

Company Registration No. 45810

Ogilvy & Mather Group (Holdings) Limited

Report and Financial Statements

31 December 2011



Ogilvy & Mather Group (Holdings) Limited

Report and financial statements 2011

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Ogilvy & Mather Group (Holdings) Limited

Report and financial statements 2011

Officers and professional advisers

Directors

C P Sweetland
D Sicouri
R Clementson
S Lepley
L Collinet
A Tourtoulou
J Barnes-Austin
P O'Donnell

Secretary

WPP Group Nominees Ltd

Registered Office

10 Cabot Square
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London
E14 4QB

Bankers

National Westminster Bank Plc
Law Courts
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PO Box 10720
217 Strand
London
WC2R 1AL

Solicitors

Squire Sanders (UK) LLP
7 Devonshire Square
Cutlers Gardens
London
EC2M 4YH

Auditor

Deloitte LLP
Chartered Accountants
London

Ogilvy & Mather Group (Holdings) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activity

The principal activity of the company is to provide advertising and allied services

Business review

The company is a wholly owned subsidiary of WPP plc and operates as part of the group's Ogilvy & Mather network

There have not been any significant changes in the company's principal activities in the year under review. 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

As shown in the company's profit and loss account on page 7, the company's turnover has increased by 14%, gross profit has increased by 32% and operating profit is up from £4,321,000 to £11,681,000 (a 270% increase) on prior year. Growth has come from retention and development of existing client relationships as well as new business

There are no significant events which have occurred since the balance sheet date

The WPP group manages its operations on a network basis. 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 the Ogilvy & Mather Worldwide network, which includes divisions of the company, are discussed in the WPP plc Annual Report which is published separately and does not form part of this Report

Going concern

The financial statements have been prepared on a going concern basis, on reaching this conclusion, the directors have considered the fact the company is profitable and has net assets and net current assets, and that the company is forecasting to be cash generative and continue in operational existence for the foreseeable future

Results and dividends

The profit for the financial year was £13,659,000 (2010 £7,423,000)

The directors have approved the payment of a dividend on the ordinary shares in the year of £6,675,000 (2010 £20,000,000). A statement of movements in shareholders' funds is given in note 19 to the financial statements

Directors

The directors who served throughout the year are shown on page 1

Supplier payment policy

The company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, and to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 December 2011 were equivalent to 57 (2010 51) days' purchases, based on year end trade creditors measured against total purchases invoiced to the company in the year

Charitable contributions

During the year, donations made by the company in the United Kingdom for charitable purposes, amounted to £47,000 (2010 £38,000)

Ogilvy & Mather Group (Holdings) Limited

Directors' report – (continued)

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.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the company magazine and a special edition for employees of the annual accounts. 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 in 1997. 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 ten years from the grant date.

Principal risks and uncertainties

The company's sales in Europe and the rest of the world are made in foreign currency and the company is therefore exposed to the movement of these currencies against the Pound exchange rate. The company does have overdraft arrangements and therefore is subject to interest rate risk exposure.

WPP plc, the ultimate parent company, takes out contracts to manage this risk at group level.

Group risks are discussed in the group's Annual Report which does not form part of this report.

Financial risk management

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund obligations as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk.

Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet, the only financial risks the directors consider relevant to this company are interest rate risk, foreign exchange risk and credit risk. Key management mitigate these risks by regular monitoring throughout the year.

Disclosure of information to auditor

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

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

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

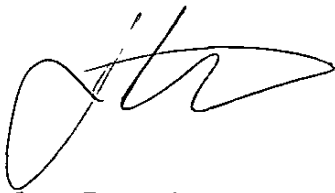
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Directors' report – (continued)

Auditor

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

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

A handwritten signature in black ink, appearing to read 'JBA', written over a large, faint, stylized watermark or background mark.

