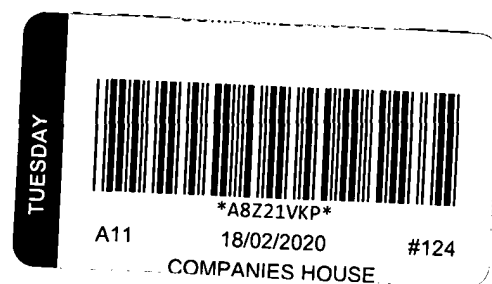


Superunion Limited
(Registered number: 01263713)

Annual Report and Financial Statements

for the year ended 31 December 2018

Registered office address:
6 Brewhouse Yard,
London,
EC1V 4DG



Superunion Limited
(Registered number: 01263713)

Annual Report and Financial Statements

for the year ended 31 December 2018

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Superunion Limited
(Registered number: 01263713)

Strategic report for the year ended 31 December 2018

The Directors present their Strategic report on Superunion Limited (the 'Company') for the year ended 31 December 2018.

Principal activities and review of business

The Company is a member of the WPP plc Group (the 'Group'). The Company's principal activity is provision of strategic branding and design services to a UK and global client base.

The business model is professional consulting. We sell the value of our people (in simple terms) based on rate cards multiplied by the hours worked on projects.

On 1 January 2018, the Company bought trade and assets at net book value of £5,527,773 of The Partners (Design Consultants) Limited, a fellow group Company, for a non cash consideration of £11,001,353 resulting in creation of goodwill of £5,473,580.

On 1 January 2018, the Company bought trade and assets at net book value of £nil of Lambie-Nairn Limited, a fellow group Company, for a non cash consideration of £6,071,289 resulting in goodwill of £6,071,289.

On 2 July 2018, the Company bought trade and assets at net book value of £5,455,186 and a 100% subsidiary investment in Emaxol Limited valued at £2,508,164 of Addison Corporate Marketing Limited, a fellow Group company, for a non cash consideration of £16,689,839 resulting in goodwill of £8,726,489.

The profit for the year ended 31 December 2018 of £694,559 will be transferred to reserves (profit for the year ended 31 December 2017 of £1,737,316 was transferred to reserves).

The Directors believe that the current level of performance and financial position of the Company is satisfactory and will remain so for the foreseeable future.

Future developments and post balance sheet events

On 1 April, 2019, the Company acquired the trade and assets of SJS Management Services Limited, a wholly owned subsidiary, for a cash consideration of £1.

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

Dividends

No dividends have been proposed in the current year, prior year or post the reporting date.

Key performance indicators (KPIs)

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.

Superunion Limited
(Registered number: 01263713)

Strategic report for the year ended 31 December 2018
Principal risks and uncertainties

The Directors of the Company have considered the principal risks and uncertainties affecting the Company as at 31 December 2018 and up to the date of this report. The following risk areas are specific to the Company and could have a material impact on the Company's long term performance should they eventuate.

Reputational risk

Reputation is deemed to be the key risk. The Directors continue to drive the Company's work quality and value to our clients, both strategically and creatively, through recruiting, developing and retaining the best talent available to us.

Credit risk

The Directors consider credit risk to be low due to the Company's predominately blue chip client base. However, there is an appropriate client acceptance process in place in accordance to which all new customers are credit checked and receivables are monitored closely.

Downturn in economy

The Company is diversified across sectors, geography and offer to a range of clients. The performance of the Company depends on the financial health and strength of its customers, which in turn is dependent on the economic conditions of the industries and geographic regions in which they operate. The Company is not immune to a global economic downturn, but would not be expected to be greater than the macro trend.

Currency risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates primarily in relation to the US Dollar and Euro. A strengthening in sterling compared to other currencies will reduce the sterling turnover for services not billed in sterling and also will decrease demand from overseas for services billed in sterling. Overall, the Company has minimal exposure to currency risk as it transacts almost exclusively in three major currencies GBP, EUR and USD.

