

Mindshare Media UK Limited
(Registered number: 03425312)

Annual Report and financial statements

for the year ended 31 December 2019



Registered office address:

Central St Giles,
1 St Giles High Street,
London,
WC2H 8AR,
United Kingdom.

Mindshare Media UK Limited
(Registered number: 03425312)

Annual Report and financial statements

for the year ended 31 December 2019

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Mindshare Media UK Limited
(Registered number: 03425312)

Strategic report for the year ended 31 December 2019

The Directors present their Strategic report on Mindshare Media UK Limited (the 'Company') for the year ended 31 December 2019.

Principal activities

The Company is a member of the WPP plc Group (the 'Group'). The Company's principal activity is the provision of media buying and planning services. The Company also acts as an administrative centre for some global activities of the wider Mindshare Group.

Future developments

The Directors do not envisage any major change to the nature of the business in the foreseeable future.

Review of business

Revenue has decreased by less than 10% during the year, decreasing from £104,458,000 to £94,234,000. The Company made a loss for the year ended 31 December 2019 of £820,000 which will be transferred from reserves (2018: profit of £11,683,000 which was transferred to reserves).

The Directors are of the opinion that the current level of activity and performance is sustainable, due to the positive financial position of the company, which is satisfactory. Further details are provided in the 'Going concern' section.

COVID-19

The coronavirus pandemic has touched all our lives. At WPP, and in the Company, the first priority is the wellbeing of our people and doing what we can to limit the impact of the virus on society. The second priority has been the continuity of service for our clients. We have thrown ourselves into achieving both objectives.

To ensure the safety of employees and to help reduce transmission, the Group outlined a global policy of managed remote working from mid-March, which included employees of the Company.

The Directors will continue to monitor, review and take the appropriate steps to respond to the impact of the Covid-19 pandemic in the Company, as well as recognise and address the other current and emerging risks and uncertainties we face as a business. The extent of the impact of Covid-19 will depend on future developments which are highly uncertain and cannot be predicted.

It is clear that the impact of Covid-19 on the business will be significant, but it is not possible at this stage to quantify the depth or duration of the impact.

Dividends

The Company did not pay a dividend in either the current year or prior year.

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Strategic report for the year ended 31 December 2019

Going concern and liquidity risk

The Directors believe that preparing the financial statements on the going concern basis is appropriate.

The Directors have assessed the potential impact that the global outbreak of Covid-19 has had on the liquidity, performance and financial position of the Company for at least the next 12 months.

The financial forecasts, budgets, cash flows and liquidity assessments have been re-assessed for at least the next 12 months. 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 including, but not limited to possible revenue declines as a result of the impact of Covid-19.

After making enquiries, the Directors believe that although Covid-19 will have an effect on the operational performance of the Company, there are reasonable expectations that the Company has adequate resources to continue in operational existence with low liquidity risk for at least the next 12 month from the date of signing the financial statements.

As at 31 December 2019, the Company had cash of £138,289,000, net current assets of £32,597,000 and net assets of £46,777,000 and can therefore meet its short and long-term obligations as they fall due.

Additionally, the Company is a subsidiary of WPP plc and is therefore subject to the overall WPP plc financing arrangements. The Directors believe that the principal risks and uncertainties affecting the going concern for the Company are mitigated.

Financial risk management and principal risks and uncertainties

The Directors of the Company have considered the principal risks and uncertainties affecting the Company as at 31 December 2019 and up to date of this report. The principal risk(s) for the Company are shown below:

COVID-19 Pandemic

The coronavirus pandemic is adversely affecting and is expected to continue to adversely affect our business, revenues, results of operations, financial condition and prospects.

While we expect the impacts of Covid-19 to have an adverse effect on our business, financial condition and results of operations, we are unable to predict the extent or nature or duration of these impacts at this time.

We are continuing to manage the risk by constantly monitoring our working capital position, supporting actions to maintain liquidity including cost reduction and cash conservation.

The majority of our people are working remotely and maintaining services to our clients and using creativity to support clients to adjust their communications, and support governments and NGOs in mitigating the impact of Covid-19.

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Strategic report for the year ended 31 December 2019

Financial risk management and principal risks and uncertainties (continued)

Credit risk

We are subject to credit risk through the default of a client or other counterparty.

We commit to media and production purchases on behalf of some of our clients as principal or agent depending on the client and market circumstances. If a client is unable to pay sums due, media and production companies may look at us to pay those amounts and there could be an adverse effect on our working capital and operating cash flow.

A significant number of our clients and suppliers are adversely financially impacted by the Covid-19 pandemic and economic inactivity across markets in periods of lockdown. Clients may seek to renegotiate payment terms, ask for discounts or fail to honour their payment obligations which would have an adverse impact on our working capital and operating cash flow.

