

Company Registration No. 01525238

WPP Brands (Europe) Limited

Annual report and financial statements

For the year ended 31 December 2020



WPP Brands (Europe) Limited

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WPP Brands (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

WPP Brands (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 under the brand names Wunderman Thompson EMEA and VMLY&R EMEA.

As a result of WPP group restructuring and the merger of its agencies trading as Wunderman and J. Walter Thompson ("JWT"), the Company absorbed the staff and activities of the JWT regional head office operation. The merged operation subsequently rebranded to operate as Wunderman Thompson EMEA.

The Company's principal activities are the provision of business support services to the respective businesses of the EMEA based operating subsidiaries of VMLY&R and Wunderman Thompson, which are networks involved in the advertising and marketing services business, together with advertising services provided directly to clients. The Company's results are dependent upon the effectiveness of its cost allocation model and structure of its service fee contracts. 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 coming year.

As shown in the Company's profit and loss account on page 11, the Company's turnover has increased by 23% to £47,567,000 (2019: £38,603,000). Whilst the Company incurred increased staff costs due to the addition of the JWT regional head office operation referred to above, other costs were substantially decreased due to the impact of Covid-19 and remote working. Overall, the Company incurred decreased costs resulting in a loss before tax of £9,793,000 against a loss of £12,606,000 in 2019.

The balance sheet on page 12 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 cost recoverability, particularly with respect to costs incurred during the year as part of the Group's continued restructuring program and alignment of its networks globally. Details of amounts owed to group companies are shown in notes 13 and 14 of the financial statements.

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

Covid-19 Pandemic

The coronavirus pandemic has touched all our lives. At WPP, and in the Company, our first priority remains the wellbeing of our people and doing what we can to limit the impact of the virus on society. The second priority has been the continuity of service for our clients. We have thrown ourselves into achieving both objectives.

Despite the negative impact of the pandemic on the financial performance of the Company during the year, the Company did not access any financial support measures made available by the UK and other governments.

The directors will continue to monitor, review and take any appropriate steps to respond to the impact of the Covid-19 pandemic in the Company, as well as recognise and address the other current and emerging risks and uncertainties we face as a business.

The extent of the continued impact of the Covid-19 pandemic on our business will depend on numerous factors that we are not able to accurately predict, including the duration and scope of the pandemic, government actions to mitigate the effects of the pandemic and the intermediate and long-term impact of the pandemic on our clients' spending plans.

Key performance indicators

The 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 Wunderman Thompson and VMLY&R networks of WPP plc, which includes the Company, is discussed in the Group's annual report which does not form part of this report. The Group's annual report can be obtained as set out in note 20.

WPP Brands (Europe) Limited

Strategic report (continued)

Principal risks and uncertainties

The Company has specific policies in place to ensure that operational and business risks are properly identified, evaluated and managed. These are described in detail below.

Covid-19

The coronavirus pandemic has adversely affected the Group's business, revenues, results of operations, financial condition and prospects in 2020.

The extent of the continued impact of the Covid-19 pandemic on our business will depend on numerous factors that we are not able to accurately predict, including the duration and scope of the pandemic, government actions to mitigate the effects of the pandemic and the intermediate and long-term impact of the pandemic on our clients' spending plans.

We are continuing to manage the risk by constantly monitoring our working capital position, supported by actions to maintain liquidity including cost reduction and cash conservation.

Other risks

Group risks, including cyber and information security, are discussed in the Group's annual report which does not form part of this report.

Financial risk management objectives and policies

Currency risk

The Company's turnover in Europe and the rest of the world is based 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 uses hedging on its financial activities when appropriate. The directors monitor currency risk and consult with the WPP plc Treasury Team with regard to appropriate risk management.

Cash flow and liquidity risk

The Company is exposed to cash flow and liquidity risk. However, the Company participates in group banking arrangements with its parent, WPP Group plc, and has access to a group cash management facility.

Interest rate risk

The Company has overdraft arrangements and therefore is subject to interest rate risk exposure. However, the Group has a policy of actively managing its interest rate exposure.

Credit risk

The Company is subject to credit risk primarily attributable to the default of a group undertaking. The Company has no other significant concentration of credit risk.

WPP Brands (Europe) Limited

Strategic report (continued)

Future developments

The directors expect the general level of provision of business support services to remain broadly consistent with 2019 as the Group's restructuring continues to impact the Company's results.

