





FINANCIAL STATEMENTS

Accounting policies	158
Consolidated financial statements	165
Notes to the consolidated financial statements	170
Company financial statements	199
Notes to the Company financial statements	202
Independent auditor's report	204
Reconciliation to non-GAAP measures of performance	212

ACCOUNTING POLICIES

The consolidated financial statements of WPP plc and its subsidiaries (the Group) for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to Regulation (EC) No 1606/2002 as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2020.

The Group's financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments and held for sale assets. The financial statements have been prepared using the going concern basis of accounting. The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements include the results of the Company and all its subsidiary undertakings made up to the same accounting date. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation. The results of subsidiary undertakings acquired or disposed of during the period are included or excluded from the consolidated income statement from the effective date of acquisition or disposal.

NEW IFRS ACCOUNTING PRONOUNCEMENTS

In the current year, the following Standards and Interpretations became effective:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7);
- Impact of Covid-19 Related Rent Concessions (Amendment to IFRS 16).

The Group does not consider that other standards or amendments to standards adopted during the year have a significant impact on the financial statements.

IMPACT OF INTEREST RATE BENCHMARK REFORM

The amendments issued by the IASB, Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), are mandatory and are effective from 1 January 2020. They provide relief on specific aspects of pre-replacement issues that impact hedge accounting, whereby entities applying hedge accounting requirements will be able to assume that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of Interest Rate Benchmark Reform. The Group does not consider that these amendments have a significant impact on the financial statements as they provide relief for the possible effects of the uncertainty arising from interest rate benchmark reform.

IMPACT OF COVID-19-RELATED RENT CONCESSIONS

The amendment to IFRS 16, Covid-19-Related Rent Concessions, was issued by the IASB in May 2020 and is effective from 1 June 2020. It provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. The Group has elected to apply the practical expedient. There has been no material impact to our financial statements as a result of the application of this amendment.

At the date of authorisation of these financial statements, the following amendments to standards, which have not been applied in these financial statements, were in issue but not yet effective:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

The Group does not consider that other standards or amendments to standards in issue but not yet effective will have a significant impact on the financial statements.

IMPACT OF INTEREST RATE BENCHMARK REFORM PHASE 2

The amendments issued by the IASB, Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), are mandatory and are effective from 1 January 2021. They address issues arising from the implementation of the reforms. A practical expedient is provided such that the change to contractual cash flows for financial assets and liabilities (including lease liabilities) is accounted for prospectively by revising the effective interest rate. In addition, hedge accounting will not be discontinued solely because of the IBOR reform. The Group does not consider that these amendments will have a significant impact on the financial statements as they provide relief for the possible effects of the uncertainty arising from interest rate benchmark reform.

RESTATEMENT

After the consolidated financial statements for the year ended 31 December 2019 were issued, it was determined that they did not comply with certain elements of the application of IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, resulting in the incorrect presentation of the Company's notional cash pooling arrangements on the balance sheet, the inappropriate deferral of foreign exchange movements in the Company's translation reserve due to the inappropriate application of hedge accounting in respect of non-derivative financial instruments and the inappropriate discount rate being applied in the calculation of the fair value of liabilities in respect of put option agreements and payments due to vendors (earnout agreements).

The presentation of cash and overdrafts within notional cash pooling arrangements did not meet the requirements for offsetting in accordance with IAS 32 Financial Instruments: Presentation. This resulted in the incorrect presentation of the notional cash pooling arrangements on the balance sheet. Therefore, there has been a restatement of the year ended 31 December 2019 and 2018. The impact of this change is to increase cash and short-term deposits and bank overdrafts, bonds and bank loans by £8,336.7 million for the year ended 31 December 2019 (2018: £8,422.6 million), while having no impact on the Company's net debt position. This adjustment does not impact the consolidated income statement or consolidated cash flow statement.

Net investment hedging was inappropriately applied against certain foreign exchange exposures and net investment in foreign operations, where the relationship was either an ineligible hedging relationship under IFRS or insufficiently documented, such that the criteria to apply hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement were not met. Therefore, there has been a restatement of the year ended 31 December 2019 and 2018, resulting in the reclassification of gains/losses recognised in exchange adjustments on foreign currency net investments within the consolidated statement of comprehensive income to be reported in the consolidated income statement as revaluation and retranslation of financial instruments (note 6). The impact of this change is a £245.7 million gain for the year ended 31 December 2019 (2018: £205.1 million loss) being recognised in revaluation and retranslation of financial instruments. This change also reduces the opening retained earnings balance as at 1 January 2019 by £517.4 million with a corresponding increase in the foreign currency translation reserve.

The fair value of liabilities in respect of put option agreements and payments due to vendors (earnout agreements) are recorded at the present value of the expected cash outflows of the obligation. The discount rate historically used in this calculation represented the Company's cost of debt. To fully reflect the risk in the cash flows, the Company has changed the discount rate used in this calculation, and restated the years ending 31 December 2019 and 2018 to reflect the change, which resulted in the following adjustments:

- Liabilities in respect of put options (note 19 and 20) have decreased by £22.3 million at 31 December 2019 (2018: £34.0 million) and a charge of £10.8 million in 2019 (2018: £8.5 million) recognised in the consolidated income statement within the revaluation and retranslation of financial instruments (note 6). Other reserves on the consolidated balance sheet increased by £59.6 million at 31 December 2019 (2018: £51.5 million);
- Payments due to vendors (earnout agreements) (note 20) have decreased by £10.1 million at 31 December 2019 (2018: £13.9 million) and a charge of £2.7 million in 2019 (2018: £32.1 million) recognised in the consolidated income statement within the revaluation and retranslation of financial instruments (note 6). Goodwill on the consolidated balance sheet decreased by £60.1 million at 31 December 2019 (2018: £70.2 million);
- The goodwill impairment charge (note 3) decreased by £7.4 million in 2018, as a result of the above adjustments that decreased goodwill and payments due to vendors (earnout agreements) on the consolidated balance sheet;
- These changes also decreased the opening retained earnings balance as at 1 January 2019 by £73.8 million.

The restatements described in this note resulted in an increase in the basic and diluted earnings per share from continuing and discontinued operations of 18.6p and 18.4p, respectively, for the year ended 31 December 2019 (2018: decrease of 19.1p and 18.9p, respectively).

IMPACT OF COVID-19 ON CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

The critical judgements and estimation uncertainty in applying accounting policies are set out on page 164, however Covid-19 has had the most significant impact on the below areas of estimation uncertainty.

IMPAIRMENT OF GOODWILL:

Given the Covid-19 pandemic, impairment indicators such as a decline in revenue less pass-through costs forecasts, and downturns in the global economy and the advertising industry were identified in 2020. As such, the Group performed impairment tests over goodwill and intangible assets with indefinite useful lives. In performing the impairment tests, estimates are required in regard to the discount rates, long-term growth rates and the level of cash flows during the five-year projection period, which involves judgement on the duration and shape of the recovery from Covid-19. Further details of the goodwill impairment charge are outlined in note 14.

EXPECTED CREDIT LOSSES:

Under IFRS 9 Financial Instruments, the expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of discounted estimated future cash flows. As a result of the Covid-19 pandemic on the Group's clients, estimates of future cash flows from clients involve significant judgement. The Group performed a detailed review of trade receivables, work in progress and accrued income at 31 December 2020, focusing on significant individual clients along with the industry and country in which the clients operate where there is increased risk due to the pandemic. The Group's approach to expected credit losses is outlined in note 18.

PAYMENTS DUE TO VENDORS (EARNOUT AGREEMENTS) AND LIABILITIES IN RESPECT OF PUT OPTIONS:

When measuring the liabilities for earnouts and put options, estimates are required regarding discount rates and growth rates in determining future financial performance, which involves judgement on the duration and shape of the recovery from Covid-19 in this period. Further details on growth rates, discount rates and the sensitivity to these estimates are set out in note 26.

GOVERNMENT SUPPORT

In reaction to the Covid-19 pandemic, certain governments have introduced measures to assist companies. A reduction to operating costs is recorded in relation to government subsidies/schemes where these amounts will never have to be repaid. Further details of such amounts are included in note 3. In other cases, this involves the deferral of certain tax payments in order to stimulate the economy. The deferral of payments does not impact the income statement and these are charged as normal in the period they are incurred.

GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets comprise goodwill, certain acquired separable corporate brand names, acquired customer relationships, acquired proprietary tools and capitalised computer software not integral to a related item of hardware.

Goodwill represents the excess of fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the underlying net assets, including intangible assets, at the date of their acquisition.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, defined as the higher of fair value less costs to sell and value in use. The net present value of future cash flows is derived from the underlying assets using a projection period of up to five years for each cash-generating unit. After the projection period, a steady growth rate representing an appropriate long-term growth rate for the industry is applied. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Corporate brand names, customer relationships and proprietary tools acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Certain corporate brands of the Group are considered to have an indefinite economic life because of the institutional nature of the corporate brand names, their proven ability to maintain market leadership and profitable operations over long periods of time and the Group's commitment to develop and enhance their value. The carrying value of these intangible assets is reviewed at least annually for impairment and adjusted to the recoverable amount if required.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

- brand names (with finite lives) – 10-20 years;
- customer-related intangibles – 3-10 years;
- other proprietary tools – 3-10 years;
- other (including capitalised computer software) – 3-5 years.

CONTINGENT CONSIDERATION

Contingent consideration is accounted for in accordance with IFRS 3 Business Combinations. Contingent consideration only applies to situations where contingent payments are not dependent on future employment of vendors and any such payments are expensed when they relate to future employment.

Future anticipated payments to vendors in respect of contingent consideration (earnout agreements) are initially recorded at fair value which is the present value of the expected cash outflows of the obligations. The obligations are dependent on the future financial performance of the interests acquired (typically over a four- to five-year period following the year of acquisition) and assume the operating companies improve profits in line with Directors' estimates. The Directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition.

Subsequent adjustments to the fair value are recorded in the consolidated income statement within revaluation and retranslation of financial instruments.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment with the exception of freehold land which is not depreciated. The Group assesses the carrying value of its property, plant and equipment to determine if any impairment has occurred. Where this indicates that an asset may be impaired, the Group applies the requirements of IAS 36 Impairment of Assets in assessing the carrying amount of the asset. This process includes comparing its recoverable amount with its carrying value. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life, as follows:

- freehold buildings – 50 years;
- leasehold land and buildings – over the term of the lease or life of the asset, if shorter;
- fixtures, fittings and equipment – 3-10 years;
- computer equipment – 3-5 years.

INTERESTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. In certain circumstances, significant influence may be represented by factors other than ownership and voting rights, such as representation on the Board of Directors.

The Group's share of the profits less losses of associate undertakings net of tax, interest and non-controlling interests is included in the consolidated income statement and the Group's share of net assets is shown within interests in associates in the consolidated balance sheet. The Group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the Group.

