

**Company Registration No. 06872427**

**Hogarth Worldwide Limited**

**Report and Financial Statements**

**31 December 2011**

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# **Hogarth Worldwide Limited**

## **Report and financial statements 2011**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>5</b>
<b>Independent auditor's report</b>	<b>6</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Cash flow statement</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10</b>

# **Hogarth Worldwide Limited**

## **Report and financial statements 2011**

### **Officers and professional advisers**

#### **Directors**

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

#### **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 2011

### Principal activities

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

### Business review

During the year, the business was able to grow its revenues significantly from £21,759,000 to £40,540,000 as revenues from new clients came on stream and revenue from existing clients grew

On 15 December 2011 WPP Group (UK) Limited increased its holding in Hogarth Worldwide Limited 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 issued for a total consideration of £100,000.

The WPP group manages its operations on a network basis. For this reason, the company's directors believe that any further key performance indicators for the company are not necessary or appropriate for an understating of the development, performance or position of the business. The performance of the advertising network of WPP plc, which includes the company, is disclosed in the Group's Annual Report which does not form part of this Report.

### Results and dividends

The Company's profit before tax for the year was £3,717,000 (2010: loss of £191,000). The directors do not recommend that a dividend is paid for the year ended 31 December 2011 (2010: £nil).

### Future prospects and subsequent events

The directors can report that the trend of revenue growth experienced in 2011 has continued into 2012, driven by growth in the UK business augmented by new office openings around the world.

On 24 February 2012 WPP Group (UK) Limited further increased its holding in Hogarth Worldwide Limited from 57.99% to 63.72% for an undisclosed sum. This was through the purchase of 754 shares from Barry Jones.

### 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 also has access to a £10.25m credit facility with WPP Finance Co. Limited, expiring in 2015, to cover working capital requirements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

### Financial risk assessment

The 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, in addition to the available facility noted above.

### Liquidity risk

There is limited liquidity risk as the company is part of a group banking facility.

### Cash flow risk

The 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. The Directors keep the situation under review in the event that a practical means of hedging becomes available.

# Hogarth Worldwide Limited

## Directors' report (continued)

### *Credit risk*

The Company's 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.

### **Diversity and inclusion**

Hogarth Worldwide Limited is an equal opportunities employer. We select, develop and promote people based on merit and regardless of factors such as race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability. Policies on harassment and non-discrimination are included in our Code of Conduct. Where existing employees become disabled, our policy is to provide continuing employment and training wherever practicable.

Employees are kept up to date on the Company's performance and matters that may concern them through regular internal communications.

### **Environment**

The WPP 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, reducing paper use, increasing recycling, reviewing travel policies and through the selection of third-party suppliers.

### **Policy and practice on the payment of creditors**

The Company follows WPP's Global Procurement Policy, further details can be found in the Corporate Responsibility section of the latest WPP plc Annual Report.

Trade creditor days at 31 December 2011 were 40 days (2010: 34 days).

### **Directors**

The directors of the Company who served during the year (unless noted otherwise) and subsequently to the date of approving these financial statements were as follows:

Barry Jones  
Kevan Thorn  
Chris Sweetland  
Paul Delaney  
Jonathan Eggar  
Andrew Scott  
Richard Glasson (appointed on 27 April 2011)

# Hogarth Worldwide Limited

## Directors' report (continued)

### Statement on information given to auditor

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

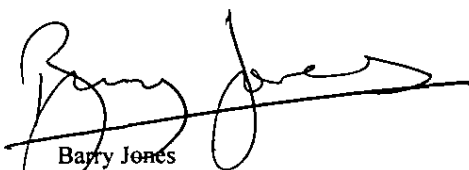
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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



Barry Jones  
Director

14<sup>th</sup> June 2012

## **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 2011 which comprise the profit and loss account, the balance sheet, the 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 2011 and of its profit for the year 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.

