

WPP 2005 Limited

Report and financial statements  
for the year ended 31 December 2014

Registered number: 1003653

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WPP 2005 Limited  
Report and financial statements 2014

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WPP 2005 Limited  
Report and financial statements 2014

**Officers and professional advisers**

**Directors**

C. van der Welle

C. Sweetland

**Secretary**

WPP Group (Nominees) Limited

M.W. Capes

**Registered office**

27 Farm Street

London

W1J 5RJ

**Auditors**

Deloitte LLP

Chartered Accountants and Statutory Auditors

London

## Strategic report

For the year ended 31 December 2014

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

### Review of the business

The Company provides management services and financing to the WPP Group as well as acting as an intermediate holding company. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The subsidiary undertakings held by the Company are listed in note 8 to the financial statements. Consolidated financial statements are not presented as the Company takes advantage of the exemption afforded by s400 of the Companies Act 2006.

### Key performance indicators

WPP 2005 Limited is a wholly owned subsidiary of WPP plc. For this reason, the Company's directors believe that 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 WPP plc, which includes the Company, is discussed in its Annual Report which does not form part of this Report.

### Principal risks and uncertainties

The Group has considered the principal risks and uncertainties affecting the Company as at 31 December 2014 and up to the date of this report. These are described in detail in the Directors' Report which does not form part of this report.

### Future developments

The directors expect the general level of activity to remain consistent with 2014 in the forthcoming year.

27 Farm Street  
London  
W1J 5RJ

30 June 2015

By order of the Board

  
C. Sweetland

Director

## Directors' report

For the year ended 31 December 2014

The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditors' report for the year ended 31 December 2014.

### Results and dividends

The audited financial statements for the year ended 31 December 2014 are set out on pages 9 to 24. The Company made a loss on ordinary activities after tax for the year of £174.0 million (2013 – £148.8 million).

No ordinary dividends were paid during the year (2013 - £nil). The amount of unpaid cumulative preference dividends for the year ended 31 December 2014 is £30,000 (2013 - £24,000).

### Risk management and going concern

The principal risks for WPP 2005 Limited are considered to be going concern and liquidity risk. The Company participates in Group banking arrangements with its ultimate parent WPP plc, and related companies, and has access to a group cash management facility. In considering going concern and liquidity risk, the directors have reviewed the future cash requirements and earnings projections of the Company, along with its parent and related companies. The directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance. The directors have concluded that the Company, along with its parent and related companies, should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future and therefore believe it is appropriate to prepare the financial statements of the Company on a going concern basis.

### Directors

The directors who served throughout the year were as follows:

C. van der Welle  
C. Sweetland

### Employees

Our non-discrimination and anti-harassment policies are included in the Group Code of Conduct. In the case of disability, our policy is to provide continuing employment and training wherever practicable.

### Statement of disclosure of information to the auditors

So far as the directors currently in office are aware, there is no relevant audit information of which the company's auditors are unaware; and the directors have taken all the steps that ought to have been taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006

Directors' report (continued)  
For the year ended 31 December 2014

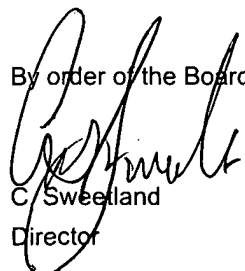
**Auditor**

The directors will propose a resolution at the AGM to re-appoint Deloitte LLP as auditor.

27 Farm Street  
London  
W1J 5RJ

30 June 2015

By order of the Board



C. Sweetland  
Director

## Directors' Responsibilities Statement

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

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

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

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

## Independent auditors' report

### **Independent Auditors' Report to the members of WPP 2005 Limited**

We have audited the financial statements of WPP 2005 Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet 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 (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 auditors' report under those regulations 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 the 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 inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the provisions of the Companies Act 2006.



## Independent auditors' report (continued)

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **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.