The Group assesses the carrying value of its associate undertakings to determine if any impairment has occurred. Where this indicates that an investment may be impaired, the Group applies the requirements of IAS 36 in assessing the carrying amount of the investment. This process includes comparing its recoverable amount with its carrying value. The recoverable amount is defined as the higher of fair value less costs to sell and value in use.

The Group accounts for joint venture investments under the equity method which is consistent with the Group's treatment of associates.

OTHER INVESTMENTS

Certain equity investments are designated as either fair value through other comprehensive income or fair value through profit or loss. Movements in fair value through profit or loss are recorded in the consolidated income statement within revaluation of financial instruments.

The Group generally elects to classify equity investments as fair value through other comprehensive income where the Group forms a strategic partnership with the investee.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, where certain conditions are met, an asset or disposal group that is for sale is recognised as "held for sale". The Group has classified a disposal group as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. Such assets are measured at the lower of carrying amount and fair value less costs to sell, and are not depreciated or amortised, excluding certain assets that are carried at fair value under IFRS 5. Furthermore, when an associate is classified as held for sale, equity accounting ceases.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The profit or loss from a discontinued operation is shown as a single amount on the face of the income statement and the comparatives and related notes restated accordingly. This represents total post-tax profit of the disposal group for the whole of the financial year including any post-tax gain or loss on the measurement of fair value less costs to sell, as well as the post-tax loss on sale of the disposal group. Assets and liabilities classified as held for sale are shown as a separate line on the balance sheet.

ACCRUED AND DEFERRED INCOME

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

In certain cases, payments are received from customers or amounts are billed with an unconditional right to receive consideration prior to satisfaction of performance obligations and recognised as deferred income. These balances are considered contract liabilities and are typically related to prepayments for third-party expenses that are incurred shortly after billing.

TRADE RECEIVABLES AND WORK IN PROGRESS

Trade receivables are stated net of provisions for bad and doubtful debts.

Work in progress includes outlays incurred on behalf of clients, including production costs, and other third-party costs that have not yet been billed and are considered receivables under IFRS 15 Revenue from Contracts with Customers.

EXPECTED CREDIT LOSSES

The Group has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9 Financial Instruments. Under this approach, the Group utilises a provision matrix based on the age of the trade receivables and historical loss rates to determine the expected credit losses. Where relevant, the Group also considers forward looking information. Therefore the Group does not track changes in credit risk, but recognises a loss allowance based on the financial asset's lifetime expected credit loss.

Under IFRS 9, the expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Given the short-term nature of the Group's trade receivables, work in progress and accrued income, which are mainly due from large national or multinational companies, the Group's assessment of expected credit losses includes provisions for specific clients and receivables where the contractual cash flow is deemed at risk. Additional provisions are made based on the assessment of recoverability of aged receivables, where the following criteria are met:

- 100% of the asset aged over one year;
- 50% of the asset aged between 180 days and one year; and
- sufficient evidence of recoverability is not evident.

Further details on provisions for bad and doubtful debts are provided in note 18.

FOREIGN CURRENCY AND INTEREST RATE HEDGING

The Group's policy on interest rate and foreign exchange rate management sets out the instruments and methods available to hedge interest and currency risk exposures and the control procedures in place to ensure effectiveness.

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 26 contains details of the fair values of the derivative instruments used for hedging purposes.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow or net investment hedges is recognised in other comprehensive income and deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the consolidated income statement.

LIABILITIES IN RESPECT OF OPTION AGREEMENTS

Option agreements that allow the Group's equity partners to require the Group to purchase a non-controlling interest are treated as derivatives over equity instruments and are recorded in the consolidated balance sheet initially at the present value of the redemption amount in accordance with IAS 32 Financial Instruments: Presentation and subsequently, the financial liability is measured in accordance with IFRS 9 Financial Instruments. Changes in the measurement of the financial liability due to the unwinding of the discount or changes in the amount that the Group could be required to pay are recognised in profit or loss within revaluation and retranslation of financial instruments in the consolidated income statement.

DERECOGNITION OF FINANCIAL LIABILITIES

In accordance with IFRS 9 Financial Instruments, a financial liability of the Group is only released to the consolidated income statement when the underlying legal obligation is extinguished.

DEBT

Interest-bearing debt is recorded at the proceeds received, net of direct issue costs.

The Group's bank overdrafts are included in cash and cash equivalents where they are repayable on demand, are components of the Group's centralised treasury strategy employed across the Group and form an integral part of the Group's cash management, in accordance with IAS 7 Statement of Cash Flows.

BORROWING COSTS

Finance costs of borrowing are recognised in the consolidated income statement over the term of those borrowings.

REVENUE RECOGNITION

The Group is a leading worldwide creative transformation organisation offering national and multinational clients a comprehensive range of communications, experience, commerce and technology services. Contracts often involve multiple agencies offering different services in different countries. As such, the terms of local, regional and global contracts can vary to meet client needs and regulatory requirements. Consistent with the industry, contracts are typically short-term in nature and tend to be cancellable by either party with 90 days' notice. The Group is generally entitled to payment for work performed to date.

The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days. Revenue comprises commissions and fees earned in respect of amounts billed and is stated exclusive of VAT, sales taxes and trade discounts. Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients, predominantly media costs. Costs to obtain a contract are typically expensed as incurred as the contracts are generally short-term in nature.

In most instances, promised services in a contract are not considered distinct or represent a series of services that are substantially the same with the same pattern of transfer to the customer and, as such, are accounted for as a single performance obligation. However, where there are contracts with services that are capable of being distinct, are distinct within the context of the contract, and are accounted for as separate performance obligations, revenue is allocated to each of the performance obligations based on relative stand-alone selling prices.

Revenue is recognised when a performance obligation is satisfied, in accordance with the terms of the contractual arrangement. Typically, performance obligations are satisfied over time as services are rendered. Revenue recognised over time is based on the proportion of the level of service performed. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. For most fee arrangements, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these arrangements is labour. There is normally a direct relationship between costs incurred and the proportion of the contract performed to date. In other circumstances relevant output measures, such as the achievement of any project milestones stipulated in the contract, are used to assess proportional performance.

For our retainer arrangements, we have a stand-ready obligation to perform services on an ongoing basis over the life of the contract. The scope of these arrangements are broad and generally are not reconcilable to another input or output criteria. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition.

The amount of revenue recognised depends on whether we act as an agent or as a principal. Certain arrangements with our clients are such that our responsibility is to arrange for a third party to provide a specified good or service to the client. In these cases we are acting as an agent as we do not control the relevant good or service before it is transferred to the client. When we act as an agent, the revenue recorded is the net amount retained. Costs incurred with external suppliers (such as production costs and media suppliers) are excluded from revenue and recorded as work in progress until billed.

The Group acts as principal when we control the specified good or service prior to transfer. When the Group acts as a principal (such as when supplying in-house production services, events and branding), the revenue recorded is the gross amount billed. Billings related to out-of-pocket costs such as travel are also recognised at the gross amount billed with a corresponding amount recorded as an expense.

Further details on revenue recognition are detailed by sector below.

GLOBAL INTEGRATED AGENCIES

Revenue is typically derived from integrated product offerings including media placements and creative services. Revenue may consist of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client. Revenue for commissions on purchased media is typically recognised at the point in time the media is run.

The Group receives volume rebates from certain suppliers for transactions entered into on behalf of clients that, based on the terms of the relevant contracts and local law, are either remitted to clients or retained by the Group. If amounts are passed on to clients they are recorded as liabilities until settled or, if retained by the Group, are recorded as revenue when earned.

Variable incentive-based revenue typically comprises both quantitative and qualitative elements. Incentive compensation is estimated using the most likely amount and is included in revenue up to the amount that is highly probable not to result in a significant reversal of cumulative revenue recognised. The Group recognises incentive revenue as the related performance obligation is satisfied.

PUBLIC RELATIONS AND SPECIALIST AGENCIES

Revenue for these services is typically derived from retainer fees and fees for services to be performed subject to specific agreement. Most revenue under these arrangements is earned over time, in accordance with the terms of the contractual arrangement.

DISCONTINUED OPERATIONS (DATA INVESTMENT MANAGEMENT)

Revenue for market research services is typically recognised over time based on input measures. For certain performance obligations, output measures such as the percentage of interviews completed, percentage of reports delivered to a client and the achievement of any project milestones stipulated in the contract are used to measure progress.

While most of the studies provided in connection with the Group's market research contracts are undertaken in response to an individual client's or group of clients' specifications, in certain instances a study may be developed as an off-the-shelf product offering sold to a broad client base. For these transactions, revenue is recognised when the product is delivered. When the terms of the transaction provide for licensing the right to access a product on a subscription basis, revenue is recognised over the subscription period, typically on a straight-line basis.

TAXATION

Corporate taxes are payable on taxable profits at current rates. The tax expense represents the sum of the tax currently payable and deferred tax.

The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and estimable, liabilities are classified as current. Any interest and penalties accrued are included in corporate income taxes both in the consolidated income statement and balance sheet. Where the final outcome of such matters differs from the amount recorded, any differences may impact the income tax and deferred tax provisions in the period in which the final determination is made.

The tax laws that apply to the Group's subsidiaries may be amended by the relevant tax authorities. Such potential amendments are regularly monitored and adjustments are made to the Group's tax liabilities and deferred tax assets and liabilities where necessary.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 recognised for all taxable temporary differences unless specifically excepted by IAS 12 Income Taxes. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity. 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, which can require the use of accounting estimation and the exercise of judgement. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or other assets and liabilities (other than in a business combination) 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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 enacted or substantively enacted legislation.

RETIREMENT BENEFIT COSTS

The Group accounts for retirement benefit costs in accordance with IAS 19 Employee Benefits.

For defined contribution plans, contributions are charged to the consolidated income statement as payable in respect of the accounting period.

For defined benefit plans the amounts charged to operating profit are the current service costs, past service costs, administrative expenses and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the consolidated income statement when the related plan amendment occurs. Net interest expense is calculated by applying the discount rate to the recognised overall surplus or deficit in the plan.

Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

Where defined benefit plans are funded, the assets of the plan are held separately from those of the Group, in separate independently managed funds. Pension plan assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Recognition of a surplus in a defined benefit plan is limited based on the economic gain the Company is expected to benefit from in the future by means of a refund or reduction in future contributions to the plan, in accordance with IAS 19.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. These include provisions for other property-related liabilities. Also included are other provisions, such as certain long-term employee benefits and legal claims, where the likelihood of settlement is considered probable.

LEASES

The Group leases most of its offices in cities where it operates. Other lease contracts include office equipment and motor vehicles.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The assets are depreciated over the term of the lease using the straight-line method. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. Lease payments included in the measurement of lease liabilities comprise fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate as at the commencement date. Lease modifications result in remeasurement of the lease liability.