James Barnes-Austin
Director
19 July 2012

Ogilvy & Mather Group (Holdings) Limited

Statement of directors' responsibilities

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

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

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

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

Independent auditor's report to the members of Ogilvy & Mather Group (Holdings) Limited

We have audited the financial statements of Ogilvy & Mather Group (Holdings) Limited for the year ended 31 December 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of 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. 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

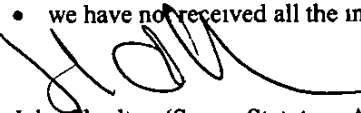
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Ogilvy & Mather Group (Holdings) Limited – (continued)

Matters on which we are required to report by exception

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

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



John Charlton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

19 July 2012

Ogilvy & Mather Group (Holdings) Limited

Profit and loss account Year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Turnover	2	242,097	211,771
Cost of sales		<u>(138,005)</u>	<u>(132,700)</u>
Gross profit		104,092	79,071
Administrative expenses		<u>(92,411)</u>	<u>(74,750)</u>
Operating profit		11,681	4,321
Finance income	3	<u>2,072</u>	<u>2,707</u>
Profit on ordinary activities before taxation	4	13,753	7,028
Tax charge on profit on ordinary activities	7	<u>(94)</u>	<u>395</u>
Profit for the financial year	18	<u><u>13,659</u></u>	<u><u>7,423</u></u>

All results arose from continuing activities

The accompanying notes are an integral part of this profit and loss account

Ogilvy & Mather Group (Holdings) Limited

Statement of total recognised gains and losses Year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Profit for the financial year		13,659	7,423
Actuarial (loss)/gain relating to the defined benefit pension scheme	20	(11,634)	3,254
Total recognised gains and losses relating to the year		<u>2,025</u>	<u>10,677</u>

The accompanying notes are an integral part of this statement of total recognised gains and losses

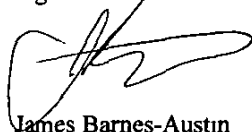
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Balance sheet 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	8	56	102
Tangible assets	9	5,017	5,276
Investments	10	17,655	17,655
		<u>22,728</u>	<u>23,033</u>
Current assets			
Work-in-progress	11	13,936	10,053
Debtors – due within one year	12	56,355	54,635
Debtors – due after one year	13	181,364	179,062
Cash at bank and in hand		44,132	37,521
		<u>295,787</u>	<u>281,271</u>
Creditors: amounts falling due within one year	14	<u>(96,498)</u>	<u>(77,704)</u>
Net current assets		<u>199,289</u>	<u>203,567</u>
Total assets less current liabilities		<u>222,017</u>	<u>226,600</u>
Creditors: amounts falling due after more than one year	15	<u>(32,453)</u>	<u>(35,989)</u>
Provisions for liabilities	16	<u>(2,353)</u>	<u>(1,928)</u>
Net assets excluding pension liability		<u>187,211</u>	<u>188,683</u>
Pension liability	20	<u>(2,978)</u>	<u>(940)</u>
Net assets including pension liability		<u>184,233</u>	<u>187,743</u>
Capital and reserves			
Called up share capital	17	124,200	124,200
Share premium account	18	323	323
Other reserves	18	28,632	28,632
Profit and loss account	18	31,078	34,588
Shareholders' funds	19	<u>184,233</u>	<u>187,743</u>

These financial statements of Ogilvy & Mather Group (Holdings) Limited, company registration number 45810, were approved by the Board of Directors on 19 July 2012

Signed on behalf of the Board of Directors



James Barnes-Austin

Director

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

1. Accounting policies

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

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies are set out below. These have all been applied consistently throughout the year and the preceding year. The financial statements are prepared on a going concern basis as described in more detail in the Directors' Report.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly-owned subsidiary of WPP plc, incorporated in Jersey, which prepares consolidated financial statements which are publicly available.

Under the provisions of Financial Reporting Standard 1, the company has not prepared a cash flow statement because its ultimate parent, WPP plc, has prepared consolidated financial statements which are publicly available.

The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of WPP plc or investees of the group qualifying as related parties, where 100% of those voting rights are controlled within the group.

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 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.

Intangible assets – goodwill

Goodwill represents the excess of the fair value of the consideration given to investments in businesses over the fair value of the identifiable net assets at the date of their acquisition. Goodwill is capitalised as an intangible asset.

Goodwill, where applicable, is amortised on a straight-line basis over its useful life up to a 15-year period from the date of acquisition. Provision is made for any impairment.

