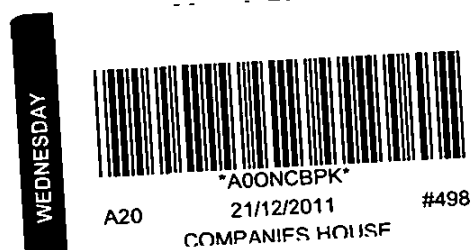


Company Registration No. 06872427

Hogarth Worldwide Limited

Report and Financial Statements

31 December 2010



Hogarth Worldwide Limited

Report and financial statements 2010

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Hogarth Worldwide Limited

Report and financial statements 2010

Officers and professional advisers

Directors

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

Secretary

WPP Group (Nominees) Limited

Registered Office

164 Shaftesbury Avenue
London
WC2H 8HL

Bankers

Royal Bank of Scotland
49 Charing Cross
London
SW1A 2DX

Solicitors

Addleshaw Goddard
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Hogarth Worldwide Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activities

The principal activity of the entity is marketing implementation and transcreation of print, TV and digital media internationally

Business review

During the period, the business was able to grow its revenues significantly from £4,244,000 to £22,637,000 as revenues from new clients came on stream and new offices were opened in New York. The cost of opening new facilities and on boarding new clients was significant and the consolidated business recorded a loss in 2010

Results and dividends

The Group loss before tax for the year was £378,000 (2009 loss of £237,000) and the Company loss before tax was £192,000 (2009 loss of £237,000). The directors do not recommend that a dividend is paid for the year ended 31 December 2010

Future prospects and subsequent events

The directors can report that the trend of revenue growth experienced in 2010 has continued into 2011, driven by growth in the UK business augmented by new office openings around the world

On 15 December 2011 WPP Group (UK) Limited increased its holding in Hogarth Worldwide Ltd from 50% to 57.99% for a sum of £3.75m. This was through the purchase of 2,611 shares at a nominal value of £0.10 each, resulting in a share premium of £3,749,739. The company also entered into a £10.25m revolving credit facility with WPP Finance Co. Limited on the same day replacing the existing loan agreement.

A further 516 shares were also issued for a total consideration of £100,000

Going concern

The directors have every expectation that the Company has adequate resources through trading to continue in operational existence for the foreseeable future. Hogarth Worldwide Limited has also access to a £10.25m credit facility, expiring 2015, to cover working capital requirements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Financial risk assessment

The Group's and Company's activities expose it to a number of financial risks, including credit risk and cash flow risk. The directors do not believe that the Company is significantly exposed to liquidity risk. The Company currently has sufficient cash to fund its activities.

Cash flow risk

The Group's and Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company does not currently use financial derivatives on its financial activities. Owing to the project-based nature of the business, currency hedging on its financial activities is not currently undertaken. The directors keep the situation under review in the event that a practical means of hedging becomes available.

Credit risk

The Group's and Company principal financial assets are bank balances, trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the accounts are net of allowances for doubtful receivables. An allowance for loss is made where there is an identified loss event, which, based on the experience of the directors, is evidence of a reduction in the recoverability of the cash flows.

Hogarth Worldwide Limited

Directors' report (continued)

Directors

The directors of the Company who served during the year and subsequently to the date of approving these financial statements except as noted were as follows

Barry Jones
Kevan Thorn
Mark Rhys-Thomas (resigned 11 August 2010)
Chris Sweetland
Paul Delaney
Jonathan Eggar
Andrew Scott
Richard Glasson (appointed 20 April 2011)

Statement on information given to auditor

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

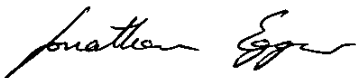
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provisions of s418 (2) of the Companies Act 2006

Re-appointment of auditor

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

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



Jonathan Eggar
Director

21 December 2011

Hogarth Worldwide Limited

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report to the members of Hogarth Worldwide Limited

We have audited the financial statements of Hogarth Worldwide Limited for the year ended 31 December 2010 which comprise the consolidated profit and loss account, the consolidated balance sheet, the Company balance sheet, the consolidated cash flow statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the annual report to identify material misstatements or inconsistencies we consider have implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of the Group's 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Hogarth Worldwide Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Mark Tolley (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
21 December 2011