Depreciation is recognised in both costs of services and general and administrative costs and interest expense is recognised under finance costs in the consolidated income statement.

The Group has elected to use the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (under \$5,000). The payments associated with these leases are recognised as cost of services and general and administrative costs within the consolidated income statement on a straight-line basis over the lease term.

The Group assesses at the reporting date whether there are any indicators of impairment and performs an impairment test when an impairment indicator exists. The Group tests a right-of-use asset as a stand-alone asset for impairment when it either meets the definition of investment property which generates independent cash flows or it is vacant with minimal to no continued utility for the Company. When a right-of-use asset is tested as a stand-alone asset, an impairment loss is recognised when the carrying amount of the right-of-use asset exceeds its recoverable amount. The recoverable amount of a right-of-use asset is estimated mainly based on the present value of the estimated sublease income, discounted using the property yield rates.

The property held by the Group as right-of-use assets to earn rentals is classified as investment property. The Company measures its investment property applying the cost model.

In 2018 leases were accounted for per IAS 17 Leases. The following policies were applicable:

FINANCE LEASES

Assets held under finance leases are recognised as assets of the Group at the inception of the lease at the lower of their fair value and the present value of the minimum lease payments. Depreciation on leased assets is charged to the consolidated income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the consolidated income statement as it is incurred.

OPERATING LEASES

Operating lease rentals are charged to the consolidated income statement on a straight-line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions arising from normal trading activities are recorded at the rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated at the year-end exchange rate. Foreign currency gains and losses are credited or charged to the consolidated income statement as they arise.

The income statements of foreign subsidiary undertakings are translated into pounds sterling at average exchange rates and the year-end net assets of these companies are translated at year-end exchange rates.

Exchange differences arising from retranslation of the opening net assets and on foreign currency borrowings (to the extent that they hedge the Group's investment in such operations) are reported in the consolidated statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

HYPERINFLATION IN ARGENTINA

During 2020, 2019 and 2018, Argentina was designated as a hyperinflationary economy and the financial statements of the Group's subsidiaries in Argentina have been adjusted for the effects of inflation in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies.

IAS 29 requires that the income statement is adjusted for inflation in the period and translated at the year-end foreign exchange rate and that non-monetary assets and liabilities on the balance sheet are restated to reflect the change in purchasing power caused by inflation from the date of initial recognition. In 2020, this resulted in an increase in goodwill of £22.6 million (2019: £41.0 million, 2018: £105.8 million), an increase in other intangibles of £5.3 million (2019: £7.1 million, 2018: £19.5 million), and an increase in property, plant and equipment of £19.3 million (2019: £10.7 million, 2018: £3.3 million). A consumer price index (CPI) of 385.9 was used at 31 December 2020 (2019: 283.4, 2018: 184.3). The impact on other non-monetary assets and liabilities and the impact on the Group's income statement in the year were immaterial.

SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments (including share options) to certain employees and accounts for these awards in accordance with IFRS 2 Share-Based Payment. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. Details regarding the fair value of equity settled share-based transactions are set out in notes 23 and 27.

The fair value determined at the grant date is recognised in the consolidated income statement as an expense on a straight-line basis over the relevant vesting period, based on the Group's estimate of the number of shares that will ultimately vest and adjusted for the effect of non-market-based vesting conditions.

CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY IN APPLYING ACCOUNTING POLICIES

Management is required to make key decisions and judgements whilst acknowledging there is estimation uncertainty in the process of applying the Group's accounting policies. These estimates and judgements are reviewed on an ongoing basis. Where judgement has been applied or estimation uncertainty exists, the key factors taken into consideration are disclosed in the accounting policies and the appropriate note in these financial statements.

The most significant areas of estimation uncertainty include:

- Goodwill: the discounted cash flow methodology employed by the Group when testing for goodwill impairment requires estimates regarding revenue growth, operating margins, discount rates and working capital requirements. Further details of the methodology, discount rates, long-term growth rates and estimates used in relation to the goodwill impairment, and sensitivities to these estimates are set out in note 14;
- Payments due to vendors (earnout agreements) and liabilities in respect of put options: estimates are required regarding growth rates in deriving future financial performance and discount rates to be applied when measuring the liabilities for earnouts and put options. Further details on growth rates and discount rates and the sensitivity to these estimates are set out in note 26;
- Provision for post-employment benefits: estimates are required in the accounting for defined benefit pension plans, including establishing discount rates, rates of increase in salaries and pensions in payment, inflation and mortality assumptions. These estimates are made by management based on the advice of qualified advisors. Details of the assumptions used and the sensitivity of the benefit obligation to these assumptions are set out in note 24;
- Deferred consideration on the Kantar disposal: as per the terms of the Kantar disposal, deferred consideration consisted of amounts expected to be received in future periods on satisfaction of certain conditions and the deferral of consideration against services to be provided to Kantar in the future, as detailed in note 12. Estimates are required in determining amounts to be received and the value of services to be provided, taking into account uncertainty in the ultimate timing and resolution of each of these. The sensitivity to these estimates is specific to each individual circumstance and no individual estimate is expected to result in a material change to the amount recognised;
- Taxation: Estimates are required in determining whether a provision is required and, the amount of taxes that will be due, particularly given the many countries in which the Group operates. Where the final tax outcome is different from the amounts recorded, such differences may expose the Group to additional tax liabilities or impact the carrying value of deferred tax assets, which would affect the future tax charge. Further details on the tax charge, corporate income tax payable and deferred tax balances are set out in the income statement, balance sheet and notes 7 and 17.

The most significant areas of judgements include:

- Revenue recognition: judgement is required regarding the timing of recognition, particularly in relation to assessing progress on performance obligations where revenue is recognised over time. Further details are set out in the accounting policy.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £m	2019 ¹ £m	2018 ¹ £m
Continuing operations				
Revenue	2	12,002.8	13,234.1	13,046.7
Costs of services	3	(9,987.9)	(10,825.1)	(10,559.1)
Gross profit		2,014.9	2,409.0	2,487.6
General and administrative costs	3	(4,293.0)	(1,113.1)	(1,242.3)
Operating (loss)/profit		(2,278.1)	1,295.9	1,245.3
Share of results of associates	4	(136.0)	14.7	30.5
(Loss)/profit before interest and taxation		(2,414.1)	1,310.6	1,275.8
Finance and investment income	6	82.7	99.0	98.9
Finance costs	6	(312.0)	(359.1)	(279.1)
Revaluation and retranslation of financial instruments	6	(147.2)	163.8	(76.3)
(Loss)/profit before taxation		(2,790.6)	1,214.3	1,019.3
Taxation	7	(129.3)	(275.0)	(256.0)
(Loss)/profit for the year from continuing operations		(2,919.9)	939.3	763.3
Discontinued operations				
Profit for the year from discontinued operations	12	16.4	10.8	137.8
(Loss)/profit for the year		(2,903.5)	950.1	901.1
Attributable to				
<i>Equity holders of the parent:</i>				
Continuing operations		(2,973.8)	860.1	698.2
Discontinued operations		6.5	(3.8)	126.4
		(2,967.3)	856.3	824.6
<i>Non-controlling interests:</i>				
Continuing operations		53.9	79.2	65.1
Discontinued operations		9.9	14.6	11.4
		63.8	93.8	76.5
		(2,903.5)	950.1	901.1
Earnings per share from continuing and discontinued operations				
Basic earnings per ordinary share	9	(242.7p)	68.5p	66.1p
Diluted earnings per ordinary share	9	(242.7p)	67.9p	65.4p
Earnings per share from continuing operations				
Basic earnings per ordinary share	9	(243.2p)	68.8p	56.0p
Diluted earnings per ordinary share	9	(243.2p)	68.2p	55.4p

Notes

The accompanying notes form an integral part of this consolidated income statement.

¹ Figures have been restated as described in the accounting policies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £m	2019 ¹ £m	2018 ¹ £m
(Loss)/profit for the year	(2,903.5)	950.1	901.1
Items that may be reclassified subsequently to profit or loss			
Exchange adjustments on foreign currency net investments	23.6	(625.1)	284.0
Exchange adjustments recycled to the income statement on disposal of discontinued operations	(20.6)	(284.0)	-
	3.0	(909.1)	284.0
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit pension plans	2.0	(36.6)	8.9
Deferred tax on defined benefit pension plans	7.4	6.4	(0.7)
Movements on equity investments held at fair value through other comprehensive income	(127.7)	(141.4)	(247.9)
	(118.3)	(171.6)	(239.7)
Other comprehensive (loss)/income for the year	(115.3)	(1,080.7)	44.3
Total comprehensive (loss)/income for the year	(3,018.8)	(130.6)	945.4
Attributable to			
<i>Equity holders of the parent:</i>			
Continuing operations	(3,066.1)	180.0	697.7
Discontinued operations	(12.6)	(386.4)	162.2
	(3,078.7)	(206.4)	859.9
<i>Non-controlling interests:</i>			
Continuing operations	50.5	61.9	73.8
Discontinued operations	9.4	13.9	11.7
	59.9	75.8	85.5
	(3,018.8)	(130.6)	945.4

Notes

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

¹ Figures have been restated as described in the accounting policies.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £m	2019 £m	2018 £m
Net cash inflow from operating activities	11	2,054.8	1,850.5	1,693.8
Investing activities				
Acquisitions	11	(178.4)	(161.3)	(283.7)
Disposal of investments and subsidiaries	11	272.3	2,141.0	833.9
Purchases of property, plant and equipment		(218.3)	(339.3)	(314.8)
Purchases of other intangible assets (including capitalised computer software)		(54.4)	(54.8)	(60.4)
Proceeds on disposal of property, plant and equipment		11.2	174.0	9.5
Net cash (outflow)/inflow from investing activities		(167.6)	1,759.6	184.5
Financing activities				
Repayment of lease liabilities		(300.1)	(249.8)	-
Share option proceeds		-	0.6	1.2
Cash consideration for non-controlling interests	11	(80.6)	(62.7)	(109.9)
Share repurchases and buybacks	11	(290.2)	(43.8)	(207.1)
Proceeds from issue of bonds	11	915.5	-	656.8
Repayment of borrowings	11	(282.7)	(1,713.2)	(1,097.4)
Financing and share issue costs		(7.1)	(6.4)	(3.8)
Equity dividends paid		(122.0)	(750.5)	(747.4)
Dividends paid to non-controlling interests in subsidiary undertakings		(83.3)	(96.2)	(106.2)
Net cash outflow from financing activities		(250.5)	(2,922.0)	(1,613.8)
Net increase in cash and cash equivalents		1,636.7	688.1	264.5
Translation of cash and cash equivalents		(99.2)	(89.7)	(61.5)
Cash and cash equivalents at beginning of year		2,799.6	2,201.2	1,998.2
Cash and cash equivalents including cash held in disposal group at end of year		4,337.1	2,799.6	2,201.2
Cash and cash equivalents held in disposal group presented as held for sale		-	(66.3)	-
Cash and cash equivalents at end of year	11	4,337.1	2,733.3	2,201.2
Reconciliation of net cash flow to movement in net debt				
Net increase in cash and cash equivalents		1,636.7	688.1	264.5
Cash (inflow)/outflow from (increase)/decrease in debt financing		(625.7)	1,719.6	444.4
Other movements		(6.1)	(32.5)	(1.4)
Translation differences		(227.2)	168.2	(241.1)
Movement of net debt in the year		777.7	2,543.4	466.4
Net debt at beginning of year		(1,473.3)	(4,016.7)	(4,483.1)
Net debt including net debt in disposal group at end of year		(695.6)	(1,473.3)	(4,016.7)
Net debt in disposal group		-	(66.3)	-
Net debt at end of year	10	(695.6)	(1,539.6)	(4,016.7)