We are working closely with our clients during this period of economic uncertainty to ensure timely payment of services in line with contractual commitments and with vendors to maintain the settlement flow on media.

There is increased management processes to manage working capital and review cash outflows and receipts during the Covid-19 pandemic.

Currency risk

The Company's activities expose it to the financial risks of changes in foreign exchange rates. Overall, the Company has minimal exposure to currency risks due to it mainly transacting in Pounds sterling.

Loss of clients

We compete for clients in a highly competitive industry which has been evolving and undergoing structural change and is being adversely affected by the Covid-19 pandemic.

There are a range of impacts on our clients globally as a consequence of the Covid-19 pandemic. There is an increasing volume of cancellations in short term media and there is also a decline in project and retained work. New business pitches continue where the process was underway, but there is uncertainty over the future pipeline.

The risk of client loss or reduction in marketing budgets has increased significantly.

The Company manages the risk of client loss by providing value adding services, continuously improving our creative capabilities, and by seeking to secure long-term client relationships.

The management and leadership teams in the Company and Group are reviewing and monitoring the status of client losses and upcoming pitches for new clients. There is continuous engagement with our clients and suppliers through this period of uncertainty and reduction in economic activity.

The Company recruits and aims to retain the most talented people by supporting them to expand their skills and capabilities.

Brexit

Other principal risks include uncertainty in the global economy caused by the withdrawal of the United Kingdom from the European Union in 2020. The Directors have considered the impact of the United Kingdom's referendum on EU membership and have concluded that although this has led to uncertainty in the UK economy, this is not expected to significantly impact operations or performance in the short term.

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Strategic report for the year ended 31 December 2019

Financial risk management and principal risks and uncertainties (continued)

Retention of talented staff

The Company recruits and aims to retain the most talented people by supporting them to expand their skills and capabilities.

Cyber security and I.T. staff

The Company is reliant on third parties for the performance of a significant portion of our worldwide information technology and operations functions. A failure to provide these functions could have an adverse effect on our business.

A cyber-attack could result in disruption to our business or compromise the security of data. These could all have a legal, financial or reputational consequence on the Company.

With a majority of our people working remotely as a consequence of the Covid-19 pandemic, there is the potential of an increased risk of compromised data security and cyber-attacks.

The Company mitigates the risk of cyber security and I.T. breaches by adhering to strict information security protocol and by monitoring and logging our network and systems. We are also raising our people's security awareness through our training.

Key performance indicators (KPIs)

	2019	2018	Change
	£'000	£'000	%
Billings	788,175	776,146	1.5%
Revenue	94,234	104,458	(9.8%)
(Loss) / Profit before tax	(719)	11,689	(106.2%)
Net assets	46,777	46,085	1.5%

The Company 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 this Company, is discussed in the Group's annual report, which does not form part of this report. The financial statements of WPP plc are available at www.wppinvestor.com.

Directors' duty to promote the success of the Company

The Directors of the Company, as those of all UK companies, must act in accordance with section 172 of the UK Companies Act 2006. The Directors are of the opinion that they have acted fairly and in good faith to promote the success of the Company for the benefits of its members.

The Directors have carried out these duties and have made decisions and undertaken short and long term strategies to maintain its financial performance and position. The Directors continue to recognise the importance of the Company's partnership with all stakeholders, including employees, members, suppliers, customers and the community, as well as maintaining its high standards of business conduct and reputation.

Further details of the Company's engagement with external stakeholders is given in the Directors' report.

The Directors are of the opinion that the remaining details of how they meet their duty is in line with those reflected by the Directors of WPP plc in their Annual report. Refer to pages 104-105 of the Annual report of WPP plc available at wpp.com for more information on how the Group directors meet their duty.

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Strategic report for the year ended 31 December 2019

Post balance sheet events

In the period since 31 December 2019, the emergence and spread of Covid-19 has impacted the Group and its clients. The coronavirus pandemic is adversely affecting and is expected to continue to adversely affect our business, revenues, results of operations, financial condition and prospects.

The Company is continuing to monitor and review its liquidity and working capital. We are constantly reviewing cash outflows and receipts to monitor our position.

We are continuing to work closely with our clients to ensure timely payment for the services we have provided in line with contractual commitments.

Cost reduction and cash conservation measures have also been taken.

The majority of our people are remote working and maintaining services to our clients and using creativity to support clients to adjust their communications, and support governments and NGOs in mitigating the impact of Covid-19.

It is clear that the impact of Covid-19 on the business will be significant, but it is not possible at this stage to quantify the depth or duration of the impact.

Approved by the Board and signed on its behalf by,



T. Gaymer 03425312

T Gaymer
Director

22 December 2020

Mindshare Media UK Limited
(Registered number: 03425312)

Directors' report for the year ended 31 December 2019

The Directors present their annual report and audited financial statements for the Company for the year ended 31 December 2019.