### **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

14 June 2012



## Hogarth Worldwide Limited

### Profit and Loss Year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>Turnover</b>	2	40,540	21,759
Cost of sales	2	(8,721)	(3,493)
<b>Gross profit</b>		<u>31,819</u>	<u>18,266</u>
Other operating expenses (net)	3	(27,769)	(18,290)
<b>Operating profit/(loss)</b>		<u>4,050</u>	<u>(24)</u>
Finance charges (net)	4	(333)	(167)
<b>Profit/(loss) on ordinary activities before taxation</b>	5	<u>3,717</u>	<u>(191)</u>
Tax charge on profit / (loss) on ordinary activities	8	(1,046)	(56)
<b>Profit/(loss) after taxation for the financial year being retained profit/loss carried forward</b>	16	<u><u>2,671</u></u>	<u><u>(247)</u></u>

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

# Hogarth Worldwide Limited

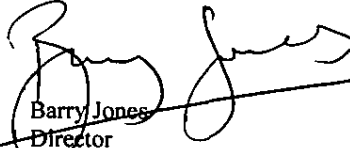
## Balance sheet

As at 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Investments	11	2	-
Intangible fixed assets	9	656	63
Tangible fixed assets	10	4,291	3,721
		<u>4,949</u>	<u>3,784</u>
<b>Current assets</b>			
Cash at bank and in hand		5,232	662
Work in progress		33	-
Debtor amounts falling due within one year	12	17,930	7,294
		<u>23,195</u>	<u>7,956</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(11,253)</u>	<u>(5,645)</u>
<b>Net current assets</b>		<u>11,942</u>	<u>2,311</u>
<b>Total assets less current liabilities</b>		<u>16,891</u>	<u>6,095</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(8,525)</u>	<u>(4,250)</u>
<b>Net assets</b>		<u>8,366</u>	<u>1,845</u>
<b>Capital and reserves</b>			
Called up share capital	15	1	1
Share premium	15	6,122	2,272
Profit and loss account	16	2,243	(428)
<b>Total shareholders' funds</b>	16	<u>8,366</u>	<u>1,845</u>

The financial statements of Hogarth Worldwide Limited, registered number 06872427 were approved by the Board of Directors on 14<sup>th</sup> June 2012

Signed on behalf of the Board of Directors

  
Barry Jones  
Director

# Hogarth Worldwide Limited

## Cash flow statement Year ended 31 December 2011

	2011 £'000	2010 £'000
<b>Cash flows from operating activities</b>		
Operating profit/(loss)	4,050	(24)
Depreciation and amortisation of fixed assets	1,709	936
	<u>5,759</u>	<u>912</u>
<b>Movements in working capital</b>		
Increase in trade and other receivables	(10,411)	(4,191)
Increase in trade and other payables	4,477	3,749
Increase in work in progress	(33)	-
	<u>(5,967)</u>	<u>(442)</u>
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(208)</u>	<u>470</u>
<b>Returns on investments and servicing of finance</b>		
Interest on intercompany loan with WPP Finance Co Limited	(346)	(177)
Bank and other interest	14	10
Interest element on finance lease	(1)	-
	<u>(333)</u>	<u>(167)</u>
<b>Net cash outflows from returns on investments and servicing of finance</b>	<u>(333)</u>	<u>(167)</u>
<b>Capital expenditure and financial investment</b>		
Development costs	(659)	(63)
Payments for the purchase of fixed assets	(2,215)	(2,654)
	<u>(2,874)</u>	<u>(2,717)</u>
<b>Net cash outflows from capital expenditure and financial investment</b>	<u>(2,874)</u>	<u>(2,717)</u>
<b>Financing</b>		
Proceeds from issue of equity shares	3,775	-
Proceeds from related party borrowings	4,275	2,750
Repayment of intercompany loan	-	(63)
Repayment of finance leases	(65)	(31)
	<u>7,985</u>	<u>2,656</u>
<b>Net cash inflows from financing</b>	<u>7,985</u>	<u>2,656</u>
<b>Net increase in cash and cash equivalents</b>	<u>4,570</u>	<u>242</u>
Net increase in cash and cash equivalents	4,570	242
Cash and cash equivalents at the beginning of the year	662	420
<b>Cash and cash equivalents at the end of the year</b>	<u>5,232</u>	<u>662</u>