**Judith Tacon (Senior Statutory Auditor)**

**for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditors

London, United Kingdom

30 June 2015

## Profit and loss account

For the year ended 31 December 2014

	Notes	2014 £m	2013 £m
<b>Turnover</b>		-	-
Administrative expenses	2	(114.7)	(82.2)
<b>Operating loss</b>		(114.7)	(82.2)
Income from shares in group undertakings		2.0	-
Amounts written off investments		-	(0.2)
Interest receivable and similar income	5	14.5	21.6
Interest payable and similar charges	5	(80.6)	(92.8)
<b>Loss before taxation</b>		(178.8)	(153.6)
Taxation	6	4.8	4.8
<b>Loss for the financial year</b>	16	(174.0)	(148.8)

All results are derived from continuing activities.

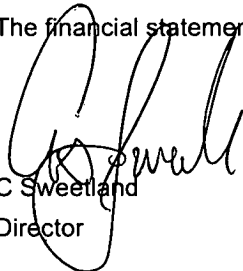
There were no recognised gains or losses in either year other than those shown above and accordingly no statement of total recognised gains and losses has been presented.

# Balance sheet

At 31 December 2014

	Notes	2014 £m	2013 £m
<b>Fixed assets</b>			
Tangible fixed assets	7	14.0	13.0
Investments	8	4,052.1	4,051.8
		<u>4,066.1</u>	<u>4,064.8</u>
<b>Current assets</b>			
Debtors:			
- due within one year	9	206.2	341.2
- due after one year	9	113.4	-
Cash at bank and in hand		461.4	593.5
		<u>781.0</u>	<u>934.7</u>
<b>Creditors: amounts falling due within one year</b>	10	(3,172.4)	(3,549.4)
		<u>(2,391.4)</u>	<u>(2,614.7)</u>
<b>Net current liabilities</b>			
<b>Total assets less current liabilities</b>		<u>1,674.7</u>	<u>1,450.1</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(485.7)	(100.7)
<b>Net assets</b>		<u>1,189.0</u>	<u>1,349.4</u>
<b>Capital and reserves</b>			
Called-up share capital	15	1.4	1.4
Other reserves	16	3,566.7	3,566.7
Profit and loss account	16	(2,379.1)	(2,218.7)
<b>Shareholders' funds</b>		<u>1,189.0</u>	<u>1,349.4</u>

The financial statements were approved by the Board of directors on 30 June 2015 and signed on its behalf by:

  
C Sweetland  
Director

## Notes to the financial statements

For the year ended 31 December 2014

### 1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on page 3.

As at 31 December 2014 the current liabilities of the company exceeded its current assets by £2,391.4m (2013 - £2,614.7m). The company is a subsidiary of WPP plc and is therefore subject to the overall WPP Group financing arrangements.

The Company meets its day to day working capital requirements through participating in group banking arrangements with its ultimate parent, WPP plc, and has access to a group cash management facility.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

#### Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by s400 of the Companies Act 2006 because it is a wholly owned subsidiary of WPP Jubilee Limited which prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from the requirement of FRS 1 (Revised) to present a cash flow statement.

#### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

#### Investments

Fixed asset investments are stated at cost less provision for impairment.

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 1 Accounting policies (continued)

#### Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life, as follows:

- Freehold buildings – 50 years.
- Leasehold land and buildings – over the term of the lease or life of the asset, if shorter.
- Fixtures, fittings and equipment – 3-10 years.
- Computer equipment – 3-5 years.

#### Retirement benefit costs

For defined contribution schemes, contributions are charged to the Profit and Loss account as payable in respect of the accounting period.

#### Operating leases

Operating lease rentals receivable and payable are charged or credited to the Profit and Loss account on a straight-line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

#### Financial instruments

Derivative instruments utilised by the company are interest rate swaps. The company does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the company in line with the group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

#### Translation of foreign currencies

Foreign currency transactions arising from operating activities are translated from local currency into pounds sterling at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are translated at the period-end exchange rate. Foreign currency gains or losses are credited or charged to the profit and loss account as they arise.

#### Share-based payments

The company has applied the requirements of FRS 20 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.

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

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 1 Accounting policies (continued)

instrument had no restrictions that impact valuation. Market price on any given day is obtained from external, publicly available sources.