Note

The accompanying notes form an integral part of this consolidated cash flow statement.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2020

	Notes	2020 £m	2019 ¹ £m	2018 ¹ £m
Non-current assets				
<i>Intangible assets:</i>				
Goodwill	14	7,388.8	10,110.6	13,132.6
Other	14	1,389.3	1,468.8	1,842.0
Property, plant and equipment	15	790.9	876.0	1,083.0
Right-of-use assets	13	1,504.5	1,734.5	-
Interests in associates and joint ventures	16	330.7	813.0	796.8
Other investments	16	387.3	498.3	666.7
Deferred tax assets	17	212.9	187.9	153.0
Corporate income tax recoverable		24.8	-	-
Trade and other receivables	18	156.2	137.6	180.0
		12,185.4	15,826.7	17,854.1
Current assets				
Corporate income tax recoverable		133.1	165.4	198.7
Trade and other receivables	18	10,972.3	11,822.3	13,101.5
Cash and short-term deposits		12,899.1	11,305.7	11,065.8
		24,004.5	23,293.4	24,366.0
Assets classified as held for sale		-	485.3	-
		24,004.5	23,778.7	24,366.0
Current liabilities				
Trade and other payables	19	(13,859.7)	(14,188.1)	(15,021.9)
Corporate income tax payable		(330.9)	(499.9)	(545.9)
Short-term lease liabilities	13	(323.8)	(302.2)	-
Bank overdrafts, bonds and bank loans	21	(8,619.2)	(8,798.0)	(9,447.7)
		(23,133.6)	(23,788.2)	(25,015.5)
Liabilities associated with assets classified as held for sale		-	(170.4)	-
		(23,133.6)	(23,958.6)	(25,015.5)
Net current assets/(liabilities)		870.9	(179.9)	(649.5)
Total assets less current liabilities		13,056.3	15,646.8	17,204.6
Non-current liabilities				
Bonds and bank loans	21	(4,975.5)	(4,047.3)	(5,634.8)
Trade and other payables	20	(313.5)	(449.6)	(810.0)
Corporate income tax payable		(1.3)	-	-
Deferred tax liabilities	17	(304.1)	(379.8)	(479.5)
Provision for post-employment benefits	24	(156.7)	(159.0)	(184.3)
Provisions for liabilities and charges	22	(306.3)	(247.8)	(311.7)
Long-term lease liabilities	13	(1,832.5)	(1,947.5)	-
		(7,889.9)	(7,231.0)	(7,420.3)
Net assets		5,166.4	8,415.8	9,784.3
Equity				
Called-up share capital	27	129.6	132.8	133.3
Share premium account		570.3	570.3	569.7
Other reserves	28	196.0	(169.9)	962.4
Own shares		(1,118.3)	(1,178.7)	(1,255.7)
Retained earnings		5,070.7	8,689.9	8,950.2
Equity shareholders' funds		4,848.3	8,044.4	9,359.9
Non-controlling interests		318.1	371.4	424.4
Total equity		5,166.4	8,415.8	9,784.3

Notes

The accompanying notes form an integral part of this consolidated balance sheet.

¹ Figures have been restated as described in the accounting policies.

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2021.

Signed on behalf of the Board:


Mark Read
Chief Executive Officer


John Rogers
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Called-up share capital £m	Share premium account £m	Other reserves ^{1,2} £m	Own shares £m	Retained earnings ¹ £m	Total equity shareholders' funds ¹ £m	Non- controlling interests £m	Total ¹ £m
Balance at 1 January 2019	133.3	569.7	393.5	(1,255.7)	9,541.4	9,382.2	424.4	9,806.6
Restatement ¹	-	-	568.9	-	(591.2)	(22.3)	-	(22.3)
Restated balance at 1 January 2019	133.3	569.7	962.4	(1,255.7)	8,950.2	9,359.9	424.4	9,784.3
Accounting policy change (IFRS 16)	-	-	-	-	(128.9)	(128.9)	-	(128.9)
Deferred tax on accounting policy change (IFRS 16)	-	-	-	-	27.8	27.8	-	27.8
Revised balance at 1 January 2019	133.3	569.7	962.4	(1,255.7)	8,849.1	9,258.8	424.4	9,683.2
Ordinary shares issued	-	0.6	-	-	-	0.6	-	0.6
Share cancellations	(0.5)	-	0.5	-	(47.7)	(47.7)	-	(47.7)
Treasury share allocations	-	-	-	1.0	(1.0)	-	-	-
Profit for the year	-	-	-	-	856.3	856.3	93.8	950.1
Exchange adjustments on foreign currency net investments	-	-	(607.1)	-	-	(607.1)	(18.0)	(625.1)
Exchange adjustments recycled to the income statement on disposal of discontinued operations	-	-	(284.0)	-	-	(284.0)	-	(284.0)
Movements on equity investments held at fair value through other comprehensive income	-	-	-	-	(141.4)	(141.4)	-	(141.4)
Actuarial loss on defined benefit pension plans	-	-	-	-	(36.6)	(36.6)	-	(36.6)
Deferred tax on defined benefit pension plans	-	-	-	-	6.4	6.4	-	6.4
Other comprehensive loss	-	-	(891.1)	-	(171.6)	(1,062.7)	(18.0)	(1,080.7)
Total comprehensive (loss)/income	-	-	(891.1)	-	684.7	(206.4)	75.8	(130.6)
Dividends paid	-	-	-	-	(750.5)	(750.5)	(96.2)	(846.7)
Non-cash share-based incentive plans (including share options)	-	-	-	-	71.4	71.4	-	71.4
Tax adjustment on share-based payments	-	-	-	-	3.1	3.1	-	3.1
Net movement in own shares held by ESOP Trusts	-	-	-	76.0	(76.0)	-	-	-
Recognition/remeasurement of financial instruments	-	-	10.6	-	13.1	23.7	-	23.7
Share purchases – close period commitments ³	-	-	(252.3)	-	-	(252.3)	-	(252.3)
Acquisition of subsidiaries ⁴	-	-	-	-	(56.3)	(56.3)	(32.6)	(88.9)
Restated balance at 31 December 2019	132.8	570.3	(169.9)	(1,178.7)	8,689.9	8,044.4	371.4	8,415.8
Share cancellations	(3.2)	-	3.2	-	(281.2)	(281.2)	-	(281.2)
Treasury share allocations	-	-	-	0.6	(0.6)	-	-	-
(Loss)/profit for the year	-	-	-	-	(2,967.3)	(2,967.3)	63.8	(2,903.5)
Exchange adjustments on foreign currency net investments	-	-	27.5	-	-	27.5	(3.9)	23.6
Exchange adjustments recycled to the income statement on disposal of discontinued operations	-	-	(20.6)	-	-	(20.6)	-	(20.6)
Movements on equity investments held at fair value through other comprehensive income	-	-	-	-	(127.7)	(127.7)	-	(127.7)
Actuarial gain on defined benefit pension plans	-	-	-	-	2.0	2.0	-	2.0
Deferred tax on defined benefit pension plans	-	-	-	-	7.4	7.4	-	7.4
Other comprehensive income/(loss)	-	-	6.9	-	(118.3)	(111.4)	(3.9)	(115.3)
Total comprehensive income/(loss)	-	-	6.9	-	(3,085.6)	(3,078.7)	59.9	(3,018.8)
Dividends paid	-	-	-	-	(122.0)	(122.0)	(83.3)	(205.3)
Non-cash share-based incentive plans (including share options)	-	-	-	-	74.4	74.4	-	74.4
Net movement in own shares held by ESOP Trusts	-	-	-	59.8	(64.9)	(5.1)	-	(5.1)
Recognition/remeasurement of financial instruments	-	-	103.5	-	(26.6)	76.9	-	76.9
Share purchases – close period commitments ³	-	-	252.3	-	-	252.3	-	252.3
Acquisition of subsidiaries ⁴	-	-	-	-	(112.7)	(112.7)	(29.9)	(142.6)
Balance at 31 December 2020	129.6	570.3	196.0	(1,118.3)	5,070.7	4,848.3	318.1	5,166.4

Notes

The accompanying notes form an integral part of this consolidated statement of changes in equity.

¹ Figures have been restated as described in the accounting policies.

² Other reserves are analysed in note 28.

³ During 2019, the Company entered into an arrangement with a third party to conduct share buybacks on its behalf in the close period commencing on 2 January 2020 and ending on 27 February 2020, in accordance with UK listing rules. The commitment resulting from this agreement constitutes a liability at 31 December 2019, which is included in Trade and other payables: amounts falling due within one year and has been recognised as a movement in equity. As the close period ended on 27 February 2020 the movement in other reserves has been reversed in the year ended 31 December 2020.

⁴ Acquisition of subsidiaries represents movements in retained earnings and non-controlling interests arising from changes in ownership of existing subsidiaries and recognition of non-controlling interests on new acquisitions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

WPP plc is a company incorporated in Jersey. The address of the registered office is 13 Castle Street, St Helier, Jersey, JE1 1ES and the address of the principal executive office is Sea Containers, 18 Upper Ground, London, United Kingdom, SE1 9GL. The nature of the Group's operations and its principal activities are set out in note 2. These consolidated financial statements are presented in pounds sterling.

2. SEGMENT INFORMATION

The Group is a leading worldwide creative transformation organisation offering national and multinational clients a comprehensive range of communications, experience, commerce and technology services. Substantially all of the Group's revenue is from contracts with customers.

Reportable segments

Reported contributions were as follows:

	Revenue ¹ £m	Revenue less pass-through costs ² £m	Headline operating profit ³ £m
Continuing operations – Income statement			
2020			
Global Integrated Agencies	9,302.5	7,318.5	967.8
Public Relations	892.9	854.4	141.3
Specialist Agencies	1,807.4	1,589.1	151.4
	12,002.8	9,762.0	1,260.5
2019			
Global Integrated Agencies	10,205.2	8,108.1	1,219.5
Public Relations	956.5	898.0	140.6
Specialist Agencies	2,072.4	1,840.4	200.5
	13,234.1	10,846.5	1,560.6
2018			
Global Integrated Agencies	9,930.7	8,070.8	1,228.2
Public Relations	931.7	879.9	139.2
Specialist Agencies	2,184.3	1,925.0	283.8
	13,046.7	10,875.7	1,651.2

Notes

¹ Intersegment sales have not been separately disclosed as they are not material.

