Company Registration No. 06872427

Hogarth Worldwide Limited

Annual Report and Financial Statements
For the year ended 31 December 2018

Hogarth Worldwide Limited

Annual Report and financial statements 31 December 2018

Contents | Page

Hogarth Worldwide Limited

Annual Report and financial statements 2018

Officers and professional advisers

Directors

Kevan Thorn (resigned in January 2019)
Jeremy Thompson
Andrew Payne
Andrew Scott (resigned in November 2018)
Richard Glasson
Charles Ward Van Der Welle
Mark Povey

Company Secretary

WPP Group (Nominees) Limited

Registered Office

164 Shaftesbury Avenue
London
WC2H 8HL

Bankers

Royal Bank of Scotland
49 Charing Cross
London
SW1A 2DX

NatWest Bank
34 Henrietta St,
Covent Garden,
London
WC2E 8NL

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Hogarth Worldwide Limited

Strategic report

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

Principal activities

Hogarth Worldwide Limited (the Company) is a private company limited by shares and has been incorporated in the United Kingdom under the Companies Act 2006 and is incorporated in England and Wales. The registered office is shown on page 1. The directors regard WPP Group (UK) Limited (WPP Group), a Company incorporated in The United Kingdom and registered at 27 Farm Street, London W1J 5RJ 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 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 from £154,378,000 to £169,193,000 as revenues from new clients came on stream and revenue from existing clients grew. Profit before tax for the year was £3,334,000 (2017: Profit £3,476,000) as the Company continues to grow. Net assets increased from £9,364,000 to £9,772,000. During the year the business had exceptional gains of £882,000 (2017: cost of £1,307,000) details of which can be found in note 17.

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 understanding 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.

Principal risks and uncertainties

The Company has specific policies in place to ensure that operational and business risks are properly identified, evaluated and managed. The Company considers its principal risks and uncertainties to be the same as those affecting the WPP Group, as referred to in the Directors' Report in the Group's Annual Report which does not form part of this Report.

The Company's activities expose it to a number of financial risks, including credit risk and foreign exchange 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. The Company is part of a Group banking facility.

Management is closely monitoring the discussion around Brexit and the potential outcome of a non-deal leave from EU. Material impacts to the financial statements are not expected.

As part of WPP Group, a considerable share of the Company's business is related with other WPP Group's companies.

Going concern

At 31 December 2018 the Company had £11,556,000 (2017: £9,228,000) of cash and net assets of £9,773,000 (2017: £9,364,000).

The directors have considered the latest forecasts of the business and made inquiries of management in reaching their conclusion on going concern. The directors have every expectation that the Company has adequate resources through trading to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Hogarth Worldwide Limited

Strategic report

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.

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

Director JEREMY THOMPSON

23 July 2019

Hogarth Worldwide Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018. The directors have addressed financial risk management policies and objectives; going concern; diversity; the environment and future prospects/subsequent events below.

Research and development

During 2018 the Company spent £323,368 (2017: £3,895) on non-capitalised research and development.

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:

Kevan Thorn (resigned in January 2019)
Jeremy Thompson
Mark Povey
Andrew Payne
Andrew Scott (resigned in November 2018)
Richard Glasson
Charles Ward Van Der Welle

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. These provisions relate with the Company's directors only.

Results and dividends

The Company's Profit before tax for the year was £3,334,000 (2017: profit of £3,476,000). The directors recommended no dividends to be paid for the year ended 31 December 2018 (2017: £7,259,000).

Future prospects and subsequent events

The directors can report that the trend of revenue growth experienced in 2018 is expected to continue in 2019, driven by growth in the UK business augmented by new subsidiaries openings around the world. Management expects 2019 will continue to show a strong growth in the company's revenue line and improvements on the profit line.

Management is defining new initiatives to improve the productivity and cost efficiency of the business which results are expected to be achieved during 2019 FY. These include measures streamlining the internal processes, implementaion of an optimization team and the use of off-shore locations.

Management is closely monitoring the discussion around Brexit and the potential outcome of a non-deal leave from EU.

