

TAG EUROPE LIMITED

Annual report
for the year ended 31 December 2016

Registered number 02299109

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for the year ended 31 December 2016**

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Tag Europe Limited

COMPANY INFORMATION

DIRECTORS

R S Coward
S J Faulkner
P R Oldfield
S D Trood

COMPANY SECRETARY

J Li

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 St James Court
Whitefriars
Norwich NR3 1RJ

BANKERS

Deutsche Bank AG
99 Bishopsgate
London EC2M 3XD

REGISTERED OFFICE

Aldgate Tower
2 Leman Street
London E1 8FA

Tag Europe Limited

STRATEGIC REPORT

for the year ended 31 December 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Tag Europe Limited is part of the Williams Lea Tag group of companies, which is the leading provider of marketing and communications supply chain services. We help organizations transform business processes and realise the potential of their brands. Our solutions combine reengineered processes, leading technologies and highly experienced collaborative client teams. As part of the Deutsche Post DHL Group, our financial strength and global reach enables us to deliver these solutions anywhere in the world.

Our marketing supply chain services simplify creative production, asset management, sourcing, ordering, fulfilment and distribution of brand messages globally. Our communications supply chain services help our clients engage with their customers more efficiently, streamlining the way documents, information and data are acquired, enriched, produced, managed, published, shared and retained.

Together our employees and technology platforms optimise digital and printed brand messages and communications performance on behalf of some of the largest, most well-known organisations in the world. Our range of services enables us to build end-to-end offerings that support the steps needed to design, produce, distribute and supply marketing and communications services.

They bring strategic benefits to our clients: speed-to-market, effectiveness, creativity, brand consistency, compliance and cost reduction.

Tag Europe Limited is particularly focused on the creative production and asset management of distribution of brand messages globally.

The company's key performance indicators during the year were as follows:

	2016	2015	Change
	£000s	£000s	%
Turnover	84,460	102,791	-17.8
Gross profit	13,179	18,919	-30.3
Operating (loss)/profit	(5,009)	1,937	-358.6

As the creative production landscape continues to evolve the business has seen a fall in demand for traditional print advertising combined with a reduction in marketing budgets which has resulted in a decline in turnover of 17.8%. Furthermore, a number of larger clients changed their operating model and moved to an in-house service offering. The directors have taken measures to re-align the cost base including review of our property portfolio and using lower cost locations for delivery of work. These measures included one-off re-structuring costs of £1,406,054.

This trend is likely to continue into 2017 as marketing budgets continue to be challenged. Our global delivery model is opening up new opportunities for global brands to realise their brand potential and provide brand consistency. However the pace of growth is slower than the decline in legacy print volumes.

STRATEGIC REPORT

for the year ended 31 December 2016 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The company assesses risk at board level and through other operational boards which meet on a regular basis. The principal risks and uncertainties facing the company are set out below:

- General business environment

The business of our entities substantially depends on the financial health of our customers which in turn depends on the global macro-economic environment.

- Competition

The company operates in a competitive environment and all contracts and processes are subject to regular analysis with the aim of customer retention or gain and economic optimisation.

- Employees

The hard work, expertise and commitment of its employees are essential to the commercial success of the company and a high priority is placed on the effectiveness of employment practices and human resource development initiatives.

- Information technology risks

Information technology is an integral part of the company's service capability and its business performance depends heavily on the functioning and performance of its applications and infrastructure. Active risk management processes are in place to minimise downtime. The directors continuously monitor data security compliance and risk.

- Financial risk

The company may be impacted by price risk, customer credit risk, effects arising from contract breach and liquidity risk. The majority of the goods and services sold by the company are provided by its own resources or are bought in from related parties. Where services are bought in the costs of these are recharged to customers. Credit risk management follows normal best practice and includes varying levels of credit assessments according to customer size and active credit performance management through key performance indicators such as days' sales outstanding. Contract risk is managed by formal contract approval processes, active operational management and, to the extent possible, important risks are insured. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations, for example through applying cash collection targets throughout the company. The company also manages liquidity risk through its participation in the in-house banking arrangements of the Deutsche Post AG group. The directors are not aware of any other pending significant financial risks.

On behalf of the board



R S Coward
Director

14 December 2017

Tag Europe Limited

DIRECTORS' REPORT

for the year ended 31 December 2016

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The turnover of the company for the year was £84,459,580 (2015: £102,791,397). The loss for the year after taxation amounted to £5,409,746 (2015: profit of £881,883). The directors do not recommend the payment of a dividend (2015: £nil).