Intangible assets – intellectual property

Intellectual property is included at cost and amortised on a straight-line basis over a period of five years based on its estimated useful economic life. Provision is made for any impairment.

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

1. Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment in value

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 expected useful life, as follows

Short leasehold buildings	length of lease
Fixtures, fittings and equipment	3 to 10 years

Residual value is calculated on prices prevailing at the date of acquisition. Tangible fixed assets under construction are not depreciated until they enter service

Investments

Fixed asset investments are shown at cost less amounts written off. Provision is made for impairment in value

Investments in subsidiary undertakings are shown at cost. Subsequent to their purchase, the trade and assets of certain subsidiary undertakings were transferred to the company. These subsidiary undertakings are now dormant agents for the company. Provision is made against the cost of these investments if there has been impairment in value in the underlying trades subsequent to their transfer. The names of these subsidiary undertakings are given in note 10 to the accounts

Stocks and work-in-progress

Work-in-progress comprises the accumulated cost of uncompleted production work not yet billed to clients, after making appropriate provisions for irrecoverable expenditure. Raw materials and consumables are stated at the lower of cost and net realisable value

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. The company is part of a UK group and accordingly may take advantage of the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other companies in the group. The group's policy is that no payment will be made for tax losses surrendered under the group relief provisions

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

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

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

Turnover

Turnover represents the total amount accrued and invoiced to clients in respect of charges for advertising and allied services (excluding trade discounts, VAT and similar taxes) in the normal course of business. Retainer fees are recognised on a straight line basis, and project fees are recognised on a percentage completion basis

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

1. Accounting policies (continued)

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

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

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Leases

Rentals payable under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis. Further information on charges in the year and future commitments is given in note 21.

2. Segment information

The activities of the company during 2011 and 2010 were principally related to the provision of advertising and allied services. The directors believe that such activities comprise a unified class of business, which cannot be further analysed into segments.

The analysis of turnover by geographical destination is as follows:

	2011 £'000	2010 £'000
UK	185,516	148,207
Rest of Europe	24,850	28,052
Rest of World	31,731	35,512
	<u>242,097</u>	<u>211,771</u>

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

3. Finance income

	2011 £'000	2010 £'000
Finance income (net)		
Investment income	3,092	4,737
Interest payable and similar charges	(215)	(238)
Financing costs of non-equity shares	(318)	(299)
Non-cash share based incentive plans (see note 6)	(928)	(643)
Net finance cost on pension scheme (see note 20)	441	(850)
	<u>2,072</u>	<u>2,707</u>
Investment income		
Interest receivable from group undertakings	3,279	4,733
Other interest receivable and similar income	1	4
Equity Income	(188)	-
	<u>3,092</u>	<u>4,737</u>
Interest payable and similar charges		
On bank loans and overdrafts, and other loans repayable within five years, not by instalments	85	-
On loans from group undertakings	130	238
	<u>215</u>	<u>238</u>
Financing costs of non-equity shares		
Class A 1% cumulative preference shares		
Interim paid	126	133
Final paid	133	125
Class B 1% cumulative preference shares		
Interim paid	16	16
Final paid	17	15
Class C 1% cumulative preference shares		
Interim paid	13	13
Final paid	13	13
	<u>318</u>	<u>315</u>

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2011 £'000	2010 £'000
Depreciation of tangible fixed assets owned (note 9)	1,489	1,452
Amortisation of goodwill and intellectual property (note 8)	103	304
Operating lease rentals		
- plant and machinery	603	496
- other	-	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>446</u>	<u>304</u>

Fees payable to Deloitte LLP for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis

5. Staff costs

Particulars of amounts paid to employees (including executive directors) are as shown below

	2011 £'000	2010 £'000
Wages and salaries	63,670	50,755
Social security costs	6,949	5,436
Other pension costs defined benefit scheme		
- Amounts within operating profit (see note 20)	152	165
- Amounts included as other finance charges (see note 3)	<u>(441)</u>	<u>850</u>
	(289)	1,015
Other pension costs defined contribution scheme	<u>2,564</u>	<u>2,013</u>
	<u>72,894</u>	<u>59,219</u>