Results

The Company's results for the financial year are shown in the income statement on page 12.

Directors and their interests

The Directors of the Company who were in office during the year and up to the date of signing the financial statements unless otherwise stated, were as follows:

T Gaymer
C Barlow
D Dickie
H McRae
N Morris

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business.

Directors' indemnity

Each of the Directors benefits from a third party qualifying indemnity given by the Company in respect of liabilities incurred by the Director in the execution and discharge of their duties. The provision remains in force throughout the financial year and up until the date of the report.

Employee engagement

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. This is achieved through formal and informal meetings, briefings and thorough group and Company communications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception. It is open to all employees who have at least two years' service for a Company wholly-owned by WPP. The WPP stock options are granted annually with the number granted at WPP's discretion. After three years, employees can choose whether to keep their options or buy WPP stock at the fixed option price. Options may be exercised for up to 10 years from the grant date.

Our non-discrimination and anti-harassment policies are included in the Group Code of Conduct.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, 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 with that of other employees.

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Directors' report for the year ended 31 December 2019

External stakeholder engagement

The Company recognises the importance of its continued partnerships with its wider stakeholders including suppliers and customers, in delivering its business strategy and sustainability goals. The Company aims to have an open and transparent relationship which is based on honesty and respect. The Company engages in constant conversation with clients and suppliers on improving delivery of services and relationships.

A detailed statement on the Group's external stakeholder engagement can be found in the Group's annual report which does make up part of this report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report including 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), 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 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.

The following items have been included in the Strategic report on pages 1 to 5:

- principal activities and future developments;
- review of business;
- dividends paid or declared;
- post balance sheet events;
- going concern statement; and
- financial risk management and principal risks and uncertainties.

Mindshare Media UK Limited
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Directors' report for the year ended 31 December 2019

Governance

The Company's approach to the Modern Slavery Act 2015 is set by the Group. As part of their governance, the Group reviewed and approved the approach to the Modern Slavery Act 2015 during 2016.

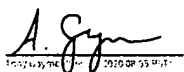
Disclosure of information to auditor

As far as each of the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and the Directors have taken all the steps that ought to have been taken to make themselves 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 of the Companies Act 2006.

Independent auditor

Deloitte LLP are deemed to be re-appointed in accordance with an elective resolution made under s487 of the Companies Act 2006.

Approved by the Board and signed on its behalf by,



T Gaymer
Director

22 December 2020

Mindshare Media UK Limited
(Registered number: 03425312)

Independent auditor's report to the members of Mindshare Media UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Mindshare Media UK Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss 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 which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

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 Financial Reporting Council's (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.

Mindshare Media UK Limited
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Independent auditor's report to the members of Mindshare Media UK 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Mindshare Media UK Limited
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Independent auditor's report to the members of Mindshare Media UK 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 Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In 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 Strategic report or 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.

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.

DocuSigned by:

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Mikhail Raikhman (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

22 December 2020

Mindshare Media UK Limited
(Registered number: 03425312)

Income statement
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Continuing operations			
Billings ¹		788,175	776,146
Revenue	4	94,234	104,458
Other operating income		23,485	24,562
Administrative expenses		(117,219)	(117,532)
Operating profit	5	500	11,488
Profit before interest and taxation		500	11,488
Finance income	8	188	285
Finance expense	9	(1,407)	(84)
Net finance (expense)/income		(1,219)	201
(Loss) / profit before taxation		(719)	11,689
Taxation	10	(101)	(6)
(Loss) / profit for the year		(820)	11,683

The results disclosed above for both the current year and prior year relate entirely to continuing operations.

The Company has no other comprehensive income during either the current year or prior year and therefore no separate statement to present other comprehensive income has been prepared.


¹ Billings is a management alternative performance measure and comprises the gross amounts billed to clients in respect of commission-based/fee-based income together with the total of other fees earned and recharge of third party costs.

Mindshare Media UK Limited
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Balance sheet
As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	11	1,686	2,209
Intangible assets	12	9,592	9,592
Right-of-use assets	13	31,122	-
Deferred tax asset	8	1,077	1,178
Total non-current assets		43,477	12,979
Current assets			
Inventories		15	47
Trade and other receivables	15	122,680	117,042
Prepayments and accrued income	16	43,888	48,678
Work in progress		333	-
Cash and cash equivalents		138,289	129,692
Total current assets		305,205	295,459
Total assets		348,682	308,438
Current liabilities			
Trade and other payables	17	(215,300)	(225,672)
Accruals and deferred income	18	(51,774)	(35,633)
Lease liabilities	14	(5,534)	-
Total current liabilities		(272,608)	(261,305)
Net current assets		32,597	34,154
Total assets less current liabilities		76,074	47,133
Non-current liabilities			
Other provisions	19	(1,196)	(1,048)
Lease liabilities	14	(28,101)	-
Total non-current liabilities		(29,297)	(1,048)
Total liabilities		(301,905)	(262,353)
Net assets		46,777	46,085
Equity			
Share capital	22	2,269	2,269
Share premium		1,800	1,800
Retained earnings		42,708	42,016
Shareholder's funds		46,777	46,085