Hogarth Worldwide Limited

Consolidated profit and loss account Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	22,637	4,244
Cost of sales	2	(3,874)	(780)
Gross profit		<u>18,763</u>	<u>3,464</u>
Other operating expenses (net)	5	(18,974)	(3,681)
Operating loss		<u>(211)</u>	<u>(217)</u>
Finance charges (net)	7	(167)	(20)
Loss on ordinary activities before taxation	3	<u>(378)</u>	<u>(237)</u>
Tax (charge)/credit on loss on ordinary activities	8	(56)	56
Loss after taxation for the financial period being retained loss carried forward	16	<u>(434)</u>	<u>(181)</u>

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

Hogarth Worldwide Limited

Consolidated balance sheet As at 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Intangible fixed assets	10	63	-
Tangible fixed assets	11	3,745	2,004
		<u>3,808</u>	<u>2,004</u>
Current assets			
Cash at bank and in hand		662	420
Debtor amounts falling due within 1 year	12	8,313	3,102
Debtor amounts falling due after 1 year	12	-	56
		<u>8,975</u>	<u>3,578</u>
Creditors: amounts falling due within one year	13	(6,875)	(1,927)
Net current assets		<u>2,100</u>	<u>1,651</u>
Total assets less current liabilities		<u>5,908</u>	<u>3,655</u>
Creditors: amounts falling due after more than one year	14	(4,250)	(1,563)
Net assets		<u>1,658</u>	<u>2,092</u>
Capital and reserves			
Called up share capital	15	1	1
Share Premium	15	2,272	2,272
Profit and loss account	16	(615)	(181)
Total shareholders' funds	16	<u>1,658</u>	<u>2,092</u>

The financial statements of Hogarth Worldwide Limited, registered number 06872427 were approved by the Board of Directors and authorised for issue on 21 December 2011

Signed on behalf of the Board of Directors



Jonathan Eggar
Director

Hogarth Worldwide Limited

Company balance sheet As at 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments	9	-	-
Intangible fixed assets	10	63	-
Tangible fixed assets	11	3,721	2,004
		<u>3,784</u>	<u>2,004</u>
Current assets			
Cash at bank and in hand		662	420
Debtor amounts falling due within 1 year	12	7,294	3,102
Debtor amounts falling due after 1 year	12	-	56
		<u>7,956</u>	<u>3,578</u>
Creditors: amounts falling due within one year	13	(5,645)	(1,927)
Net current assets		<u>2,311</u>	<u>1,651</u>
Total assets less current liabilities		<u>6,095</u>	<u>3,655</u>
Creditors: amounts falling due after more than one year	14	(4,250)	(1,563)
Net assets		<u>1,845</u>	<u>2,092</u>
Capital and reserves			
Called up share capital	15	1	1
Share premium	15	2,272	2,272
Profit and loss account	16	(428)	(181)
Total shareholders' funds	16	<u>1,845</u>	<u>2,092</u>

The financial statements of Hogarth Worldwide Limited, registered number 06872427 were approved by the Board of Directors on 21 December 2011