Competitor risk

The competitive landscape of the Company is diverse and constantly evolving. If the Company is unable to successfully enhance and/or develop its products in a timely fashion, the Company's turnover could be affected. The Directors' approach is to continue to push strategic and creative boundaries and build the Company's profile through great work for its clients.

Financial Risk

In respect of bank balances, the financial risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest.

Other risks

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.

Going Concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate. The Company has cash of £14,612,319, net assets of £39,983,116 and net current assets of £16,598,190 and can therefore meet its short term and long term obligations as they fall due.

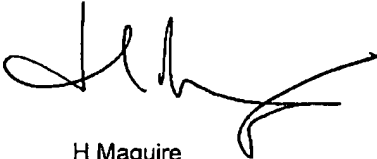
Superunion Limited
(Registered number: 01263713)

Strategic report for the year ended 31 December 2018

Duty to promote the success of the Company

The Directors believe that they have acted in a way that has promoted the success of the Company for the benefit of its members as a whole.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'H Maguire', written in a cursive style.

H Maguire
Director
14 February 2020

Superunion Limited
(Registered number: 01263713)

Directors' report for the year ended 31 December 2018

The Directors present their report and audited financial statements for the Company for the year ended 31 December 2018.

Results

The Company's profits for the financial year are shown in the income statement on page 9.

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 were as follows:

A Spark	
S Bolton	
T Tyrrell	(resigned on 20 May 2019)
R Kindred	(appointed on 28 September 2018)
A Clegg	(resigned on 4 October 2018)
H Maguire	(appointed on 20 May 2019)

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.

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 including FRS 101, 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.

Superunion Limited
(Registered number: 01263713)

Directors' report for the year ended 31 December 2018

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 page 1-2:

- principal activities and future developments;
- review of business;
- dividends paid or declared;
- going concern statement; and
- principal risks and uncertainties.

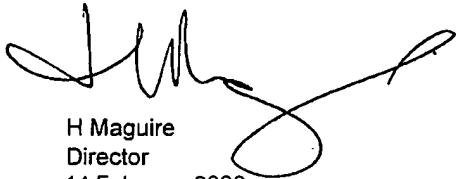
Disclosure of information to auditor

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 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:



H Maguire
Director
14 February 2020

Superunion Limited
(Registered number: 01263713)

Independent auditor's report to the members of Superunion Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Superunion Limited:

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

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

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.

Superunion Limited
(Registered number: 01263713)

Independent auditor's report to the members of Superunion Limited

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.

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.

Superunion Limited
(Registered number: 01263713)

Independent auditor's report to the members of Superunion Limited

Matters on which we are required to report by exception

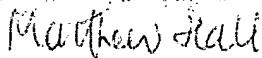
Under the Companies Act 2006, we are required to report to you if, in our opinion:

- 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.

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.



Matthew Hall FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
14 February 2020

Superunion Limited
(Registered number: 01263713)

Income statement
for the year ended 31 December 2018

	Notes	2018 £	2017 £
Turnover	4	17,287,384	11,395,768
Cost of sales		(2,476,189)	(1,873,976)
Gross profit		14,811,195	9,521,792
Administrative expenses		(14,348,881)	(8,246,609)
Operating profit	5	462,314	1,275,183
Finance income	8	4,197	-
Finance expense	8	(3,390)	-
Profit before taxation		463,121	1,275,183
Taxation	9	231,438	462,133
Profit for the year		694,559	1,737,316

The profits disclosed above for both the current year and prior year relate entirely to continued operations.

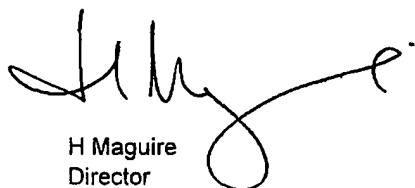
The Company has no other comprehensive income during either the current year or prior year and therefore no separate statement of comprehensive income has been presented.