No material subsequent events have been identified after the end of the financial year.

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.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled while in the Company's employment, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Directors' report (continued)

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. The Company regularly consults employees, or their representatives, for views on matters affecting them. This is achieved through formal and informal meetings and town halls, the Company magazine/Newsletter and intranet sharepoint.

Climate change

Management is taking measures to ensure the reduction of impact of the Company's activity in the environment. These measures include but are not limited to: improve the energy efficiency of all the offices, eliminate all non-mandatory travel and promote sustainability efforts such as cycle to work and recycling.

Management will continue to collaborate with our partners to ensure the most efficient and environment friendly options are considered in each project.

United Kingdom leave from European Union (Brexit)

Management is closely monitoring the discussion around Brexit and the potential outcome of a non-deal leave from EU. Material impacts to the financial statements are not expected.

We have identified a potential impact on our labour force, and we are taking actions to assess and mitigate against any impact, ensuring employees are supported during the process.

It is not yet clear what the full impact will be whilst negotiations continue to take place. As the process of Brexit evolves, Management will continue to assess the impact of any resulting changes and the extent to which they affect the Company.

Financial Risk Management

Foreign exchange

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 nor do we apply hedge accounting. The directors continuously review the financial activities of the Company in the event that a practical means of hedging becomes available.

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.

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.

Hogarth Worldwide Limited

Directors' report (continued)

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

Director JEREMY THOMPSON

23 July 2019

Hogarth Worldwide Limited

Directors' Responsibilities Statement

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

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

In preparing the parent company financial statements, the directors are required to:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hogarth Worldwide Limtied (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Hogarth Worldwide Limited

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Jon Z

Jon Young FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

23 July 2019

Hogarth Worldwide Limited

Income Statement
For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	2	169,193	154,378
Cost of sales		(76,585)	(73,271)
Gross profit		92,608	81,106
Administrative expenses		(14,571)	(19,901)
Other operating expenses (net)	3	(76,329)	(55,883)
Exceptional items	17	(471)	(1,306)
Operating Profit		1,237	4,017
Finance costs	4	(881)	(934)
Finance income	4	2,978	393
Profit before taxation	5	3,334	3,476
Tax charge on profit	8	(13)	(1,093)
Profit after taxation for the financial year being retained profit carried forward		3,321	2,383

Hogarth Worldwide Limited

Statement of Comprehensive Income
For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Profit for the year		3,321	2,283
Items that will not be reclassified subsequently to profit:			
Foreign currency translation adjustment		163	-
Other comprehensive income for the year net of tax		163	-
Total comprehensive income for the year attributable to the shareholder of the Company		3,484	2,283

Hogarth Worldwide Limited

Balance Sheet
As at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	9	1	12
Tangible assets	10	4,229	3,409
Investments in subsidiaries	11	1,138	1,138
		5,368	4,559
Current assets			
Debtors: amounts falling due within one year	12	48,145	54,100
Cash at bank and in hand		11,556	9,228
		59,701	63,328
Creditors: amounts falling due within one year	13	(45,739)	(40,367)
Net current assets		13,962	22,961
Total assets less current liabilities		19,330	27,520
Creditors: amounts falling due after more than one year	14	(9,557)	(18,156)
Net assets		9,773	9,364
Capital and reserves			
Called up share capital	15	1	1
Share premium account	15	6,132	6,132
Profit for the year and retained earnings		3,640	3,231
		9,773	9,364

The financial statements of Hogarth Worldwide Limited, registered number 06872427 were approved by the Board of Directors on 23 July 2019.

