

Kantar UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2017

Company Registration No: 03073845



Kantar UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2017

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Kantar UK Limited

Annual Report and Financial Statements 2017

Officers and professional advisers

Directors

IC Dunkley
TR Kidd
CW Van der Welle
WJH Galgey
KR Smith
SR Winters

Company Secretary

WPP Group (Nominees) Limited

Registered Office

TNS House
Westgate
London
England
W5 1UA

Bankers

National Westminster Bank PLC
Piccadilly & New Bond Street
63 Piccadilly
London
England
W1J 0AJ

Solicitors

Squire Sanders
7 Devonshire Square
London
England
EC2M 4YH

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Kantar UK Limited

Strategic report For the year ended 31 December 2017

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

Principal activities, business review and future developments

The company's principal activity is the provision of market information services. A detailed description of Kantar UK Limited's market and of the main trends and factors likely to affect the future development, performance and position of the company's business, which fulfils the requirements of the business review, can be found in the 2017 Annual Report of WPP plc in the Strategic Report and the Chief Executive's report. The Annual report can be obtained from www.wpp.com.

Key performance indicators (KPIs)

The directors of the WPP Group manage the Group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Kantar UK Limited. The development, performance and position of the WPP Group, which includes the company, is discussed in the Strategic Report to shareowners in the Group's Annual Report which does not form part of this report.

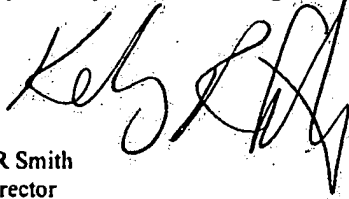
Principal risks and uncertainties

The principal risks and uncertainties facing Kantar UK Limited are integrated with the principal risks and uncertainties of WPP plc and are not managed separately. Accordingly, the principal risks and uncertainties of the WPP Group, which include those of the company, are discussed as part of the 'Managing our risks' section of the Directors' report in the Group's Annual Report, which does not form part of this report.

Future outlook

The current UK economic environment is tough and competitive and 2018 is expected to present difficult trading conditions. However, the directors continue to target a steady, medium-term growth in both revenue and operating margins.

Approved by the Board and signed on its behalf by:



KR Smith
Director

Westgate, London W5 1UA

27th SEPT 2018

Kantar UK Limited

Directors' report For the year ended 31 December 2017

The directors present their Annual Report together with the audited Financial Statements of the company for the year ended 31 December 2017.

In preparing the Directors' report, the Directors have complied with s414C(11) of the Companies Act 2006 by including certain disclosures required by S416(4) within the Strategic report. This has been done in respect of future developments and principal risks.

Results and dividends

The profit and loss account for the year is set out on page 9. The profit for the year after tax amounted to £24,798,000 (2016: profit of £22,438,000). An interim dividend of £10,000,000 was paid during the year (2016: £10,000,000). The directors do not recommend the payment of a final dividend for the year (2016: £nil).

Research and development

In a competitive industry it is vital to find new products and services that meet client demand for additional insight and analysis. The company remains committed to meeting the needs of its customers with responsive service and innovative products combining speed and accuracy with reliable performance. The company will continue to invest to maintain leadership in providing market information services.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

Directors

The directors of the company who served during the year and up to the date of signing the financial statements, except as noted, are listed below:

IC Dunkley
TR Kidd
CW Van der Welle
WJH Galgey
R Mathavan (resigned 20 October 2017)
KR Smith
SR Winters

There is no qualifying indemnity provision (whether made by the company or otherwise) for benefit of one or more directors of the company or an associated company.

Employee involvement

The company's policy is to involve all employees in matters that affect, or are likely to affect, their interests. We encourage awareness of financial and economic factors that influence the company's performance. To these ends, management regularly consult staff and make financial statements available to all employees. The company operates a number of incentive schemes. These offer employees the chance to benefit directly from our performance through profit-sharing together with executive and save-as-you-earn share-option arrangements. When vacancies arise the company gives equal consideration to every applicant regardless of gender or ethnic origin, whether disabled or otherwise. The company trains and develops the careers of disabled employees, or employees who become disabled during their employment, according to their particular skills and aptitudes.

Kantar UK Limited

Directors' report (continued) For the year ended 31 December 2017

Environment

The WPP Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. The company operates in accordance with WPP Group policies, which are described in the Group's Corporate Responsibility Report which does not form part of this report. Initiatives designed to minimise the company's impact on the environment include improving our energy use efficiency, paper use, recycling and carbon footprint monitoring.

Financial risk management objectives and policies

The directors consider that the primary financial risks faced by the business are minimal, affecting primarily cash flow risk and credit risk. The directors do not believe that the company is exposed to any price risk or liquidity risk. The company currently has sufficient cash to fund its activities. However, in the event that additional liquidity was required for ongoing operations, the company has access to a group cash management facility with its ultimate parent, WPP Jubilee Limited.

Cash flow risk

The company's activities expose it to the financial risk of changes in foreign currency exchange rates. Where necessary, the company uses financial derivatives or currency hedging to offset this. Foreign currency transactions are, where possible, kept to a minimum.