The average monthly number of persons employed by the company during the year, all of whom were employed within advertising and allied services, was

2011 No.	2010 No.
<u>785</u>	<u>650</u>

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

5. Staff costs (continued)

Directors' remuneration:

Remuneration in respect of directors of the company was as follows

	2011 £'000	2010 £'000
Emoluments	1,367	1,340
Compensation for loss of office	-	-
Company contributions to money purchase pension schemes	68	65
	<u>1,435</u>	<u>1,405</u>

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes. The number of directors who exercised share options in the period was nil (2010 nil). The number of directors who received shares under a long term incentive scheme was six (2010 six).

Pensions

The number of directors who were members of pension schemes was as follows

	2011 No.	2010 No.
Money purchase schemes	<u>2</u>	<u>3</u>

Highest paid director

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

	2011 £'000	2010 £'000
Emoluments and long-term incentive schemes	463	450
Compensation	-	-
Company contributions to money purchase pension schemes	45	30
	<u>508</u>	<u>480</u>

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

6. Share-based payments

The company charged £928,000 to the profit and loss account in the year ended 31 December 2011 (2010 £643,000) in relation to equity-settled share-based payments

Stock option plans

There are two stock option plans in which certain employees participate. The Worldwide Share Ownership Programme 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 under this scheme, 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 2011 and 2010 was not material.

Restricted stock schemes

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

Performance Share Awards (PSA)/Long-Term Incentive Plan Awards (LTIP)

Grants of stock under PSA and LTIP are dependent upon annual performance targets, typically based on one or more of operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement, and will vest two years after grant provided the individual concerned is continually employed by a WPP company throughout this time. In 2011, the company made grants as LTIP awards whereas in previous years grants were made as PSA. There is no significant difference in the terms and conditions of these plans.

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 from each award granted.

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.

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

6. Share-based payments (continued)

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

	2011	2010
PSA		
Number of shares granted	85,879	-
Weighted average fair value at grant date	£7 69	-
Leaders, Partners and High Potential Group		
Number of shares granted	64,576	81,758
Weighted average fair value at grant date	£6 62	£7 25

7. Tax charge on profit on ordinary activities

(a) The tax charge comprises:

	2011 £'000	2010 £'000
Current tax		
Withholding tax suffered	94	-
Adjustment in respect of prior years	-	(395)
Total current tax	<u>94</u>	<u>(395)</u>
Deferred tax		
Origination and reversal of timing differences		
- movements in timing differences on defined benefit scheme	-	-
- adjustment to estimated recoverable amount of deferred tax asset arising in previous periods	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax charge on profit on ordinary activities	<u><u>94</u></u>	<u><u>(395)</u></u>

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

7. Tax charge on profit on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	13,753	7,028
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 26.5% (2010 28%)	3,645	1,968
Effects of		
Expenses not deductible for tax purposes	277	57
Accelerated capital allowances	184	183
Movement on short-term timing differences	(2,543)	(2,258)
Prior year adjustment	-	(395)
Group relief claimed for nil consideration	(1,037)	50
Use of brought forward losses	(526)	-
Withholding tax suffered	94	-
Current tax charge for year	<u>94</u>	<u>(395)</u>

(b) Deferred tax asset:

No deferred tax asset has been recognised in respect of capital allowances in excess of depreciation and other timing differences of £2,215,000 (2010 £1,582,000) as recoverability in the short term is uncertain. Additionally there are unrecognised deferred tax assets of £745,000 (2010 £254,000) in respect of the pension liability, £496,000 in respect of tax losses carried forward and £348,000 in respect of share based payments.

Deferred tax in respect of the company's defined benefit pension scheme is disclosed in note 20.