Signed on behalf of the Board of Directors



Jonathan Eggar
Director

Hogarth Worldwide Limited

Consolidated cash flow statement Year ended 31 December 2010

	2010 £'000	2009 £'000
Cash flows from operating activities		
Operating loss	(211)	(217)
Depreciation of fixed assets	936	213
	<u>725</u>	<u>(4)</u>
Movements in working capital		
Increase in trade and other receivables	(5,211)	(1,734)
Increase in trade and other payables	4,979	122
	<u>(232)</u>	<u>(1,612)</u>
Net cash inflows / (outflows) from operating activities	<u>493</u>	<u>(1,616)</u>
Returns on investments and servicing of finance		
Intercompany loan with WPP Finance Co Limited	(177)	(13)
Bank and other interest	10	20
Interest element on finance lease	-	(7)
	<u>(167)</u>	<u>-</u>
Net cash (outflows)/inflows from returns on investments and servicing of finance	<u>(167)</u>	<u>-</u>
Capital expenditure and financial investment		
Development costs capitalised	(63)	-
Payments for the purchase of fixed assets	(2,677)	(1,394)
	<u>(2,740)</u>	<u>(1,394)</u>
Net cash outflows from capital expenditure and financial investment	<u>(2,740)</u>	<u>(1,394)</u>
Financing		
Proceeds from issue of equity shares	-	1,930
Proceeds from related party borrowings	2,750	1,500
Repayment of intercompany loan	(63)	-
Repayment of finance leases	(31)	-
Net cash inflows from financing	<u>2,656</u>	<u>3,430</u>
Net increase in cash and cash equivalents	<u>242</u>	<u>420</u>
Net increase in cash and cash equivalents	242	420
Cash and cash equivalents at the beginning of the year	420	-
Cash and cash equivalents at the end of the year	<u>662</u>	<u>420</u>

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

1. Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current period, are described below.

Accounting convention

The accounts are prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year.

Company only profit and loss

As permitted by section 408 of the Companies Act 2006, no profit and loss account of the Company is included in these financial statements. The loss for the year for the Company after tax was £247,000 (2009 loss of £181,000).

Going concern

The Company is a subsidiary of WPP plc. Its business activities are set out in the business review on page 2.

After reviewing cashflow forecasts, budgets and making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In addition to this on the 15th December 2011 the Company issued fully paid shares to WPP Group UK Limited for £3,750,000 and entered into a £10.25m revolving credit facility with WPP Finance Co. Limited.

Accordingly, the directors of the Company continue to adopt the going concern basis in preparing these financial statements.

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service/product provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected life, as follows:

Leasehold improvements	Over the period of the lease
Computer equipment	33% on a straight line basis per annum
Furniture and fixtures	20% on a straight line basis per annum
Computer software	33% on a straight line basis per annum

Intangible assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. This period is between three and five years.

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

1. Accounting policies (continued)

Taxation

Corporation tax is provided at the amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation

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

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

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

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

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are included in the profit and loss account

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

2. Segment information

	UK		Rest of Europe		Other		USA		Group	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £	2009 £
Turnover	13,892	4,244	5,630	-	81	-	3,034	-	22,637	4,244
Cost of Sales	(2,201)	(780)	(868)	-	(16)	-	(789)	-	(3,874)	(780)
Segment profit	11,691	3,464	4,762	-	65	-	2,245	-	18,763	3,464
Other operating expenses (net)	(18,291)	(3,681)	-	-	-	-	(683)	-	(18,974)	(3,681)
Operating (loss) / profit	(6,600)	(217)	4,762	-	65	-	1,562	-	(211)	(217)
Finance charges (net)	(167)	(20)	-	-	-	-	-	-	(167)	(20)
(Loss) / profit on ordinary activities before taxation	(6,767)	(237)	4,762	-	65	-	1,562	-	(378)	(237)

All of the Group's assets are within the UK, with exception of, equipment, furniture and fittings and leasehold improvements assets with a value of £24,000 before depreciation are situated in the USA

3. Loss on ordinary activities before taxation

	2010 £'000	2009 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
- owned	756	172
- held under finance leases or hire purchase contracts	180	41
	936	213
Fees payable to the Company's auditor for the audit of the Company's annual accounts	85	42
Rental income	(75)	(42)
Operating leases		
-Land and buildings	785	262
-Other	90	90
	875	352

No other services were provided by Deloitte LLP in either year

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

4. Directors' remuneration

	2010 £'000	2009 £'000
Remuneration		
The remuneration of the directors was as follows		
Emoluments	521	249
Compensation for loss of office	67	-
	<u>588</u>	<u>249</u>

Highest paid director

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

	£'000	£'000
Emoluments	<u>204</u>	<u>83</u>

Directors' transactions

Details of transactions with directors during the period are disclosed in Note 19

The number of directors who are members of defined benefit pension scheme/money purchase pension scheme was nil (2009 nil)