Credit risk

The company's principal financial assets are bank balances, trade and other receivables, and investments. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. There is limited credit risk on liquid funds because the counterparties are the clients with high credit ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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 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.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



KR Smith
Director
Westgate, London W5 1UA
27/1/2018

Kantar UK Limited

Directors' responsibilities statement For the year ended 31 December 2017

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), 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 those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

Kantar UK Limited

Independent auditor's report to the members of Kantar UK Limited Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kantar UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 - 25

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

Kantar UK Limited

Independent auditor's report to the members of Kantar UK Limited Report on the audit of the financial statements

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.

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

Kantar UK Limited

Independent auditor's report to the members of Kantar UK Limited Report on the audit of the financial statements

- 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.



Jeremy Black (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

27 September 2018

Kantar UK Limited

Profit and loss account For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Turnover	3	189,012	184,880
Cost of sales		(64,763)	(64,924)
Gross profit		124,249	119,956
Administrative expenses		(103,768)	(96,775)
Operating profit		20,481	23,181
Income from shares in group undertakings		-	142
Interest receivable and similar income	5	31	95
Interest payable and similar charges	6	(828)	(878)
Profit on ordinary activities before tax	4	19,684	22,540
Tax on profit on ordinary activities	9	5,114	(102)
Profit for the financial year	21	24,798	22,438

All of the above results arise from continuing operations.

Kantar UK Limited

Statement of other comprehensive income For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Profit for the financial year		24,798	22,438
Items that will not be reclassified subsequently to the profit and loss account:			
Actuarial loss on pension scheme	18	(3,831)	(2,158)
Change in recognisable surplus of plans with a surplus restriction	18	39	103
Total other comprehensive loss for the period		(3,792)	(2,055)
Total other comprehensive income for the year attributable to the owners of the company		21,007	20,383

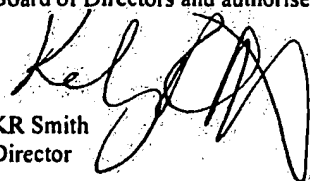
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Balance Sheet At 31 December 2017

	Notes	2017 £000	2016 £000
Non-current assets			
Intangible assets	11	26,565	24,707
Tangible assets	12	9,340	9,375
Investments	13	17,199	17,199
		<u>53,104</u>	<u>51,281</u>
Current assets			
Debtors	14	155,566	95,752
Cash at bank and in hand		49,167	71,051
		<u>204,733</u>	<u>166,803</u>
Creditors: amounts falling due within one year	15	(145,767)	(119,645)
Provisions for liabilities and charges - current	17	(3,190)	(1,306)
Net current assets		<u>55,776</u>	<u>45,852</u>
Total assets less current liabilities		<u>108,880</u>	<u>97,133</u>
Creditors: amounts falling due after more than one year	16	(8,366)	(8,366)
Provisions for liabilities and charges - non current	17	(852)	(891)
Net assets excluding pension liability		<u>99,661</u>	<u>87,875</u>
Pension surplus	18	765	696
Net assets including pension liability		<u>100,426</u>	<u>88,571</u>
Capital and reserves			
Share capital	20	25,000	25,000
Profit and loss account	21	75,426	63,571
Shareholders' funds		<u>100,426</u>	<u>88,571</u>

The financial statements of Kantar UK Limited, registered number 03073845 on pages 9-41 were approved by the Board of Directors and authorised for issue on 27th Sept 2018.

KR Smith
Director



Kantar UK Limited

Statement of changes in equity For the year ended 31 December 2017

	Called up Share Capital	Profit and loss account	Total
	£000	£000	£000
Balance as 1 January 2016	25,000	52,144	77,144
Profit for the period	-	22,438	22,438
Other comprehensive loss for the period	-	(2,055)	(2,055)
Total comprehensive income for the period	-	20,384	20,384
Dividends	-	(10,000)	(10,000)
Capital contribution for equity-settled share-based payments	-	1,042	1,042
Balance at 31 December 2016	25,000	63,571	88,571
Profit for the period	-	24,798	24,798
Other comprehensive loss for the period	-	(3,792)	(3,792)
Total comprehensive income for the period	-	21,007	21,007
Dividends	-	(10,000)	(10,000)
Capital contribution for equity-settled share-based payments	-	849	849
Balance at 31 December 2017	25,000	75,426	100,426

Kantar UK Limited

Notes to the financial statements For the year ended 31 December 2017

1. Principal accounting policies

Kantar UK Limited (the Company) is a Company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The principal accounting policies adopted in the preparation of these financial statements are set out below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2. The company is a subsidiary of WPP plc and is therefore subject to the overall WPP Group financing arrangements. The company meets its day-to-day working capital requirements through participating in group banking arrangements with its ultimate parent company, WPP plc, and has access to a group cash management facility.

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

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the company has taken advantage of certain disclosure exemptions available under that standard and in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Amendments to IFRS and new standards that are mandatorily effective during the current year

Title	Subject	Effective date per EU
Newly mandatorily effective in the current period		
Amendments to IAS 7 (Jan 2016)	Disclosure Initiative	1 Jan 2017
Amendments to IAS 12 (Jan 2016)	Recognition of Deferred Tax Assets for Unrealised Losses	1 Jan 2017
Annual Improvements to IFRSs: 2014-16 Cycle (Dec 2016)	Annual Improvements to IFRSs: 2014-16 Cycle-IFRS Amendments	1 Jan 2017

Amendments to IAS 1 <i>Disclosure Initiative</i>	<p>The Company has adopted the amendments to IAS 1 <i>Disclosure Initiative</i> for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.</p> <p>The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the Company.</p>
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Kantar UK Limited