The financial statements on pages 12 to 26 were approved by the Board of Directors on 22 December 2020 and signed on its behalf by:


Tony Gaymer (Dec 2020 08:55 PST)

T Gaymer
Director

Mindshare Media UK Limited
(Registered number: 03425312)

Statement of changes in equity
for the year ended 31 December 2019

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
As at 1 January 2018		2,269	1,800	28,324	32,393
Profit and total comprehensive income for the year		-	-	11,683	11,683
Non-cash settled share-based incentive plans	22	-	-	2,009	2,009
As at 31 December 2018		2,269	1,800	42,016	46,085
Total comprehensive loss for the year		-	-	(820)	(820)
IFRS 16 adjustment (Note 2)		-	-	5	5
Non-cash settled share-based incentive plans	22	-	-	1,507	1,507
As at 31 December 2019		2,269	1,800	42,708	46,777

Notes to the financial statements for the year ended 31 December 2019

1 Presentation of the financial statements

General information

The Company is a private company, limited by shares and is incorporated in the United Kingdom under the Companies Act 2006. The Company is registered in England and Wales. The address of the registered office is Central St Giles, 1 St Giles High Street, London, WC2H 8AR, United Kingdom.

The Company's principal and business activities, future development and a review of its performance and position are set out in the Strategic report on Pages 1 to 5.

2 Summary of significant accounting policies

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

2.01 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

These financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006.

The Directors believe that preparing the financial statements on the going concern basis is appropriate.

The Directors have assessed the potential impact that the global outbreak of Covid-19 has had on the liquidity, performance and financial position of the Company for at least the next 12 months.

The financial forecasts, budgets, cash flows and liquidity assessments have been re-assessed for at least the next 12 months. 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 including, but not limited to possible revenue declines as a result of the impact of Covid-19.

After making enquiries, the Directors believe that although Covid-19 will have an effect on the operational performance of the Company, there are reasonable expectations that the Company has adequate resources to continue in operational existence with low liquidity risk for at least the next 12 months from the date of signing the financial statements.

As at 31 December 2019, the Company had cash of £138,289,000, net current assets of £32,597,000 and net assets of £46,777,000 and can therefore meet its short and long-term obligations as they fall due.

Additionally, the Company is a subsidiary of WPP plc and is therefore subject to the overall WPP plc financing arrangements. The Directors believe that the principal risks and uncertainties affecting the going concern for the Company are mitigated.

Disclosure exemptions adopted

In preparing these financial statements the Company, as a qualifying entity, has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial instruments: disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a) (iv) of IAS 1;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment';
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period); and
 - paragraph 62(a) and (b) of IAS 40, 'Investment property'.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d); (statement of cash flows);
 - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or make a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirements for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A-D (requirements for a third balance sheet);
 - 111 (cash flow statement information); and
 - 134 - 136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group;
- Paragraph 134 and 135 of IAS 36, 'Impairment of assets'; and
- Second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from contracts with customers'.

Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

Amendments to International Financial Reporting Standards (IFRSs) and new Interpretations that are mandatorily effective for the current year

Impact of initial application of IFRS 16 Leases

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

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 are 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 requires the Company to recognise substantially all of its leases on the balance sheet.

The Company has adopted IFRS 16 effective 1 January 2019 on a modified retrospective basis 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 was not restated and continues to be reported under IAS 17 Leases. The right-of-use asset and lease liability were initially measured at the present value of the remaining lease payments, with the right-of-use asset being subject to certain adjustments. Depreciation of the right-of-use asset and recognition of interest on the lease liability in the 2019 income statement have replaced amounts recognised as rent expense under IAS 17.

The Company leases 2 floors within the same building and 1 piece of equipment.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 continues to be applied to those contracts entered before 1 January 2019. The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

(b) Impact on lessee accounting

(a) The company recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;

(b) The company recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss.