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 1 Accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards

The Company prepared consolidated accounts for the year ended 31 December 2010. For the year ended 31 December 2011 the Company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 400 of the Companies Act 2006 as WPP plc holds more than 50% of the allotted shares in the company and prepares consolidated accounts which are publicly available

A notice requesting the preparation of group accounts has not been served on the company by shareholders holding in aggregate more than half of the remaining allotted shares in the company, or 5% of the total allotted shares in the company

The Company's financial statements therefore present information about it as an individual undertaking and not about the group. All prior year comparatives in these accounts have been restated to show the company only balance as opposed to the group balance

#### Accounting convention

The accounts are prepared under the historical cost convention

#### 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

The company also has access to 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	Over the period of the lease
Computer software	33% on a straight line basis per annum

#### Intangible assets

Research expenditure is expensed as incurred. Development expenditure is also expensed, 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 Company is expected to benefit. This period is between three and five years

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 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.

#### Work in progress

Work in progress is valued at the lower of cost and net realisable value and comprises mainly of outlays incurred on behalf of clients and work in progress under project arrangements. Provision is made for irrecoverable costs where appropriate

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 2 Turnover information

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. The turnover and pre-tax profit/(loss) is attributable to advertising production.

All turnover arose from the principal activity of the business and originated in the United Kingdom.

### 3. Other operating expenses (net)

	2011 £'000	2010 £'000
Staff costs	18,274	12,330
Depreciation and amortisation	1,709	981
Establishment costs	2,836	2,253
Other administrative expenses	4,648	2,477
Exchange (gains)/losses	(78)	50
Finance and general	380	199
	<u>27,769</u>	<u>18,290</u>

### 4 Finance charges (net)

	2011 £'000	2010 £'000
<b>Interest payable and similar charges</b>		
Intercompany loan with WPP Finance Co. Limited	346	177
Finance charges payable under finance leases	<u>1</u>	<u>-</u>
	347	177
<b>Interest receivable and similar income</b>		
Finance income receivable under finance leases	-	(7)
Other finance income	<u>(14)</u>	<u>(3)</u>
	(14)	(10)
<b>Net finance charge</b>	<u>333</u>	<u>167</u>

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 5. Profit/(loss) on ordinary activities before taxation

	2011 £'000	2010 £'000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
- owned	1,643	756
- held under finance leases or hire purchase contracts	-	180
	<u>1,643</u>	<u>936</u>
Amortisation of intangible fixed assets	66	-
Loss on disposal of fixed assets	2	-
Research and development costs written off	5	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	70	85
Rental income	(100)	(75)
Operating leases		
-Land and buildings	760	777
-Other	97	100
	<u>857</u>	<u>877</u>

### 6. Staff costs

	2011 £'000	2010 £'000
Wages and salaries	12,541	8,739
Social security costs	1,373	932
Pension costs	78	38
Other staff costs	4,282	2,621
	<u>18,274</u>	<u>12,330</u>

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 6. Staff costs (continued)

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

	2011 No.	2010 No.
Account handling	33	28
Admin/finance	25	14
General management	4	3
Human resources and talent management	2	3
Information technology	23	15
New business/business development	9	4
Production traffic	212	150
	<u>308</u>	<u>217</u>

### 7. Directors' remuneration

	2011 £'000	2010 £'000
Remuneration		
The remuneration of the directors was as follows		
Emoluments	599	521
Compensation for loss of office	-	67
	<u>599</u>	<u>588</u>

#### Highest paid director

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

	2011 £'000	2010 £'000
Emoluments	<u>200</u>	<u>204</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 (2010 nil)

The emoluments of Chris Sweetland, Paul Delaney, Jonathan Eggar and Andrew Scott are borne by other WPP group entities. The company did not receive any charges for their services provided in either year



# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 8. Tax on profit/(loss) on ordinary activities