Notes to the financial statements For the year ended 31 December 2017

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	<p>The Company has adopted the amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:</p> <ul style="list-style-type: none">a) when the intangible asset is expressed as a measure of revenue; orb) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. <p>As the Company already uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, respectively, the adoption of these amendments has had no impact on the Company's financial statements.</p>
Annual Improvements to IFRSs 2012-2014 Cycle	<p>The Company has adopted the amendments to IFRSs included in the Annual Improvements to IFRSs 2012-2014 Cycle for the first time in the current year.</p> <p>The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.</p> <p>The adoption of these amendments has had no effect on the Company's financial statements.</p>

Basis of consolidation

The financial statements are separate financial statements. No consolidated financial statements have been prepared as the company is a wholly-owned subsidiary of WPP Jubilee Limited, incorporated in the United Kingdom and registered in England and Wales. Consequently, the company is exempt under section 400 of the Companies Act 2006 from preparing consolidated financial statements.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Monetary assets and liabilities in currencies other than the functional currency are translated into sterling at the rates of exchange ruling at the balance sheet date, or if appropriate, at the forward contract rate. Transactions in currencies other than the functional currency are converted at rates of exchange prevailing at the date the transactions were made, or if hedged, at the forward contract rate. Foreign exchange differences are dealt with through the profit and loss account.

Revenue recognition

Revenue on short-term projects is recognised based on the level of completion of the project. This is calculated based on the comparison between costs incurred versus estimated costs to complete. Costs incurred on these projects up to completion are expensed to the Profit and loss account. Revenue and profits on long-term or continuous projects are recognised on the satisfactory completion of each service delivery phase of the project. Turnover relating to long-term contracts less payments on account is classified as 'amounts recoverable on contracts' within debtors. Amounts invoiced to clients in advance of revenue and profits being recognised are shown as 'payments received on account' within creditors. Provisions are made for losses on projects as soon as they are identified.

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

1. Principal accounting policies (continued)

Development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Tangible and intangible fixed assets

Fixed assets are stated at original cost when acquired, less accumulated depreciation and amortisation. Depreciation and amortisation is calculated to write off the cost less the estimated residual value of each asset principally on a straight-line basis over its expected useful life as follows:

Freehold land	No depreciation
Freehold buildings	33 years
Patents, licences, other	20 years or remaining life if shorter
Software and databases	3 years or remaining life if shorter
Fixtures, fittings, equipment and motor vehicles	3 - 10 years
Development expenditure	5 years or remaining life if shorter
Leasehold refurbishments	5 - 10 years or remaining life if shorter

Useful lives and residual values are reviewed at the end of each reporting period.

Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired at the date of the acquisition of a business. Goodwill is not subject to amortisation but is assessed for impairment at the end of each financial reporting period.

Fixed asset investments

Fixed asset investments are stated at cost less provisions for any permanent diminution in the value of investments.

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

1. Principal accounting policies (continued)

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Operating leases

Operating leases are charged directly to the profit and loss account on a straight-line basis over the lease term.

Pension arrangements

The company operates a number of contributory pension plans. The majority of employees participate in defined contribution plans that are set up through insurance companies. Contributions are also made to personal pension plans at equivalent rates. Payments in respect of such current service contributions are charged to the profit and loss account as they fall due.

The company also operates four defined benefit pension plans. Obligations under defined benefit plans are measured at discounted present values by actuaries, while plan assets are recorded at fair value. The operating and financing costs of these plans are recognised separately in the profit and loss account. Service costs were £146,000 in 2017 (2016: £85,000) for the Research International Superannuation Fund and £nil for the other three defined benefit pension plans as plan members are no longer providing pensionable service. Financing costs are recorded in finance costs and recognised in the years in which they arise. Actuarial gains and losses are taken directly to reserves in the year in which they arise.

Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Share-based payments

Certain employees of the company benefit from equity-settled share-based payments through participation in stock options 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.

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

1. Principal accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Provisions

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The critical judgements and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements

One key area of critical judgements relates to the estimated stage of completion on long term client contracts, which then determines the level of profit to be recognised at the year end. The commercial project managers estimate the stage of completion on their projects, based on the level of sunk cost versus estimated cost to complete and this estimate is then reviewed by senior management in order to ensure accuracy.

Key sources of estimation uncertainty

One key area of estimation uncertainty relates to the key assumptions underpinning the valuation of the defined benefit pension scheme liabilities. The Company have employed the use of an independent, qualified actuary, in order to provide validation of the assumptions used.

Another key source of estimation uncertainty relates to the assessment of whether there are indicators of impairment of fixed asset investments or goodwill. This is determined with reference to the expected future financial performance of the underlying investments or business units. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. In the current year there are no indicators of impairment.