Post balance sheet events

There are no material reportable events after the balance sheet date.

Section 172 statement

The directors of the Company, as those of all UK companies, must act in accordance with section 172 of the UK Companies Act 2006. The directors are of the opinion that they have acted fairly and in good faith to promote the success of the Company for the benefits of its members.

The directors have carried out these duties and have made decisions and undertaken short and long term strategies to maintain its financial performance and position. The directors continue to recognise the importance of the Company's partnership with all stakeholders, including employees, members, suppliers, customers and the community, as well as maintaining its high standards of business conduct and reputation.

Further details of the Company's engagement with external stakeholders is given in the directors' report. The directors are of the opinion that the remaining details of how they meet their duty is in line with those reflected by the directors of WPP plc in their Annual report. Refer to pages 104-105 of the Annual report of WPP plc available at wpp.com for more information on how the Group directors meet their duty.

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

DocuSigned by:


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I G Paul

Director

12 November 2021

WPP Brands (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 2020.

Going concern and liquidity risk

The directors have assessed the ongoing business activities and the potential impact that the global outbreak of Covid-19 may have on the liquidity, performance and financial position of the Company for at least the next 12 months.

In line with the Group approach, the Company's forecasts and projections take account of (i) reasonably possible declines in pass-through revenue and costs equally; and (ii) remote declines in pass-through revenue and costs equally for stress-testing purposes as a consequence of the Covid-19 pandemic compared to 2020.

The Company has a net bank overdraft of £40,266,000, net current liabilities of £12,982,000 and net liabilities of £12,330,000. However, the Company is a subsidiary of WPP plc and is therefore subject to the overall WPP plc financing and liquidity arrangements. The directors believe that the principal risks and uncertainties affecting the going concern and liquidity risk for the Company are mitigated and that the Company can therefore meet its short- and long-term obligations as they fall due.

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 of the financial statements. The Company is a subsidiary of WPP plc and is subject to the overall WPP plc financing and liquidity arrangements. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The directors therefore continue to adopt the going concern basis of accounting in preparing the 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 7 to the financial statements.

Results and dividends

The loss for the financial year was £9,290,000 (2019: £12,629,000) and has been transferred to reserves. The directors do not recommend the payment of a dividend in respect of the Company's ordinary shares (2019: £nil).

WPP Brands (Europe) Limited

Directors' report (continued)

Directors

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

T K Borisov
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 £nil (2019: £1,203).

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 3 and form part of this report by cross-reference.

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report on page 3 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.

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

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

DocuSigned by:

Gary Paul

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I G Paul
Director

12 November 2021

WPP Brands (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 UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the members of WPP Brands (Europe) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of WPP Brand (Europe) Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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:

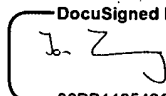
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

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.

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Jon Young FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
12 November 2021

WPP Brands (Europe) Limited

Profit and loss account For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	1, 3	47,567	38,603
Cost of sales		(47,567)	(38,603)
Gross result		-	-
Administrative expenses		(27,316)	(17,501)
Other operating income	4	17,942	5,396
Operating loss	5	(9,374)	(12,105)
Interest payable and similar charges	6	(419)	(501)
Loss before taxation		(9,793)	(12,606)
Tax credit/(charge) on loss	9	503	(23)
Loss for the financial year attributable to the equity shareholders of the company		<u>(9,290)</u>	<u>(12,629)</u>

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.

WPP Brands (Europe) Limited

Balance sheet As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Tangible assets	11	125	175
Deferred tax asset	12	813	310
		<u>938</u>	<u>485</u>
Current assets			
Work in progress		12	10
Debtors	13	34,057	24,452
Cash at bank and in hand		3,912	51
		<u>37,981</u>	<u>24,513</u>
Creditors: amounts falling due within one year	14	<u>(50,963)</u>	<u>(19,077)</u>
Net current (liabilities)/assets		<u>(12,982)</u>	<u>5,436</u>
Total assets less current liabilities		<u>(12,044)</u>	<u>5,921</u>
Creditors: amounts falling due after one year	15	-	(10,760)
Provisions for liabilities	16	(286)	-
		<u>(286)</u>	<u>(10,760)</u>
Net liabilities		<u>(12,330)</u>	<u>(4,839)</u>
Capital and reserves			
Called up share capital	17	5,000	5,000
Profit and loss account		<u>(17,330)</u>	<u>(9,839)</u>
Shareholders' deficit		<u>(12,330)</u>	<u>(4,839)</u>

The financial statements of WPP Brands (Europe) Limited (registered number 01525238) were approved and authorised for issue by the Board of Directors on 12 November 2021.