The company had net current liabilities at the year end of £9,691,118 (2015: net current assets of £1,061,328) and net assets of £14,238,739 (2015: £19,648,485).

FUTURE DEVELOPMENTS

An indication of likely future developments is included in the Principal activities and review of the business section of the Strategic report.

GOING CONCERN

On 30 November 2017, Advent International acquired a controlling interest in the Williams Lea Tag Group, which the company is part of. The company was ultimately acquired by Wertheimer UK Limited as part of this acquisition. The ultimate controlling party is Advent International Corporation, in its capacity as manager of certain limited partnerships composing its GPE VIII fund program.

The company makes an estimate of the future performance of the company in order to prepare the financial statements on a going concern basis. When assessing future performance, the directors consider financial projections which reflect current expected market conditions, liquidity requirements and opportunities and risks facing the company. The company has obtained confirmation, in writing, from its parent undertaking, Al Wertheimer Debt Co UK Limited that it will provide finance, if required, for a period of at least 12 months from the date of approval of the company's financial statements, in order for the company to meet its liabilities as they fall due. On the basis of the above, the directors are confident that the company has adequate resources to continue to trade for the foreseeable future, being a period of at least 12 months from the date of approving these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

DIRECTORS

The directors who held office during the year and up until the date of approval of the financial statements unless otherwise indicated were as follows:

R S Coward
S J Faulkner
A Lattimore
P R Oldfield
S D Trood

(resigned 8 May 2017)
(appointed 8 May 2017)

DIRECTORS' LIABILITIES

The directors have been indemnified against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and up to the date of approval of the financial statements.

Tag Europe Limited

DIRECTORS' REPORT

for the year ended 31 December 2016 (continued)

EMPLOYEES

Regular meetings are held involving directors, managers and staff to allow a free flow of information and ideas about aspects, including economic, of the business and to communicate financial and economic factors that affect the performance of the company. During the year, the company has provided training for employees at all levels.

The company's policy is to give full consideration to all applications for employment and to treat all staff fairly, regardless of gender, religion, race, age or physical disability. Where existing employees become disabled, it is the company's policy, where practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Senior employees participate directly in the success of the business through the company's bonus schemes.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

1. so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
2. the director has taken all steps that one ought to have taken as a director in order to make oneself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Tag Europe Limited

DIRECTORS' REPORT

for the year ended 31 December 2016 (continued)

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

On behalf of the board

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, positioned above the printed name of the director.

R S Coward
Director

14 December 2017

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TAG EUROPE LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Tag Europe Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the balance sheet as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TAG EUROPE LIMITED (continued)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

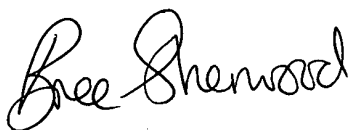
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Bree Sherwood (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Norwich

20 December 2017

Tag Europe Limited

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2016


	Note	2016 £	2015 £
TURNOVER	5	84,459,580	102,791,397
Cost of sales		(71,280,122)	(83,872,291)
GROSS PROFIT		13,179,458	18,919,106
Administrative expenses - exceptional	6	(1,406,054)	(2,176,136)
Administrative expenses - other		(21,715,449)	(20,927,672)
Administrative expenses		(23,121,503)	(23,103,808)
Other operating income		4,932,661	6,121,415
OPERATING (LOSS)/PROFIT	6	(5,009,384)	1,936,713
Interest receivable and similar income		89,492	-
Interest payable and similar charges	8	(261,510)	(243,687)
(LOSS)/PROFIT BEFORE TAXATION		(5,181,402)	1,693,026
Tax on (loss)/profit	9	(228,344)	(811,143)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(5,409,746)	881,883
Other comprehensive income for the financial year		-	-
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE FINANCIAL YEAR		(5,409,746)	881,883

All results derive from continuing operations.