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

### 2 Operating costs

	2014	2013
	£m	£m
<b>Operating costs include:</b>		
Operating lease rentals	8.3	7.2
Auditors' remuneration		
– fees payable for the audit of the annual accounts	0.3	0.3
Charitable donations	0.3	0.3
Investment write-downs	-	0.2
Depreciation of property, plant and equipment	3.3	3.3
Net foreign exchange losses	1.0	6.2

#### Minimum committed annual rentals

Amounts payable in 2015 under the foregoing leases will be as follows:

	Land and buildings	
	2014	2013
	£m	£m
In respect of operating leases which expire:		
- within one year	-	-
- within two to five years	6.2	5.2
- after five years	1.4	1.3
	7.6	6.5

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 2 Operating costs (continued)

Future minimum annual amounts payable under all lease commitments in existence at 31 December 2014 are as follows:

	Minimum rental payments £m	Less sub-let rentals £m	Net payment £m
Year ending 31 December			
2015	7.6	(5.6)	2.0
2016	6.2	(4.2)	2.0
2017	3.4	(1.5)	1.9
2018	2.4	(1.5)	0.9
2019	1.4	(1.5)	(0.1)
Later years	14.2	(15.3)	(1.1)
	<u>35.2</u>	<u>(29.6)</u>	<u>5.6</u>

### 3 Staff costs

Staff numbers averaged 206 against 196 in 2013. At 31 December 2014 staff numbers were 210 (2013 - 193).

Total staff costs were made up as follows:

	2014 £m	2013 £m
Wages and salaries	20.6	18.5
Cash-based incentive plans	7.7	8.4
Share-based incentive plans	13.6	13.0
Social security costs	5.8	3.6
Severance	6.6	0.3
Pension costs	1.9	1.6
Other staff costs	6.4	3.9
Total staff costs	<u>62.6</u>	<u>49.3</u>

### 4 Remuneration of the directors

Remuneration of the directors who were directors during the year ended 31 December 2014 is set out in the table below. All amounts shown constitute the total amounts which the respective director received during 2014 and for the annual bonus and awards of Executive Share Awards (ESAs) in respect of 2014 but received in 2015. No compensation payments for loss of office have been made during 2014 to any individuals who have been directors of the Company.

# Notes to the financial statements (continued)

For the year ended 31 December 2014

## 4 Remuneration of the directors (continued)

	Base salary and fees		Benefits <sup>1</sup>		Pension		Short-term incentives <sup>2</sup>		Long-term incentives <sup>3</sup>		Total annual remuneration	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Total remuneration	530	456	45	39	67	63	646	577	973	175	2,261	1,310
Highest paid director <sup>3</sup>	320	318	23	23	46	46	462	423	941	61	1,792	871

### Notes

<sup>1</sup> Benefits include items such as healthcare, life assurance and car allowance.

<sup>2</sup> This is the aggregate amount awarded for the 2014 (and 2013) financial years' performance. The awards are delivered in a deferred share bonus in the form of an ESA (which vests two years from date of grant subject to continued employment) and cash.

<sup>3</sup> In 2014 this primarily consists of the value of the 2010 LEAP Award which vested in 2015 following the end of the five-year performance period on 31 December 2014.

	2014 Number of directors	2013 Number of directors
Directors who are members of a money purchase pension scheme	2	2
Directors who are members of a defined benefit pension scheme	-	-
Directors who exercised options over shares in the company	-	-
Directors who had awards receivable in the form of shares under long-term incentive scheme	2	2

## 5 Interest receivable and interest payable

Interest receivable and similar income includes:

	2014 £m	2013 £m
Interest receivable from other group undertakings	9.9	12.0
Bank interest receivable	2.8	5.3
Interest receivable on financial instruments	1.8	4.3
	<u>14.5</u>	<u>21.6</u>



## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 5 Interest receivable and interest payable (continued)

Interest payable and similar charges includes:

	2014 £m	2013 £m
Bank loans and other borrowings	44.7	42.4
Interest payable to other group undertakings	35.9	50.4
	<u>80.6</u>	<u>92.8</u>

### 6 Taxation

The corporation tax credit of £4.8m (2013 – £4.8m) comprises:

	2014 £m	2013 £m
Consortium relief	4.0	5.3
Prior year adjustment	0.8	(0.5)
	<u>4.8</u>	<u>4.8</u>