Superunion Limited
(Registered number: 01263713)

Balance sheet
As at 31 December 2018

	Notes	2018 £	Restated 2017 £
Non-current assets			
Property, plant and equipment	10	352,524	66,519
Intangible assets	11	20,271,358	-
Investments in subsidiaries and associates	12	2,508,166	2
Deferred tax asset	9	700,249	452,805
Total non-current assets		23,832,297	519,326
Current assets			
Trade and other receivables	13	13,666,013	5,791,416
Cash and cash equivalents		14,612,319	1,830,956
Work in progress		223,711	177,564
Total current assets		28,502,043	7,799,936
Total assets		52,334,340	8,319,262
Current liabilities			
Bank overdraft		(233,825)	-
Trade and other payables	14	(12,066,467)	(2,843,718)
Total current liabilities		(12,300,292)	(2,843,718)
Net current assets		16,201,751	4,956,218
Total assets less current liabilities		40,034,048	5,475,544
Non-current liabilities			
Provision for liabilities	15	(50,932)	-
Total non-current liabilities		(50,932)	-
Total liabilities		(12,351,224)	(2,843,718)
Net assets		39,983,116	5,475,544
Equity			
Share capital	18	14,743,118	3,046,000
Share premium		22,065,363	-
Other reserves		3,029,864	2,979,332
Retained earnings / (Accumulated losses)		144,771	(549,788)
Shareholder's funds		39,983,116	5,475,544

The financial statements on pages 9 to 22 were approved by the Board of Directors on 14 February 2020 and signed on its behalf by:



H Maguire
 Director

Superunion Limited
(Registered number: 01263713)

Statement of changes in equity
for the year ended 31 December 2018

	Note	Share capital £	Share premium £	Other reserves £	Retained earnings / (Accumulated losses) £	Total £
As at 1 January 2017		3,046,000	-	2,946,369	(2,287,104)	758,896
Profit and total comprehensive income for the year		-	-	-	1,737,316	1,737,316
Parent Company capital contribution for equity settled share based payments	17	-	-	32,963	-	32,963
As at 31 December 2017		3,046,000	-	2,979,332	(549,788)	5,475,544
Profit and total comprehensive income for the year		-	-	-	694,559	694,559
Issue of shares	18	11,697,118	22,065,363	-	-	33,762,481
Parent Company capital contribution for equity settled share based payments	17	-	-	50,532	-	50,532
As at 31 December 2018		14,743,118	22,065,363	3,029,864	144,771	39,983,116

Superunion Limited
(Registered number: 01263713)

Notes to the financial statements for the year ended 31 December 2018

1 Presentation of the financial statements

General information

The Company's business activities, future development and a review of its performance and position are set out in the Strategic report on Page 1-3.

The Company is a private Company, limited by share capital and is incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company is registered in England and Wales. The address of the registered office is 6 Brewhouse Yard, London, EC1V 4DG.

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.

Amendments to the financial statements

The Company's Directors have noted that the 2017 intercompany balances were presented net in the 2017 financial statements and that a restatement of the 2017 intercompany balances is required. The Amounts owed by Group undertakings balance is thus restated to £3,000,034 from £1,336,591 and the Amounts owed to Group undertakings balance is restated to £1,663,443 from £nil.

Disclosure exemptions adopted

In preparing these financial statements the Company 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:
 - (i) paragraph 79(a) (iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);
 - (iv) 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); and
- 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'
- Paragraph 134 and 135 of IAS 36 'Impairment of assets'
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations

The financial statements of WPP plc are available at www.wppinvestor.com.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Superunion Limited
(Registered number: 01263713)

Notes to the financial statements for the year ended 31 December 2018

2 Summary of significant accounting policies (continued)

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

In the current year, the Company has applied a number of amendments to IFRSs or IFRIC interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. IFRS 9 and 15 have been adopted in the current year with no material impact. There have been no material impacts on the disclosures or on the amounts reported in the financial statements due to other amendments to accounting standards or IFRIC Interpretations. Additionally, IFRS 16 will be adopted from 1 January 2019. There is no expected material impact of the adoption of the standard in the current year.