(c) Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (small items of office furniture and equipment's), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

(c) Financial impact of the initial application of IFRS 16

Impact on profit/(loss) for the year	2019 £'000
Depreciation of right-of-use asset - Buildings	(5,852)
Depreciation of right-of-use asset - Equipment	(10)
Increase in finance costs - Buildings	(1,245)
Increase in finance costs - Equipment	(2)
Decrease in other operating expenses	6,555
Decrease in profit for the year	(554)

Impact on assets, liabilities and equity as at 1 January 2019	As previously reported £'000	IFRS 16 adjustments £'000	As restated £'000
Right-of-use assets - Buildings	-	36,944	36,944
Right-of-use assets - Equipment	-	40	40
Impact on total assets	-	36,984	36,984
Lease liabilities - Buildings	-	(38,898)	(38,898)
Lease liabilities - Equipment	-	(44)	(44)
Accruals and deferred income	-	1,954	1,954
Impact on liabilities	-	(36,989)	(36,989)
Net impact on net assets	-	(5)	(5)
Net impact on retained earnings	-	5	5

Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

(c) Financial impact of the initial application of IFRS 16

Impact on assets, liabilities and equity as at 31 December 2019

	As restated £'000
Right-of-use assets- Buildings	31,092
Right-of-use assets- Equipment	30
Other net assets	-
Impact on total assets	31,122
Lease liabilities- Buildings	(33,600)
Lease liabilities- Equipment	(35)
Impact on total liabilities	(33,635)
Net impact on net assets	(2,513)
Net impact on retained earnings	2,513

The other amendments to accounting standards or IFRIC interpretations have not had any material impact on the disclosures or on the amounts reported in these financial statements.

2.02 Consolidation

The Company is a wholly owned subsidiary of the ultimate parent Company and as such has taken advantage of the exemption from preparing group financial statements under section 400 of the Companies Act 2006. It has also met all of the exemption conditions under section 400 of the Companies Act 2006. WPP plc, a Company incorporated in Jersey, is the Company's ultimate parent undertaking and controlling party. The largest group of undertakings for which group financial statements are prepared and which include the results of the Company are the consolidated financial statements of WPP plc. The registered address of WPP plc is Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES. Copies of the consolidated financial statements can be obtained from www.wppinvestor.com. The smallest group of undertakings for which group financial statements are prepared and which include the results of the Company are the consolidated financial statements of WPP Jubilee Limited, registered in the England and Wales. The registered address of WPP Jubilee Limited is Sea Containers House, 18 Upper Ground, London, SE1 9GL, United Kingdom. The immediate parent undertaking is WPP Toronto Limited. These financial statements are separate financial statements.

2.03 Functional and presentation currency

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The functional and presentation currency of the Company is Pounds Sterling (£).

2.04 Foreign currency transactions

Foreign currency transactions are booked in functional currency of the Company at the exchange rate prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated into functional currency at rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency denominated balances at year-end exchange rates are included in the income statement within Operating Expenses.

2.05 Revenue

Revenue comprises commissions and fees earned in respect of amounts billed and is stated exclusive of VAT, sales taxes and trade discounts. Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients, predominantly media and data collection costs. Costs to obtain a contract are typically expensed as incurred as the contracts are generally short-term in nature.

In most instances, promised services in a contract are not considered distinct or represent a series of services that are substantially the same with the same pattern of transfer to the customer and, as such, are accounted for as a single performance obligation. However, where there are contracts with services that are capable of being distinct, 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.

Revenue is recognised when a performance obligation is satisfied, in accordance with the terms of the contractual arrangement. Typically performance obligations are satisfied over time as services are rendered.

For our retainer arrangements, we have a stand ready obligation to perform services on an ongoing basis over the life of the contract. The scope of these arrangements are broad and generally are not reconcilable to another input or output criteria. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition. The amount of revenue recognised depends on whether we act as an agent or as a principal. Certain arrangements with our clients are such that our responsibility is to arrange for a third party to provide a specified good or service to the client. In these cases we are acting as an agent as we do not control the relevant good or service before it is transferred to the client. When we act as an agent, the revenue recorded is the net amount retained. Costs incurred with external suppliers (such as production costs and media suppliers) are excluded from revenue and recorded as work in progress until billed.

2.06 Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. A provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.07 Research and development

Research and development expenditure is charged to the income statement in the year in which it is incurred. Property, plant and equipment used for research and development are capitalised and depreciated in accordance with the Company's policy.

2.08 Finance income and expense

Finance income and expenses are recognised on an accruals basis using the effective interest method.

2.09 Share based payments

Incentives in the form of shares are provided to employees under share option and restricted share award schemes are fair-valued at their grant dates and the cost is charged to the income statement over the relevant vesting period. A credit is recognised directly in reserves.

2.10 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

2.11 Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office furniture and equipments). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is presented as a separate line on the balance sheet.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. Right-of-use asset are presented as a separate line on the balance sheet.

Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.11 Leases (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

(i) The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

(ii) The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

(iii) A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the year.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

2.12 Property, plant and equipment

Property, plant and equipment is stated at the historical cost of purchase or construction less provisions for depreciation and impairment. The historical cost includes expenditure that was directly attributable to the acquisition of the item. Financing costs are capitalised within the cost of qualifying assets in construction.