The tax assessed for the year differs from that resulting from applying the blended rate of corporation tax in the UK of 21.5% (2013 – 23.25%). The differences are explained below:

	2014 £m	2013 £m
Loss on ordinary activities before tax	<u>(178.8)</u>	<u>(153.6)</u>
Tax at the blended rate of 21.5% (2013 – 23.25%) thereon	38.5	35.7
<i>Factors affecting tax credit for the year:</i>		
Non-deductible expenditure	(0.2)	(3.5)
Depreciation in excess of capital allowance	(0.7)	(0.7)
Movement in short term timing differences	2.7	0.9
Non-taxable dividend income	0.4	-
Unrecognised losses carried forward	(36.7)	(27.1)
Prior year adjustment	0.8	(0.5)
Current tax credit for the year	<u>4.8</u>	<u>4.8</u>

A deferred tax asset of £163.0m (2013 – £129.4m) has not been recognised in respect of capital allowance in excess of depreciation, tax losses and other timing differences, as it is unlikely that there will be sufficient taxable profits against which the asset will reverse in the foreseeable future.

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 7 Tangible fixed assets

	Leasehold buildings £m	Fixtures, fittings & equipment £m	Computer equipment £m	Total £m
<b>Cost:</b>				
At 1 January 2014	6.6	1.1	56.6	64.3
Additions	0.1	-	4.4	4.5
Disposals	-	-	(1.5)	(1.5)
<b>At 31 December 2014</b>	<b>6.7</b>	<b>1.1</b>	<b>59.5</b>	<b>67.3</b>
<b>Depreciation:</b>				
At 1 January 2014	2.0	0.7	48.6	51.3
Charge for the year	0.4	0.1	3.0	3.5
Disposals	-	-	(1.5)	(1.5)
<b>At 31 December 2014</b>	<b>2.4</b>	<b>0.8</b>	<b>50.1</b>	<b>53.3</b>
<b>Net book value:</b>				
<b>At 31 December 2014</b>	<b>4.3</b>	<b>0.3</b>	<b>9.4</b>	<b>14.0</b>
At 31 December 2013	4.6	0.4	8.0	13.0

### 8 Fixed asset investments

	Subsidiary undertakings £m	Associated Undertakings £m	Other £m	Total £m
<b>Cost:</b>				
At 1 January 2014	8,216.6	10.6	1.3	8,228.5
Additions	-	-	0.3	0.3
<b>At 31 December 2014</b>	<b>8,216.6</b>	<b>10.6</b>	<b>1.6</b>	<b>8,228.8</b>
<b>Provision for impairment:</b>				
At 1 January 2014	4,176.7	-	-	4,176.7
Written off	-	-	-	-
<b>At 31 December 2014</b>	<b>4,176.7</b>	<b>-</b>	<b>-</b>	<b>4,176.7</b>
<b>Net book value:</b>				
<b>At 31 December 2014</b>	<b>4,039.9</b>	<b>10.6</b>	<b>1.6</b>	<b>4,052.1</b>
At 31 December 2013	4,039.9	10.6	1.3	4,051.8

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 8 Fixed asset investments (continued)

In accordance with the company's accounting policy, the company annually tests the carrying value of investments for impairment. The 2014 impairment review was undertaken as at 31 December 2014. The review assessed whether the carrying value of investments was supported by the net present value of future cash flows derived from assets using a projection period of up to five years for each subsidiary entity. After the projection period, steady or declining growth rates have been assumed for each subsidiary entity. An annual growth rate of 3.0% and a pre-tax discount rate of 7.79% has been assumed.

Fixed asset investments at 31 December 2014 represent interests in the share capital of the following companies:

Company	Country of incorporation	Activity	Holding	Type
Enduring Organisation	England and Wales	Intermediate holding company	28.6%	Ordinary
WPP AMC Holdings	England and Wales	Intermediate holding company	17.9%	Ordinary
WPP Beans Limited	England and Wales	Intermediate holding company	96.4%	'A' preference
WPP Group (UK) Limited	England and Wales	Intermediate holding company	100%	Preferred ordinary
WPP GUSA UK	England and Wales	Intermediate holding company	53.9%	Ordinary
WPP LN Limited	England and Wales	Intermediate holding company	100%	Ordinary
Syzygy AG	Germany	Interactive marketing	15.3%	Ordinary

### 9 Debtors

The following are included in debtors:

	2014 £m	2013 £m
Amounts due from group undertakings	255.6	286.2
VAT	3.2	2.0
Other debtors	60.8	53.0
	<u>319.6</u>	<u>341.2</u>

Included within amounts due from group undertakings are amounts totalling £113.4m (2013 - £nil) which fall due for repayment after more than one year.