BALANCE SHEET
 as at 31 December 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Intangible assets	10	16,430,403	10,243,582
Tangible assets	11	7,976,453	8,557,280
Investments	12	898,655	898,655
		<u>25,305,511</u>	<u>19,699,517</u>
CURRENT ASSETS			
Investments	13	195	195
Inventories	14	-	121,780
Debtors	15	32,184,252	43,824,187
Cash at bank and in hand		4,241	92,294
		<u>32,188,688</u>	<u>44,038,456</u>
CREDITORS: amounts falling due within one year	16	(41,879,806)	(42,977,128)
NET CURRENT (LIABILITIES)/ASSETS		<u>(9,691,118)</u>	<u>1,061,328</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,614,393</u>	<u>20,760,845</u>
PROVISIONS FOR LIABILITIES	17	(1,375,654)	(1,112,360)
NET ASSETS		<u>14,238,739</u>	<u>19,648,485</u>
CAPITAL AND RESERVES			
Called up share capital	18	9,600	9,600
Other reserves		900	900
Retained earnings		14,228,239	19,637,985
TOTAL EQUITY		<u>14,238,739</u>	<u>19,648,485</u>

The financial statements on pages 9 to 24 were approved by the board of directors on 14 December 2017 and signed on its behalf by:



R S Coward
Director

Tag Europe Limited

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2016

	<i>Called up share capital £</i>	<i>Other reserves £</i>	<i>Retained earnings £</i>	<i>Total equity £</i>
Balance as at 1 January 2015	9,600	900	18,756,102	18,766,602
Profit for the financial year	-	-	881,883	881,883
Total comprehensive income for the financial year	-	-	881,883	881,883
Balance as at 31 December 2015	9,600	900	19,637,985	19,648,485
Balance as at 1 January 2016	9,600	900	19,637,985	19,648,485
Loss for the financial year	-	-	(5,409,746)	(5,409,746)
Total comprehensive expense for the financial year	-	-	(5,409,746)	(5,409,746)
Balance as at 31 December 2016	9,600	900	14,228,239	14,238,739

Tag Europe Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

1. GENERAL INFORMATION

Tag Europe Limited is a private company limited by shares and is incorporated and registered in England. The address of its registered office is Aldgate Tower, 2 Leman Street, London.

2. STATEMENT OF COMPLIANCE

The individual financial statements of Tag Europe Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

On 30 November 2017, Advent International acquired a controlling interest in the Williams Lea Tag Group, which the company is part of. The company was ultimately acquired by Wertheimer UK Limited as part of this acquisition. The ultimate controlling party is Advent International Corporation, in its capacity as manager of certain limited partnerships composing its GPE VIII fund program.

The company makes an estimate of the future performance of the company in order to prepare the financial statements on a going concern basis. When assessing future performance, the directors consider financial projections which reflect current expected market conditions, liquidity requirements and opportunities and risks facing the company. The company has obtained confirmation, in writing, from its parent undertaking, Al Wertheimer Debt Co UK Limited that it will provide finance, if required, for a period of at least 12 months from the date of approval of the company's financial statements, in order for the company to meet its liabilities as they fall due. On the basis of the above, the directors are confident that the company has adequate resources to continue to trade for the foreseeable future, being a period of at least 12 months from the date of approving these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the following exemptions for qualifying entities:

- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- from disclosing key management personnel compensation in total, per Section 33; and
- from preparing a statement of cash flows since the company is a wholly owned subsidiary of Deutsche Post AG and is included in the consolidated financial statements, which are publically available.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Consolidated financial statements

The company is a wholly owned subsidiary of Tag Worldwide Group Limited and of its ultimate parent, Deutsche Post AG. It is included in the consolidated financial statements of Deutsche Post AG which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Deutsche Post AG. The address of the parent's registered office is Zentrale – Investor Relations, 53250 Bonn, Germany.

These financial statements are the company's separate financial statements.

(e) Turnover

Turnover represents amounts receivable primarily for services provided in the UK and overseas net of trade discounts, value added tax, and other sales related taxes. Turnover is recognised when the risks and rewards of ownership have transferred, the company retains no continuing involvement or control, the amount of turnover can be measured reliably, it is probable that future economic benefits will flow to the entity and when the specific criteria below have been met. Invoicing that does not satisfy these criteria is accrued or deferred as appropriate. When assessing the value of accrued income management considers factors including selling price, the ageing profile and historical experience. Income is deferred to the extent that it relates to future periods.

Turnover derived from the provision of services is recognised once delivery of those services is complete.

Where work is performed on behalf of other group companies, turnover is recognised to the extent to which the company bears the risks and rewards of the arrangement.

Other operating income represents management fees receivable from fellow group undertakings.

(f) Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

(g) Tangible assets and depreciation

Tangible assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful economic life, which is reviewed annually. The rates are:

Leasehold improvements	-	7 years
Plant and machinery	-	3 - 5 years
Fixtures and fittings	-	5 years
Motor vehicles	-	5 years

Assets in the course of construction are not depreciated.