Signed on behalf of the Board of Directors

DocuSigned by:

Gary Paul

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I G Paul
Director

WPP Brands (Europe) Limited

Statement of changes in equity For the year ended 31 December 2020

	Note	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2019		5,000	1,932	6,932
Loss for the year and total comprehensive expense		-	(12,629)	(12,629)
Share-based compensation borne by ultimate parent	10	-	858	858
At 31 December 2019		5,000	(9,839)	(4,839)
Loss for the year and total comprehensive expense		-	(9,290)	(9,290)
Share-based compensation borne by ultimate parent	10	-	1,799	1,799
At 31 December 2020		5,000	(17,330)	(12,330)

WPP Brands (Europe) Limited

Notes to the financial statements For the year ended 31 December 2020

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

WPP Brands (Europe) Limited is a private Company limited by shares, registered in England and Wales, incorporated in the United Kingdom under the Companies Act 2006. 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 20 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, related party transactions and certain disclosure in respect of revenue from contracts with customers. 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 20.

Impact of initial application of new and revised standards

On adoption of IFRS16, the Company identified all leases which had previously been classified as 'operating leases' under the principles of IAS 17 were low-value or having a remaining lease term of less than 12 months from the date of initial application. There is therefore no impact to the financial statements.

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

1. Accounting policies (continued)

Going concern

The directors have assessed the ongoing business activities and the potential impact that the global outbreak of Covid-19 may have on the liquidity, performance and financial position of the Company for at least the next 12 months.

In line with the Group approach, the Company's forecasts and projections take account of (i) reasonably possible declines in pass-through revenue and costs equally; and (ii) remote declines in pass-through revenue and costs equally for stress-testing purposes as a consequence of the Covid-19 pandemic compared to 2020.

The Company has a net bank overdraft of £40,266,000, net current liabilities of £12,982,000 and net liabilities of £12,330,000. However, the Company is a subsidiary of WPP plc and is therefore subject to the overall WPP plc financing and liquidity arrangements. The directors believe that the principal risks and uncertainties affecting the going concern and liquidity risk for the Company are mitigated and that the Company can therefore meet its short- and long-term obligations as they fall due.

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 of the financial statements. The Company is a subsidiary of WPP plc and is subject to the overall WPP plc financing and liquidity arrangements. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover comprises the gross amounts billed to other group companies (excluding VAT and similar taxes) in respect of providing business support services.

Revenue recognition

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

Work in progress

Disbursements incurred on behalf of and recoverable from other group companies that have not yet been billed are shown as unbilled costs.

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

1. Accounting policies (continued)

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.

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.

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

1. Accounting policies (continued)

Taxation (continued)

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.

Hedge accounting

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. When a trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

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.

Derecognition of financial liabilities

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

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

1. Accounting policies (continued)

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. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Company's accounting policies

The Company has not made any critical judgements in applying the Company's accounting policies which have a significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

Taxation

Judgement is required in relation to the level of deferred tax asset recognised. Where the final tax outcome is different from the amounts recorded then such differences may impact the carrying value of deferred tax assets which would impact future tax credits.

Impairment of receivables

The Company makes an estimate of the recoverable value of receivables. When assessing impairment of receivables, management considers factors including the ageing profile of receivables and historical experience. The Company applies IFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all contract assets.

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3. Turnover

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

	2020 £'000	2019 £'000
Continuing operations		
Rendering of services	47,567	38,603
Total turnover and revenue	<u>47,567</u>	<u>38,603</u>

Substantially all the Company's turnover arises from its principal activity. Turnover includes £47,515,000 (2019: £38,498,000) invoiced to group undertakings and £52,000 (2019: £105,000) invoiced to clients.