Signed on behalf of the Board of Directors

Director JEREMY THOMPSON

23 July 2019

Hogarth Worldwide Limited

Statement of changes in equity

	Note	Called up share capital £'000	Share premium account £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2017		1	6,132	8,106	14,240
Profit for the year ended 31 December 2017		-	-	2,383	2,383
Total comprehensive income for the period		-	-	2,383	2,383
Dividends Paid		-	-	(7,259)	(7,259)
Balance at 31 December 2017 – as reported	15	1	6,132	3,231	9,364
Effect of change in accounting policy for IFRS 15		-	-	(3,075)	(3,075)
Balance at 31 December 2017 – 1 January 2018 brought forward		1	6,132	156	6,289
Profit for the year ended 31 December 2018		-	-	3,321	3,321
Other comprehensive income for the year		-	-	163	163
Total comprehensive income for the period		-	-	3,484	3,484
Balance at 31 December 2018	15	1	6,132	3,640	9,773

No dividends were paid in 2018.

Hogarth Worldwide Limited

Notes to the financial statements

1. Accounting policies

Basis of preparation

Hogarth Worldwide Limited (the Company) is a private company limited by shares and has been incorporated in the United Kingdom under the Companies Act 2006 and is incorporated in England and Wales. The registered office is shown on page 1. The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

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

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 as WPP plc holds 100% of the allotted shares in the Company and prepares consolidated accounts which are publicly available.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, financial instrument disclosures, standards not yet effective capital management and presentation of comparative information in respect of certain assets and related party transactions. Where required, the equivalent disclosures are given in the Group accounts of WPP plc whose consolidated financial statements include those of the Company and are publicly available and can be obtained as set out in note 18. Financial statements are prepared under the historical cost convention.

Changes in Accounting policies and disclosures - Adoption of new and revised Standards

Amendments to IFRS Standards and the new Interpretation that are mandatorily effective for the current year

IFRS 16 Leases

IFRS 16 is effective from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees will be required to recognise a right-of-use asset and related lease liability for the majority of their operating leases and show depreciation of leased assets and interest on lease liabilities separately in the income statement. IFRS 16 will require the Company to recognise substantially all of its operating leases on the balance sheet.

The Company will adopt IFRS 16 effective 1 January 2019 on a modified retrospective basis and apply the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to retained earnings. Accordingly, prior year financial information will not be restated and will continue to be reported under IAS 17 Leases. The right-of-use asset and lease liability will initially be measured at the present value of the remaining lease payments, with the right-of-use asset being subject to certain adjustments. The estimated right-of-use asset recorded on the balance sheet as of 1 January 2019 will be approximately £14.8m, the lease liability will be approximately £14.0m and the equity impact approximately £800k. Depreciation of the right-of-use asset and recognition of interest on the lease liability in the income statement will replace amounts recognised as rent expense under IAS 17.

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. However, the Company has elected to restate comparatives in respect of the classification and measurement of financial instruments.

1. Accounting policies (continued)

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and General hedge accounting.

The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the application of IFRS 9 has no material impact in the financial statements.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 15 in accordance with the practical expedients for completed contracts in IFRS 15.C5 and 15.C7. Management identified the contracts where the control of asset was not transferred to the customer as at 31 December 2017. For these the corresponding revenue was adjusted to the opening balance of retained earnings of 2018 reporting period.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the balance sheet. The Company has adopted the terminology used in IFRS 15 to describe such balances.

The Company's accounting policies for its revenue streams are disclosed in detail below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 was £3,075,000, reducing accrued income balance and retained earnings.

Going concern

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

At 31 December 2018 the Company had £11,556,000 (2017: £9,228,000) of cash and net assets of £9,773,000 (2017: £9,364,000). After reviewing cash flow 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.

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

Turnover

The Company recognises revenue for performance obligation when or as it satisfies them, and control of the asset has passed to the customer in accordance with the terms of the contractual arrangement. Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. In most instances performance obligations are separately identifiable deliverables that a costumer expects to receive. These are distinct within the context of the contract, and are accounted for as separate performance obligations, revenue is allocated to each of the performance obligations based on relative standalone selling prices.