8. Intangible assets

	Intellectual property £'000
Cost	
At 1 January 2011	1,509
Additions	57
Disposals	-
At 31 December 2011	<u>1,566</u>
Amortisation	
At 1 January 2011	1,407
Charge for the year	103
Disposals	-
At 31 December 2011	<u>1,510</u>
Net book value	
At 31 December 2011	<u>56</u>
At 31 December 2010	<u>102</u>

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

9. Tangible fixed assets

	Leasehold buildings £'000	Fixtures, fittings, and equipment £'000	Total £'000
Cost			
At 1 January 2011	13,500	4,190	17,690
Additions	176	1,060	1,236
Disposals	-	(997)	(997)
	<u>13,676</u>	<u>4,253</u>	<u>17,929</u>
At 31 December 2011			
Depreciation			
At 1 January 2011	9,254	3,160	12,414
Charge for the year	794	695	1,489
Disposals	-	(991)	(991)
	<u>10,048</u>	<u>2,864</u>	<u>12,912</u>
At 31 December 2011			
Net book value			
At 31 December 2011	<u>3,628</u>	<u>1,389</u>	<u>5,017</u>
At 31 December 2010	<u>4,246</u>	<u>1,030</u>	<u>5,276</u>

10. Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2011 and at 31 December 2011	17,655
Provisions for impairment in value	
At 1 January 2011 and at 31 December 2011	-
Net book value	
At 1 January 2011 and at 31 December 2011	<u>17,655</u>

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

10. Fixed asset investments (continued)

Principal subsidiary undertakings

The subsidiaries, in which the company holds the following beneficial interests, are listed below

	Share of capital		Country of incorporation
	Equity %	Preference %	
Ogilvy Advertising Limited	100	-	Great Britain
OgilvyOne Worldwide Limited	100	-	Great Britain
Ogilvy & Mather Partners Limited	100	-	Great Britain
Ogilvy Public Relations Worldwide Limited	100	100	Great Britain
Creative Services Unit Limited	100	-	Great Britain
Ogilvy Primary Contact Limited	100	-	Great Britain
OgilvyOne Dataconsult Limited	100	-	Great Britain
OgilvyOne Management Services	100	-	Great Britain
Artwork Direct Limited	100	-	Great Britain
Ogilvy & Mather Europe Limited	100	-	Great Britain
Ogilvy & Mather Consulting Limited	100	-	Great Britain
Research International Group Limited	100	-	Great Britain
AdWorks Limited	100	-	Great Britain

The above subsidiary undertakings are shown at cost less provision for impairment in value and are dormant agents for the company

The company also holds the following investments in subsidiaries

	Share of capital		Country of incorporation
	Equity %	Preference %	
S H Benson International Limited	100		Great Britain

11. Work-in-progress

	2011 £'000	2010 £'000
Work-in-progress	13,936	10,053

12. Debtors falling due within one year

	2011 £'000	2010 £'000
Trade debtors	34,161	32,834
Amounts owed by group undertakings	13,572	15,798
Prepayments and other debtors	8,622	6,003
	<u>56,355</u>	<u>54,635</u>

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

13. Debtors falling due after more than one year

	2011 £'000	2010 £'000
Amounts owed by group undertakings	181,364	179,062

14. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	21,525	18,509
Amounts owed to group undertakings	18,703	16,226
Other creditors		
- VAT	5,419	1,451
- social security and PAYE	2,796	2,091
- other creditors and accruals	21,487	15,677
Financing costs of non-equity share capital	154	154
Deferred income	26,414	23,596
	<u>96,498</u>	<u>77,704</u>

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

	2011 £'000	2010 £'000
Amounts owed to group undertakings	2,366	5,239
Non-equity share capital	30,075	30,789
Trade creditors/ Other	12	(39)
	<u>32,453</u>	<u>35,989</u>
Called up, allotted and fully paid non-equity share capital		
19,594,846 'A' cumulative preference redeemable shares of FFr10 each	24,453	25,086
2,450,890 1% 'B' cumulative redeemable preference shares of FFr10 each	3,122	3,203
250,000 1% 'C' cumulative preference shares of £10 each	2,500	2,500
	<u>30,075</u>	<u>30,789</u>

Holders of the cumulative preference shares have identical voting rights to ordinary shareholders with one vote for every share held. They are also entitled to a fixed cumulative preference dividend of 1% (net of associated tax credit) per annum on each share fully paid or fully credited. The 'B' fixed rate cumulative redeemable preference shares may be redeemed at par together with any arrears of dividend at any time (but no later than 24 August 2050) at the option of the company or preference shareholders.

