obtained as set out in note 16.

#### Going concern

The Company has considerable financial resources with which to support itself as shown by the net current asset and net asset position, of which a substantial amount relates to cash. The directors have also considered the banking guarantee with its parent Company and are satisfied that the Company is in a net current asset position in excess of its cash balance. Consequently, the directors believe that the Company is well placed to manage its business risks successfully despite the continuing uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### Turnover

Turnover comprises the gross amounts billed to clients (excluding trade discounts, VAT and similar taxes) in respect of commission based income together with the total of other fees earned.

#### Revenue recognition

Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement.

# Young & Rubicam Europe Limited

## Notes to the financial statements (continued) Year ended 31 December 2017

### 1. Accounting policies (continued)

#### Work in progress

Disbursements made on behalf of and recoverable from clients are shown as unbilled costs. Costs exclude salary costs or any element of profit.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for any impairment. Depreciation is provided on a straight-line basis to write off the cost of assets over their expected useful lives at the following rates:

Furniture and fittings	15% per annum
Equipment	33% per annum
Short leasehold improvements	12.5% per annum

#### Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### Pensions

The Company contributes to a defined contribution scheme, the finances of which are independent from the Company.

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.

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at 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. The tax currently payable is based on taxable profit for the year.

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

# Young & Rubicam Europe Limited

## Notes to the financial statements (continued) Year ended 31 December 2017

### 1. Accounting policies (continued)

#### **Taxation (continued)**

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

#### **Financial Assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

#### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

#### **Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.



# Young & Rubicam Europe Limited

## Notes to the financial statements (continued) Year ended 31 December 2017

### 1. Accounting policies (continued) Financial instruments (continued)

#### *Financial liabilities and equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

#### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

#### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

# Young & Rubicam Europe Limited

## Notes to the financial statements (continued) Year ended 31 December 2017

### 1. Accounting policies (continued)

#### Financial instruments (continued)

##### *Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

##### *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-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 profit and loss account related to schemes where fair value equalled market price since the equity instrument had no restrictions that impact valuation. Market price on any given day is obtained from external, publicly available sources.

The fair value determined at the grant date is recognised in the profit and loss account 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.

### 2. Accounting judgements and key sources of estimation uncertainty

The directors have not made any critical judgements, estimates and assumptions about the carrying amounts of assets and liabilities and there are no key sources of uncertainty. Informed judgements are made when recognising revenue based on percentage completion of projects.

### 3. Turnover

An analysis of the Company's turnover is as follows:

	2017 £'000	2016 £'000
<b>Continuing operations</b>		
Rendering of services	21,320	18,346
<b>Total turnover and revenue</b>	<b>21,320</b>	<b>18,346</b>

Substantially all the Company's turnover arises from its principal activity. Turnover includes £21,117,000 (2016: £17,593,000) invoiced to group undertakings and £203,000 (2016: £753,000) invoiced to clients.

	2017 £'000	2016 £'000
<b>By geographical destination:</b>		
UK	4,692	7,219
Europe	9,924	7,173
Rest of World	6,704	3,954
	<b>21,320</b>	<b>18,346</b>

# Young & Rubicam Europe Limited

## Notes to the financial statements (continued) Year ended 31 December 2017

### 4. Operating loss before taxation

	2017 £'000	2016 £'000
Operating loss is stated after charging:		
Staff costs (note 6)	5,510	4,270
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	69	62
Depreciation – owned assets	5	31
Loss on foreign exchange	43	80
	<u>5,510</u>	<u>4,270</u>

### 5. Finance charges

	2017 £'000	2016 £'000
Interest payable and similar charges		
Bank overdraft	208	625
	<u>208</u>	<u>625</u>

### 6. Staff costs

	2017 £'000	2016 £'000
Wages and salaries	3,491	3,217
Cash-based incentive plans	426	136
Share-based incentive plans	609	204
Social security costs	677	476
Pension costs	234	228
Other staff costs	73	9
	<u>5,510</u>	<u>4,270</u>

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

	No.	No.
Account handling	3	3
Administration	29	26
	<u>32</u>	<u>29</u>

The Company operates a money purchase pension scheme. The amounts charged to the profit and loss account are the contributions paid at the discretion of the Company and for the benefit of the members. Where employees wish to make personal pension plan arrangements, the Company may make direct contributions to such plans or provide a supplement to salary.