1. **Accounting policies (continued)**

The Company's policy is that it acts as the principal in its arrangements with third parties based on the conclusion that it obtains control of the services provided to its customers when another party is involved in providing goods or services. Under IFRS 15, the Company is a principal in a transaction if it obtains control of any one of the following:

a) a good or another asset from the other party that it then transfers to the customer.

b) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.

c) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer. For example, if an entity provides a significant service of integrating goods or services provided by another party into the specified good or service for which the customer has contracted, the entity controls the specified good or service before that good or service is transferred to the customer. This is because the entity first obtains control of the inputs to the specified good or service (which includes goods or services from other parties) and directs their use to create the combined output that is the specified good or service.

The Company is primarily responsible for the fulfillment of the services provided under our contracts and our customers are not limited to the fee in the event we are required to indemnify them for non-performance. We meet the control criteria outlined above and recognize third party costs on a gross basis (through direct costs).

The timing of payments is negotiated on an individual client basis before the commencement of work. As of year end there are no obligations for returns, refunds or warranties that would require provision.

Exceptional items

Exceptional items relate to the write-off of a net payable balance due by Hogarth Worldwide Limited by related company Act 2. Restructuring costs include £853,000 for software developments and £532,000 for severance to employees. On 1 April 2018, Hogarth Worldwide Limited entered into an asset transfer agreement with Ogilvy & Mather Group (Holdings) Limited for the purchase of assets related to their print and digital production studio. The purchase price for these assets was £4,263,499. The total net assets incorporated amounted to £4,313,000, resulting on a gain of £50,000. Further details can be found in note 17.

Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debtors are derecognised when the contractual rights to the cash flows from the trade debtor expire or are settled.

Trade creditors

Trade creditors 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 the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least 12 months after the reporting date. If there is an unconditional right to defer settlement for at least 12 months after the reporting date, they are presented as non-current liabilities. Trade creditors are recognised at the transaction price. Trade creditors are derecognised only when the obligation specified in the contract has been discharged, cancelled or expires.

1. Accounting policies (continued)

Tangible 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

Useful lives of property, plant and equipment

As described above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that there should be no changes in the useful lives of property, plant and equipment.

Investments in subsidiaries

Investments are stated at cost net of any provision for impairment. The Company assesses the carrying value of investments to determine if any impairment has occurred. During the year, the directors determined that there was no impairment to the investments.

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. Amortisation of other software is 33.3% straight-line method.

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.

1. **Accounting policies (continued)**

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 outlays incurred on behalf of clients and work in progress under project arrangements. Provision is made for irrecoverable costs where appropriate.

Interest Receivable

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Interest payable, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Share-based payments

The company has applied the requirements of IFRS 2 to all unvested share-based payments. Certain employees of the company benefit from equity-settled share-based payments through participation in stock option and restricted stock incentive schemes. Such awards are satisfied by the delivery of shares in WPP plc, the ultimate parent undertaking.

1. Accounting policies (continued)

Equity-settled share-based payments are measured at fair value (excluding the impact of non market-based vesting conditions) at the date of grant. Fair value is determined by the market price on that date or the application of a Black Scholes model, depending on the characteristics of the scheme concerned. For the years presented, the majority of the charge to the profit and loss account related to schemes where fair value equalled market price since the equity instrument had no restrictions that impact valuation. Market price on any given day is obtained from external, publicly available sources.

The fair value determined at the grant date is recognised in the profit and loss account as an expense on a straight-line basis over the relevant vesting period, based on the company's estimate of the number of shares that will ultimately vest and adjusted for the effect of any other non-market based vesting conditions.

Critical accounting judgements and key sources of estimation uncertainty

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

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

There are no key sources of estimation uncertainty.

Critical judgements in applying the Company's accounting policies

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IFRS 15 Revenue from Contracts with Customers and whether the Company had transferred to the buyer the control of the asset.

The Company recognises revenue for performance obligation when or as it satisfies them, and control of the asset has passed to the customer. Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. This includes the ability to prevent others from directing the use of and obtaining the benefits from the asset.