The 'B' shares rank after the 'A' and 'C' shares for dividends and in their rights on winding up.

There are no formal repayment plans in place in respect of amounts owed to group.

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

16. Provisions for liabilities

	2011 £'000	2010 £'000
At 1 January	1,928	1,557
Additional provision	425	371
	<u>2,353</u>	<u>1,928</u>
At 31 December	<u>2,353</u>	<u>1,928</u>

Relates to the reinstatement of 10 Cabot Square London E14 4QB The provision will be utilised over 10 years, ending in August 2016

17. Called up share capital

	2011 £'000	2010 £'000
Authorised equity share capital		
149,400,000 ordinary shares of £1 each	149,400	149,400
Authorised non-equity share capital		
30,000,000 1% 'A' fixed rate cumulative redeemable preference shares of FFr10 each	36,188	36,188
15,000,000 1% 'B' fixed rate cumulative redeemable preference shares of FFr10 each	15,000	15,000
1,000,000 1% 'C' fixed rate cumulative preference shares of £10 each	10,000	10,000
1,000,000 1% 'D' fixed rate cumulative preference shares of £10 each	10,000	10,000
1,000,000 1% 'E' fixed rate cumulative preference shares of £10 each	10,000	10,000
1,000,000 1% 'F' fixed rate cumulative preference shares of £10 each	10,000	10,000
	<u>240,588</u>	<u>240,588</u>
Called up, allotted and fully paid equity share capital		
124,200,002 ordinary shares of £1 each	<u>124,200</u>	<u>124,200</u>

Holders of the cumulative preference shares have identical voting rights to ordinary shareholders with one vote for every share held. They are also entitled to a fixed cumulative preference dividend of 1% (net of associated tax credit) per annum on each share fully paid or fully credited. The 'B' fixed rate cumulative redeemable preference shares may be redeemed at par together with any arrears of dividend at any time (but no later than 24 August 2050) at the option of the company or preference shareholders.

The 'B' shares rank after the 'A' and 'C' shares for dividends and in their rights on winding up.

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

18. Reserves

	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2011	323	28,632	34,588	63,543
Actuarial loss relating to the defined benefit pension scheme	-	-	(11,634)	(11,634)
Non-cash share based incentive plans	-	-	928	928
Non-cash share based incentive plans in respect of prior periods	-	-	212	212
Dividends paid on equity shares	-	-	(6,675)	(6,675)
Profit for the financial year	-	-	13,659	13,659
At 31 December 2011	<u>323</u>	<u>28,632</u>	<u>31,078</u>	<u>60,033</u>

Pension reserve

	2011 £'000	2010 £'000
Profit and loss reserve excluding pension liability	34,056	35,528
Amount relating to defined benefit pension scheme liability (see note 20)	(2,978)	(940)
	<u>31,078</u>	<u>34,588</u>

19. Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	13,659	7,423
Other recognised gains and losses relating to the year (net)	(11,634)	3,254
Dividends paid on equity shares	(6,675)	(20,000)
Non-cash share based incentive plans	1,140	643
Foreign currency translation	-	37
Net decrease to shareholders' funds	(3,510)	(8,643)
Opening shareholders' funds	<u>187,743</u>	<u>196,386</u>
Closing shareholders' funds	<u>184,233</u>	<u>187,743</u>

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

20. Pension arrangements

The company provides a number of pension schemes the costs of which are analysed as follows

	2011 £'000	2010 £'000
Defined contribution schemes	2,564	2,013
Defined benefit schemes	152	165
	<u>2,716</u>	<u>2,178</u>

Defined contribution schemes

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

In respect of the defined contribution schemes, the company made payments to personal pension plans, for which the pension cost for the year amounted to £2,564,000 (2010 £2,013,000).

Defined benefit schemes

The company provides pension arrangements to full-time employees through a defined benefit scheme and the related costs are assessed in accordance with the advice of professionally qualified actuaries.