The pension cost charge for the year for defined contribution schemes was £234,000 (2016: £228,000). Outstanding contributions at year end were £nil (2016: £nil).

# Young & Rubicam Europe Limited

## Notes to the financial statements (continued) Year ended 31 December 2017

### 7. Directors' remuneration and transactions

#### Directors' remuneration

	2017 £'000	2016 £'000
Emoluments	520	478
Pension contributions to money purchase schemes	12	8
	<u>532</u>	<u>486</u>

Retirement benefits are accruing to two directors (2016: one director) under the money purchase schemes.

#### Directors' emoluments

The amounts in respect of the highest paid director are as follows:

	2017 £'000	2016 £'000
Emoluments	362	314
	<u>362</u>	<u>314</u>

### 8. Tax on loss

	2017 £'000	2016 £'000
Current tax		
UK Corporation tax at 19.25% (2016: 20%)	-	-
Total current tax	-	-
Deferred tax (note 11)		
Origination and reversal of timing differences	492	-
Tax on loss on ordinary activities	-	-
Total tax credit	<u>492</u>	<u>-</u>

# Young & Rubicam Europe Limited

## Notes to the financial statements (continued) Year ended 31 December 2017

### 8. Tax on loss (continued)

The tax assessed for the year differs to that resulting from applying the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Loss before tax	(3,826)	(2,970)
Tax credit on loss at standard rate	(737)	(594)
Effects of:		
Depreciation for period in excess of capital allowances	(322)	4
Movement in short term timing differences	(269)	31
Expenses not deductible for tax purposes	49	5
Amounts accounted for in retained earnings	33	-
Adjustment to tax credit in respect of group relief for £nil consideration	754	554
Total tax credit for the year	(492)	-

Factors that may affect future tax changes:

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 from 20% to 19% effective 1 April 2017 and to 17% from 1 April 2020.

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised directly in equity:

Current tax		
Excess tax deductions related to share-based payments on exercised options	-	-
Deferred tax (note 11)		
Change in estimated excess tax deductions related to share-based payments	33	-
Total tax charge recognised directly in equity	33	-

### 9. Share-based payments

The Company charged £609,000 to the profit and loss account in the year ended 31 December 2017 (2016: charged £204,000) in relation to equity-settled share-based payments. The charge arises from a combination of restricted stock and stock option plans.

#### Stock option plans

The Company participates in The WPP Share Option Plan 2015, an all-employee plan that makes annual grants of stock options to employees with two years of service who work in wholly-owned subsidiaries of WPP plc. This Plan replaced the legacy Worldwide Ownership Plan. The vesting period for each grant is three years and there are no performance conditions other than continued employment with a WPP Company. The WPP Share Option Plan 2015 also has the capability to make grants of executive options in order to attract or retain key talent. Such awards are made infrequently.

# Young & Rubicam Europe Limited

## Notes to the financial statements (continued) Year ended 31 December 2017

### 9. Share-based payments (continued)

#### *Stock option plans (continued)*

The Executive Stock Option Plan has historically been open to WPP Group Leaders, Partners and High Potential Group. The vesting period is three years and performance conditions include achievement of various TSR (Total Shareholder Return) and EPS (Earnings per share) objectives by WPP plc, as well as continued employment with a WPP Company. Since 2005, the Company has moved away from the issuance of stock options under this scheme, making grants of restricted stock instead. This Plan expired in 2015 and was replaced by the WPP Share Option Plan 2015.

Share options have a life of 10 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 new issued shares in WPP plc.

#### *Restricted stock schemes*

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:

#### Performance Share Awards (PSA)

Grants of stock under PSA are dependent upon annual performance targets, typically based on one or more of: operating profit, profit before taxation and 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 continuously employed by a WPP Company throughout this time.

#### Leaders, Partners and High Potential Group

Since 2005, restricted stock grants under this plan have effectively replaced executive stock options. 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.

#### *Grant details*

For restricted stock awards, the number of shares granted for the schemes and the weighted average fair value of these grants was as follows:

	2017	2016
<b>PSA</b>		
Number of shares granted	11,566	-
Weighted average fair value at grant date	£17.21	£17.06
<b>Leaders, Partners and High Potential Group</b>		
Number of shares granted	24,699	12,751
Weighted average fair value at grant date	£13.09	£17.06
<b>Special Share Awards</b>		
Number of shares granted	5,638	-
Weighted average fair value at grant date	£17.21	£17.06

The weighted average share price of WPP plc for the year ended 31 December 2017 was £15.86 (2016: £15.99).