² Revenue less pass-through costs is defined on page 212.

³ A reconciliation from reported operating profit to headline operating profit is provided on page 212.

	Share-based payments £m	Capital additions ¹ £m	Depreciation and amortisation ² £m	Goodwill impairment ³ £m	Share of results of associates £m	Interests in associates and joint ventures £m
Continuing operations – Other information						
2020						
Global Integrated Agencies	55.0	201.6	408.9	1,820.1	17.7	154.0
Public Relations	8.0	15.5	32.8	161.5	1.3	6.4
Specialist Agencies ⁴	11.4	55.5	100.2	841.3	(155.0)	170.3
	74.4	272.6	541.9	2,822.9	(136.0)	330.7
2019						
Global Integrated Agencies	54.3	265.6	392.8	4.8	17.0	164.2
Public Relations	4.6	17.5	31.5	–	(0.3)	5.5
Specialist Agencies ⁴	7.1	46.7	84.0	42.9	(2.0)	643.3
	66.0	329.8	508.3	47.7	14.7	813.0
2018						
Global Integrated Agencies	59.5	255.6	159.1	142.8	25.4	175.1
Public Relations	7.1	12.5	10.8	–	1.3	6.2
Specialist Agencies ⁴	11.7	45.9	39.4	33.7	3.8	615.5
	78.3	314.0	209.3	176.5	30.5	796.8

Notes

¹ Capital additions include purchases of property, plant and equipment and other intangible assets (including capitalised computer software).

² Depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of other intangible assets.

³ Figures have been restated as described in the accounting policies.

⁴ Specialist Agencies includes the Kantar associates and amounts previously reported under the Data Investment Management segment.

Contributions by geographical area were as follows:

Continuing operations	2020 £m	2019 £m	2018 £m	Non-current assets ²	2020 £m	2019 ¹ £m
Revenue¹						
North America ²	4,464.9	4,854.7	4,851.7	North America ³	4,962.1	6,812.6
United Kingdom	1,637.0	1,797.1	1,785.6	United Kingdom	1,488.7	1,743.3
Western Continental Europe	2,441.6	2,628.8	2,589.6	Western Continental Europe	2,745.0	3,417.2
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	3,459.3	3,953.5	3,819.8	Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	2,767.1	3,665.7
	12,002.8	13,234.1	13,046.7		11,962.9	15,638.8
Revenue less pass-through costs³						
North America ²	3,743.4	4,034.3	4,059.7			
United Kingdom	1,233.8	1,390.1	1,393.8			
Western Continental Europe	2,019.4	2,176.4	2,182.9			
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	2,765.4	3,245.7	3,239.3			
	9,762.0	10,846.5	10,875.7			
Headline operating profit³						
North America ²	611.9	662.0	710.6			
United Kingdom	137.7	188.5	179.6			
Western Continental Europe	198.7	261.5	289.4			
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	312.2	448.6	471.6			
	1,260.5	1,560.6	1,651.2			

Notes

¹ Intersegment sales have not been separately disclosed as they are not material.

² North America includes the United States with revenue of £4,216.1 million (2019: £4,576.5 million, 2018: £4,576.1 million), revenue less pass-through costs of £3,524.8 million (2019: £3,806.3 million, 2018: £3,836.0 million) and headline operating profit of £563.7 million (2019: £620.6 million, 2018: £674.4 million).

³ Revenue less pass-through costs and headline operating profit are defined on page 212.

3. COSTS OF SERVICES AND GENERAL AND ADMINISTRATIVE COSTS

	2020 £m	2019 £m	2018 ¹ £m
Continuing operations			
Costs of services	9,987.9	10,825.1	10,559.1
General and administrative costs	4,293.0	1,113.1	1,242.3
	14,280.9	11,938.2	11,801.4

Costs of services and general and administrative costs include:

	2020 £m	2019 £m	2018 ¹ £m
Continuing operations			
Staff costs (note 5)	6,556.5	7,090.6	6,950.6
Establishment costs	638.5	672.9	756.6
Media pass-through costs	1,555.2	1,656.2	1,458.0
Other costs of services and general and administrative costs ²	5,530.7	2,518.5	2,636.2
	14,280.9	11,938.2	11,801.4

Included within costs of services and general administrative costs are the following:

	2020 £m	2019 £m	2018 ¹ £m
Continuing operations			
Goodwill impairment (note 14)	2,822.9	47.7	176.5
Investment and other write-downs	296.2	7.5	2.0
Restructuring and transformation costs	80.7	153.5	265.5
Restructuring costs in relation to Covid-19	232.5	-	-
Litigation settlement	25.6	(16.8)	-
Gain on sale of freehold property in New York	-	(7.9)	-
Amortisation and impairment of acquired intangible assets	89.1	121.5	201.8
Amortisation of other intangible assets	35.2	21.2	20.7
Depreciation of property, plant and equipment	174.8	185.5	188.6
Depreciation of right-of-use assets	331.9	301.6	-
Losses on sale of property, plant and equipment	0.3	3.2	0.6
Gains on disposal of investments and subsidiaries	(7.8)	(40.4)	(237.9)
Gains on remeasurement of equity interests arising from a change in scope of ownership	(0.6)	(0.4)	(2.0)
Net foreign exchange losses/(gains)	5.9	6.1	(13.0)
Short-term lease expense	36.7	83.8	-
Low-value lease expense	2.3	2.9	-

Notes

¹ Figures have been restated as described in the accounting policies.

² Other costs of services and general and administrative costs include £685.6 million (2019: £731.4 million, 2018: £713.0 million) of other pass-through costs.

In 2020, operating profit includes credits totalling £46.3 million (2019: £26.9 million, 2018: £25.6 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2019. Further details of the Group's approach to acquisition reserves, as required by IFRS 3 Business Combinations, are given in note 29.

Amortisation and impairment of acquired intangibles in 2020 includes an impairment charge in the year of £21.6 million (2019: £26.5 million, 2018: £89.1 million) in regard to certain brand names that are no longer in use and customer relationships where the underlying clients have been lost.

Further details of the goodwill impairment charge of £2,822.9 million are provided in note 14. In 2019, the goodwill impairment charge of £47.7 million relates to a number of under-performing businesses in the Group where the impact of past, local economic conditions and trading circumstances on these businesses was sufficiently severe to indicate impairment to the carrying value of goodwill. In 2018, the goodwill impairment charge of £176.5 million primarily relates to a charge of £142.8 million on VMLY&R.

Investment and other write-downs of £296.2 million primarily relate to the impairment of certain investments in associates, including £255.6 million in relation to Imagina in Spain. Further details of the Group's impairment review are provided in note 14.

Gains on disposal of investments and subsidiaries of £40.4 million in 2019 include a gain of £28.6 million on the disposal of the Group's interest in Chime. Gains on disposal of investments and subsidiaries of £237.9 million in 2018 include a gain of £185.3 million on the disposal of the Group's interest in Globant S.A.

Restructuring costs in relation to Covid-19 of £232.5 million primarily relate to severance and property costs which the Group undertook in response to the Covid-19 pandemic. As management continues to assess the impact of Covid-19 on long-term working practices and the Group's real estate portfolio, further impairments may occur in the future.

Restructuring and transformation costs of £80.7 million (2019: £153.5 million, 2018: £265.5 million) are in relation to the continuing restructuring plan, first outlined on the Investor Day in December 2018. As part of that plan, restructuring actions have been taken to right-size under-performing businesses, address high-cost severance markets and simplify operational structures. Further restructuring and transformation costs will be incurred in 2021.

Total impairment charges included in restructuring costs of £196.7 million consist of £147.6 million within restructuring costs in relation to Covid-19 and £49.1 million within restructuring and transformation costs. These impairment charges include £117.0 million in relation to right-of-use assets and £79.7 million of related property, plant and equipment, arising from the Group's re-assessment of its property requirements as a result of effective remote working practises during the Covid-19 pandemic and continued focus on campuses.

In 2020, a provision of £25.6 million was made for potential legal settlements. In 2019, the Group received £16.8 million in settlement of a class action lawsuit against Comscore Inc. for providing materially false and misleading information regarding their company and its financial performance.

In 2020, the Group received £77.1 million of aid from governments around the world in relation to the Covid-19 pandemic, predominantly in Western Continental Europe and Asia Pacific, which is included as a credit in other staff costs.

In March 2019, the Group entered into a sale and leaseback agreement for its office space at 3 Columbus Circle in New York. The Group sold the freehold for proceeds of £159.0 million and simultaneously entered into a 15-year lease. The net gain recognised from the sale and leaseback is £7.9 million.

Auditors' remuneration:

	2020 £m	2019 £m	2018 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	1.9	1.5	1.4
The audit of the Company's subsidiaries pursuant to legislation	22.9	28.0	25.2 ¹
Other services pursuant to legislation	4.5	5.0	4.2
Fees payable to the auditors pursuant to legislation	29.3	34.5	30.8
Audit-related services ²	1.1	8.2	4.7
Tax compliance services	0.1	-	0.1
Total other fees	1.2	8.2	4.8
Total fees	30.5	42.7	35.6

Notes

¹ Includes a true-up of £3.5 million.

² Audit-related services include audits for earnout purposes.

4. SHARE OF RESULTS OF ASSOCIATES

Share of results of associates includes:

	2020 £m	2019 £m	2018 £m
Continuing operations			
Share of profit before interest and taxation	142.5	99.2	110.8
Share of exceptional losses	(146.1)	(47.8)	(41.5)
Share of interest and non-controlling interests	(91.4)	(19.4)	(15.1)
Share of taxation	(41.0)	(17.3)	(23.7)
	(136.0)	14.7	30.5

Share of exceptional losses of £146.1 million (2019: £47.8 million, 2018: £41.5 million) primarily comprise £54.3 million (2019: £5.3 million, 2018 £nil) of amortisation and impairment of acquired intangible assets as well as restructuring and one-off transaction costs of £89.3 million (2019: £20.3 million, 2018: £nil) within Kantar.

5. OUR PEOPLE

Our staff numbers, including the Kantar disposal group up to the date of disposal, averaged 104,163 for the year ended 31 December 2020 against 132,823 in 2019 and 133,903 in 2018. Their geographical distribution was as follows:

	2020	2019	2018
North America	21,524	25,008	25,990
United Kingdom	10,670	14,192	14,331
Western Continental Europe	21,551	26,973	26,825
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	50,418	66,650	66,757
	104,163	132,823	133,903

Their reportable segment distribution was as follows:

	2020	2019	2018
Global Integrated Agencies	79,937	82,295	83,015
Data Investment Management	1,341	26,325	27,813
Public Relations	6,810	6,890	6,891
Specialist Agencies	16,075	17,313	16,184
	104,163	132,823	133,903

At the end of 2020, staff numbers were 99,830 (2019: 106,786, 2018: 134,281).