	2011 £'000	2010 £'000
Analysis of tax in year		
<i>Current tax</i>		
UK corporation tax	1,196	-
<b>Total current tax</b>	<b>1,196</b>	<b>-</b>
<i>Deferred tax</i>		
Current year	(150)	-
Prior year	-	56
<b>Total tax for year</b>	<b>1,046</b>	<b>56</b>
<b>Factors affecting taxation in year</b>		
	2011 £'000	2010 £'000
Profit/(loss) on ordinary activities before tax	3,717	(191)
Tax charge/(credit) on profit/(loss) on ordinary activities at blended rate (26.5%) (2010 28%)	985	(54)
Factors affecting the charge in the year		
Depreciation in excess of capital allowances	185	(38)
Expenses not deductible for tax purposes	88	30
Overseas losses not recognised	-	-
Tax losses (utilised)/carried forward	(62)	62
<b>Total actual amount of current tax</b>	<b>1,196</b>	<b>-</b>
The tax effect of timing differences on assets/liabilities due to		
	2011 £'000	2010 £'000
Excess of tax allowance over depreciation	(150)	2
Trading losses	-	54
	<b>(150)</b>	<b>56</b>
(Credited)/charge to the profit and loss account in respect of deferred taxation and trading losses	(150)	56
Amount falling due after more than one year	-	-

A deferred tax asset of £150,000 has been recognised in respect of capital allowance in excess of depreciation as it is likely that there will be sufficient taxable profits against which the asset will reverse in the foreseeable future. In 2010 a deferred tax asset of £125,000 was not recognised in respect of capital allowance in excess of depreciation.

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 9. Intangible fixed assets – development costs

	<b>Total £'000</b>
<b>Cost</b>	
At 1 January 2011	63
Additions	659
At 31 December 2011	<u>722</u>
<b>Depreciation</b>	
At 1 January 2011	-
Charge for the year	66
At 31 December 2011	<u>66</u>
<b>Net book value</b>	
At 31 December 2011	<u>656</u>
At 31 December 2010	<u>63</u>

Development costs have been capitalised in accordance with SSAP 13 Accounting for research and development and are therefore not treated, for dividend purposes, as a realised loss

The costs related to Phase 1 of the development of ZONZA, the Global media asset management and distribution platform and the initial launch of FIDO2, the global digital asset management system Phase 1 of ZONZA went live on 1st March 2011, and the related costs are being amortised over three years from that date FIDO2 is expected to commence on 1st June 2012, with costs subject to amortisation over three years

### 10. Tangible fixed assets

Company	Computer Equipment £'000	Computer Software £'000	Furniture and fixtures £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>					
At 1 January 2011	1,965	1,349	540	1,016	4,870
Additions	1,301	320	226	368	2,215
Disposals	(20)	(1)	-	-	(21)
At 31 December 2011	<u>3,246</u>	<u>1,668</u>	<u>766</u>	<u>1,384</u>	<u>7,064</u>
<b>Depreciation</b>					
At 1 January 2011	627	411	20	91	1,149
Charge for the year	855	492	136	160	1,643
Disposals	(19)	-	-	-	(19)
At 31 December 2011	<u>1,463</u>	<u>903</u>	<u>156</u>	<u>251</u>	<u>2,773</u>
<b>Net book value</b>					
At 31 December 2011	<u>1,783</u>	<u>765</u>	<u>610</u>	<u>1,133</u>	<u>4,291</u>
At 31 December 2010	<u>1,338</u>	<u>938</u>	<u>520</u>	<u>925</u>	<u>3,721</u>
Leased assets included above					
<b>Net book value</b>					
At 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2010	<u>225</u>	<u>-</u>	<u>35</u>	<u>-</u>	<u>260</u>

The directors have considered the value of fixed assets and are satisfied that the aggregate value of those assets at 31 December 2011 was not less than the aggregate amount at which they are stated in these accounts