3. Turnover

Turnover represents the total amount earned by the company in respect of market research services sold to customers, excluding Value Added Tax. The geographical analysis by destination is as follows:

	2017	2016
	£000	£000
United Kingdom	151,962	148,067
Continental Europe	22,272	20,113
Asia	2,210	2,817
Americas	11,929	13,311
Middle East & Africa	639	572
	<u>189,012</u>	<u>184,880</u>

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

4. Profit before taxation

Profit before taxation is stated after charging:

	2017	2016
	£000	£000
Depreciation/amortisation charge for the year:		
- tangible fixed assets	(1,959)	(2,139)
- other intangible fixed assets	(2,489)	(2,071)
Research and development	(47)	(2,257)
Loss on disposal of tangible fixed assets	(27)	(638)
Loss on disposal of intangible fixed assets	-	(1)
Fees payable to the company's auditor for the audit of the company's annual financial statements	(280)	(280)
Rental expense on operating leases for equipment	(5,165)	(4,440)
Foreign exchange (losses)/gains	(439)	301

5. Interest receivable

	2017	2016
	£000	£000
Interest receivable - other	31	95
Interest receivable	31	95

6. Interest payable and similar expenses

	2017	2016
	£000	£000
Interest payable - fellow subsidiaries	828	878
Interest payable	828	878

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

7. Directors' emoluments

The emoluments of the directors of the company were:

	2017	2016
	£000	£000
Aggregate emoluments	931	873
Amounts receivable under long-term incentive schemes	24	203
Pension contributions to defined contribution scheme	42	49
	<u>997</u>	<u>1,125</u>
	2017	2016
	£000	£000
Emoluments for the highest paid director	280	259
Amounts receivable under long-term incentive schemes	-	52
Pension contributions to defined contribution scheme	22	6
	<u>302</u>	<u>317</u>

The highest paid director exercised stock valued at £44,000 under long-term incentive schemes in respect of qualifying services (2016: £55,000). Four other directors exercised stock valued at £98,000 under long-term incentives schemes in respect of qualifying services.

All directors accrue retirement benefits under group defined contribution schemes and are not accruing benefit under defined benefit schemes.

The directors of Kantar UK Limited are considered the key management personnel.

8. Employee information

The average monthly number of employees (including directors) employed by the company during the year was made up as follows:

	2017	2016
	No.	No.
Marketing	952	1,042
Production services	509	566
Administration	181	192
	<u>1,642</u>	<u>1,800</u>

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

8. Employee information (continued)

Staff costs (including directors) including severance costs comprised:

	2017	2016
	£000	£000
Wages and salaries	81,994	76,850
Social security costs	9,876	9,755
Other pension costs	4,129	4,042
	<u>95,999</u>	<u>90,647</u>

9. Taxation on profit

	2017	2016
	£000	£000
Analysis of tax charge for the year		
UK corporation tax at 19.25% (2016: 20%)	-	-
Foreign tax	492	102
Deferred tax - current	(5,606)	-
Tax on profit	<u>(5,114)</u>	<u>102</u>

Factors affecting tax charge for the year:

Profit before taxation	<u>19,684</u>	<u>22,540</u>
Profit before tax multiplied by the standard rate of corporation tax 19.25% (2016: 20%)	3,789	4,508
Depreciation in excess of capital allowances	1,118	721
Movement in short term temporary differences	362	-
UK dividend income not taxable	-	(28)
Non-deductible dividend payable on preference shares	-	122
Group relief received for nil consideration	(2,621)	(5,305)
Double tax relief	-	(102)
WHT Suffered	492	102
Permanent differences	146	222
Other short-term temporary differences	(1,314)	(137)
Recognition of temporary differences not previously recognised	(7,087)	-
Total tax	<u>(5,114)</u>	<u>102</u>

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

9. Taxation on profit (continued)

A deferred tax liability of £7,336,000 has been recognised in respect of capital allowances in excess of depreciation and DT on share options, as it is probable that there will be sufficient taxable profits against which the asset will reverse in the future.

The Finance (No.2) Act 2015 enacted prospective legislation to reduce the main UK corporation tax rate to 18%. The Finance Act 2016 enacted further reduced the UK main rate of corporation tax to 17% from 1 April 2020, as follows:

Year to 31 March	2017	2018	2019	2020	2021
Corporation Tax Rate	19.25%	19%	19%	17.5%	17%

The tax rates change on April 1 each year and in 2018 changed to 19%, so for the year 2017 the overall rate is at 19.25% as 3 months is 20% and 9 months is 19%.

10. Dividends

	2017	2016
	£000	£000
Interim 2017 dividend for the year ended 31 December 2017 of 40p (2016: 40p) per ordinary share	10,000	10,000

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

11. Intangible fixed assets

	Goodwill	Software & Databases	Development Costs	Patents	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2017	24,780	16,655	888	141	42,464
Additions	-	4,345	-	-	4,345
Disposals	-	(25)	-	-	(25)
At 31 December 2017	24,780	20,976	888	141	46,785
Amortisation					
At 1 January 2017	9,667	7,061	888	141	17,757
Charge for the year	-	2,489	-	-	2,489
Disposal	-	(25)	-	-	(25)
At 31 December 2017	9,667	9,525	888	141	20,221
Net book value					
At 31 December 2017	15,113	11,450	-	-	26,565
At 31 December 2016	15,113	9,594	-	-	24,707

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

12. Tangible fixed assets

	Leasehold Buildings £000	Freehold land and buildings £000	Equipment £000	Total £000
Cost				
At 1 January 2017	2,899	6,122	16,528	25,549
Additions	37	-	1,914	1,951
Disposals	(714)	-	(2,561)	(3,275)
At 31 December 2017	2,222	6,122	15,881	24,225
Depreciation				
At 1 January 2017	2,214	3,263	10,697	16,174
Charge for year	159	178	1,622	1,959
Disposals	(689)	-	(2,559)	(3,248)
At 31 December 2017	1,684	3,441	9,760	14,885
Net book value				
At 31 December 2017	538	2,681	6,121	9,340
At 31 December 2016	685	2,859	5,831	9,375

13. Fixed asset investments

	Interest in subsidiary undertakings £000
Cost at 1 January 2017 and 31 December 2017	17,199
Provisions for impairment at 1 January 2017 and 31 December 2017	-
Net book value at 31 December 2016 and 31 December 2017	17,199

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

13. Fixed asset investments (continued)

In the opinion of the directors the value of the interests in the subsidiary undertakings is not less than the carrying values as stated above.