The Company's policy is that it acts as the principal in its arrangements with third parties based on the conclusion that it obtains control of the services provided to its customers when another party is involved in providing goods or services. Under IFRS 15, the Company is a principal in a transaction if it obtains control of any one of the following:

a) a good or another asset from the other party that it then transfers to the customer.

b) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.

c) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer. For example, if an entity provides a significant service of integrating goods or services provided by another party into the specified good or service for which the customer has contracted, the entity controls the specified good or service before that good or service is transferred to the customer. This is because the entity first obtains control of the inputs to the specified good or service (which includes goods or services from other parties) and directs their use to create the combined output that is the specified good or service.

The Company is primarily responsible for the fulfillment of the services provided under our contracts and our customers are not limited to the fee in the event we are required to indemnify them for non-performance. We meet the control criteria outlined above and recognize third party costs on a gross basis (through direct costs).

2. Turnover

Turnover represents amounts derived from the provision of services after deduction of trade discounts and Value Added Tax. The turnover and pre-tax loss are attributable to advertising production.

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

There are no material amounts of revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

3. Other operating expenses (net)

	2018 £'000	2017 £'000
Staff costs	65,104	52,733
Establishment costs	9,058	5,838
Depreciation and amortisation	2,354	3,898
Foreign exchange gains/(losses)	94	(811)
Group recharges and professional fees	(281)	(5,775)
	76,329	55,883

4. Finance costs and income

	2018 £'000	2017 £'000
Interest payable and similar charges		
Intercompany loan with WPP Finance Co. Limited	(881)	(934)
	(881)	(934)
Dividends and interest receivable and similar income		
Dividends received from Group companies	2,693	-
Intercompany loan with Hogarth Worldwide Inc	258	360
Other finance income	27	33
	2,978	393
Net income/(cost)	2,097	(541)

5. Profit before taxation

	2018 £'000	2017 £'000
Profit before taxation is stated after charging		
Staff costs	65,104	52,694
Depreciation of tangible fixed assets:		
- owned	2,343	2,242
Amortisation of intangible fixed assets included in administrative expenses	10	604
Loss on disposal of fixed assets	-	676
Fees payable to the Company's auditor for the audit of the Company's annual accounts	80	156
Rental Income	(62)	(62)

There were no non-audit services provided in the year (2017: £nil).

	2018 £'000	2017 £'000
Operating leases		
- Land and buildings	3,393	1,914
- Other	635	544

Rental income is derived from the sublease of certain areas of our buildings on a short-term basis. There are no rental agreements greater than 12 months in place.

During 2018 the Company spent £335,963 (2017: £3,895) on non-capitalised research and development.

6. Staff costs

	2018 £'000	2017 £'000
Wages and salaries	43,804	37,623
Social security costs	4,572	3,946
Pension costs	1,404	707
Other Staff Costs	15,324	10,457
	65,104	52,733

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

	2018	2017
Account handling	152	160
Admin/finance	63	62
General management	3	2
Human resources and talent management	14	13
Information technology	47	66
New business/business development	-	3
Production traffic	545	503
	824	809

7. Directors' remuneration

	2018 £'000	2017 £'000
Remuneration		
The remuneration of the directors was as follows:		
Emoluments	1,132	944
	1,132	944

Highest paid director

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

	2018 £'000	2017 £'000
Emoluments	702	587

The number of directors who are members of defined benefit pension scheme/money purchase pension scheme was none (2017: none). The Company made pension contributions of £26,250 (2017: £37,625) for two Directors (2017: two Directors).

For the financial year ended in 31 December 2018, Company did not pay any compensations to directors or past directors in respect of loss of office.

There were no other transactions with directors other than emoluments and pension contributions disclosed in this note. The emoluments of Mark Povey, Andrew Payne, Charles Ward Van Der Welle and Andrew Scott are borne by other WPP Group entities. The Company did not receive any charges for their services provided in either year.