	2020 £'000	2019 £'000
By geographical destination:		
UK	16,147	8,949
Europe	19,205	19,022
Rest of World	12,215	10,632
	<u>47,567</u>	<u>38,603</u>

4. Other Operating income

Other operating income consists of fees billed to fellow group undertakings for the services provided under the Company's service fee contracts.

5. Operating loss before taxation

	2020 £'000	2019 £'000
Operating loss is stated after charging:		
Staff costs (note 7)	18,338	10,599
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	22	22
Depreciation – owned assets	92	72
Gain on foreign exchange	(29)	-
	<u></u>	<u></u>

6. Finance charges

	2020 £'000	2019 £'000
Interest payable and similar charges		
Bank overdraft	368	371
Interest paid to group undertakings	51	130
	<u>419</u>	<u>501</u>

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

7. Staff costs

	2020 £'000	2019 £'000
Wages and salaries	10,713	7,032
Cash-based incentive plans	1,880	818
Share-based incentive plans	1,799	858
Social security costs	2,139	1,195
Pension costs	680	439
Other staff costs	1,127	257
	<u>18,338</u>	<u>10,599</u>

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

	2020 No.	2019 No.
Account handling	6	3
Administration	76	51
	<u>82</u>	<u>54</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 £680,000 (2019: £439,000). Outstanding contributions at year-end were £nil (2019: £nil).

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

8. Directors' remuneration and transactions

Directors' remuneration

	2020 £'000	2019 £'000
Emoluments	768	656
Pension contributions to money purchase schemes	23	23
	<u>791</u>	<u>679</u>

Retirement benefits are accruing to two directors (2019: three directors) under the money purchase schemes.

Remuneration of the highest paid director:

	2020 £'000	2019 £'000
Emoluments	504	375
	<u>504</u>	<u>375</u>

9. Tax on loss

	2020 £'000	2019 £'000
Current tax		
UK Corporation tax at 19% (2019: 19%)	-	-
Total current tax	-	-
Deferred tax (note 12)		
Origination and reversal of temporary differences	291	(78)
Adjustments in respect of prior years	212	55
Total tax credit/(charge)	<u>503</u>	<u>(23)</u>

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

9. 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% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Loss before tax	(9,793)	(12,606)
Tax credit on loss at standard rate	1,861	2,395
Effects of:		
Recognition of deferred tax movements:		
Movement in temporary differences	(18)	-
Rate change on temporary differences	62	(98)
Adjustment in respect of prior years	212	54
Expenses not deductible for tax purposes	(506)	(50)
Group relief for £nil consideration	(1,108)	(2,325)
Total tax credit/(charge) for the year	503	(23)

Factors that may affect future tax changes:

The UK tax rate for the year ended 31 December 2020 is 19%. The reversal of a planned reduction to 17% was enacted in 2020, and therefore the rate used for deferred tax balances for 2020 is 19% (2019: 17%).

In the UK Budget on 3 March 2021, the Chancellor of the Exchequer announced an increase in the UK corporation tax rate from 19% to 25%, which is due to be effective from 1 April 2023. This change was not substantively enacted at the balance sheet date and hence has not been reflected in the measurement of deferred tax balances at the period end. This change is not expected to have a material impact on the Company's deferred tax balances.

10. Share-based payments

The Company charged £1,799,000 to the profit and loss account in the year ended 31 December 2020 (2019: charged £858,000) 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.

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.

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

10. Share-based payments (continued)

Stock option plans (continued)

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.

Executive Performance Share Plan (EPSP)

This scheme is intended to reward and incentivise the most senior executives of the Group. The performance period is three to five complete financial years, commencing with the financial year in which the award is granted. The vest date will usually be in the March following the end of the performance period. Vesting is conditional on continued employment throughout the vesting period.

The 2020 EPSP awards are subject to three equally weighted performance conditions: three-year average Return on Invested Capital (ROIC), cumulative Adjusted Free Cash Flow (AFCF), and relative Total Shareholder Return (TSR). Achieving the threshold performance requirement will result in a vesting opportunity of 20% for that element. The vesting opportunity will increase on a straight line basis to 100% of the award for maximum performance. The Compensation Committee has an overriding discretion to determine the extent to which the award will vest.