The carrying values of tangible assets are reviewed for impairment by management in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investments

Investments are stated at cost less provision for impairment.

The carrying values of investments are reviewed for impairment by management in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

(i) Leased assets

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet. The interest element of the rental obligations is charged to the statement of comprehensive income over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Operating lease rentals are charged to the statement of comprehensive income on a straight-line basis over the lease term.

(j) Inventories

Inventories are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises purchase cost on a weighted average basis.

Work in progress is valued at the lower of the cost, which includes labour and other costs that are directly associated with work carried out to bring the unfinished projects to their current stage of completion, and estimated selling price less costs to complete and sell.

Where necessary, provision is made for obsolete, slow moving and defective inventories.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(l) Financial instruments

Financial assets and liabilities

Basic financial assets and liabilities, including trade and other receivables, cash and bank balances, trade and other payables and loans from fellow group companies are recognised at transaction price, unless the arrangement constitutes a financing transaction. The company currently has no such financing transactions.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that have occurred at the balance sheet date result in an obligation to pay more tax in the future or a right to pay less tax in the future. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(o) Foreign currencies

The company's functional and presentational currency is the pound sterling. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the balance sheet exchange rate. All exchange differences are taken to the statement of comprehensive income.

(p) Pension costs

The pension costs charged against profit represent the contributions payable by the group to defined contribution schemes for the year. Scheme assets are held separately from those of the group in independently administered funds.

(q) Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

4. **CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, and economic utilisation of the assets. See note 10 for the carrying amount of intangible assets, and note 3(f) for the useful economic lives for each class of asset.

(ii) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of tangible assets, and note 3(f) for the useful economic lives for each class of asset.

(iii) Accrued and deferred income

The company makes an estimate of the level of accrued income at the year end date. When assessing the value of accrued income management considers factors including selling price, the ageing profile and historical experience. Income is deferred to the extent that it relates to future periods. See note 15 for the carrying amount of accrued income and note 16 for the carrying amount of deferred income.

(iv) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 15 for the net carrying amount of the debtors and associated impairment provision.

5. **TURNOVER**

An analysis of turnover by destination is given below:

	2016 £	2015 £
United Kingdom	37,238,233	62,815,147
Europe	33,082,062	27,988,728
Rest of the world	14,139,285	11,987,522
	<u>84,459,580</u>	<u>102,791,397</u>

All turnover relates to the sale of creative production and digital marketing asset management services which the company considers to be a single class of business.

Tag Europe Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

6. OPERATING (LOSS)/PROFIT

This is stated after charging/(crediting):

	2016 £	2015 £
Wages and salaries	39,453,587	30,170,881
Social security costs	4,138,769	3,814,778
Other pension costs (note 19)	455,983	436,836
Staff costs	44,048,339	34,422,495
(Profit)/loss on disposal of tangible assets	(7,786)	1,403,005
Inventory recognised as an expense	21,871,020	42,753,806
Operating lease rentals	1,104,303	2,551,655
Audit fees payable to the company's auditors	44,127	30,000
Foreign exchange losses/(gains)	71,364	(190,215)
Exceptional administrative expenses	1,406,054	2,176,136
Amortisation	981,195	279,183
Depreciation	2,418,496	1,997,385
Impairment of trade receivables	253,425	(253,066)

Exceptional administrative expenses of £1,406,054 (2015: £2,176,136) were incurred in relation to rationalisation and relocation of various leased office premises.

7. EMPLOYEES AND DIRECTORS

Employees

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

	2016 Number	2015 Number
Production	886	819
Administration and selling	21	-
	907	819

Tag Europe Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

7. EMPLOYEES AND DIRECTORS (continued)

Directors

The directors' emoluments were as follows:

	2016 £	2015 £
Aggregate emoluments	-	229,912
Company contributions to money purchase pension schemes	-	1,911
Compensation for loss of office	-	162,500
	<u> </u>	<u> </u>
	2016 No.	2015 No.
Members of money purchase pension schemes	-	1
	<u> </u>	<u> </u>

Directors' remuneration is paid by Williams Lea Limited and The Stationery Office Limited, companies of which they are also directors. It is not possible to make an accurate apportionment of their remuneration in respect of the company. Accordingly, these financial statements include no disclosures in respect of directors' remuneration. Their total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of Williams Lea Limited and The Stationery Office Limited.