8. Tax on Profit

	2018 £'000	2017 £'000
Analysis of tax in year		
Current tax		
UK corporation tax	-	959
Adjustments in respect of previous periods	398	-
Total current tax charge	398	959
Deferred tax		
Current year	(385)	134
Prior year	-	-
Total tax charge for year	13	1,093

8. Tax on profit (continued)

Factors affecting taxation in year

	2018 £'000	2017 £'000
Profit before tax	3,334	3,476
Tax charge on profit		
UK rate 19% (2017: 19.25%)	633	669
Factors affecting the charge in the year:		
Prior year adjustments	398	-
Group relief	(1,248)	-
Expenses not deductible for tax purposes	89	122
Depreciation in excess of capital allowances	82	168
Movement in short-term timing differences	59	134
Total amount of tax charge for the year	13	1,093

A deferred tax asset of £760,000 (31 December 2017: £375,000) has been recognised in respect of capital allowance in excess of depreciation and stock-options costs as it is likely that there will be sufficient taxable profits against which the asset will reverse in the foreseeable future. The total impact on the income statement was £385,000 which relates with the increase of capital allowance in excess of depreciation and stock-options.

There are no other deductible temporary differences, unused tax losses, or unused tax credits for which no deferred tax asset is recognised in the balance sheet.

The UK tax rate for the year ended 31 December 2018 is 19%. In 12 February 2019 the UK Government enacted legislation (Finance Act 2019) to reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020. The impact of the future rate reductions has been used to measure deferred tax assets and liabilities where applicable.

9. Intangible assets – development costs

	Total £'000
Cost	
At 1 January 2018	1,736
At 31 December 2018	1,736
Accumulated Amortisation	
At 1 January 2018	1,724
Charge for the year	11
At 31 December 2018	1,735
Net book value	
At 31 December 2018	1
At 31 December 2017	12

Development costs have been capitalised in accordance with IAS38 Accounting for research and development and are therefore not treated, for dividend purposes, as a realised loss.

9. Intangible assets – development costs (continued)

The costs related to the development of FIDO, the global digital asset management system. FIDO went live in March 2013, with costs subject to amortisation over three years.

10. Tangible assets

Company	Computer equipment £'000	Computer software £'000	Furniture and fixtures £'000	Leasehold improvements £'000	Total £'000
Cost					
At 1 January 2018	6,413	1,928	1,242	3,999	13,582
Adjustments to previous year	27	(4)	117	82	222
Additions	2,040	92	254	492	2,878
Disposals	-	-	-	-	-
At 31 December 2018	8,480	2,016	1,613	4,573	16,682
Depreciation					
At 1 January 2018	4,595	1,651	1,068	2,859	10,173
Adjustments to previous year	(121)	(41)	38	61	(63)
Charge for the year	1,464	191	162	526	2,343
Disposals	-	-	-	-	-
At 31 December 2018	5,938	1,801	1,268	3,446	12,453
Net book value					
At 31 December 2018	2,542	215	345	1,127	4,229
At 31 December 2017	1,818	277	174	1,140	3,409

The directors have considered the value of fixed assets and are satisfied that the aggregate value of those assets at 31 December 2018 was not less than the aggregate amount at which they are stated in these accounts.

11. Investments in subsidiaries

	Subsidiary undertakings £'000
Cost	
At 1 January 2018	1,138
Additions	-
Written off	-
Net Book Value 31 December 2018	1,138
Net Book Value at 31 December 2017	1,138

11. Investments in subsidiaries (continued)

Subsidiary Undertakings

The parent Company has shares in the following subsidiary undertakings.