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, Hillgrove 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 The Partners (Design Consultants) Limited. These financial statements are separate financial statements.

2.03 Foreign currency translation

(i) 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 (£).

(ii) Transactions and balances

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 except when deferred in Other comprehensive income as qualifying cash flow hedges.

2.04 Turnover

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The new standard establishes a five-step model where consideration received or expected to be received is recognised as revenue when contractual performance obligations are satisfied by transferring control of the relevant goods or services to the customer. Adopting IFRS 15 did not have any significant impact on the timing of the Company's revenue recognition nor on equity.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered related to Brand and design consultancy, stated net of discounts, returns, rebates and value added taxes. The Company recognises revenue when performance obligations have been satisfied and for the Company this is when the service is performed. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of historical information and past experience.

2.05 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.

2.06 Share based payments

Incentives in the form of shares 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.

2.07 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Superunion Limited
(Registered number: 01263713)

Notes to the financial statements for the year ended 31 December 2018

2 Summary of significant accounting policies (continued)

2.08 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 improvements	over the period of lease
Fixtures, fittings and office equipment	20%-25% per annum
Computer equipment	20%-33.3% per annum
Office equipment	20%-33.3% per annum

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and they are recognised in "Operating expenses" in the income statement.

2.09 Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

2.10 Trade and other receivables

Trade and other receivables include amounts due from customers for services 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 Group 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. Long-term receivables are discounted where the effect is material.

2.11 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. Bank overdrafts are shown separately within current liabilities in the balance sheet.

2.12 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. Long-term payables are discounted where the effect is material.

2.13 Taxation

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, tax is also recognised in other comprehensive income or directly in shareholders' funds respectively.

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.

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Notes to the financial statements for the year ended 31 December 2018

2 Summary of significant accounting policies (continued)

2.14 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.

2.15 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.

2.16 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. Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, this excess is recognised immediately as a gain in the income statement.

3 Key accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are addressed below. There are no key accounting judgements.

3.01 Goodwill impairments

Goodwill is deemed to have an indefinite useful life and so is not amortised. Annual impairment tests of cash generating units to which goodwill is allocated are performed. Impairment tests are based on established market multiples or risk adjusted future cash flows discounted using appropriate interest rates.

In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

The assumptions relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Company.

3.02 Impairments in investments

Investments in subsidiaries and associates are held at cost less accumulated impairment losses. Annual impairment tests are carried out to ascertain if the carrying value of investments are impaired. These tests comprise a comparison between the carrying value of investment in subsidiary and associates and the net asset value of the subsidiary and associates. In some instances, valuations of subsidiary companies and associates are prepared. Valuations for impairment tests are based on established market multiples or risk-adjusted future cash flows over the estimated useful life of the asset, where limited, discounted using appropriate interest rates.

The assumptions relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Company.

4 Revenue

Analysis of revenue by geography:

	2018	2017
	£	£
UK	10,128,271	8,821,497
Rest of Europe	4,565,471	1,772,258
North America	2,253,694	186,372
Middle East	167,538	117,759
Asia	172,410	497,882
	17,287,384	11,395,768

The Company's revenue is derived entirely from brand and design consultancy.

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Notes to the financial statements for the year ended 31 December 2018

5 Operating profit

	2018	2017
	£	£
The following items have been charged/(credited) to the Operating profit:		
Operating lease rentals:		
- land and building	185,745	-
Depreciation cost	137,043	54,415
Exchange (gain)/loss on foreign currency transactions	(73,989)	63,598
Audit fees payable to the Company's auditors for the audit of the financial statements	74,658	40,000

There are no non-audit services provided by the Company's auditors during the year.