Highest paid director

The highest paid director's emoluments were as follows:

	2016 £	2015 £
Aggregate emoluments	-	229,912
Company contributions to money purchase pension schemes	-	1,911
Compensation for loss of office	-	162,500
	<u> </u>	<u> </u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £	2015 £
Interest payable to group undertakings	242,203	243,687
Other interest payable	19,307	-
	<u>261,510</u>	<u>243,687</u>

Tag Europe Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

9. TAX ON (LOSS)/PROFIT

Analysis of charge in year:

	2016 £	2015 £
<i>Current tax</i>		
UK corporation tax on the profit for the year	-	265,716
Adjustments in respect of prior years	(34,950)	143,639
Foreign tax	-	84,093
Total current tax	(34,950)	493,448
<i>Deferred tax</i>		
Origination and reversal of timing differences	893,618	257,701
Impact of change in tax rates	(125,812)	(151,142)
Adjustments in respect of prior years	(504,512)	211,136
Total deferred tax	263,294	317,695
Total tax charge for year	228,344	811,143

Tax assessed for the year is higher (2015: higher) than the standard rate of UK corporation tax of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £	2015 £
(Loss)/profit before taxation	(5,181,402)	1,693,026
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	(1,036,280)	342,838
<i>Effects of:</i>		
Expenses not deductible for tax purposes	85,168	264,672
Impact of change in tax rates	(125,812)	(151,142)
Group relief	1,844,730	-
Adjustments in respect of prior years	(539,462)	354,775
Tax charge for the year	228,344	811,143

Factors that may affect future tax charges:

A number of changes to the UK corporation tax system were announced in the July 2015 UK Budget statement. Reductions to the main rate of corporation tax were proposed to reduce the rate by 1% to 19% from 1 April 2017 and by a further 1% to 18% from 1 April 2020. These changes were substantively enacted on 26 October 2015. In the March 2016 UK Budget statement, a proposed further reduction to the main rate of corporation tax to 17% from 1 April 2020 was announced. This change was substantively enacted on 7 September 2016.

Where relevant, deferred tax assets and liabilities reflect these rates.

Tag Europe Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

10. INTANGIBLE ASSETS

	Computer software £
At 31 December 2015:	
Cost	11,598,490
Accumulated amortisation	(1,354,908)
Net book amount	10,243,582
Year ended 31 December 2016:	
Opening net book amount	10,243,582
Additions	5,469,299
Reclassifications	1,698,717
Amortisation	(981,195)
Closing net book amount	16,430,403
At 31 December 2016:	
Cost	18,766,506
Accumulated amortisation	(2,336,103)
Net book amount	16,430,403

Included in computer software is £8,307,558 (2015: £10,036,243) yet to be amortised as the software is currently under production and has not yet been brought into use in the business.

Also included is an internally developed CMD system (including a digital asset management solution and marketing planning module) with a carrying amount of £6,467,970 (2015: £nil) and a remaining amortisation period of 6.25 years. There are no other individually material intangible assets.

Tag Europe Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

11. TANGIBLE ASSETS

	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
At 31 December 2015:					
Cost	2,549,476	9,248,638	4,504,054	107,656	16,409,824
Accumulated depreciation	(1,447,702)	(4,557,581)	(1,739,605)	(107,656)	(7,852,544)
Net book amount	1,101,774	4,691,057	2,764,449	-	8,557,280
Year ended 31 December 2016:					
Opening net book amount	1,101,774	4,691,057	2,764,449	-	8,557,280
Additions	71,175	2,361,855	1,131,527	-	3,564,557
Disposals	-	(1,332)	(26,839)	-	(28,171)
Reclassifications	2,147,803	(1,556,228)	(2,290,292)	-	(1,698,717)
Depreciation	(531,025)	(1,356,301)	(531,170)	-	(2,418,496)
Closing net book amount	2,789,727	4,139,051	1,047,675	-	7,976,453
At 31 December 2016:					
Cost	5,059,630	10,051,445	3,021,194	107,656	18,239,925
Accumulated depreciation	(2,269,903)	(5,912,394)	(1,973,519)	(107,656)	(10,263,472)
Net book amount	2,789,727	4,139,051	1,047,675	-	7,976,453

12. INVESTMENTS

	<i>Subsidiary undertakings</i>
	£
Cost and net book amount:	
At 1 January 2016 and 31 December 2016	898,655

The company holds directly 100% of the ordinary share capital of Tag India Private Limited which is incorporated in India (Registered office Module 0308, D Block Tidel Park, 4 Canal Bank Road, Taramani, Chennai, India).