Subsidiary undertaking	Country of incorporation or principal business address	Principal activity	Holding	%
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 – 4° 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 Japan GK	Yebisu Garden Place Tower, 25th Floor, 4-20-3 Ebisu, Shibuya-ku, Tokyo, 150-6025, Japan	Marketing Implementation	2 shares of the ¥1.00 ordinary stock	100.00
Limited Liability Company Hogarth Worldwide	4th Lesnoy Pereulok, 4, Moscow, 125047, Russian Federation	Marketing Implementation	RUB1 Participatory share	100.00
Hogarth Worldwide Istanbul Reklamcilik Limited Şirketi	Maslak Mahallesi Büyükdere Caddesi 237 1101 Sarıyer, Istanbul, Turkey	Marketing Implementation	TRY1.00 ordinary share	90.00
Hogarth Worldwide (Pty) Limited	2929 William Nicol Drive, Bryanston Office Park, South Africa	Marketing Implementation	ZAR1.00 ordinary share	74.9
Hogarth Worldwide SRL	4-10 Muntil Tatra Street, District 1, Bucharest, Romania	Marketing Implementation	20 shares of RON10.00 ordinary stock	100
Hogarth Worldwide Canada Production Ltd. / Hogarth Canada Production Mondial Ltée	2929 William Nicol Drive, 100 King Street Suite 1600, Toronto, Canada M5X1G5	Marketing Implementation	1,000 shares of $1,000 CDN ordinary stock	100
Hogarth Worldwide Incorporated	230 Park Avenue South, 11th 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
Act Two Ltd	164 Shaftesbury Avenue, London WC2H 8HL	Marketing Implementation	107,500 shares of the GBP £0.01 ordinary stock	100.00
Hogarth Argentina S.A.	Arevalo 1880 C1414CQL, Buenos Aires Argentina	Marketing Implementation	90,000 shares of the AES1.00 ordinary stock	90.00
Hogarth Worldwide GmbH	Darmstädter Landstr. 112 60598 Frankfurt am Main Germany	Marketing Implementation	100% of the EUR 82,000 ordinary stock	100.00

11. Investments in subsidiaries (continued)

Subsidiary undertaking	Country of incorporation or principal business address	Principal activity	Holding	%
Hogarth (Shanghai) Image and Video Design and Production Co., Ltd.	Units 07-08, 10th Floor, The Center, 989 Chang Le Road, Shanghai 200031, China	Marketing Implementation	100% of the USD 300,000 capital	100.00
Hogarth Worldwide Publicidade Brasil Ltda	Avenida Brigadeiro Faria Lima, 201, 26° e 27° andares, conjuntos 261 e 271, Pinheiros, CEP 05426-100	Marketing Implementation	594,990 shares of the 601,000 ordinary stock	99.00
Hogarth Worldwide SDN. BHD.	Level 15 Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur	Marketing Implementation	499,998 shares of the RM1.00 ordinary stock	100.00

12. Debtors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade debtors	22,539	24,380
Amounts owed by Group undertakings	13,594	18,470
Accrued income	7,424	8,052
Other debtors	2,107	324
Prepayments and work in progress	1,721	2,499
Deferred tax	760	375
Amounts falling due within one year	48,145	54,100

Amounts owed by Group undertakings are repayable on demand and are non-interest bearing.

13. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Accrued expenses	13,990	10,655
Amounts owed to Group undertakings	10,145	18,462
Deferred income	9,236	394
Bank overdraft	5,560	-
Trade creditors	3,001	3,459
Taxation and social security	2,376	3,423
Corporation tax	1,357	493
Other creditors	74	3,481
	45,739	40,367

Amounts owed to Group undertakings are repayable on demand and are non-interest bearing.

Bank overdraft corresponds to a cash pooling arrangement between Natwest Bank and WPP Group. The net amount bears interest at base plus 1%. The Company was added to the cash pooling arrangement in 2018.

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

	2018 £'000	2017 £'000
Intercompany loan with WPP Finance Co. Ltd	9,557	18,156
Creditors amounts falling due after more than one year	9,557	18,156

Borrowings are repayable as follows:

	2018 £'000	2017 £'000
Intercompany loans		
One - two years	9,557	18,156
	9,557	18,156

The intercompany loan repayable to WPP Finance Co. Ltd. is a credit facility with WPP which is being renegotiated. For this reason it is not due within one year of year end date. Interest at 5.0% per annum above the Bank of England Base Rate is charged on a monthly basis on the outstanding balance. This remains unpaid.