Staff costs include:

	2020 £m	2019 £m	2018 £m
Continuing operations			
Wages and salaries	4,781.0	4,946.2	4,828.0
Cash-based incentive plans	110.7	227.6	233.0
Share-based incentive plans	74.4	66.0	78.3
Social security costs	570.9	591.7	579.0
Pension costs	171.7	169.7	160.9
Severance	68.2	42.6	30.0
Other staff costs ¹	779.6	1,046.8	1,041.4
	6,556.5	7,090.6	6,950.6

Note

¹ Freelance and temporary staff costs are included in other staff costs.

Compensation for key management personnel includes:

	2020 £m	2019 £m	2018 £m
Short-term employee benefits	17.9	18.3	3.5
Pensions and other post-retirement benefits	1.0	1.0	0.4
Share-based payments	10.3	10.8	3.8
	29.2	30.1	7.7

Key management personnel comprises the Board and the Executive Committee. The Executive Committee was established in 2019 therefore is not included in the 2018 figures above. Further details of compensation for the Board are disclosed on pages 134-154.

6. FINANCE AND INVESTMENT INCOME, FINANCE COSTS AND REVALUATION AND RETRANSLATION OF FINANCIAL INSTRUMENTS

Finance and investment income includes:

	2020 £m	2019 £m	2018 £m
Continuing operations			
Income from equity investments	8.7	18.3	15.2
Interest income	74.0	80.7	83.7
	82.7	99.0	98.9

Finance costs include:

	2020 £m	2019 £m	2018 £m
Continuing operations			
Net interest expense on pension plans	2.9	3.5	3.6
Interest on other long-term employee benefits	3.1	3.9	3.5
Interest expense and similar charges ¹	205.0	252.0	272.0
Interest expense related to lease liabilities	101.0	99.7	-
	312.0	359.1	279.1

Revaluation and retranslation of financial instruments include:

	2020 £m	2019 ² £m	2018 ² £m
Continuing operations			
Movements in fair value of treasury instruments	15.4	0.4	(11.0)
Premium on the early repayment of bonds	-	(63.4)	-
Revaluation of investments held at fair value through profit or loss	8.0	9.1	67.8
Revaluation of put options over non-controlling interests	12.3	(24.3)	25.9
Revaluation of payments due to vendors (earnout agreements)	13.4	(3.7)	46.1
Retranslation of financial instruments	(196.3)	245.7	(205.1)
	(147.2)	163.8	(76.3)

Notes

¹ Interest expense and similar charges are payable on bank overdrafts, bonds and bank loans held at amortised cost.

² Figures have been restated as described in the accounting policies.

The majority of the Group's long-term debt is represented by \$1,563 million of US dollar bonds at an average interest rate of 4.06%, €3,600 million of Eurobonds at an average interest rate of 2.05% and £650 million of Sterling bonds at an average interest rate of 3.21%.

Average borrowings under the US Dollar Revolving Credit Facilities (note 10) amounted to the equivalent of nil (2019: \$72 million at an average interest rate of 1.11%).

Average borrowings under the Australian Dollar Revolving Credit Facilities amounted to A\$151 million at an average rate of 2.06% (2019: A\$310 million at an average rate of 2.95%).

Average borrowings under the US Commercial Paper Programme for 2020 amounted to \$2 million at an average interest rate of 1.66% inclusive of margin (2019: \$41 million at an average interest rate of 2.46% inclusive of margin).

Average borrowings under the Euro Commercial Paper Programme for 2020 amounted to nil (2019: £255 million at an average interest rate of 1.16% inclusive of currency swaps).

7. TAXATION

The tax rate on reported (loss)/profit before tax was -4.6% (2019: 22.6%, 2018: 25.1%).

The tax charge comprises:

	2020	2019	2018
	£m	£m	£m
Continuing operations			
Corporation tax			
Current year	310.0	423.0	404.2
Prior years	(83.2)	(63.4)	(108.1)
	226.8	359.6	296.1
Deferred tax			
Current year	(80.2)	(78.3)	(41.5)
Prior years	(17.3)	(6.3)	1.4
	(97.5)	(84.6)	(40.1)
Tax charge	129.3	275.0	256.0

The corporation tax credit for prior years in 2020, 2019, and 2018, mainly comprises the release of a number of provisions following the resolution of tax matters in various countries.

The tax charge for the year can be reconciled to (loss)/profit before taxation in the consolidated income statement as follows:

	2020	2019 ¹	2018 ¹
	£m	£m	£m
Continuing operations			
(Loss)/profit before taxation	(2,790.6)	1,214.3	1,019.3
Tax at the corporation tax rate of 19.0% ²	(530.2)	230.7	193.7
Tax effect of share of results of associates	16.2	(2.7)	(5.8)
Irrecoverable withholding taxes	49.4	44.7	48.9
Items that are not deductible in determining taxable profit	69.2	41.5	34.1
Goodwill impairment	542.4	10.4	33.1
Effect of different tax rates in subsidiaries operating in other jurisdictions	92.7	77.1	71.2
US Transition Tax related to unremitted foreign earnings	-	-	(4.6)
Origination and reversal on unrecognised temporary differences	(29.3)	(3.4)	5.1
Tax losses not recognised or utilised in the year	21.1	13.2	19.9
Utilisation of tax losses not previously recognised	(1.7)	(42.7)	(25.5)
Recognition of temporary differences not previously recognised	-	(24.1)	(7.4)
Net release of prior year provisions in relation to acquired businesses	(1.7)	(19.9)	(20.4)
Other prior year adjustments	(98.8)	(49.8)	(86.3)
Tax charge	129.3	275.0	256.0
Effective tax rate on (loss)/profit before tax	(4.6%)	22.6%	25.1%

Notes

¹ Figures have been restated as described in the accounting policies.

² As the Group is subject to the tax rates of more than one country, it has chosen to present its reconciliation of the tax charge using the UK corporation tax rate of 19.0% (2019: 19.0%, 2018: 19.0%).

FACTORS AFFECTING THE TAX CHARGE IN FUTURE YEARS

The tax charge may be affected by the impact of acquisitions, disposals and other corporate restructurings, the resolution of open tax issues, and the ability to use brought forward tax losses. Changes in local or international tax rules, for example, as a consequence of the financial support programmes implemented by governments during the Covid-19 pandemic, changes arising from the application of existing rules or challenges by tax or competition authorities, may expose the Group to additional tax liabilities or impact the carrying value of deferred tax assets, which could affect the future tax charge.

Liabilities relating to open and judgemental matters are based upon an assessment of whether the tax authorities will accept the position taken, after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts which were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Group does not currently consider that judgements made in assessing tax liabilities have a significant risk of resulting in any material additional charges or credits in respect of these matters, within the next financial year, beyond the amounts already provided.

In the UK Budget on 3 March 2021, the Chancellor of the Exchequer announced an increase in the UK corporation tax rate from 19% to 25%, which is due to be effective from 1 April 2023. This change was not substantively enacted at the balance sheet date and hence has not been reflected in the measurement of deferred tax balances at the period end. This change is not expected to have a material impact on the Group's deferred tax balances.

TAX RISK MANAGEMENT

We maintain constructive engagement with the tax authorities and relevant government representatives, as well as active engagement with a wide range of international companies and business organisations with similar issues. We engage advisors and legal counsel to obtain opinions on tax legislation and principles. We have a Tax Risk Management Strategy in place which sets out the controls established and our assessment procedures for decision making and how we monitor tax risk. We monitor proposed changes in taxation legislation and ensure these are taken into account when we consider our future business plans. Our Directors are informed by management of any tax law changes, the nature and status of any significant ongoing tax audits, and other developments that could materially affect the Group's tax position.

8. ORDINARY DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

Per share	2020	2019	2018	2020	2019	2018
	Pence per share			£m	£m	£m
2019 Final dividend	–	37.30p	37.30p	–	466.4	464.6
2020 Interim dividend	10.00p	22.70p	22.70p	122.0	284.1	282.8
	10.00p	60.00p	60.00p	122.0	750.5	747.4

Per ADR ¹	2020	2019	2018	2020	2019	2018
	Cents per ADR			\$m	\$m	\$m
2019 Final dividend	–	249.00¢	240.34¢	–	622.8	598.7
2020 Interim dividend	64.18¢	144.88¢	151.53¢	156.6	362.6	377.6
	64.18¢	393.88¢	391.87¢	156.6	985.4	976.3

Proposed final dividend for the year ended 31 December 2020:

Per share	2020	2019	2018
	Pence per share		
Final dividend	14.00p	–	37.3p

Per ADR ¹	2020	2019	2018
	Cents per share		
Final dividend	89.85¢	–	249.00¢

Note

¹ These figures have been translated for convenience purposes only, using the approximate average rate for the year of US\$1.2836 (2019: US\$1.2765, 2018: US\$1.3351). This conversion should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

The payment of dividends will not have any tax consequences for the Group.

Final dividends are paid in the subsequent year to which they relate. The 2019 final dividend which was due to be paid in 2020 was cancelled to protect liquidity in light of the threat from Covid-19 at that time.

9. EARNINGS PER SHARE

BASIC EPS

The calculation of basic reported and headline EPS is as follows:

Continuing operations	2020	2019 ¹	2018 ¹
Reported earnings ² (£m)	(2,973.8)	860.1	698.2
Headline earnings (£m) (page 212)	740.3	984.2	1,153.1
Weighted average shares used in basic EPS calculation (m)	1,223.0	1,250.0	1,247.8
Reported EPS	(243.2p)	68.8p	56.0p
Headline EPS	60.5p	78.7p	92.4p

Discontinued operations	2020	2019	2018
Reported earnings ² (£m)	6.5	(3.8)	126.4
Weighted average shares used in basic EPS calculation (m)	1,223.0	1,250.0	1,247.8
Reported EPS	0.5p	(0.3p)	10.1p

Continuing and discontinued operations	2020	2019 ¹	2018 ¹
Reported earnings ² (£m)	(2,967.3)	856.3	824.6
Weighted average shares used in basic EPS calculation (m)	1,223.0	1,250.0	1,247.8
Reported EPS	(242.7p)	68.5p	66.1p

Notes

¹ Earnings figures have been restated as described in the accounting policies.

² Reported earnings is equivalent to (loss)/profit for the year attributable to equity holders of the parent.