6 Employees

	2018	2017
	£	£
Employee costs		
Wages and salaries	8,127,920	3,314,930
Social security costs	951,648	447,393
Pension costs	264,427	131,454
Share-based incentive plans	50,532	32,963
	9,394,527	3,926,740

	2018	2017
	number	number
The average monthly number of persons employed by the Company (including Directors)		
Production	87	42
Sales and marketing	4	2
Administrative	18	12
	109	56

7 Directors' remuneration

	2018	2017
	£	£
Emoluments	378,195	445,537
Company contribution to defined contribution pension schemes	20,478	18,692
Total	398,673	464,229

No Director exercised share options during the year (2017: Nil). There were no shares granted in the year in the form of restricted stock and no shares granted in the year in the form of PSA (2017: Nil).

The number of Directors who were members of money purchase pension schemes were two (2017: Two).

Remuneration of highest paid Director:

	2018	2017
	£	£
Emoluments	179,863	197,601
Company contribution to defined contribution pension schemes	17,786	18,000
Total	197,649	215,601

8 Finance income/(expense)

	2018	2017
	£	£
Bank interest income	4,197	-
Bank interest expense	(51)	-
Bank charges	(3,339)	-
Net finance income	807	-

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Notes to the financial statements for the year ended 31 December 2018

9 Taxation

	2018	2017
	£	£
Income tax		
UK Corporation tax of 19.00% (2017: blended rate of 19.25%)	16,006	(9,328)
Total current tax	16,006	(9,328)
Deferred tax	(247,444)	(452,805)
Total tax for the year	(231,438)	(462,133)

The tax assessed for the year is lower than (2017: lower than) the corporation tax rate in the UK for the year ended 31 December 2018 of 19.00% (2017: blended rate of 19.25%).

	2018	2017
	£	£
Reconciliation of total tax		
Profit before taxation	463,121	1,275,183
Profit on ordinary activities at the UK statutory rate of 19% (2017: blended rate of 19.25%)	87,993	245,473
Effects of:		
Expenses not deductible for tax purposes	6,283	6,200
Capital allowances in excess of depreciation	(390,034)	(442,677)
Movement in short-term timing differences	(12,709)	6,812
Withholding tax payable	16,006	(9,328)
Group relief transferred for nil consideration	61,023	(268,613)
Total tax for the year	(231,438)	(462,133)

Factors that may affect future tax charges:

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2017 (on 6 September 2017) and Finance Bill 2019 (which received Royal Assent in February 2019). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using the enacted tax rates and reflected in these financial statements.

Deferred tax asset in respect of capital allowances in excess of depreciation and share awards	£
At 1 January 2018	452,805
Deferred tax credit for the year	247,444
At 31 December 2018	700,249

A deferred tax asset of £700,249 (2017: £452,805) has been recognised in respect of capital allowances in excess of depreciation and share awards as it is probable that there will be sufficient taxable profits against which the asset will reverse in the future.

No instance of current or deferred taxation has been recognised directly in other comprehensive income in either the current or prior year.

10 Property, plant and equipment

	Leasehold Improvements £	Fixture & Fittings £	Office Equipment £	Computer Equipment £	Total £
Cost					
At 1 January 2018	8,993	35,360	10,904	345,475	400,732
Additions	-	152	-	191,241	191,393
Disposals and write-offs	(845,170)	(25,280)	(37,919)	-	(908,369)
On acquisition	845,170	111,677	47,176	1,230,699	2,234,722
At 31 December 2018	8,993	121,909	20,161	1,767,415	1,918,478
Accumulated depreciation					
At 1 January 2018	6,450	32,979	10,904	263,880	334,213
Charge for the year	1,799	7,519	1,469	126,256	137,043
Disposals and write-offs	(382,164)	(10,996)	(36,194)	-	(429,354)
On acquisition	382,164	76,758	43,460	1,021,670	1,524,052
At 31 December 2018	8,249	106,260	19,639	1,431,806	1,565,954
Net book value at 1 January 2018	2,543	2,381	-	61,595	66,519
Net book value at 31 December 2018	744	15,649	522	335,609	352,524

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Notes to the financial statements for the year ended 31 December 2018

11 Intangible Assets

	Goodwill £
Cost and carrying value	
At 1 January 2018	-
Acquisition of businesses	20,271,358
At 31 December 2018	20,271,358

On 1 January 2018, the Company bought trade and assets at net book value of £5,527,773 of The Partners (Design Consultants) Limited, a fellow group Company, for a non cash consideration of £11,001,353 resulting in creation of goodwill of £5,473,580.