15. Called up share capital

	2018 £'000	2017 £'000
Authorised, called up, allotted and fully paid		
13,127 (2016: 13,127) ordinary shares of £0.10 each	1	1
Share premium account		
Share premium	6,132	6,132

16. Financial commitments

	2018 £'000	2017 £'000
Land and buildings		
Lease payments under operating leases recognised as an expense in the year	3,393	1,914
	3,393	1,914

16. Financial commitments (continued)

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Within one year	3,554	2,549
In the second to fifth years inclusive	11,635	4,013
After five years	-	-
	15,189	6,562

Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of two years with an option to extend for a further rental term to be agreed at the then prevailing market rate. Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

17. Exceptional items

	2018 £'000	2017 £'000
Restructuring costs	(1,385)	-
Act2 payables and receivables write-off	864	-
Gain on asset transfer	50	-
Sale of Cortex and receivable write-off	-	(1,779)
Sale of Copycentral	-	473
	(471)	1,306

The Act2 amount relates to the write-off of a net payable balance due by Hogarth Worldwide Limited. Restructuring costs include £853,000 for software developments and £532,000 for severance to employees. On 1 April 2018, Hogarth Worldwide Limited entered into an asset transfer agreement with Ogilvy & Mather Group (Holdings) Limited for the purchase of assets related to their print and digital production studio. The purchase price for these assets was £4,263,499. The total net assets incorporated amounted to £4,313,000, resulting on a gain of £50,000.

18. Ultimate parent and controlling parent undertaking

The directors regard WPP Group (UK) Limited, a Company incorporated in The United Kingdom and registered at 27 Farm Street, London W1J 5RJ 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 registered address 27 Farm Street, London W1J 5RJ. The parent undertaking of the smallest such group is Lexington International BV, registered in the Netherlands address Laan op Zuid 167, 3072 DB Rotterdam, Netherlands.

Copies of the financial statements of WPP plc are available at 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.

19. Related parties

	Sales to related party £'000	Purchases from related party £'000	Amounts owed from related party £'000	Amounts owed to related party £'000
Entities with significant control over the Group				
2018	51	766	8	9,868
2017	32	2,997	-	6,802
Entities over which the Group has joint control or significant influence				
2018	58,622	18,089	13,586	9,834
2017	58,803	18,635	18,470	11,660

20. Stock-options

Share-based payments

The Company charged £248,000 to the profit and loss account in the year ended 31 December 2018 (2017: £245,000) in relation to equity-settled share-based payments.

Stock option plans

There are two stock option plans in which certain employees participate. The Worldwide Share Ownership Programme was open to employees with at least two years' employment in a company owned by WPP plc.

The vesting period for each grant is three years and there are no performance conditions other than continued employment with a WPP company.

The WPP Share Option Plan 2015 replaced the "all-employee" Worldwide Share Ownership Plan. Two kinds of options over ordinary shares can be granted, both with a market-value exercise price. Firstly, options can be granted to employees who have worked at a company owned by WPP plc for at least two years which are not subject to performance conditions. Secondly, options may be granted on a discretionary basis subject to the satisfaction of performance conditions.

20. Stock-options (continued)

Stock options have a life of ten years, including the vesting period. The terms of stock options with performance conditions are such that, if after nine years and eight months, the performance conditions have not been met, then the stock option will vest automatically. Stock options are satisfied out of newly issued shares in WPP plc.

The number of options granted in 2018 and 2017 was not material.

Restricted stock schemes

Certain employees participate in restricted stock schemes, which are in most cases satisfied by the delivery of stock from one of the WPP plc ESOP Trusts. The most significant schemes are:

Performance Share Awards (PSA)

Grants of restricted stock under PSA are dependent upon annual performance targets, typically based on one or more of: operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement and will vest two years after grant provided the individual concerned is continually employed by a WPP company throughout this time.

Leaders, Partners and High Potential Group

This scheme provides annual grants of restricted stock to key executives. Vesting is conditional on continued employment over a three-year vesting period.

Grant details

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

	2018	**2017**
PSA		
Number of shares granted	-	19,752
Weighted average fair value at grant date	£12.47	£17.21
Leaders, Partners and High Potential Group		
Number of shares granted	-	-
Weighted average fair value at grant date	£ 8.14	£13.09