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 10 Creditors: amounts falling due within one year

The following are included in creditors falling due within one year:

	2014	2013
	£m	£m
Bank overdrafts and loans	3,073.1	2,867.9
Amounts due to group undertakings	13.5	610.8
Other taxation and social security	2.3	2.0
Other creditors and accruals	83.5	68.7
	<u>3,172.4</u>	<u>3,549.4</u>

### 11 Creditors: amounts falling due after more than one year

The following are included in creditors falling due after more than one year:

	2014	2013
	£m	£m
Amounts due to group undertakings	<u>485.7</u>	<u>100.7</u>
	<u>485.7</u>	<u>100.7</u>

### 12 Share-based payments

The Company charged £13.6m to the profit and loss account in the year ended 31 December 2014 (2013 - £13.0m) 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 is 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 Executive Stock Option Plan has historically been open for participation to WPP Leaders, Partners and High Potential Group. The vesting period is three years and performance conditions include achievement of various TSR (Total Shareowner Return) and EPS (Earnings per share) objectives by WPP plc, as well as continued employment with a WPP company. Since 2005, the Company has moved away from the issuance of stock options, making grants of restricted stock instead.

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 2014 and 2013 was not material.

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 12 Share-based payments (continued)

#### 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:

##### Executive Share Awards (ESA)

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

##### Leaders, Partners and High Potential Group

Since 2005, restricted stock grants under this plan have effectively replaced executive stock options. Performance conditions include continued employment over a three-year vesting period.

##### Renewed LEAP and LEAP III

Under Renewed LEAP and LEAP III, the most senior executives of the Group, including certain executive directors, commit WPP shares ('investment shares') in order to have the opportunity to earn additional WPP shares ('matching shares'). The number of matching shares which a participant can receive at the end of the fixed performance of five years is dependent on the performance (based on the Total Share Owner Return (TSR)) of the Company over that period against a comparator group of other listed communications services companies. The maximum possible number of matching shares for each of the 2012, 2011 and 2010 grants is five shares for each investment share. The 2010 LEAP III vested in March 2015 at a match of 5.0 shares for each investment share. The last LEAP III award was granted in 2012 and no further awards will be made following the introduction of the EPSP.

##### Special Share Awards

From time to time, one-off awards are made to individuals in the form of restricted stock. Performance conditions include continued employment over the vesting period. As these are one-off awards the vesting period will differ for each award granted.

##### Executive Performance Share Plan (EPSP)

The first grant of restricted stock under the EPSP was made in 2013. This scheme is intended to reward and incentivise the most senior executives of the Group and has effectively replaced LEAP III. The performance period is five complete financial years, commencing with the financial year in which the award is granted. Grant date will usually be in the first half of the first performance year, with vest date in the March following the end of the five year performance period. Vesting is conditional on continued employment throughout the vesting period.

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 12 Share-based payments (continued)

There are three performance criteria, each constituting one third of the vesting value, and each measured over this five year period:

- (i) TSR against a comparator group of companies. Threshold performance (equating to ranking in the 50th percentile of the comparator group) will result in 20% vesting of the part of the award dependent on TSR. The maximum vest of 100% will arise if performance ranks in the 90th percentile, with a sliding scale of vesting for performance between threshold and maximum.
- (ii) Headline diluted earnings per share. Threshold performance (7% compound annual growth) will again result in a 20% vest. Maximum performance of 14% compound annual growth will give rise to a 100% vest, with a sliding vesting scale for performance between threshold and maximum.
- (iii) Return on equity (ROE). Average annual ROE defined as headline diluted EPS divided by the balance sheet value per share of share owners' equity. Threshold of 10% average annual ROE, maximum of 14%, with a sliding scale for performance in between. Threshold again gives rise to a 20% vest, with 100% for maximum.