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 11 Fixed asset investments

	Subsidiary undertakings £'000
<b>Cost</b>	
At 1 January 2011	-
Additions	2
At 31 December 2011	2
<b>Provision for impairment</b>	
At 1 January 2011 and 31 December 2011	-
<b>Net book value</b>	
At 31 December 2011	2
At 31 December 2010	-

### Principal investments

The parent Company has purchased shares in the following subsidiary undertakings

Subsidiary undertaking	Country of incorporation or principal business address	Principal activity	Holding	%
Cortex Worldwide Limited	164 Shaftesbury Avenue, London WC2H 8HL	Dormant	700 shares of the £1 00 ordinary stock	100 00
Hogarth Nearshore Limited	164 Shaftesbury Avenue, London WC2H 8HL	Dormant	510 shares of the £1 00 ordinary-a stock	51 00
Hogarth Worldwide (Hong Kong) Limited	26th Floor, The Center, 99 Queen's Road Central, Hong Kong	Marketing Implementation	1 Share of the HKD1 00 ordinary stock	100 00
Hogarth Worldwide de México, S R L de C V	Blvd Manuel Avila Camacho 176 - 4º Floor, Mexico City"	Marketing Implementation	2,999 shares of the MXP 1 00 ordinary stock	99 97
Hogarth Worldwide pte Limited	50 Scotts Road, 02- 01, Singapore (228242)	Marketing Implementation	2 shares of the SGD\$ 1 00 ordinary stock	100 00
Hogarth Worldwide Incorporated	230 Park Avenue South, 11 <sup>th</sup> Floor New York, USA	Marketing Implementation	1 share of \$1 in the common stock	100 00
Native Limited	164 Shaftesbury Avenue, London WC2H 8HL	Dormant	760 shares of the £1 00 ordinary stock	100 00

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 12. Debtors

	2011 £'000	2010 £'000
Trade debtors	4,947	3,939
Amounts owed by Group undertakings	10,125	2,428
Other debtors	279	140
Prepayments and accrued income	2,354	787
Deferred tax	150	-
Called up share capital not paid	75	-
	<hr/>	<hr/>
Amounts falling due within one year	17,930	7,294

Amounts owed by Group companies as at 31 December 2011 can be broken down as follows

	2011 £'000	2010 £'000
Addison Corporate Marketing Ltd	1	-
Beyond Worldwide Limited	76	-
J Walter Thompson Group Limited	1,751	33
J Walter Thompson Company	7	1,112
Grey Advertising Ltd (T/A Grey London)	1,229	392
G2 United Kingdom Limited (T/A G2 London Ltd)	299	467
Grey Advertising Hong Kong Limited	-	-
Grey Communications Group Ltd	22	13
Grey Global Group INC	2	-
Grey Healthcare Group Ltd	131	-
Grey Healthcare London Ltd	3	19
Grey Worldwide GmbH	1	-
Grey Worldwide Italia Srl	1	-
Grey Worldwide Istanbul Reklamclik Ltd Sti	-	-
Hogarth Worldwide (Hong Kong) Limited	341	-
Hogarth Worldwide De Mexico S de R L de C V	618	-
Hogarth Worldwide Inc	2,442	-
Hogarth Worldwide PTE Ltd (Singapore)	2,028	-
Ogilvy & Mather Group (Holdings) Limited	254	-
Ogilvy & Mather LLC	5	-
Ogilvy & Mather Portugal Publicidade Unipessoal, Lda	1	-
Ogilvy & Mather spol s r o	1	-
SC Ogilvy & Mather Advertising SRL	3	-
Soho Square (Advertising) Ltd	19	-
WPP 2005 Limited	-	31
WPP Deliver LLC	13	-
WPP Marketing Communications Inc	1	-
Wunderman Seattle	-	159
Wunderman (a division of Young and Rubicam Group Limited)	3	4
Young & Rubicam France	78	73
Young & Rubicam Praha s r o	61	-
Young & Rubicam Roma SRL	-	1
Young & Rubicam SA (Pty) Ltd	2	-
RKCR/Y&R (a division of Young and Rubicam Group Limited)	731	68
Y&R New York	-	-
Bluehive	-	50
Grey New York	-	3
Other	1	3
	<hr/>	<hr/>
	10,125	2,428