5. Other operating expenses (net)

	Group 2010 £'000	2009 £'000
Staff costs	12,767	2,458
Other administrative expenses	5,864	1,145
Finance and general	343	78
	<u>18,974</u>	<u>3,681</u>

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

6. Staff costs

	2010 £'000	2009 £'000
Wages and salaries	8,811	1,591
Social security costs	937	185
Pension costs	38	2
Other staff costs	2,981	680
	<u>12,767</u>	<u>2,458</u>

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

	2010 No.	2009 No.
Account handling	29	-
Admin/finance	13	9
General management	3	3
Human resources and talent management	3	-
Information technology	16	-
New business/business development	3	-
Production traffic	143	45
	<u>210</u>	<u>57</u>

7. Finance charges (net)

	2010 £'000	2009 £'000
Interest payable and similar charges		
Intercompany loan with WPP Finance Co Limited	177	13
Finance charges payable under finance leases	<u>-</u>	<u>7</u>
	177	20
Interest receivable and similar income		
Finance income receivable under finance leases	(7)	-
Other finance income	<u>(3)</u>	<u>-</u>
	(10)	-
Net finance charge	<u>167</u>	<u>20</u>

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

8. Tax on loss on ordinary activities

	2010 £'000	2009 £'000
Analysis of tax (credit) / charge in year		
<i>Current tax</i>		
UK corporation tax on losses in year	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Current year	-	56
Prior year	(56)	-
Total tax for year	(56)	56

Factors affecting taxation in year

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	(378)	(237)
Tax credit on loss on ordinary activities at standard rate (28%)	(106)	(66)
Factors affecting the charge in the year		
Depreciation in excess of capital allowances	(38)	2
Expenses not deductible for tax purposes	30	10
Overseas losses not recognised	52	-
Losses carried forward	62	54
Total actual amount of current tax	-	-

The Company earns its losses primarily in the UK. Therefore the tax rate used for tax on loss on ordinary activities is the standard rate for UK corporation tax, currently 28%.

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

	2010 £'000	2009 £'000
Excess of tax allowance over depreciation	-	2
Trading losses	-	54
	-	56
Credited to the profit and loss account in respect of deferred taxation	(56)	56
Amount falling due after more than one year	-	-

A deferred tax asset of £125,000 (2009 £56,000) has not been recognised in respect of capital allowance in excess of depreciation and tax losses as it is unlikely that there will be sufficient taxable profits against which the asset will reverse in the foreseeable future.

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

8. Tax on loss on ordinary activities (continued)

Budget announcements

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010, which became law on 27 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. However, on 23 March 2011 the Government announced that the main rate of Corporation Tax rate would reduce to 26% with effect from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. These tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the financial statements.

9. Fixed asset investments

	Company	
	2010	2009
	£	£
Subsidiary undertakings	1	-
	<u>1</u>	<u>-</u>

Principal investments

The parent Company has purchased 1 share at a nominal value of \$1 per share in the following subsidiary undertakings

	Country of incorporation or principal business address	Principal activity	Holding*	%
Subsidiary undertakings				
Hogarth Worldwide Incorporated	230 Park Avenue South, 11 th Floor New York, USA	Marketing Implementation	1 share of \$1 in the common stock	100

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

10. Intangible fixed assets – development costs

Group and Company	Total £'000
Cost	
At 1 January 2010	-
Additions	63
At 31 December 2010	63
Depreciation	
At 1 January 2010	-
At 31 December 2010	-
Net book value	
At 31 December 2010	63
At 31 December 2009	63

Development costs have been capitalised in accordance with SSAP 13 Accounting for research and development. The costs related to Phase 1 of the development of ZONZA, the Global media asset management & distribution platform. Phase 1 commenced on 1 March 2011, at which date the related costs were subject to amortisation over 3 years.