Details of investments in which the company holds more than 20% of the nominal value of any class of share capital, all of which is represented by ordinary shares, are as set out below.

Subsidiary undertakings	Country of Incorporation	Registered Address	Ownership		Principal activity
			2017	2016	
Kantar Media Intelligence Limited	UK	Ealing Gateway London, W5 2AU	100%	100%	Media monitoring
TNS Ireland	Ireland	5/6 Ely Place Dublin	100%	100%	Market research
TNS Services Ltd	UK	27 Farm St, London W1J 5RJ	100%	100%	Provision of agency services

The company is exempt from the obligation to prepare and deliver consolidated financial statements under section 400 of the Companies Act 2006.

14. Debtors

	2017	2016
	£000	£000
Trade debtors	40,605	43,821
Amounts owed by group undertakings*	82,014	24,326
Amounts recoverable on contracts	17,910	20,843
Corporation tax	277	266
Deferred tax	5,606	-
Other debtors	1,838	1,669
Prepayments	7,315	4,827
	<u>155,566</u>	<u>95,752</u>

* Amounts owed by group undertakings are receivable on demand and are interest-free.

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

15. Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	5,232	4,814
Payments received on account	11,962	17,541
Amounts owed to group undertakings *	83,962	50,961
4.51% non cumulative preference shares	210	210
Other tax and social security	4,784	6,334
Other creditors	2,868	910
Accruals	36,749	38,875
	<u>145,767</u>	<u>119,645</u>

* Amount includes a loan from TNS Worldpanel Limited of £17,117,651 which attracts interest at a rate equal to 0.5% above LIBOR and is repayable on demand. The remaining amount is repayable on demand and is interest-free.

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

	2017	2016
	£000	£000
7.28% 'A' cumulative preference shares	<u>8,366</u>	<u>8,366</u>

On 26 January 2010 the company issued 83,661 £100 non-redeemable cumulative 'A' preference shares as consideration for the acquisition of the business and net assets of Research International Limited. The shares entitle the holder to a fixed interest payment of 7.28% per annum. £609,052 of interest was paid in 2017 (2016: £609,052).

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

17. Provisions for liabilities and charges

	Property Provisions	Panel Incentives	Other	Total
	£000	£000	£000	£000
At 1 January 2017	1,467	730	-	2,197
Additional provision in the year	75	4,665	-	4,740
Utilised during the year	-	(2,895)	-	(2,895)
At 31 December 2017	1,542	2,500	-	4,042

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount.

The property provision of £1,542,000 (2016: £1,467,000) relates to dilapidations and onerous leases.

Panel incentives represent redeemable points worth £2,500,000 (2016: £730,000). The provision represents the best estimate of rewards payable in the future to panellists for their participation in panel research. Amounts are estimated based on the value of incentives earned and £2,500,000 (2016: £730,000) is estimated to be satisfied within one year.

The estimated maturity profile of the provisions is as follows:

	2017	2016
	£000	£000
Within one year	3,190	1,306
More than one year	852	891
	4,042	2,197

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Pensions and similar obligations

The pension plans in the UK are primarily defined contribution plans and the company's contribution to such plans range from 4% to 8% of salary, rising with the age of employees.

The company also has four defined benefit plans PP2, PP4, RI Superannuation Fund and RI UK Senior Pension Fund as described in paragraphs b) and c) below. All defined benefit schemes are administered by a separate board of Trustees which is legally separate from the company. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of benefits.

a) Defined contribution plans

Kantar UK Limited Defined Contribution plan

Effective March 2013 the Kantar UK Limited Defined Contribution plan is with Zurich.

The group's contributions to all defined contribution pension plans are 4% of salary below the age of 35, 6% from age 35 to below 50, and 8% for those aged 50 years and over. The retirement age for both men and women is 65.

Employers contributions to the defined contribution scheme pensions in the year were £3,556,000 (2016: £3,316,000).

b) TNS Defined benefit plans

Taylor Nelson Sofres plc Pension Plan (PP2)

The Taylor Nelson Sofres plc Pension Plan (PP2) was opened to new members in 1992. This plan was closed to new members on 30 July 1994.

PP2 is in funding surplus, but that surplus may not be recoverable by the company. Therefore, the recognition of that funding asset has been restricted to £nil.

The plan is funded by deferred annuity contracts and is managed by Scottish Widows. Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent completed valuation was at 1 July 2015. Service ceased to accrue in this plan with effect from 31 May 1997, although calculations will be based on members actual Final Pensionable Salary at date of exit.

Taylor Nelson Sofres plc Pension Plan (PP4)

The plan was transferred into the Group on the acquisition of the MRM group of companies. The plan is a funded defined benefit plan and is now closed to new members.