# Young & Rubicam Europe Limited

## Notes to the financial statements (continued)

Year ended 31 December 2017

### 10. Tangible assets

	Short leasehold improvements £'000	Furniture and fittings £'000	Equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2017	334	378	694	1,406
Additions	-	-	16	16
Reclassification	23	(7)	(16)	-
At 31 December 2017	357	371	695	1,423
<b>Depreciation</b>				
At 1 January 2017	339	373	694	1,406
Charge for the year	-	-	5	5
Reclassification	18	(2)	(16)	-
At 31 December 2017	357	371	683	1,411
<b>Net book amount</b>				
At 31 December 2017	-	-	12	12
At 31 December 2016	-	-	-	-

### 11. Deferred tax

The following are the major tax assets recognised by the Company and movements thereon during the current and prior reporting period.

	Accelerated tax deduction £'000	Share- based payments £'000	Total £'000
At 1 January 2016 and 31 December 2016	-	-	-
Credit to profit or loss	323	169	492
Credit direct to equity	-	33	33
At 31 December 2017	323	202	525

A deferred tax asset totalling £525,000 (2016: £nil) has been recognised as it is more likely than not that the deferred tax asset would be utilised in the future. The asset relates to £323,000 (2016: £407,000 unrecognised) in relation to capital allowances in excess of depreciation and other timing differences £202,000 (2016: £448,000 unrecognised).

A deferred tax asset totalling £3,379,000 (2016: £3,379,000) has not been recognised in respect of unused tax losses as there is insufficient evidence that the asset will be recovered.

## Young & Rubicam Europe Limited

### Notes to the financial statements (continued) Year ended 31 December 2017

#### 12. Debtors

	2017 £'000	2016 £'000
Amounts owed by group undertakings	12,825	9,963
Amounts owed by associated undertakings	765	208
Other debtors	1,122	1,288
Prepayments and accrued income	1,623	2,010
	<u>16,335</u>	<u>13,469</u>

The balances due from fellow group undertakings relate to trade activity, are non-interest bearing and repayable in cash within 30 days.

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

	2017 £'000	2016 £'000
Trade creditors	60	99
Amounts owed to group undertakings	4,615	525
Other taxation and social security	395	151
Accruals and deferred income	1,164	2,360
	<u>6,234</u>	<u>3,135</u>

The balances due to fellow group undertakings relate to trade activity, are non-interest bearing and repayable in cash within 30 days.

#### 14. Called up share capital

	2017 £'000	2016 £'000
<b>Authorised:</b>		
10,000,100 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<b>Allotted, issued and fully paid:</b>		
5,000,100 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

#### 15. Financial guarantees

The Company participates in group banking arrangements with its 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 which was £16,204,662 as at 31 December 2017 (£19,862,147 as at 31 December 2016). The Company, together with its parent, 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 arrangements. Details of these arrangements are included in the financial statements of WPP plc///.



## **Young & Rubicam Europe Limited**

### **Notes to the financial statements (continued)** **Year ended 31 December 2017**

#### **16. Related party transactions**

The Company has taken advantage of the exemption under IAS 24 not to disclose the details of transactions with other wholly owned group companies as it is ultimately 100% owned by WPP plc, the consolidated financial statements of which are publicly available.

#### **17. Ultimate parent undertaking and controlling party**

In the opinion of the directors, the Company's immediate parent Company is Young & Rubicam Holdings (UK) Limited, a Company incorporated in England and Wales. The parent undertaking of the largest group, which includes the Company and for which group financial statements are prepared, is WPP plc, a Company incorporated in Jersey. The registered office of WPP plc is Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES. The parent undertaking of the smallest such group is WPP Jubilee Limited, a Company incorporated in England and Wales.

Copies of the group financial statements of WPP plc are available at [www.wppinvestor.com](http://www.wppinvestor.com). Copies of the financial statements of WPP Jubilee Limited can be obtained from 27 Farm Street, London W1J 5RJ, United Kingdom, its registered office.