The company operates a defined benefit scheme in the UK, the Ogilvy & Mather Group Pension and Life Assurance Plan. A full actuarial valuation was carried out on 25 February 2006 and updated to 31 December 2009 by a qualified actuary.

The scheme is closed to new members and, as a result, has an ageing population. In accordance with Financial Reporting Standard 17, the actuarial calculations have been carried out using the Projected Unit Method. In these circumstances, use of this method implies that the contribution rate implicit in the current service cost will increase in future years.

The contribution rates of the scheme are

	<u>% of Pensionable salaries per annum</u>		
	General Grade	Management Grade	Senior Management Grade
Up to 31 May 2010	19.0	26.0	50.0
From 1 June 2010	21.5	27.7	-

These contributions include an allowance for the cost of insuring death in service benefits for scheme members and administrative expenses.

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

20. Pension arrangements (continued)

Assumptions

The main assumptions used for the actuarial valuations at 31 December are shown in the following table

	2011 % pa	2010 % pa	2009 % pa	2008 % pa	2007 % pa
Discount rate	5.40	5.70	6.00	5.80	5.80
Rate of increase in salaries	3.40	3.50	3.00	4.75	4.75
Rate of increase in pensions in payment	5.00	5.00	5.00	5.00	5.00
Inflation	3.40	3.50	2.80	2.80	3.25
Expected rate of return on equities	7.50	7.50	7.50	7.25	7.25
Expected rate of return on bonds	4.70	5.40	5.42	4.90	5.25
Expected rate of return on property	0.00	0.00	0.00	0.00	0.00
Expected rate of return on cash	4.95	5.69	6.13	5.98	4.75

Assets and liabilities

At 31 December, the fair value of the assets in the schemes, and the assessed present value of the liabilities in the schemes are shown in the following table

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Equities	42,310	45,006	34,596	29,402	36,944
Bonds and insured pensions	90,246	77,926	74,649	65,322	60,650
Property	-	-	-	-	-
Cash	11,430	8,617	4,602	700	2,770
Total fair value of assets	143,986	131,549	113,847	95,424	100,364
Present value of scheme liabilities	(146,964)	(132,489)	(126,106)	(112,555)	(115,341)
Deficit in the scheme	(2,978)	(940)	(12,259)	(17,131)	(14,977)
Related deferred tax asset	-	-	-	-	-
Net pension liability	(2,978)	(940)	(12,259)	(17,131)	(14,977)

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

20. Pension arrangements (continued)

Movements in the present value of defined benefit obligations were as follows

	2011 £'000	2010 £'000
At 1 January	132,489	126,106
Service cost	152	165
Interest cost	7,030	7,064
Actuarial loss	12,793	4,700
Contributions from participants	38	38
Benefits paid	(5,226)	(5,278)
Expenses paid	(312)	(306)
	<u>146,964</u>	<u>132,489</u>
At 31 December	<u>146,964</u>	<u>132,489</u>

Movements in the fair value of scheme assets were as follows

	2011 £'000	2010 £'000
At 1 January	131,549	113,847
Expected return on scheme assets	7,471	6,214
Actuarial gain	1,159	7,954
Contributions from employer	9,307	9,080
Contributions from scheme members	38	38
Benefits paid	(5,226)	(5,278)
Expenses paid	(312)	(306)
	<u>143,986</u>	<u>131,549</u>
At 31 December	<u>143,986</u>	<u>131,549</u>

Movement on deferred tax

	£'000
At 1 January 2011	-
Charge to the profit and loss account	-
Charge to the statement of total recognised gains and losses	-
	<u>-</u>
31 December 2011	<u>-</u>

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

20. Pension arrangements (continued)

Pension expense

The following table shows the breakdown of the pension expense between charged to operating profit, credited to net finance income and recognised in the statement of total recognised gains and losses

	2011 £'000	2010 £'000	2009 £'000
Current service cost	152	165	186
Charged to operating profit	152	165	186
Expected return on pension scheme assets	(7,471)	(6,214)	(5,547)
Interest on pension scheme liabilities	7,030	7,064	6,633
Net finance charge	(441)	850	1,086
Total (charge)/credit to profit on ordinary activities	(289)	1,015	1,272
Expected return less actual return on pension scheme assets	(1,159)	(7,954)	(9,553)
Experience gains and losses arising on the scheme liabilities	321	256	5,700
Changes in assumptions underlying the present value of the scheme liabilities	12,472	4,444	6,639
Actuarial loss/(gain) recognised in statement of total recognised gains and losses	11,634	(3,254)	2,786