DILUTED EPS

The calculation of diluted reported and headline EPS is as follows:

Continuing operations	2020	2019 ¹	2018 ¹
Diluted reported earnings (£m)	(2,973.8)	860.1	698.2
Diluted headline earnings (£m)	740.3	984.2	1,153.1
Weighted average shares used in reported diluted EPS calculation (m) ²	1,223.0	1,260.6	1,261.2
Weighted average shares used in headline diluted EPS calculation (m)	1,236.0	1,260.6	1,261.2
Diluted reported EPS	(243.2p)	68.2p	55.4p
Diluted headline EPS	59.9p	78.1p	91.4p

Discontinued operations	2020	2019	2018
Diluted reported earnings (£m)	6.5	(3.8)	126.4
Weighted average shares used in diluted EPS calculation (m) ²	1,223.0	1,260.6	1,261.2
Diluted reported EPS	0.5p	(0.3p)	10.0p

Continuing and discontinued operations	2020	2019 ¹	2018 ¹
Diluted reported earnings (£m)	(2,967.3)	856.3	824.6
Weighted average shares used in diluted EPS calculation (m) ²	1,223.0	1,260.6	1,261.2
Diluted reported EPS	(242.7p)	67.9p	65.4p

Notes

¹ Earnings figures have been restated as described in the accounting policies.

² The weighted average shares used in the basic EPS calculation for 2020 has also been used for reported diluted EPS due to the anti-dilutive effect of the weighted average shares calculated for the reported diluted EPS calculation.

Diluted EPS has been calculated based on the diluted reported and diluted headline earnings amounts above. At 31 December 2020, options to purchase 14.2 million ordinary shares (2019: 19.3 million, 2018: 16.9 million) were outstanding, but were excluded from the computation of diluted earnings per share because the exercise prices of these options were greater than the average market price of the Group's shares and, therefore, their inclusion would have been accretive.

A reconciliation between the shares used in calculating basic and diluted EPS is as follows:

	2020	2019	2018
	m	m	m
Weighted average shares used in basic EPS calculation	1,223.0	1,250.0	1,247.8
Dilutive share options outstanding	–	0.3	1.6
Other potentially issuable shares	13.0	10.3	11.8
Weighted average shares used in diluted EPS calculation	1,236.0	1,260.6	1,261.2

At 31 December 2020 there were 1,296,080,242 (2019: 1,328,167,813, 2018: 1,332,678,227) ordinary shares in issue, including 70,748,100 treasury shares (2019: 70,787,730, 2018: 70,854,553).

10. SOURCES OF FINANCE

The following table summarises the equity and debt financing of the Group, and changes during the year:

	Shares		Debt	
	2020 £m	2019 £m	2020 £m	2019 £m
Analysis of changes in financing				
Beginning of year	703.1	703.0	4,272.9	6,217.9
Ordinary shares issued	-	0.6	-	-
Share cancellations	(3.2)	(0.5)	-	-
Net increase/(decrease) in drawings on bank loans and corporate bonds	-	-	632.8	(1,713.2)
Amortisation of financing costs included in debt	-	-	7.5	10.3
Changes in fair value due to hedging arrangements	-	-	(1.4)	14.3
Other movements	-	-	(7.1)	1.5
Exchange adjustments	-	-	128.0	(257.9)
End of year	699.9	703.1	5,032.7	4,272.9

Note

The table above excludes bank overdrafts which fall within cash and cash equivalents for the purposes of the consolidated cash flow statement.

SHARES

At 31 December 2020, the Company's share base was entirely composed of ordinary equity share capital and share premium of £699.9 million (2019: £703.1 million), further details of which are disclosed in note 27.

DEBT

US\$ bonds The Group has in issue \$500 million of 3.625% bonds due September 2022, \$750 million of 3.75% bonds due September 2024, \$93 million of 5.125% bonds due September 2042 and \$220 million of 5.625% bonds due November 2043.

Eurobonds During the year, the Group issued €750 million of 2.375% bonds due May 2027. The Group also has in issue €750 million of 3.0% bonds due November 2023, €500 million of 1.375% bonds due March 2025, €750 million of 2.25% bonds due September 2026, €600 million of 1.625% bonds due March 2030, and €250 million of Floating Rate Notes carrying a coupon of 3m EURIBOR +0.45% due March 2022.

Sterling bonds During the year, the Group issued £250 million of 3.750% bonds due May 2032. The Group also has in issue £400 million of 2.875% bonds due September 2046.

Revolving Credit Facility The Group has a five-year Revolving Credit Facility of \$2.5 billion due March 2025, signed in March 2019 and extended in February 2020. The Group's borrowing under these facilities, which are drawn down predominantly in pounds sterling, averaged the equivalent of \$nil in 2020.

At 31 December 2020, the Group's subsidiary, WPP AUNZ had a A\$150 million Revolving Credit Facility due June 2020 and a A\$270 million Revolving Credit Facility due June 2021. In August 2020, the A\$150 million Revolving Credit Facility was extended to August 2021 and the A\$270 million Revolving Credit Facility was extended to August 2023. The Group's borrowings under the Australian dollar facilities which were drawn down in Australian dollars and New Zealand dollars, averaged the equivalent of A\$151 million in 2020.

The Group had available undrawn committed credit facilities of £2,023.2 million at 31 December 2020 (2019: £2,005.6 million).

Borrowings under the \$2.5 billion Revolving Credit Facility are governed by certain financial covenants based on the results and financial position of the Group. Borrowings under the A\$150 million Revolving Credit Facility and the A\$270 million Revolving Credit Facility are governed by certain financial covenants based on the results and financial position of WPP AUNZ.

The \$2.5 billion Revolving Credit Facility, due March 2025, includes terms which require the consent of the majority of the lenders if a proposed merger or consolidation of the Company would alter its legal personality or identity.

In February 2021, the \$2.5 billion Revolving Credit Facility was extended to March 2026.

COMMERCIAL PAPER PROGRAMMES

The Group operates commercial paper programmes using its Revolving Credit Facility as a backstop. The average US commercial paper outstanding in 2020 was \$2 million (2019: \$41 million). The average Euro commercial paper outstanding in 2020 was £nil (2019: £255 million) inclusive of the effect of currency swaps. There was no US or Euro commercial paper outstanding at 31 December 2020.

The following table is an analysis of future anticipated cash flows in relation to the Group's debt, on an undiscounted basis which, therefore, differs from the fair value and carrying value:

	2020 £m	2019 ¹ £m
Within one year	(182.2)	(324.8)
Between one and two years	(725.6)	(204.0)
Between two and three years	(795.7)	(692.1)
Between three and four years	(649.1)	(726.3)
Between four and five years	(528.2)	(634.2)
Over five years	(3,387.1)	(2,761.9)
Debt financing (including interest) under the Revolving Credit Facility and in relation to unsecured loan notes	(6,267.9)	(5,343.3)
Short-term overdrafts – within one year	(8,562.0)	(8,572.4)
Future anticipated cash flows	(14,829.9)	(13,915.7)
Effect of discounting/financing rates	1,235.2	1,070.4
Debt financing	(13,594.7)	(12,845.3)
Cash and short-term deposits	12,899.1	11,305.7
Net debt	(695.6)	(1,539.6)

Note

¹ Figures have been restated as described in the accounting policies.

Analysis of fixed and floating rate debt by currency including the effect of interest rate and cross-currency swaps:

2020	£m	Fixed rate ¹	Floating basis	Period (months) ¹
Currency				
\$ – fixed	1,585.1	4.06	n/a	70
£ – fixed	1,094.1	3.21	n/a	167
€ – fixed	2,104.6	2.20	n/a	79
– floating	223.9	n/a	EURIBOR	15
Other	25.0	n/a	n/a	n/a
	5,032.7			

2019	£m	Fixed rate ¹	Floating basis	Period (months) ¹
Currency				
\$ – fixed	1,178.2	4.06	n/a	95
£ – fixed	844.1	2.73	n/a	188
€ – fixed	1,777.7	2.34	n/a	82
– floating	423.3	n/a	EURIBOR	16
Other	49.6	n/a	n/a	n/a
	4,272.9			

Note

¹ Weighted average. These rates do not include the effect of gains on interest rate swap terminations that are written to income over the life of the original instrument.

The following table is an analysis of future undiscounted anticipated cash flows in relation to the Group's financial derivatives, which include interest rate swaps, forward contracts and other foreign exchange swaps assuming interest rates and foreign exchange rates as at 31 December:

	Financial liabilities		Financial assets	
	Payable £m	Receivable £m	Payable £m	Receivable £m
2020				
Within one year	201.7	195.4	102.3	98.2
Between one and two years	11.6	6.2	17.8	13.6
Between two and three years	41.9	35.7	449.2	461.2
Between three and four years	11.6	6.3	-	-
Between four and five years	449.8	466.3	-	-
Over five years	-	-	-	-
	716.6	709.9	569.3	573.0

	Financial liabilities		Financial assets	
	Payable £m	Receivable £m	Payable £m	Receivable £m
2019				
Within one year	113.6	107.8	44.0	45.0
Between one and two years	17.5	10.9	-	-
Between two and three years	11.8	6.2	-	-
Between three and four years	11.6	6.1	-	-
Between four and five years	11.6	6.1	-	-
Over five years	449.8	456.3	-	-
	615.9	593.4	44.0	45.0

11. ANALYSIS OF CASH FLOWS

The following tables analyse the items included within the main cash flow headings on page 167.

Net cash from operating activities:

	2020 £m	2019 ¹ £m	2018 ¹ £m
(Loss)/profit for the year	(2,903.5)	950.1	901.1
Taxation	131.5	353.8	323.9
Revaluation and retranslation of financial instruments	147.2	(154.4)	72.8
Finance costs	312.3	376.4	289.3
Finance and investment income	(82.8)	(102.6)	(104.8)
Share of results of associates	136.0	(21.2)	(43.5)
Goodwill impairment on classification as held for sale	-	94.5	-
Gain on sale of discontinued operations	(10.0)	(73.8)	-
Attributable tax expense on sale of discontinued operations	1.9	157.4	-
Operating (loss)/profit of continuing and discontinued operations	(2,267.4)	1,580.2	1,438.8
Adjustments for			
Non-cash share-based incentive plans (including share options)	74.4	71.4	84.8
Depreciation of property, plant and equipment	174.8	203.2	225.1
Depreciation of right-of-use assets	331.9	317.9	-
Impairment charges included within restructuring costs	196.7	-	-
Impairment of goodwill	2,822.9	47.7	176.5
Amortisation and impairment of acquired intangible assets	89.1	135.6	280.0
Amortisation of other intangible assets	35.2	29.6	38.7
Investment and other write-downs	296.2	7.5	2.0
Gains on disposal of investments and subsidiaries	(7.8)	(45.1)	(235.5)
Gains on remeasurement of equity interests arising from a change in scope of ownership	(0.6)	(0.4)	(2.0)
Gain on sale of freehold property in New York	-	(7.9)	-
Losses on sale of property, plant and equipment	0.3	3.2	0.6
Operating cash flow before movements in working capital and provisions	1,745.7	2,342.9	2,009.0
Decrease/(increase) in trade receivables and accrued income	585.2	159.0	(298.9)
Increase in trade payables and deferred income	195.0	394.7	500.9
Decrease/(increase) in other receivables	123.3	(263.8)	(52.9)
Decrease in other payables – short-term	(36.6)	(16.4)	(31.8)
(Decrease)/increase in other payables – long-term	(44.3)	53.7	0.4
Increase in provisions	15.6	23.1	48.0
Cash generated by operations	2,583.9	2,693.2	2,174.7
Corporation and overseas tax paid	(371.5)	(536.0)	(383.6)
Payment on early settlement of bonds	-	(63.4)	-
Interest and similar charges paid	(173.9)	(270.6)	(252.8)
Interest paid on lease liabilities	(98.5)	(105.1)	-
Interest received	73.6	80.8	90.4
Investment income	8.7	18.3	15.4
Dividends from associates	32.5	33.3	49.7
Net cash inflow from operating activities	2,054.8	1,850.5	1,693.8

Note

¹ Figures have been restated as described in the accounting policies.