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

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

	2011 £'000	2010 £'000
Trade creditors	2,217	1,084
Amounts owed to Group undertakings	3,826	1,927
Other creditors	41	12
Taxation and social security	2,304	828
Obligations under finance leases and hire purchase contracts	-	65
Accruals and deferred income	2,865	1,729
	<u>11,253</u>	<u>5,645</u>

Amounts owed to Group companies as at 31 December 2011 can be broken down as follows

	2011 £'000	2010 £'000
Acao Producoes e Eletronicas Ltda (T/A Y&R Brazil)	7	-
Cortex Worldwide Limited	1	-
WPP Finance Co Limited	-	180
WPP 2005 Limited	29	292
Grey Advertising Ltd (T/A Grey London)	823	595
Grey Global Group INC	7	-
Grey Paris	2	-
G2 United Kingdom Limited (T/A G2 London Ltd)	24	-
Hogarth Nearshore Limited	1	-
Hogarth Worldwide INC	18	-
Hogarth Worldwide De Mexico S de R L de C V	1	-
Hogarth Worldwide PTE Ltd (Singapore)	37	-
J Walter Thompson Company	-	57
J Walter Thompson Group Limited	872	684
J Walter Thompson (Singapore) Pte Ltd	-	14
Native Limited	1	-
RKCR/Y&R (a division of Young and Rubicam Group Limited)	1,897	19
Y&R New York	27	-
Westbourne Terrace Management Services Ltd	79	86
	<u>3,826</u>	<u>1,927</u>

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 14 Creditors amounts falling due after more than one year

	2011 £'000	2010 £'000
Intercompany loan with WPP Finance Co Ltd	8,525	4,250
Finance lease obligations greater than one year	-	-
<b>Creditors amounts falling due after more than one year</b>	<b>8,525</b>	<b>4,250</b>

Borrowings are repayable as follows

	2011 £'000	2010 £'000
<b>Intercompany loans</b>		
Less than one year	-	-
Between one and two years	-	4,250
Greater than two years	8,525	-
	<b>8,525</b>	<b>4,250</b>

The intercompany loan repayable to WPP Finance Co Ltd is a credit facility with WPP, expiring in 2015. Interest at 5.0% per annum above the Bank of England Base Rate is charged on a monthly basis on the outstanding balance.

### 15 Called up share capital

	2011 £'000	2010 £'000
<b>Authorised, called up, allotted and fully paid</b>		
13,126 (2010: 10,000) ordinary shares of £0.10 each	1	1
<b>Share premium account</b>		
Share premium	6,122	2,272

During the year the Company issued 3,127 (2010: nil) ordinary shares of 10.00 pence for a consideration of £3.850m (2010: £nil) with a nominal value of £312.70 (2010: £nil) resulting in an increase of the share premium of £3.850m (2010: £2.272m). At the year end £74,961 (2010: £nil) was not fully paid up.

### 16 Reserves

	Share premium account £'000	Share capital account £'000	Profit and loss account £'000	Total £'000
At 1 January 2011	2,272	1	(428)	1,845
Share issues	3,850	-	-	3,850
Profit for the financial year	-	-	2,671	2,671
<b>At 31 December 2011</b>	<b>6,122</b>	<b>1</b>	<b>2,243</b>	<b>8,366</b>

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 17 Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2011 £'000	2010 £'000
<b>Equipment</b>		
Expiry date		
- within one year	-	90
- between two and five years	-	-
- after five years	-	-
	<u>-</u>	<u>90</u>
	<u>-</u>	<u>90</u>
 <b>Land and buildings</b>	 2011 £'000	 2010 £'000
Expiring		
- within one year	-	-
- between two and five years	-	-
- after five years	908	812
	<u>908</u>	<u>812</u>
	<u>908</u>	<u>812</u>

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 18. Analysis and reconciliation of net debt