On 2 July 2018, the Company bought trade and assets at net book value of £5,455,186 and a 100% subsidiary investment in Emaxol Limited valued at £2,508,164 of Addison Corporate Marketing Limited, a fellow Group company, for a non cash consideration of £16,689,839 resulting in goodwill of £8,726,489.

On 1 January 2018, the Company bought trade and assets at net book value of £nil of Lambie-Nairn Limited, a fellow group Company, for a non cash consideration of £6,071,289 resulting in goodwill of £6,071,289.

The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on managements best estimate of future cash flow. These forecasts cover a three year period, after which the cash flows are extrapolated to perpetuity. The resulting cash flows are discounted to present value.

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.

The value in use calculation indicates that sufficient headroom exists such that any reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

12 Investments

	Subsidiary £
Cost and carrying value	
At 1 January 2017 and 31 December 2017	2
Additions	2,508,164
At 31 December 2018	2,508,166

Details of the subsidiary undertakings, associates and available-for-sale investments of the Company as at 31 December 2018 are given in Note 22.

On 2 July 2018, the Company purchased the trade and assets of Addison Corporate Marketing Limited, a fellow group Company, for a non-cash consideration of £16,689,839. The Company transferred net assets of a book value of £7,983,350. As part of the net assets transfer was a transfer of 100% of the ordinary shares in Emaxol Limited, a fellow Group Company, which was held for £2,341,600 in Addison Corporate Marketing Limited and was valued on the date of sale for £2,508,164 and was settled for the same amount in non-cash consideration.

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Notes to the financial statements for the year ended 31 December 2018

13 Trade and other receivables

	2018	<i>Restated</i>
	£	2017
	£	£
Amounts due within one year		
Trade receivables	5,462,985	1,804,360
Less: provision for impairment of trade receivables	(369,209)	-
Trade receivables- net	5,093,776	1,804,360
Amounts owed by Group undertakings	6,843,276	3,000,034
Accrued income	1,675,949	867,912
Prepayments	14,421	45,318
Other receivables	38,591	73,792
	13,666,013	5,791,416

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

14 Trade and other payables

	2018	<i>Restated</i>
	£	2017
	£	£
Amounts falling due within one year		
Trade payables	590,879	139,435
Amounts owed to Group undertakings	6,789,865	1,663,443
VAT	729,028	217,660
Other taxation and social security costs	296,785	123,051
Deferred income	3,569,538	593,659
Accruals and other payables	90,372	106,470
	12,066,467	2,843,718

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

15 Provision for liabilities

	Total
	£
At 31 December 2017	-
Acquired	50,932
At 31 December 2018	50,932

The Company is a party to a property lease which includes the requirements for a dilapidation payment at the end of the term in the year 2023. The Company assesses the outstanding provisions balance on at least an annual basis.

16 Pensions

The Company operates no pension scheme but does make direct contributions into the personal pension plans of eligible employees. The pension charge for the year for money purchase pension schemes was £264,427 (2017: £131,454).

17 Share-based payments

WPP Share Option Plan

The Company charged £50,532 to the profit and loss account in the year ended 31 December 2018 (2017: £32,963) in relation to equity-settled share based payments.

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.

Executive Share Awards (ESA)

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

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Notes to the financial statements for the year ended 31 December 2018

17 Share-based payments (continued)

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.

Leadership Equity Acquisitions Plan III (LEAP III)

Under LEAP III, the most senior executives of the Group, including certain executive Directors, commit WPP shares ('investment shares') in order to have the opportunity to earn additional WPP shares ('matching shares'). The number of matching shares which a participant can receive at the end of the fixed performance of five years is dependent on the performance (based on the Total Share Owner Return (TSR)) of the Company over that period against a comparative group of other listed communications services companies. The maximum possible number of matching shares for each of the 2012 and 2011 grants is five shares for each investment share. The 2011 LEAP III vested in March 2016 at a match of 5.0 shares for each investment share. The last LEAP III award was granted in 2012 and no further award will be made following the introduction of the EPSP.