Depreciation is calculated to write off the cost of property, plant and equipment, excluding freehold land, using the straight-line basis over their expected useful lives to their residual values. The normal expected useful lives of the major categories of tangible fixed assets are:

Leasehold land, buildings and improvements	Lease term
Fixtures, fittings and equipment	3 to 10 years
Office equipment	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals or scrapping of an asset are determined by comparing the proceeds with the carrying amount, and they are recognised in "Operating expenses" in the income statement.

2.13 Goodwill

Goodwill is stated at cost less impairments. Goodwill is deemed to have an indefinite useful life and is tested for impairment at least annually.

2.14 Intangible assets

Intangible assets are stated at cost less a provision for amortisation and impairment.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as intangible fixed assets where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset. ERP systems software is amortised over seven to ten years and other computer software over three to five years.

2.15 Trade and other receivables

Trade and other receivables are amounts due from customers for service performed or goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are carried at original invoice amount less any provisions for doubtful debts.

Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade or other receivable is determined to be uncollectable it is written off, firstly against any provisions available and then to the income statement.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Subsequent recoveries of amounts previously provided for are credited to the income statement.

Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions, highly liquid investments with maturities of three months or less and bank overdrafts. Cash equivalents and liquid investments are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are initially recognised at fair value and then held at amortised cost using the effective interest method.

2.18 Provision for liabilities

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flows.

2.19 Pensions

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2.20 Share capital

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

2.21 Contract assets and liabilities

Contract asset is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement. Contract assets are recognised in prepayments and accrued income.

In certain cases, payments are received from customers prior to satisfaction of performance obligations and recognised as contract liabilities. They are typically related to prepayments for third party expenses. Contract liabilities are recognised in accruals and deferred income.

3 Critical accounting judgements and key sources of estimation uncertainty

In the opinion of the Directors there are no critical judgements or estimates that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

4 Revenue

Analysis of revenue by geography:

	2019	2018
	£'000	£'000
UK	63,713	72,617
Europe	23,167	25,239
Rest of the World	7,354	6,602
	94,234	104,458

The Company's revenue is derived entirely from media buying, planning and research services in the current and prior year.

5 Operating profit

	2019	2018
	£'000	£'000
The following items have been (charged)/credited to Operating profit:		
Depreciation of property, plant and equipment	(1,259)	(1,176)
Depreciation on right-of-use assets	(5,862)	-
Interest expense on lease liabilities	(1,247)	-
Exchange (losses) / gains on foreign currency transactions	(311)	445
Operating lease expenses	-	(6,594)
Audit fees payable to the Company's auditor for the audit of the financial statements	(112)	(105)

Other operating income primarily relates to the recharge of head office costs to fellow group undertakings.

There were no non-audit services provided by the Company's auditor in the current year or preceeding year.

Mindshare Media UK Limited
(Registered number: 03425312)

Notes to the financial statements for the year ended 31 December 2019

6 Employees

	2019 £'000	2018 £'000
Employee costs		
Wages and salaries	56,822	59,549
Social security costs	7,248	8,114
Pension costs- defined contribution plans	2,304	2,333
Share-based incentive plans	1,507	2,009
Severance and redundancy costs	171	766
Benefits and other employee costs	10,199	7,580
	78,251	80,351

	2019 number	2018 number
The average monthly number of persons employed by the Company (including Directors)		
Executive	35	34
Administration	863	834
	898	868

The average number of Company employees exclude temporary and contract staff.

7 Directors' remuneration

	2019 £'000	2018 £'000
Emoluments		
Company contribution to money purchase pension scheme	1,425	1,451
	58	74
Total	1,483	1,525

Retirement benefits accrued under the money purchase schemes for 4 Directors during the year ended 31 December 2019 (2018: 4 Directors).

The emoluments for the highest paid director are shown below:

	2019 £'000	2018 £'000
Emoluments		
Company contribution to money purchase pension scheme	520	623
Long-term incentives	13	30
	101	88
Total	634	741

8 Finance income

	2019 £'000	2018 £'000
Bank interest income	187	285
Total finance income	187	285

9 Finance expense

	2019 £'000	2018 £'000
Bank interest expense	152	59
Bank charges	9	25
Interest expense on finance lease liabilities	1,247	-
Total finance expense	1,407	84

Mindshare Media UK Limited
(Registered number: 03425312)

Notes to the financial statements for the year ended 31 December 2019

10 Taxation

	2019 £'000	2018 £'000
Income tax charge		
Current tax:		
UK corporation tax rate of 19.00% (2018: 19.00%)	-	6
Total current tax	-	6
Deferred tax		
Current year	101	-
Total deferred tax	101	-
Total tax charge for the year to the income statement	101	6

The tax assessed for the year differs from the corporation tax rate in the UK for the year ended 31 December 2019 of 19.00% (2018: 19.00%).