11. Tangible fixed assets

Group	Equipment £'000	Software £'000	Furniture and fixtures £'000	Leasehold improvements £'000	Group Total £'000
Cost					
At 1 January 2010	907	500	238	572	2,217
Additions	1,070	849	307	451	2,677
At 31 December 2010	1,977	1,349	545	1,023	4,894
Depreciation					
At 1 January 2010	105	57	15	36	213
Charge for the year	522	354	5	55	936
At 31 December 2009	627	411	20	91	1,149
Net book value					
At 31 December 2010	1,350	938	525	932	3,745
At 31 December 2009	802	443	223	536	2,004
Leased assets included above					
Net book value					
At 31 December 2010	225	-	35	-	260
At 31 December 2009	143	22	-	7	172

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

11. Tangible fixed assets (continued)

Company	Equipment £'000	Software £'000	Furniture and fixtures £'000	Leasehold improvements £'000	Company Total £'000
Cost					
At 1 January 2010	907	500	238	572	2,217
Additions	1,058	849	302	444	2,653
At 31 December 2010	1,965	1,349	540	1,016	4,870
Depreciation					
At 1 January 2010	105	57	15	36	213
Charge for the year	522	354	5	55	936
At 31 December 2010	627	411	20	91	1,149
Net book value					
At 31 December 2010	1,338	938	520	925	3,721
At 31 December 2009	802	443	223	536	2,004
Leased assets included above					
Net book value					
At 31 December 2010	225	-	35	-	260
At 31 December 2009	143	22	-	7	172

12. Debtors

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade debtors	3,940	1,380	4,082	1,380
Amounts owed by Group undertakings	2,774	262	2,286	262
Other debtors	140	67	140	67
Prepayments and accrued income	1,459	1,393	786	1,393
Amounts falling due within one year	8,313	3,102	7,294	3,102
Deferred tax (note 8)	-	56	-	56
Amounts falling due after more than one year	-	56	-	56

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

12. Debtors (continued)

Amounts owed by Group companies as at 31 December 2010 can be broken down as follows

	2010 £'000	2009 £'000
J Walter Thompson Group Limited	33	104
J Walter Thompson Company	1,112	10
Grey Advertising Ltd (T/A Grey London)	392	143
G2 United Kingdom Limited (T/A G2 London Ltd)	467	-
Grey Worldwide Istanbul Reklamclik Ltd Sti	-	5
WPP 2005 Limited	31	-
Wunderman Seattle	505	-
Wunderman UK	4	-
Young & Rubican France	73	-
Young & Rubican Roma SRL	1	-
RKCR/Y&R a division of Young and Rubicam Group Limited	68	-
Grey Communications Group Ltd	13	-
Bluehive	50	-
Grey Healthcare London Ltd	19	-
Grey New York	3	-
Other	3	-
	<u>2,774</u>	<u>262</u>

13. Creditors: amounts falling due within one year

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade creditors	1,886	690	1,084	690
Amounts owed to Group undertakings	1,906	45	1,927	45
Amounts owed to related parties	-	50	-	50
Other creditors	14	4	12	4
Taxation and social security	828	337	828	337
Obligations under finance leases and hire purchase contracts	65	96	65	96
Accruals and deferred income	2,176	705	1,729	705
	<u>6,875</u>	<u>1,927</u>	<u>5,645</u>	<u>1,927</u>

Hogarth Worldwide Limited

Notes to the accounts

Year ended 31 December 2010

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

Amounts owed to Group companies as at 31 December 2010 can be broken down as follows

	2010 £'000	2009 £'000
WPP Finance Co Limited	180	13
WPP 2005 Limited	292	29
Grey Paris	-	2
J Walter Thompson Company	57	-
J Walter Thompson Group Limited	684	1
Westbourne Terrace Management Services Ltd	86	-
J Walter Thompson (Singapore) Pte Ltd	14	-
Grey Advertising Ltd	574	-
RKCR/Y&R a division of Young and Rubicam Group Limited	19	-
	<u>1,906</u>	<u>45</u>

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

Group and Company	2010 £'000	2009 £'000
Intercompany loan with WPP Finance Co Ltd	4,250	1,500
Finance lease obligations greater than one year	-	63
Creditors amounts falling due after more than one year	<u>4,250</u>	<u>1,563</u>
Borrowings are repayable as follows		
Intercompany loans		
Between one and two years	<u>4,250</u>	<u>1,500</u>
Finance leases		
Greater than one year	<u>-</u>	<u>63</u>
Total borrowings including finance leases		
Over one year	-	63
Between one and two years	<u>4,250</u>	<u>1,500</u>
	<u>4,250</u>	<u>1,563</u>

The intercompany loan is repayable to WPP Finance Co Ltd. Interest at 5.0% per annum above the Bank of England Base Rate is charged on a monthly basis on the outstanding balance. This loan was due for repayment by 23 July 2012 (see note 20 for subsequent event update).