Special Share Awards

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

Executive Performance Share Plan (EPSP)

The first grant of restricted stock under the EPSP was made in 2013. This scheme is intended to reward and 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 is immaterial in 2018 and 2017.

Valuation of share options

For the purpose of valuing options and savings-related options to arrive at the share based payment charge, the Black-Scholes option pricing model has been used. The assumptions used in the model are as follows:

	2018	2017
Risk-free rate	0.78%	0.56%
Dividend yield	3.46%	2.90%
Volatility	24%	17%
Expected life (months)	48	48
Fair value of options	107.0p	112.0p

The average share price of WPP plc for the year ended 31 December 2018 was £11.56 (2017: £15.86).

Options outstanding

<u>WPP Share Option Plan</u>	Number	Weighted exercise price £	Weighted fair value £
As at 1 January 2017	26,250	14.87	390,222
Options granted	12,625	13.09	165,198
Options exercised	(375)	16.85	(6,317)
Options cancelled	(5,000)	15.56	(77,814)
As at 31 December 2017	33,500	15.86	471,289
Options granted	11,125	8.37	93,139
Options exercised	(1,250)	18.74	(23,419)
Options cancelled	(10,000)	14.54	(145,400)
As at 31 December 2018	33,375	11.56	395,608

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Notes to the financial statements for the year ended 31 December 2018

17 Share based payments (continued)

ESA	Number	Weighted exercise price £	Weighted fair value £
As at 1 January 2017	15,322	14.87	227,773
Options granted	7,179	13.09	93,937
As at 31 December 2017	22,501	15.86	321,710
Options granted	8,616	8.14	70,169
Options exercised	(2,312)	8.54	(19,744)
Options cancelled	(2,407)	14.54	(35,000)
As at 31 December 2018	26,398	11.56	337,134

18 Share capital

	2018 Number of shares	2017 Number of shares	2018 £	2017 £
Issued and fully paid				
Ordinary shares of £1 each (2017: £1 each)	14,743,118	3,046,000	14,743,118	3,046,000
	14,743,118	3,046,000	14,743,118	3,046,000

During the year, the Company issued the shares to the following companies:

Company purchased and date	NBV of net assets purchased (£)	Consideration received (£)	Type of share issued	Nominal value of share	Price paid per share	Number of shares issued	Share premium amount (£)
The Partners (Design Consultants) Limited (1/1/2018)	5,527,773	11,001,353	Ordinary	£1.00	£2.67	4,117,323	6,884,030
Lambie-Nairn Limited (1/1/2018)	nil	6,071,289	Ordinary	£1.00	£2.67	2,272,217	3,799,072
Addison Corporate Marketing Limited (2/7/2018)	7,963,350	16,689,839	Ordinary	£1.00	£3.14	5,307,578	11,382,261
Total						11,697,118	22,065,363

19 Guarantees

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 arrangements. Details of these arrangements are included in the financial statements of WPP plc.

20 Post Balance Sheet Event

On 1 April, 2019, the Company acquired the trade and assets of SJS Management Services Limited, a wholly owned subsidiary, for a cash consideration of £1.

21 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.

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Notes to the financial statements for the year ended 31 December 2018

22 Subsidiary and associated undertakings

The subsidiary and associated undertakings of the Company as at 31 December 2018 are as follows:

<u>Company</u>	<u>Direct shares held (%)</u>	<u>Indirect shares held (%)</u>	<u>Security</u>	<u>Address of the registered office</u>
Emaxol Limited	100%	0%	Ordinary	(a)
SJS Management Services Limited	100%	0%	Ordinary	(a)
I R Group Limited	0%	100%	Ordinary	(a)

(a) 6 Brewhouse Yard, London, EC1V 4DG