#### 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:

	2014	2013
<b><u>ESA</u></b>		
Number of shares granted	275,231	521,019
Weighted average fair value at grant date	£12.89	£11.65
<b><u>Leaders, Partners and High Potential Group</u></b>		
Number of shares granted	90,738	74,464
Weighted average fair value at grant date	£13.15	£13.51
<b><u>Special Share Awards</u></b>		
Number of shares granted	39,044	13,328
Weighted average fair value at grant date	£12.89	£13.51
<b><u>EPSP</u></b>		
Number of shares granted	692,232	818,016
Weighted average fair value at grant date	£12.61	£11.22

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 13 Derivatives not included at fair value

The company has the following derivative assets/(liabilities) which are not included at fair value in the accounts:

	Fair value 2014 £m	Fair value 2013 £m
Interest rate swaps	-	(12.5)
Cross currency swaps	-	2.3

The Company uses the derivatives to hedge its exposures to changes in interest rates and foreign currency exchange rates within the WPP Group. The fair values are based on market values of equivalent instruments at the balance sheet date.

### 14 Pensions

The company contributes to defined contribution schemes. The pension cost for the year is £1.9m (2013 - £1.6m). The assets of the schemes are held separately from those of the company in independently administered funds. Unpaid contributions at the year end totalled £143,533 (2013 - £104,000).

### 15 Called-up share capital

	2014 £m	2013 £m
<i>Allotted, called-up and fully-paid</i>		
1,287,764,269 (2013 – 1,287,764,269) ordinary shares of £0.001 (2013 - £0.001)	1.3	1.3
1 (2013 – 1) cumulative preference share of £100,000	0.1	0.1
	<u>1.4</u>	<u>1.4</u>

The amount of unpaid cumulative preference dividends for the year ended 31 December 2014 is £30,000 (2013 - £24,000).

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 16 Reserves

The movements during 2014 were as follows:

	Other reserves £m	Profit and loss account £m	Total £m
At 1 January 2014	3,566.7	(2,218.7)	1,348.0
Loss for the financial year	-	(174.0)	(174.0)
Non-cash share-based incentive plans (including stock options)	-	13.6	13.6
<b>At 31 December 2014</b>	<b>3,566.7</b>	<b>(2,379.1)</b>	<b>1,187.6</b>

Other reserves comprise the following:

	Capital reserve £m	Capital redemption reserve £m	Translation reserve £m	Merger reserve £m	Total other reserves £m
At 1 January 2014	127.4	5.0	(37.2)	3,471.5	3,566.7
<b>At 31 December 2014</b>	<b>127.4</b>	<b>5.0</b>	<b>(37.2)</b>	<b>3,471.5</b>	<b>3,566.7</b>

### 17 Reconciliation of movements in shareholders' funds

	2014 £m	2013 £m
Loss for the financial year	(174.0)	(148.8)
Non-cash share-based incentive plans (including stock options)	13.6	13.0
<b>Net reduction to shareholders' funds</b>	<b>(160.4)</b>	<b>(135.8)</b>
Opening shareholders' funds	1,349.4	1,485.2
<b>Closing shareholders' funds</b>	<b>1,189.0</b>	<b>1,349.4</b>

### 18 Related party transactions

As a wholly owned subsidiary of WPP plc, the Company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other members of the Group headed by WPP plc.



## Notes to the financial statements (continued)

For the year ended 31 December 2014

### **19 Guarantees and other financial commitments**

The Company guarantees a number of Group banking arrangements and other financial commitments on behalf of certain Group undertakings.

### **20 Ultimate parent and controlling party**

The directors regard WPP Madrid Square Limited, a company incorporated 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 the company is a member is WPP plc, incorporated in Jersey. The parent undertaking of the smallest such group is WPP Jubilee Limited, incorporated in England and Wales.

Copies of the financial statements of WPP plc are available at [www.wppinvestor.com](http://www.wppinvestor.com). Copies of the financial statements of WPP Jubilee Limited can be obtained from 27 Farm Street, London, W1J 5RJ, UK.