PP4 is in funding surplus, but that surplus may not be recoverable by the company. Therefore, the recognition of that funding asset has been restricted to £nil.

The contributions to this plan were determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method. The most recent actuarial assessment was as at 30 June 2016.

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Pensions and similar obligations (continued)

b) TNS Defined benefit plans (continued)

Key assumptions used

The following assumptions have been used to arrive at the valuations for the principal plans:

	2017	2016
	%	%
Discount rate	2.35	2.50
Inflation (RPI)	3.45	3.50
Inflation (CPI)	2.55	2.60
Salary Growth	-	-
Allowance for revaluation of deferred pensions of RPI or 5% p.a if less	-	-
Allowance for revaluation of deferred pensions of CPI or 5% p.a if less	-	2.60

The current life expectancies underlying the value of the accrued liabilities for the main plans operated by the Group were as follows:

	2017	2016
Current pensioners (at age 65) - Male	28.2	23.6
Current pensioners (at age 65) - Female	29.2	24.8
Future pensioners (at age 45) - Male	29.9	25.6
Future pensioners (at age 45) - Female	31.0	27.0

An analysis of the market value of scheme assets is shown below. This is then shown against the present value of the scheme liabilities, with the impact of any surplus restrictions giving rise to the net amount recognised in the balance sheet:

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Pensions and similar obligations (continued)

b) TNS Defined benefit plans (continued)

	2017	2016
	£000	£000
Cash & cash equivalents	160	81
UK Equities	-	823
Government bonds	-	818
Index Linked Gifts	-	329
Other	3,997	2,116
Market value of assets	<u>4,157</u>	<u>4,167</u>
Present value of liabilities	<u>(3,147)</u>	<u>(3,143)</u>
Surplus in the plan	1,010	1,024
Surplus restriction	<u>(1,010)</u>	<u>(1,024)</u>
Net Pension Liability	<u>-</u>	<u>-</u>

The following amounts have been recorded in the Profit and loss account under IAS 19:

	2017	2016
	£000	£000
Admin Expenses	151	149
Defined benefit costs recognised in profit and loss account	<u>151</u>	<u>149</u>

The analysis of the amounts recognised in the statement of comprehensive income is as follows:

	2017	2016
	£000	£000
Return on plan assets (excluding amounts included in net interest cost) - (loss)/gain	(250)	379
Experience losses arising on the plan liabilities	3	(23)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - (loss)	(28)	(460)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost - gain)	39	103
Total amount recognised in other comprehensive income - loss	<u>(236)</u>	<u>(1)</u>

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Pensions and similar obligations (continued)

b) TNS Defined benefit plans (continued)

Movements restricted surplus:

	2017	2016
	£000	£000
Asset ceiling at end of previous year	1,024	1,085
Interest expense	25	42
(Gain)/loss recognised in other comprehensive income	(39)	(103)
Asset ceiling at end of year	<u>1,010</u>	<u>1,024</u>

The scheme's assets are stated at their market value as at 31 December 2017. Movements in the fair value of scheme assets were as follows:

	2017	2016
	£000	£000
Fair value of plan assets at start of period	4,167	3,833
Interest income	96	138
Actuarial (loss)/gain	(250)	512
Contributions by the group	387	150
Benefits paid & expenses	(243)	(466)
Fair value of plan assets at end of period	<u>4,157</u>	<u>4,167</u>

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Pensions and similar obligations (continued)

b) TNS Defined benefit plans (continued)

The present value of defined benefit obligation:

	2017	2016
	£000	£000
Defined benefit obligation at start of period	3,143	2,748
Interest expense	74	98
Actuarial loss/(gain) from changes in financial assumptions	65	460
Actuarial (gain)/loss due to liability experiences	(3)	23
Actuarial (gain) from changes in demographic assumptions	(37)	-
Benefits paid & expenses	(95)	(186)
Defined benefit obligation at end of period	<u>3,147</u>	<u>3,143</u>

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation – Taylor Nelson Sofres Pension Plan 2:

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 2.5%
Rate of inflation	Increase of 0.25% p.a.	Increase by 0.0%
Rate of salary growth	Increase of 0.25% p.a.	Increase by 0.0%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 1.4%

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation – Taylor Nelson Sofres Pension Plan 4:

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 3.5%
Rate of inflation	Increase of 0.25% p.a.	Increase by 1.6%
Rate of salary growth	Increase of 0.25% p.a.	-
Rate of mortality	Increase in life expectancy of 1 year	Increase by 2.6%

In presenting the above sensitivity analyses, the present value of the defined benefit obligation has been calculated using the projected unit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

The Scheme's duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is around 10 years for Taylor Nelson Sofres Pension Plan 2 and 14 years for Taylor Nelson Sofres Pension Plan 4.

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Pensions and similar obligations (continued)

c) Defined benefit plans acquired from Research International Limited

The company operates two defined benefit schemes in the UK acquired from Research International Limited: Research International Superannuation Fund and Research International UK Senior Pension Fund. Full actuarial valuations were carried out at 31 December 2013 and 31 December 2014 respectively and updated to 31 December 2017 by qualified actuaries.

The schemes are closed to new members and, as a result, have ageing populations. In accordance with IAS 19, 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.

UK legislation requires that pension schemes are funded prudently. The contributions for 2017 were £1,085,000 (2016: £1,085,000) to the Research International Superannuation Fund and £75,000 (2016: £75,000) to the Research International UK Senior Pension Fund.