The actual return on scheme assets was £8,630,000 (2010 £14,168,000)

Movement in scheme deficit

The following table shows an analysis of the movement in the scheme deficit for each accounting year

	2011 £'000	2010 £'000	2009 £'000
Deficit at 1 January	(940)	(12,259)	(17,131)
Current service cost	(152)	(165)	(186)
Past service cost	-	-	-
Net finance charge	441	(850)	(1,086)
Actuarial gain/(loss)	(11,634)	3,254	(2,786)
Contributions	9,307	9,080	8,930
Deficit at 31 December	(2,978)	(940)	(12,259)

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

20. Pension arrangements (continued)

History of experience gains and losses

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefit obligations	(146,964)	(132,489)	(126,106)	(112,555)	(115,341)
Fair value of scheme assets	143,986	131,549	113,847	95,424	100,364
Deficit in the scheme	(2,978)	(940)	(12,259)	(17,131)	(14,977)
Experience adjustments on scheme liabilities Amount	321	256	5,700	104	(155)
Percentage of scheme liabilities	(0.2%)	(0.2%)	(4.5%)	(0.1%)	(0.1%)
Experience adjustments on scheme assets Amount	(1,159)	(7,954)	(9,553)	14,905	2,428
Percentage of scheme assets	(0.8%)	(6.0%)	(8.4%)	15.6%	2.5%

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 15 is £6,953,000 loss (2010 £4,681,000 gain)

21. Financial commitments

The minimum annual rentals under operating leases are as follows

	Land and Buildings £'000	Plant and equipment £'000	Total £'000
2011			
Operating leases which expire			
- within one year	-	-	-
- between two and five years	795	3	798
- after five years	-	-	-
	<u>795</u>	<u>3</u>	<u>798</u>
2010			
Operating leases which expire			
- within one year	-	-	-
- between two and five years	795	3	798
- after five years	-	-	-
	<u>795</u>	<u>3</u>	<u>798</u>

Ogilvy & Mather Group (Holdings) Limited

Notes to the financial statements Year ended 31 December 2011

21. Financial commitments (continued)

The company occupies additional properties whose leases are held by other group companies. The financial commitments disclosed above do not include these as they are separately disclosed in the accounts of the other group companies. The full rental cost of all properties occupied by the company has been charged to the profit and loss account and is included in note 4.

The company acts as a joint guarantor with respect to leasehold premises occupied by another group company. Under this guarantee the company is jointly and severally liable for leasehold payments.

There are no commitments in respect of finance leases entered into before the balance sheet date but due to commence after that date.

Ogilvy & Mather Group (Holdings) Limited participates in group banking arrangements with its parent company, WPP plc, and has access to a group cash management facility. Ogilvy & Mather Group (Holdings) Limited guarantees the facility to the extent of its cash deposited in the UK with its clearing bank. Ogilvy & Mather Group (Holdings) Limited, together with its parent company, WPP plc, and certain other subsidiary undertakings, is a party to the group's syndicated banking arrangements. Ogilvy & Mather Group (Holdings) Limited has jointly and severally guaranteed the borrowings under these arrangements. Details of these arrangements are included in the financial statements of the WPP plc.

22. Contingent liabilities

The company had no contingent liabilities or guarantees as at 31 December 2011 (2010: £nil).

23. Ultimate parent company and controlling party

The directors regard Ambassador Square, a company incorporated in Great Britain and 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.

At the year end 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, registered in Jersey. The parent undertaking of the smallest such group is Lexington International B V, registered in the Netherlands.

Copies of the financial statements of WPP plc are available at www.wppinvestor.com. Copies of the financial statements of Lexington International B V can be obtained from Laan op Zuid 167, 3072 DB Rotterdam, Netherlands or 27 Farm Street, London, W1J 5RJ, UK.