The 2019 EPSP awards are subject to a relative TSR performance condition, with a ROIC underpin. TSR performance will be compared to companies representing the most relevant, listed global competitors, with performance below median resulting in zero vesting. Performance between median and upper decile provides for a vesting opportunity of between 15% and 100%. The awards will vest subject to a ROIC underpin of an average of 7.5% over the performance period. The Compensation Committee has an overriding discretion to determine the extent to which the award will vest.

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

10. Share-based payments (continued)

Restricted stock schemes (continued)

Executive Performance Share Plan (EPSP) (continued)

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:

	2020	2019
PSA		
Number of shares granted	73,379	32,488
Weighted average fair value at grant date	£5.58	£9.58
Leaders, Partners and High Potential Group		
Number of shares granted	120,689	52,909
Weighted average fair value at grant date	£7.55	£9.50
Special Share Awards		
Number of shares granted	213,063	9,191
Weighted average fair value at grant date	£5.91	£9.58
Executive Performance Share Plan		
Number of shares granted	215,894	119,581
Weighted average fair value at grant date	£7.55	£9.90

The average share price of WPP plc for the year ended 31 December 2020 was £6.96 (2019: £9.39).

11. Tangible assets

	Short leasehold improvements £'000	Furniture and fittings £'000	Equipment £'000	Total £'000
Cost				
At 1 January 2020	522	72	238	832
Additions	-	-	42	42
At 31 December 2020	522	72	280	874
Depreciation				
At 1 January 2020	399	72	186	657
Charge for the year	43	-	49	92
At 31 December 2020	442	72	235	749
Net book amount				
At 31 December 2020	80	-	45	125
At 31 December 2019	123	-	52	175

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

12. 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 2019	264	69	333
Charge to profit or loss	2	(25)	(23)
Credit direct to equity	-	-	-
At 31 December 2019	266	44	310
Credit to profit or loss	32	471	503
At 31 December 2020	298	515	813

A deferred tax asset totalling £813,000 (2019: £310,000) has been recognised in respect of capital allowances in excess of depreciation and share options as it is probable that there will be sufficient taxable profits against which the asset will reverse in the future.

A deferred tax asset totalling £3,777,000 (2019: £3,379,000) has not been recognised in respect of unused tax losses as there is insufficient evidence that the asset will be recovered.

13. Debtors

	2020 £'000	2019 £'000
Trade debtors	-	9
Amounts owed by group undertakings	31,521	20,607
Amounts owed by associated undertakings	117	556
Other debtors	910	1,487
Prepayments and accrued income	1,509	1,793
	34,057	24,452

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

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

14. Creditors: amounts falling due within one year

	2019 £'000	2019 £'000
Bank loans and overdrafts	44,178	15,474
Trade creditors	39	435
Amounts owed to group undertakings	2,892	-
Other creditors	798	-
Other taxation and social security	813	460
Accruals and deferred income	2,243	2,708
	<u>50,963</u>	<u>19,077</u>

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

15. Creditors: amounts falling due after one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings	-	10,760
	<u>-</u>	<u>10,760</u>

The balances due to fellow group undertakings relate to trade activity, are non-interest bearing and are repayable after a period of no less than 12 months.

16. Provisions for liabilities

	2020 £'000	2019 £'000
Other creditors	286	-
	<u>286</u>	<u>-</u>

Provision has been made for costs which are expected. This represents management's best estimate at this time. It is not known when payment is likely to become due.

WPP Brands (Europe) Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

17. Called up share capital

	2020 £'000	2019 £'000
Authorised:		
10,000,100 ordinary shares of £1 each	10,000	10,000
Allotted, issued and fully paid:		
5,000,100 ordinary shares of £1 each	5,000	5,000

18. 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 £3,221,679 as at 31 December 2020 (£14,220,127 as at 31 December 2019). 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 which are included in the financial statements of WPP plc.

19. 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.

20. Ultimate parent undertaking and controlling party

In the opinion of the directors, WPP Brands Holdings (UK) Limited, a company incorporated in England Wales, is the immediate parent company and WPP Plc, a company incorporated in Jersey, is the ultimate parent company and ultimate controlling party. 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, registered office 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, registered office Containers House, 18 Upper Ground, London SE1 9GL, United Kingdom.

Copies of the group financial statements of WPP plc are available at www.wppinvestor.com. Copies of the financial statements of WPP Jubilee Limited can be obtained from Sea Containers House, 18 Upper Ground, London SE1 9GL, United Kingdom, its registered office.