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

15. Called up share capital

Group and Company	2010 £	2009 £
Authorised, called up, allotted and fully paid 10,000 ordinary shares of £0 10 each	<u>1,000</u>	<u>1,000</u>
Share premium account Share premium fully paid	<u>2,272</u>	<u>2,272</u>

The authorised share capital of Hogarth Worldwide Limited was subdivided into 10,000 shares of £0 10 each on 23 July 2009

16. Reserves

	Share premium account £'000	Share capital account £'000	Profit and loss account £'000	Total £'000
Group				
At 1 January 2010	2,272	1	(181)	2,092
Loss for the financial year	-	-	(434)	(434)
At 31 December 2010	<u>2,272</u>	<u>1</u>	<u>(615)</u>	<u>1,658</u>
Company				
At 1 January 2010	2,272	1	(181)	2,092
Loss for the financial year	-	-	(247)	(247)
At 31 December 2010	<u>2,272</u>	<u>1</u>	<u>(428)</u>	<u>1,845</u>

17. Financial commitments

Annual commitments under non-cancellable operating leases are as follows

Plant and machinery	2010 £'000	2009 £'000
Expiry date		
- within one year	90	90
- between two and five years	-	90
- after five years	-	-
	<u>90</u>	<u>180</u>

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

17. Financial commitments continued

	2010 £'000	2009 £'000
Land and buildings		
Due		
- within one year	812	535
- between two and five years	3,238	2,437
- after five years	2,373	2,473
	<u>6,423</u>	<u>5,445</u>

18. Analysis and reconciliation of net debt

	1 January 2010 £	Cash flow £	31 December 2010 £
Cash in hand, at bank	420	242	662
	<u>420</u>	<u>242</u>	<u>622</u>
Debt due after 1 year	(1,500)	(2,750)	(4,250)
Finance leases	(96)	31	(65)
	<u>(1,596)</u>	<u>(2,719)</u>	<u>(4,315)</u>
Net debt	<u>(1,176)</u>	<u>(2,477)</u>	<u>(3,653)</u>

	2010 £	2009 £
Increase in cash in the year	242	420
Cash inflow from increase in debt and lease financing	(2,719)	(1,500)
Change in net debt resulting from cash flows	<u>(2,477)</u>	<u>(1,080)</u>
New finance leases	-	(96)
Movement in net debt in year	<u>(2,477)</u>	<u>(1,176)</u>
Net debt at 1 January	<u>(1,176)</u>	-
Net debt at 31 December	<u>(3,653)</u>	<u>(1,176)</u>