	2019 £'000	2018 £'000
Reconciliation of total tax charge for the year		
(Loss) / profit before taxation	(719)	11,689
Loss at the UK statutory rate of 19.00% (2018: 19.00%)	(137)	2,221
Effects of:		
Expenses not deductible for tax purposes	74	110
Capital allowances in excess of depreciation	(13)	(233)
Effect of share based payments	286	(189)
Adjustment to deferred tax charge in respect of previous periods	(13)	-
Deferred tax assets not recognised	-	(13)
Withholding tax incurred	-	6
Group relief transferred for nil consideration	(96)	(1,896)
Total tax charge for the year	101	6

The UK tax rate for the year ended 31 December 2019 is 19%. Further reductions to 17% to be effective 1 April 2020 were enacted as part of the Finance Act 2017 on 27 April 2017. A further change to the UK tax rate was substantively enacted on 17 March 2020 reversing the reductions to 17% meaning the applicable rate from 1 April 2020 now remains at 19%. However, as this change was substantively enacted after the balance sheet date the tax rate used for deferred tax purposes is 17%.

Movement in deferred tax asset

	£'000
At 1 January 2018 and 31 December 2018	1,178
Charge to the income statement	(101)
At 31 December 2019	1,077

A deferred tax asset has been recognised in respect of depreciation in excess of capital allowances and other timing differences. Deferred tax assets are recognised where it is probable that future taxable profits will be available to utilise the losses.

11 Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2019	5,676	2,210	1,795	9,681
Additions	584	85	67	736
At 31 December 2019	6,260	2,295	1,862	10,417
Accumulated depreciation				
At 1 January 2019	(4,456)	(1,564)	(1,452)	(7,472)
Charge for the year	(748)	(266)	(245)	(1,259)
At 31 December 2019	(5,204)	(1,830)	(1,697)	(8,731)
Net book value at 1 January 2019	1,220	646	343	2,209
Net book value at 31 December 2019	1,056	465	165	1,686

Notes to the financial statements for the year ended 31 December 2019

12 Intangible assets

	Goodwill £'000
Cost and carrying value at 1 January 2019 and at 31 December 2019	9,592

All goodwill is allocated to one cash generating unit, being the trade of the Company in the provision of media buying and planning services. This represents the lowest level within the Company at which goodwill is monitored for internal management purposes. No goodwill was allocated to the other cash-generating unit, the "Head office function of the global Mindshare network".

The recoverable amount of the cash generating unit has been determined based on a value-in-use calculation using cash flow projections based on the Directors' best estimate of future cash flows from the Company's trading operations. These forecasts cover a three year period, after which the cash flows are extrapolated for a further 10 years using a growth rate of 2.0%, being the long-term growth rate for the Company. The resulting cash flows are discounted to present value using a discount rate of 5.5%.

The calculation of value in use is most sensitive to the following assumptions:

- Profit levels
- Discount rate
- Terminal growth rate

The profit levels are internal forecasts based on both internal and external market information, past experience and adjusted for expected changes. The discount rate used is based on the WPP Group calculated weighted average cost of capital for the market that most closely reflects the activities of the Company. The terminal growth rates are based on WPP Group terminal growth rates for the market that most closely reflects the activities of the Company.

13 Right-of-use assets

	Buildings £'000	Equipment £'000	Total £'000
Cost			
At 1 January 2019 - Restated	36,944	40	36,984
At 31 December 2019	36,944	40	36,984
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	(5,852)	(10)	(5,862)
At 31 December 2019	(5,852)	(10)	(5,862)
Carrying amount			
At 1 January 2019 - Restated	36,944	40	36,984
At 31 December 2019	31,092	30	31,122

The Company leases 2 floors within the same building. The lease term is 6.36 years of which 5.14 years remains (2018: 6.14 years).

14 Lease liabilities

	2019 £'000	2018 £'000
Maturity analysis:		
Year 1	5,534	-
Year 2	5,125	-
Year 3	5,307	-
Year 4	5,505	-
Year 5	5,701	-
Onwards	6,463	-
	33,635	-

Lease liabilities are presented in the statement of financial position as follows:

	2019 £'000	2018 £'000
Current	5,534	-
Non-current	28,101	-
	33,635	-

Notes to the financial statements for the year ended 31 December 2019

15 Trade and other receivables

	2019 £'000	2018 £'000
Amounts due within one year		
Trade receivables	92,734	92,646
Amounts owed by Group undertakings	29,191	24,346
Other receivables	754	50
	122,679	117,042