Agreed future contribution rates for the Research International Superannuation Fund (RISF) are 23.5% of Pensionable Pay per annum for members accruing RISF benefits. The agreed contribution for 2017 is £1,085,000 per annum.

The agreed future contribution to the Research International UK Senior Pension Fund is £75,000 per annum.

Future contribution rates are subject to periodic actuarial valuations.

Key assumptions used

The following assumptions have been used to arrive at the valuations for the principal plans:

	2017	2016
	%	%
Discount rate	2.35	2.55
Inflation (RPI)	3.45	3.50
Inflation (CPI)	2.55	2.60
Salary Growth	-	3.50
Allowance for pension in payment increases of RPI	3.40	3.50
Allowance for pension in payment increases of CPI or 3% p.a if less	-	-
Allowance for revaluation of deferred pensions of RPI or 5% p.a if less	-	3.40
Allowance for revaluation of deferred pensions of CPI or 5% p.a if less	2.60	2.60

The current life expectancies underlying the value of the accrued liabilities for the main plans operated by the Group were as follows:

	2017	2016
Current pensioners (at age 65) - Male	28.2	23.6
Current pensioners (at age 65) - Female	29.2	24.8
Future pensioners (at age 45) - Male	29.9	25.6
Future pensioners (at age 45) - Female	31.0	27.0

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Pensions and similar obligations (continued)

c) Defined benefit plans acquired from Research International Limited (Continued)

An analysis of the market value of scheme assets is shown below. This is then shown against the present value of the scheme liabilities, with the impact of any surplus restrictions giving rise to the net amount recognised in the balance sheet:

	2017	2016
	£000	£000
Cash & cash equivalents	765	12,269
Overseas Equities	-	2,715
Corporate Bonds	-	10,188
Government Bonds	-	23,265
Other	46,246	4
Market value of assets	<u>47,011</u>	<u>48,441</u>
Present value of liabilities	(46,246)	(47,745)
Net Pension Surplus	<u>765</u>	<u>696</u>

The following amounts have been recorded in the Profit and loss account:

	2017	2016
	£000	£000
Current service cost	9	74
Past service cost	(155)	-
Admin Expenses	303	263
Net interest (receivable)	(34)	(95)
Defined benefit costs recognised in profit and loss account	<u>123</u>	<u>242</u>

The analysis of the amounts recognised in the statement of comprehensive income is as follows:

	2017	2016
	£000	£000
Return on plan assets (excluding amounts included in net interest cost) - (loss)/gain	(4,381)	6,605
Experience gains arising on the plan liabilities	988	2
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - (loss)	(163)	(8,661)
Total amount recognised in other comprehensive income - (loss)	<u>(3,556)</u>	<u>(2,054)</u>

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Pensions and similar obligations (continued)

c) Defined benefit plans acquired from Research International Limited (Continued)

The scheme's assets are stated at their market value as at 31 December 2017. Movements in the fair value of scheme assets were as follows:

	2017	2016
	£000	£000
Fair value of plan assets at start of period	48,437	41,069
Interest income	1,231	1,542
Actuarial (loss)/gain	(4,381)	6,679
Contributions by the group	3,752	1,224
Contributions by plan participants	1	9
Benefits paid & expenses	(2,029)	(2,086)
Fair value of plan assets at end of period	<u>47,011</u>	<u>48,437</u>

The present value of defined benefit obligation:

	2017	2016
	£000	£000
Defined benefit obligation at start of period	47,745	39,305
Current service costs	(146)	74
Expenses	-	0
Interest expense	1,197	1,447
Contributions by plan participants	1	9
Actuarial (gain) from changes in demographic assumptions	(942)	-
Actuarial loss from changes in financial assumptions	1,105	8,661
Actuarial gain due to liability experiences	(988)	(2)
Benefits paid & expenses	(1,726)	(1,749)
Defined benefit obligation at end of period	<u>46,246</u>	<u>47,745</u>

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Notes to the financial statements (continued) For the year ended 31 December 2017

18. Pensions and similar obligations (continued)

c) Defined benefit plans acquired from Research International Limited (Continued)

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation – Research International Super Fund:

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 4.5%
Rate of inflation	Increase of 0.25% p.a.	Increase by 4.1%
Rate of salary growth	Increase of 0.25% p.a.	-
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.2%

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation – Research International UK Senior Pension Fund:

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 2.9%
Rate of inflation	Increase of 0.25% p.a.	Increase by 2.9%
Rate of salary growth	Increase of 0.25% p.a.	-
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.7%

In presenting the above sensitivity analyses, the present value of the defined benefit obligation has been calculated using the projected unit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

The Scheme's duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is around 16 years for Research International Superannuation Fund and 12 years for Research International UK Senior Pension Fund.

d) Risks associated with the defined benefit schemes

The defined benefit schemes expose the company to a number of risks, the most significant of which are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The schemes hold a significant proportion of growth assets, including equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the schemes' liabilities for accounting purposes, although this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk

A significant proportion of the schemes' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Pensions and similar obligations (continued)

d) Risks associated with the defined benefit schemes (continued)

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

19. Share-based payments

Stock option plans

The Worldwide Share Ownership Programme (WWOP) 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. WWOP Stock options have a life of 10 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 weighted average share price of WPP plc for the year ended 31 December 2017 was £15.86 (2016: £18.16).