The directors believe that the book value of investments is supported by their underlying net assets.

13. CURRENT ASSET INVESTMENTS

Current asset investments comprise short term holdings of shares in companies which are shown at cost.

Tag Europe Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

14. INVENTORIES

	2016	2015
	£	£
Raw materials and consumables	-	121,780

The difference between purchase price or production cost of inventories and their replacement cost is not material.

15. DEBTORS

	2016	2015
	£	£
Trade debtors	13,793,706	18,002,864
Amounts owed by group undertakings	5,290,896	7,902,027
Other debtors	1,991,810	2,924,234
Corporation tax	-	52,208
Prepayments and accrued income	11,107,840	14,942,854
	<u>32,184,252</u>	<u>43,824,187</u>

Trade debtors are stated after provisions for impairment of £129,319 (2015: £21,228).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

16. CREDITORS: amounts falling due within one year

	2016	2015
	£	£
Bank loans and overdrafts	7,333	-
Trade creditors	2,330,680	2,921,675
Net obligations under finance leases	-	1,173
Amounts owed to group undertakings – group in-house bank arrangement	12,612,725	11,535,185
Amounts owed to group undertakings – interest bearing loan	10,012,648	10,015,184
Amounts owed to group undertakings – other	4,048,464	3,278,213
Corporation tax	37,798	-
Other taxation and social security	2,114,761	2,100,840
Other creditors	1,556,632	754,313
Accruals and deferred income	9,158,765	12,370,545
	<u>41,879,806</u>	<u>42,977,128</u>

Amounts owed under the Deutsche Post AG group in-house bank arrangement are unsecured and repayable on demand. They bear interest at annual rates varying between 0.91% and 1.17% (2015: 1.13% and 1.16%). The interest bearing loan is unsecured and repayable on demand. It bears interest at LIBOR plus 0.6%. Other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Tag Europe Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

17. PROVISIONS FOR LIABILITIES

The company had the following provisions during the year:

	<i>Deferred tax £</i>
At 1 January 2016	1,112,360
Charged to statement of comprehensive income	263,294
At 31 December 2016	1,375,654

The provision for deferred tax consists of the following deferred tax liabilities (assets):

	<i>2016 £</i>	<i>2015 £</i>
Accelerated capital allowances	1,626,065	1,331,645
Other timing differences	(250,411)	(219,285)
Total provision	1,375,654	1,112,360

No significant reversal of the deferred tax liability is expected in 2017.

18. CALLED UP SHARE CAPITAL

	<i>2016 Number</i>	<i>2015 Number</i>	<i>Allotted and fully paid 2016 £</i>	<i>2015 £</i>
Ordinary shares of £1 each	9,600	9,600	9,600	9,600

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

19. PENSION ARRANGEMENTS

The company operates a defined contribution pension scheme for its employees. The scheme assets are held separately from those of the company in independently administered funds. The contribution payable during the year was £455,983 (2015: £436,836) and the pension payable outstanding at the year end was £nil (2015: £nil).

Tag Europe Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

20. FINANCIAL COMMITMENTS

Operating leases

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016	2015
	£	£
Payments due:		
Within one year	418,200	847,141
Between two and five years	1,415,253	1,991,050
In over five years	616,195	1,132,086
	<u>2,449,648</u>	<u>3,970,277</u>

Capital commitments

At 31 December 2016, the company had no committed capital expenditure (2015: £nil).

21. CONTINGENT LIABILITIES

For Value Added Tax (VAT) purposes, the company is grouped with other undertakings in a VAT group; under these arrangements the company has a joint and several liability for amounts owed by those undertakings to HM Revenue and Customs.

22. RELATED PARTIES

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the group.

23. PARENT UNDERTAKING AND CONTROLLING PARTY

Tag Worldwide Group Limited is the company's immediate parent undertaking and Deutsche Post AG, which is incorporated in Germany, is the ultimate parent undertaking and controlling party. Deutsche Post AG is the parent undertaking of the smallest and largest group of which the company is a member and for which consolidated financial statements are prepared. Copies of the group financial statements of Deutsche Post AG can be obtained from Deutsche Post World Net, Zentrale – Investor Relations, 53250 Bonn, Germany.