The amounts owed by group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

16 Prepayments and accrued income

	2019 £'000	2018 £'000
Amounts due within one year		
Prepayments	2,602	3,222
Accrued income	41,286	45,456
	43,888	48,678

17 Trade and other payables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Trade payables	141,485	158,020
Amounts owed to Group undertakings	61,047	59,586
Other tax and social security	12,768	8,066
	215,300	225,672

Amounts owed to Group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

18 Accruals and deferred income

	2019 £'000	2018 £'000
Amounts falling due within one year		
Accruals	49,931	26,368
Deferred income	1,843	2,095
	51,774	35,633

19 Provisions for liabilities

The Company had the following provisions during the year:

	Dilapidations £'000
At 1 January 2018	708
Charge for the year	340
At 31 December 2018	1,048
Charge for the year	148
At 31 December 2019	1,196

Notes to the financial statements for the year ended 31 December 2019

20 Pensions

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to the income statement of £2,304,000 (2018: £2,333,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. There are £nil outstanding or prepaid contributions at the balance sheet date (2018: £nil).

21 Share based payments

WPP Share Option Plan

The WPP Share option plan grants options to employees who have worked at a Company owned by WPP plc for at least two years which are not subject to performance conditions or on a discretionary basis subject to the satisfaction of performance conditions.

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.

Restricted stock scheme

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)

Performance share awards have replaced the Executive share awards (ESA). Grants of stock under PSA 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 that 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 for key executives. Performance conditions include continued employment over a three-year vesting period.

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 incentivize 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 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.

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 depending 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 performance of 10% average annual ROE, maximum performance of 14%, with a sliding scale for performance in between. Threshold again gives rise to a 20% vest with 100% for maximum.

The share based compensation charge has been recorded in the income statement as operating expenses of £1,506,950 (2018: £2,009,000).

Notes to the financial statements for the year ended 31 December 2019

21 Share based payments (continued)

The average share price of WPP plc for the year ended 31 December 2019 was £9.39 (2018: £11.56).

Options granted

<u>PSA</u>		Number	Weighted exercise price £	Weighted fair value £
Options granted	2018	81,129	12.47	1,011,273
Options granted	2019	149,360	9.58	1,430,869

Leaders, Partners and High Potential Group

		Number	Weighted exercise price £	Weighted fair value £
Options granted	2018	44,494	8.14	362,359
Options granted	2019	35,402	9.50	336,319

Special Share Awards

		Number	Weighted exercise price £	Weighted fair value £
Options granted	2018	34,998	8.28	289,932
Options granted	2019	-	-	-

EPSP

		Number	Weighted exercise price £	Weighted fair value £
Options granted	2018	-	-	-
Options granted	2019	70,889	9.90	701,801

22 Share capital

	2019 Number of shares	2018 Number of shares	2019 £'000	2018 £'000
Issued and fully paid				
Ordinary shares of 100p each (2018: 100p each)	2,269,002	2,269,002	2,269	2,269
	2,269,002	2,269,002	2,269	2,269

23 Syndicated banking arrangement

The Company participates in group banking arrangements with its ultimate parent Company, WPP plc, and has access to a group cash management facility. The Company guarantees the facility to the extent of its cash deposited in the UK with its clearing bank. The Company, together with its ultimate parent Company, WPP plc, and certain other subsidiary undertakings, is a party to the group's syndicated banking arrangements. The Company has jointly and severally guaranteed the borrowings under these arrangement. Details of these arrangements are included in the financial statements of WPP plc.

24 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, WPP plc, advantage has been taken of the exemption afforded by FRS 101 'Reduced disclosure framework' not to disclose any related party transactions with other wholly owned members of the Group, or information around remuneration of key management personnel compensation. During the year, the Company recharged costs to MSix Communications Limited, a counterparty to a profit share agreement with the Company. The amounts owed to the Company by MSix for the share of profits for the year ended 31 December 2019 amounted to £1,543,115 (2018: £765,906).

25 Post balance sheet events

In the period since 31 December 2019, the emergence and spread of Covid-19 has impacted the Group and its clients. The coronavirus pandemic is adversely affecting and is expected to continue to adversely affect our business, revenues, results of operations, financial condition and prospects.

The Company is continuing to monitor and review its liquidity and working capital. We are constantly reviewing cash outflows and receipts to monitor our position.

We are continuing to work closely with our clients to ensure timely payment for the services we have provided in line with contractual commitments.

Cost reduction and cash conservation measures have also been taken.

The majority of our people are remote working and maintaining services to our clients and using creativity to support clients to adjust their communications, and support governments and NGOs in mitigating the impact of Covid-19.

It is clear that the impact of Covid-19 on the business will be significant, but it is not possible at this stage to quantify the depth or duration of the impact.