The fair values per option granted during the year and the key assumptions used are as follows:

	WWOP
Grant date	Dec 2017
Valuation model	Black Scholes
Exercise price	1705.5p
Expected volatility	17.0%
Average expected period to exercise (years)	4
Risk-free rate	0.57%
Expected dividends expressed as a dividend yield	2.9%
Fair value per share option	112.0p

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

19. Share-based payments (continued)

Options and rights in shares of the parent company WPP plc.

Year of grant	Exercise price (p)	Contractual exercise period	Expected remaining life (years)	Number of share at 1.1.17	Granted in year	Expired or forfeited in year	Exercised in year	Number of shares at 31.12.17
Worldwide Ownership Plan (WWOP)								
2008	603	2011-2018	4	-	-	-	-	-
2009	548	2012-2019	4	25,500	-	-	(1,750)	23,750
2010	711	2013-2020	4	11,875	-	-	(1,875)	10,000
2011	627	2014-2021	4	12,125	-	-	(2,375)	9,750
2012	846	2015-2022	4	12,750	-	-	(3,000)	9,750
2013	1351	2016-2023	4	34,750	-	-	(9,500)	25,250
2014	1315	2017-2024	4	93,875	-	(6,750)	-	87,125
2015	1515	2018-2025	4	98,975	-	(9,625)	-	89,350
2016	1706	2019-2026	4	121,125	-	(14,125)	-	107,000
2017	1309	2020-2027	4	-	112,625	-	-	112,625
				410,975	112,625	(30,500)	(18,500)	474,600

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:

Leaders, Partners and High Potential Group

On a yearly basis awards are granted to participants of the WPP Leaders, Partners and High Potential Group. Performance conditions include continued employment over a three-year vesting period.

Special Stock 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.

Performance Share Awards

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

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

19. Share-based payments (continued)

	2017	2016
Leaders, Partners and High Potential Group		
Number of shares granted	49,654	58,787
Weighted average fair value at grant date	£13.09	£17.06
Special Share Awards		
Number of shares granted	0	5,818
Weighted average fair value at grant date	£0.00	£15.99
Performance Share Awards		
Number of shares granted	972	18,666
Weighted average fair value at grant date	£17.21	£15.99

20. Called-up share capital

	2017	2016	2017	2016
	No. of shares	No. of shares	£000	£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>25,000,001</u>	<u>25,000,001</u>	<u>25,000</u>	<u>25,000</u>
Total shares	<u>25,000,001</u>	<u>25,000,001</u>	<u>25,000</u>	<u>25,000</u>

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

21. Profit and loss account

	Profit and loss account
	£000
At 1 January 2017	63,571
Profit for the financial year	24,798
Actuarial loss on pension scheme	(3,831)
Change in recognisable surplus of plans with a surplus restriction	39
Dividend paid	(10,000)
Share-based payments - IFRS 2	849
At 31 December 2017	<u>75,426</u>

22. Financial guarantees and commitments

Guarantees

The company participates in group banking arrangements with its parent, 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 United Kingdom with a clearing bank (£nil as at 31 December 2017; £nil as at 31 December 2016). The company, together with its parent WPP plc, and certain other subsidiary undertakings, are parties to the group's syndicated banking arrangements. The company has jointly and severally guaranteed the borrowings under these arrangements, details of which are included in the financial statements of WPP plc. The company also guarantees the liabilities of the ultimate parent company, WPP plc.

Capital commitments

	2017	2016
	£000	£000
Contracted but not provided for		
- other	<u>421</u>	<u>435</u>

Kantar UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

22. Financial guarantees and commitments (continued)

Lease commitments

Operating lease payments represent rentals payable by the Company for certain of its office properties. Majority of leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years with an option to extend at the then prevailing market rate.

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

	Land and Buildings		Other	
	2017	2016	2017	2016
Operating leases:	£000	£000	£000	£000
within one year	3,800	1,646	203	58
within two to five years	14,887	11,077	237	55
over five years	4,301	6,062	-	-
	<u>22,988</u>	<u>18,785</u>	<u>440</u>	<u>113</u>

23. Related party transactions

Kantar UK Limited is a wholly-owned subsidiary of WPP plc, the consolidated financial statements of which are publicly available. Consequently, the company is exempt under the terms of FRS 101 paragraph 8(k) from disclosing transactions with companies that are 100% owned within the Group.

24. Subsequent events

As at 1 January 2018 there has been a restructure within the business whereby sectors within Millward Brown UK Limited have merged with Kantar UK Limited. The consideration (exclusive of VAT) payable for the trade and assets of Millward Brown UK Limited shall be £159,704,012. This is paid by the allotment and issue of consideration shares to Millward Brown UK Limited. From 1 January 2018 the directors will regard Millward Brown UK Limited, a company incorporated in the United Kingdom, as the immediate parent company.

25. Ultimate parent company and controlling party

The directors regard TNS UK (Holdings) Limited, a company incorporated in the United Kingdom, 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 Queensway House, Hilgrove Street St Helier, Jersey, JE1 1ES. The parent undertaking of the smallest such group is WPP Jubilee Limited, incorporated in the United Kingdom.

Copies of the financial statements of WPP plc are available at www.wppinvestor.com. Copies of the financial statements of WPP Jubilee Limited can be obtained from its registered office at 27 Farm Street, London W1J 5RJ, UK.