	1 January 2011 £'000	Cash flow £'000	31 December 2011 £'000
Cash in hand, at bank	662	4,570	5,232
	<u>622</u>	<u>4,570</u>	<u>5,232</u>
Debt due after 1 year	(4,250)	(4,275)	(8,525)
Finance leases	(65)	65	-
	<u>(4,315)</u>	<u>(4,210)</u>	<u>(8,525)</u>
Net debt	<u>(3,653)</u>	<u>360</u>	<u>(3,293)</u>
		2011 £'000	2010 £'000
Increase in cash in the year		4,570	242
Cash inflow from increase in debt and lease financing		<u>(4,210)</u>	<u>(2,718)</u>
Change in net debt resulting from cash flows		<u>360</u>	<u>(2,476)</u>
Movement in net debt in year		<u>360</u>	<u>(2,445)</u>
Net debt at 1 January		<u>(3,653)</u>	<u>(1,176)</u>
Net debt at 31 December		<u>(3,293)</u>	<u>(3,653)</u>



# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 19. Related party transactions

	2011 Service Value £'000 Received	2011 Service value £'000 Provided	2011 Management Services £'000	20110 Service Value £'000 Received	2010 Service Value £'000 Provided	2010 Management Services £'000
<b>WPP Subsidiary</b>						
Acao Producoes e Eletronicas Ltda (T/A Y&R Brazil)	10	-	-	3	-	-
Addison Corporate Marketing Ltd	-	1	-	-	-	-
Bassat Ogilvy Mather Madrid SA	-	65	-	-	-	-
Bold Ogilvy & Mather AEE	-	13	-	-	-	-
Burson-Marsteller (a Division of Young and Rubicam Group Ltd)	-	1	-	-	-	-
DDFH & B Ltd	-	0	-	-	-	-
Deliver LLC	-	79	-	-	-	-
Digit London limited	-	-	-	-	44	-
G2 Branding & Design	-	28	-	-	-	-
G2 Joshua	-	127	24	-	-	-
G2 United Kingdom Limited (T/A G2 London Limited)	-	622	-	-	94	-
Grey Advertising Hong Kong Limited	-	0	-	-	-	-
Grey Communications Group Ltd	18	48	-	18	-	-
Grey Healthcare Group Ltd	-	271	-	-	-	-
Grey Healthcare London Ltd	-	102	-	-	38	-
Grey Advertising Inc	-	-	-	-	50	-
Grey Advertising Ltd	1,826	4,592	663	118	2,198	574
Grey New York	-	203	-	-	-	-
Grey Paris	3	-	-	1	-	-
Grey Worldwide GmbH	-	9	-	-	-	-
Grey Worldwide Istanbul Reklamcılık Ltd Sti	-	-	-	-	4	-
Grey Worldwide Italia Srl	-	1	-	-	-	-
Gruppa66 Ogilvy Sp z o o	-	52	-	-	-	-
Hogarth Worldwide (De Mexico) SRL de CV	-	283	-	-	-	-
Hogarth Worldwide Inc	16	1,210	10	-	-	-
Hogarth Worldwide Pte Ltd (Singapore)	37	530	-	-	-	-
Initiatiiv Nya Grey Ogilvy INGO AB	-	72	-	-	-	-
J WALTER THOMPSON (SINGAPORE) PTE LTD	46	2	-	32	-	-
J Walter Thompson GmbH	-	121	-	-	-	-
J Walter Thompson Group Limited	1,258	5,655	593	150	2,186	459
J Walter Thompson Company (New York)	-	16	-	-	126	-
J Walter Thompson Company (New York) T/A Team Detroit	-	88	-	-	44	-
JWT Netherlands International	-	40	-	-	-	-
JWT Sdn Bhd (Kuala Lumpur)	-	3	-	-	-	-
Landor Associates Europe Ltd	-	1	-	-	-	-
Mindshare Media UK Limited	-	40	-	-	-	-
Ogilvy & Mather AG	-	56	-	-	-	-
Ogilvy & Mather Gesellschaft mbH	-	21	-	-	-	-
Ogilvy & Mather Group (Holdings) Limited	-	1,629	-	-	460	-
Ogilvy & Mather LLC	-	5	-	-	-	-
Ogilvy & Mather Ltd	2	11	-	-	-	-
Ogilvy & Mather Portugal Publicidade Unipessoal, Lda	-	22	-	-	-	-
Ogilvy & Mather spol Sro	-	411	-	-	-	-
Ogilvy Advertising Ltd	-	207	-	-	-	-
Ogilvy Brand Center GmbH	-	45	-	-	-	-
Ogilvy Groep (Nederland) BV	-	17	-	-	-	-
	<u>3,216</u>	<u>16,699</u>	<u>1,290</u>	<u>322</u>	<u>5,244</u>	<u>1,033</u>