Hogarth Worldwide Limited

Notes to the accounts Year ended 31 December 2010

19. Related party transactions

WPP Subsidiary	2010 Service value Received	2010 Service value Provided	2010 Management Services	2009 Service value received	2009 Service value provided	2009 Management Services
J Walter Thompson Group Limited	£150,000	£2,185,550	£459,362	-	£392,107	£27,000
Grey Advertising Ltd (T/A Grey London)	£118,183	£2,197,635	£574,440	-	£281,182	£23,000
RKCR/Y&R a division of Young and Rubicam Group Limited	-	£73,851	£18,000	-	-	-
J Walter Thompson Company (New York)	-	£125,712	-	-	£6,940	-
Grey Worldwide Istanbul Reklamcılık Ltd Sti	-	3,665	-	-	£4,646	-
G2 United Kingdom Limited (T/A G2 London Ltd)	-	£94,159	-	-	-	-
Grey Healthcare London Ltd	-	£37,798	-	-	-	-
Grey Advertising Inc	-	£50,134	-	-	-	-
J Walter Thompson Company (New York) T/A Team Detroit	-	£43,762	-	-	-	-
Ogilvy Group Holdings Limited	-	£459,500	-	-	-	-
WPP 2005 Limited	£69,339	£7,122	-	£28,130	-	-
Digit London Limited	-	£43,900	-	-	-	-
Young & Rubicam France	-	£73,492	-	-	-	-
Grey Paris	£1,150	-	-	£2,284	-	-
Westbourne Terrace Management Services Ltd	£72,176	-	-	-	-	-
Acao Producoes e Eletronicas Ltda (T/A Y&R Brazil)	£2,760	-	-	-	-	-
Grey Communications Group Ltd	£17,537	-	-	-	-	-
J Walter Thompson (Singapore) PTE LTD	£31,573	-	-	-	-	-
The Farm Post Production Limited	£2,801	-	-	-	-	-

Barry Jones, Kevan Thorn and Mark Rhys-Thomas are partners of Hogarth Worldwide LLP, which held leases relating to the 4th and 6th floors of the property occupied by the Company at 164 Shaftesbury Avenue, London WC2H 8HL. On the 12 October 2010 the leases were transferred into the name of WPP 2005 Limited and Hogarth Worldwide Ltd. The Company made all payments relating to these leases in the period, to the value of £403,077. No amounts were outstanding at the yearend in relation to this. The total value of payments in respect of the lease in 2009 was £209,154.

During the year WPP 2005 Limited, a fellow WPP plc subsidiary held leases relating to the 1st and 2nd floors of the property occupied by the Company at 164 Shaftesbury Avenue, London WC2H 8HL. On the 12 October 2010 the leases were transferred into the name of WPP 2005 Limited and Hogarth Worldwide Ltd. The Company made all payments relating to these leases in the period, to the value of £420,471. No amounts were outstanding at the yearend in relation to this. The total value of payments in respect of the lease in 2009 was £29,316.

During the year WPP 2005 Limited, a fellow WPP plc subsidiary and the Company jointly held leases relating to the Ground and 5th floors of the property occupied by the Company at 164 Shaftesbury Avenue, London WC2H 8HL. There were no payments relating to these leases in the period due to the rent free period.

Hogarth Worldwide Limited

Notes to the accounts

Year ended 31 December 2010

19. Related party transactions continued

During the year the Company received loan financing from WPP Finance Co Limited, a fellow WPP plc subsidiary. Amounts owed to WPP Finance Co Limited are disclosed in note 12. The interest payable on the loan balances during the year was £174,191.

At the start of the year Barry Jones, a director of the company, was owed a balance of £50,000 by the Company following the transfer of the trade and assets/liabilities of Hogarth Worldwide LLP to Hogarth Worldwide Limited. This was paid to him on 13 January 2010.

Amounts owed to and from related parties are disclosed in notes 10 and 11.

20. Subsequent event

On 15th December 2011 WPP Group (UK) Limited increased its holding in Hogarth Worldwide Ltd from 50% to 57.99% for a sum of £3.75m. This was through the purchase of 2,611 shares at a nominal value of £0.10 each, resulting in a share premium of £3,749,739. A further 516 shares were also for a total consideration of £100,000.

The Company also entered into a £10.25m revolving credit facility with WPP Finance Co Limited on the same day replacing the existing loan agreement.

21. Ultimate parent and controlling parent undertaking

The directors regard WPP Group (UK) Limited, a company incorporated in Great Britain, as the immediate parent company and WPP plc, a company incorporated in Jersey, as the ultimate parent company and the ultimate controlling party.

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which company is a member is WPP plc, incorporated in Jersey. The parent undertaking of the smallest such group is Lexington International BV, registered in the Netherlands.

Copies of the financial statements of WPP plc are available at www.wpp.com. Copies of the financial statements of WPP Group (UK) Limited can be obtained from 27 Farm Street, London, W1J 5RJ. Copies of the financial statements of Lexington International BV can be obtained from Wilhelminaplein 10, 3072 DE Rotterdam, Netherlands.