

Notes to the Company financial statements

32. Accounting policies

The principal accounting policies of WPP plc (the Company) are summarised below. These accounting policies have all been applied consistently throughout the year and preceding year.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies (Jersey) Law 1991. The financial statements are prepared on a going concern basis, further details of which are in the Directors' report on page 187.

b) Translation of foreign currency

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

c) Investments

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

d) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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

e) UITF 44: Group and treasury share transactions

Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, UITF 44 requires the subsidiary to record an expense for such compensation in accordance with FRS 20 (Share-based payments), with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent (WPP plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £105.4 million in 2013 (2012: £nil), with a credit to equity for the same amount.

33. Interest receivable and similar income

	2013 £m	2012 £m
Interest receivable from subsidiary undertakings	13.0	–
Interest receivable on financial instruments	25.1	–
	38.1	–

34. Interest payable and similar charges

	2013 £m	2012 £m
Interest payable on corporate bonds	100.5	–
Bank and other interest payable	20.5	–
Interest payable to subsidiary undertakings	17.4	–
	138.4	–

35. Taxation on loss on ordinary activities

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

	2013 £m	2012 £m
Profit on ordinary activities before tax	151.2	–
Tax at the blended rate of 23.25% thereon	(35.1)	–
Factors affecting tax charge for the year:		
Non-taxable dividend income	59.9	–
Unrecognised losses carried forward	(24.8)	–
Current tax charge for the year	–	–

36. Fixed asset investments

The following are included in the net book value of fixed asset investments:

	Subsidiary undertakings £m
1 January 2013	–
Additions	12,662.6
31 December 2013	12,662.6

Fixed asset investments primarily represent 100% of the issued share capital of WPP Jubilee Limited, a company incorporated in Great Britain. Fixed asset investments were purchased in a share-for-share exchange. At 31 December 2013 cost and net book value were the same. Details of indirect subsidiaries are given in note 29.

37. Debtors

The following are included in debtors:

	2013 £m	2012 £m
Amounts owed by subsidiary undertakings	1,610.6	–
Other debtors	9.0	–
	1,619.6	–

38. Creditors: amounts falling due within one year

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

	2013 £m	2012 £m
Bank overdraft	1,518.8	-
Amounts due to subsidiary undertakings	119.6	-
Interest payable on corporate bonds	44.3	-
Other creditors and accruals	4.9	-
	1,687.6	-

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

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

	2013 £m	2012 £m
Corporate bonds	1,022.5	-

40. Derivatives not included at fair value

The company has derivatives which are not included at fair value in the accounts:

	Fair value 2013 £m	Fair value 2012 £m
Cross currency swaps	(9.7)	-
Interest rate swaps	32.7	-
	23.0	-

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

41. Equity share owners' funds

Movements during the year were as follows:

	Ordinary share capital £m	Share premium account £m	Shares to be issued £m	Own shares £m	Profit and loss account £m
Ordinary shares issued under the scheme of arrangement	126.5	11,110.4	1.8	-	-
Capital reduction	-	(11,110.4)	-	-	11,110.4
Ordinary shares issued	0.7	41.6	(1.3)	-	1.2
Share issue/cancellation costs	-	(0.4)	-	-	-
Shares issued on conversion of bond	7.7	442.2	-	-	-
Treasury share additions	-	-	-	(17.6)	-
Treasury share allocations	-	-	-	3.3	(3.3)
Net profit for the year	-	-	-	-	151.2
Dividends paid	-	-	-	-	(397.3)
Equity granted to employees of subsidiaries	-	-	-	-	105.4
31 December 2013	134.9	483.4	0.5	(14.3)	10,967.6

Reconciliation of movements in equity share owners' funds for the year ended 31 December 2013:

	2013 £m	2012 £m
Profit for the year	151.2	-
Equity granted to employees of subsidiaries	105.4	-
Ordinary shares issued under the scheme of arrangement	11,238.7	-
Ordinary shares issued	42.2	-
Dividends paid	(397.3)	-
Shares issued on conversion of bond	449.9	-
Share issue/cancellation costs	(0.4)	-
Treasury share additions	(17.6)	-
Net addition to equity share owners' funds	11,572.1	-
Opening equity share owners' funds	-	-
Closing equity share owners' funds	11,572.1	-

At 31 December 2013 the Company's distributable reserves amounted to £10,862.1 million (2012: £nil). Further details of the Company's share capital are shown in note 26.

The entire balance standing to the credit of the share premium account was transferred to retained earnings as sanctioned by The Royal Court of Jersey. As a result £11,110.4 million was added to retained earnings for the Company.

42. Guarantees and other financial commitments

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