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 19 Related party transactions (continued)

WPP Subsidiary (continued)	2011 Service Value £'000 Received (continued)	2011 Service Value £'000 Provided (continued)	2011 Management Services £'000 (continued)	2011 Service Value £'000 Received (continued)	2010 Service Value £'000 Provided (continued)	2010 Management Services £'000 (continued)
Ogilvy Group SA	-	24	-	-	-	-
Public Relations and International Sports Marketing Ltd	-	14	-	-	-	-
Redworks Broadcast	-	9	-	-	-	-
RKCR Young and Rubicam, a division of Young and Rubicam Group Limited	1,025	4,206	808	-	74	18
RMG Connect Ltd	-	-	-	-	-	-
Saint at RKCR Y&R a division of Young and Rubicam Group Ltd	-	6	-	-	-	-
SC Ogilvy & Mather Advertising SRL	-	8	-	-	-	-
Soho Square (Advertising) Ltd	-	16	-	-	-	-
Suunnittelutoimisto Taivas Oy	-	11	-	-	-	-
The Farm Post Production Limited	4	-	-	3	-	-
Wildfire Word of Mouth Ltd	-	35	-	-	-	-
WPP 2005 Ltd	262	3	-	69	7	-
WPP Marketing Communications Inc	-	1	-	-	-	-
WTMS Ltd	304	-	-	72	-	-
Wunderman (a Division of Young and Rubicam Group Ltd)	-	49	-	-	-	-
Y&R New York	28	-	-	-	-	-
Young & Rubicam France	-	922	-	-	73	-
Young & Rubicam Praha s r o	-	869	-	-	-	-
Young & Rubicam Roma SRL	-	7	-	-	-	-
Young & Rubicam SA (Pty) Ltd	-	4	-	-	-	-
	<u>4,839</u>	<u>22,883</u>	<u>2,098</u>	<u>466</u>	<u>5,398</u>	<u>1,051</u>

Barry Jones and Kevan Thorn 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 £378,497. No amounts were outstanding at the yearend in relation to this. The total value of payments in respect of the lease in 2010 was £403,077.

During the prior 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 £361,308. No amounts were outstanding at the yearend in relation to this. The total value of payments in respect of the lease in 2010 was £420,471.

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. The Company made all payments relating to these leases in the period, to the value of £146,909. There were no payments relating to these leases in the prior period due to the rent free period.

# Hogarth Worldwide Limited

## Notes to the financial statements Year ended 31 December 2011

### 19. Related party transactions (continued)

During the prior 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 14. The interest payable on the loan balances during the year was £345,704 (2010: £174,191).

At the start of the prior 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 12 and 13.

### 20. Subsequent events

On 24 February 2012 WPP Group (UK) Limited increased its holding in Hogarth Worldwide Ltd from 57.99% to 63.72% for an undisclosed sum. This was through the purchase of 754 shares from Barry Jones.

### 21. Ultimate parent and controlling parent undertaking

The directors regard WPP Group (UK) Limited, a company incorporated in Great Britain and registered in England and Wales, 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](http://www.wpp.com). Copies of the financial statements of Lexington International BV can be obtained from Laan op Zuid 167, 3072 DB Rotterdam, Netherlands or 27 Farm Street, London W1J 5RJ, UK.