Acquisitions and disposals:

	2020 £m	2019 £m	2018 £m
Initial cash consideration	(32.8)	(3.9)	(126.7)
Cash and cash equivalents acquired	-	-	11.3
Earnout payments	(115.2)	(130.2)	(120.2)
Purchase of other investments (including associates)	(30.4)	(27.2)	(48.1)
Acquisitions	(178.4)	(161.3)	(283.7)
Proceeds on disposal of investments and subsidiaries ¹	320.0	2,468.5	849.0
Cash and cash equivalents disposed	(47.7)	(327.5)	(15.1)
Disposals of investments and subsidiaries	272.3	2,141.0	833.9
Cash consideration for non-controlling interests	(80.6)	(62.7)	(109.9)
Net acquisition payments and disposal proceeds	13.3	1,917.0	440.3

Note

¹ Proceeds on disposal of investments and subsidiaries includes return of capital from investments in associates.

Share repurchases and buybacks:

	2020 £m	2019 £m	2018 £m
Purchase of own shares by ESOP Trusts	(5.1)	-	(102.8)
Shares purchased into treasury	(285.1)	(43.8)	(104.3)
Net cash outflow	(290.2)	(43.8)	(207.1)

Proceeds from issue of bonds:

	2020 £m	2019 £m	2018 £m
Proceeds from issue of €750 million bonds	665.5	-	-
Proceeds from issue of £250 million bonds	250.0	-	-
Proceeds from issue of €250 million bonds	-	-	218.8
Proceeds from issue of €500 million bonds	-	-	438.0
Net cash inflow	915.5	-	656.8

Repayment of borrowings:

	2020 £m	2019 £m	2018 £m
Decrease in drawings on bank loans	(59.6)	(70.6)	(819.3)
Repayment of €250 million bonds	(223.1)	-	-
Repayment of €600 million bonds	-	(512.7)	-
Repayment of \$812 million bonds	-	(618.8)	-
Partial repayment of \$272 million bonds	-	(135.4)	(20.8)
Partial repayment of \$450 million bonds	-	(176.2)	(37.3)
Repayment of £200 million bonds	-	(199.5)	-
Repayment of €252 million bonds	-	-	(220.0)
Net cash outflow	(282.7)	(1,713.2)	(1,097.4)

Cash and cash equivalents:

	2020 £m	2019 ¹ £m	2018 ¹ £m
Cash at bank and in hand	10,075.0	10,442.1	10,433.4
Short-term bank deposits	2,824.1	863.6	632.4
Overdrafts ²	(8,562.0)	(8,572.4)	(8,864.6)
	4,337.1	2,733.3	2,201.2

Notes

¹ Figures have been restated as described in the accounting policies.

² Bank overdrafts are included in cash and cash equivalents because they form an integral part of the Group's cash management.

The Group considers that the carrying amount of cash and cash equivalents approximates their fair value.

12. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In July 2019, the Group announced the proposed sale of its Kantar business to Bain Capital. On 5 December 2019 the first stage of the transaction completed, consisting of approximately 90% of the Kantar group, with consideration of £2,140.2 million after tax and disposal costs. The sale involved the Group disposing of the Kantar business and holding 40% equity stakes post-transaction which are treated as associates. This generated a pre-tax gain of £73.8 million, tax charge of £157.4 million and goodwill impairment of £94.5 million for the Group. In 2020, the remaining stages of the transaction completed with total consideration of £236.1 million after tax and disposal costs. This generated a pre-tax gain of £10.0 million and a tax charge of £1.9 million.

Under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations where certain conditions are met, an asset or disposal group that has been put up for sale should be recognised as "held for sale". The criterion was met on 9 July 2019, following Board approval of the disposal of Kantar to Bain Capital, representing the date at which the appropriate level of management was committed to a plan to sell the disposal group. The Kantar disposal group therefore became held for sale on this date.

The Kantar group is classified as a discontinued operation in 2019 and 2020 under IFRS 5, as it forms a separate major line of business and there was a single co-ordinated plan to dispose of it.

Results of the discontinued operations, which have been included in profit for the year, were as follows:

	2020 £m	2019 £m	2018 £m
Revenue	107.4	2,387.5	2,555.7
Costs of services	(92.3)	(1,951.5)	(2,104.4)
Gross profit	15.1	436.0	451.3
General and administrative costs	(4.4)	(151.7)	(257.8)
Operating profit	10.7	284.3	193.5
Share of results of associates	-	6.5	13.0
Profit before interest and taxation	10.7	290.8	206.5
Finance and investment income	0.1	3.6	5.4
Finance costs	(0.3)	(17.3)	(9.7)
Revaluation and retranslation of financial instruments	-	(9.4)	3.5
Profit before taxation	10.5	267.7	205.7
Attributable tax expense	(2.2)	(78.8)	(67.9)
Profit after taxation	8.3	188.9	137.8
Goodwill impairment on classification as held for sale ¹	-	(94.5)	-
Gain on sale of discontinued operations	10.0	73.8	-
Attributable tax expense on sale of discontinued operations	(1.9)	(157.4)	-
Net gain attributable to discontinued operations	16.4	10.8	137.8
Attributable to			
Equity holders of the parent	6.5	(3.8)	126.4
Non-controlling interests ²	9.9	14.6	11.4
	16.4	10.8	137.8

Notes

¹ In 2019, goodwill impairment of £94.5 million arose from the assessment of fair value less costs to sell under IFRS 5.

² In 2020, non-controlling interests includes £9.3 million recognised on the disposal of Kantar within WPP Scangroup, a 56% owned subsidiary of the Group.

For the year ended 31 December 2020, the Kantar group contributed £30.8 million (2019: £322.9 million, 2018: £292.5 million) to the Group's net operating cash flows, paid £0.9 million (2019: £53.2 million, 2018: £59.5 million) in respect of investing activities and paid £0.7 million (2019: £27.2 million, 2018: £7.9 million) in respect of financing activities.

The gain on sale of discontinued operations disposed by 31 December 2020 is calculated as follows:

	2020 £m	2019 £m
Intangible assets (including goodwill)	162.5	2,410.0
Property, plant and equipment	15.1	115.7
Right-of-use assets	27.2	103.5
Interests in associates and joint ventures	4.6	92.3
Other investments	-	11.5
Deferred tax assets	6.1	44.1
Corporate income tax recoverable	16.9	49.8
Trade and other receivables	170.3	748.8
Cash and cash equivalents	32.2	324.9
Trade and other payables	(141.6)	(839.8)
Corporate income tax payable	(5.6)	(48.2)
Lease liabilities	(23.2)	(106.3)
Deferred tax liabilities	(1.3)	(98.6)
Provisions for post-employment benefits	(7.9)	(26.7)
Provisions for liabilities and charges	(0.6)	(22.4)
Net assets	254.7	2,758.6
Non-controlling interests	(6.1)	(19.1)
Net assets excluding non-controlling interests	248.6	2,739.5
Consideration received in cash and cash equivalents	240.9	2,352.1
Re-investment in equity stake ¹	-	231.7
Transaction costs	(4.5)	(56.1)
Deferred consideration ²	1.6	1.6
Total consideration received	238.0	2,529.3
Loss on sale before exchange adjustments	(10.6)	(210.2)
Exchange adjustments recycled to the income statement	20.6	284.0
Gain on sale of discontinued operation	10.0	73.8

Notes

¹ Re-investment in equity stake represents the value of the Group's 40% stake in the new Kantar group as part of the disposal.

² Deferred consideration in 2019 is made up of £79.6 million expected to be received in future periods on the satisfaction of certain conditions and the deferral of £78.0 million consideration against services the Group will supply to Kantar on favourable terms in the future. The conditions expected to be met in the future include the settlement of ongoing legal cases, realisation of the value of certain investments and the utilisation of certain tax losses and allowances. There was uncertainty at the date of disposal in regard to the ultimate resolution of these items and estimates of amounts due to be received were required to be made; there were no individually material estimates. Future services provided by the Group to Kantar arose through the negotiation of Transition Service Arrangements, as is customary for a disposal of this magnitude. The Group will support Kantar for a period of up to four years, primarily in the area of IT, on terms which are favourable to the disposal group. As such, an element of consideration has been deferred and will be recognised as the services are provided.

13. LEASES

The movements in 2020 and 2019 were as follows:

	Land and buildings ¹ £m	Plant and machinery £m	Total £m
Right-of-use assets			
1 January 2019	1,862.5	32.6	1,895.1
Additions	348.1	16.5	364.6
Transfers to net investment in subleases ²	(37.6)	–	(37.6)
Disposals	(31.0)	(0.6)	(31.6)
Depreciation of right-of-use assets	(301.5)	(16.4)	(317.9)
Transfer to disposal group classified as held for sale	(134.4)	(3.7)	(138.1)
31 December 2019	1,706.1	28.4	1,734.5
Additions	233.0	35.0	268.0
Disposals	(40.5)	(1.9)	(42.4)
Depreciation of right-of-use assets	(312.1)	(19.8)	(331.9)
Impairment charges included in restructuring costs	(117.0)	–	(117.0)
Other write-downs	(8.1)	–	(8.1)
Exchange adjustments	0.4	1.0	1.4
31 December 2020	1,461.8	42.7	1,504.5

Notes

- For the year ended 31 December 2020 and 2019, the Company has £67.9 million and £27.4 million of right-of-use assets that are classified as investment property, respectively.
- The sublease of certain office space is classified as a finance lease and relates primarily to Kantar business units that were sold. The Company de-recognised the right-of-use asset (to the extent that it is subject to the sublease) and recognised the net investment in subleases, which is included within trade and other receivables. No other disclosures are deemed necessary as it is not material.

	Land and buildings £m	Plant and machinery £m	Total £m
Lease liabilities			
1 January 2019	2,294.4	31.8	2,326.2
Additions	325.9	12.3	338.2
Interest expense related to lease liabilities (net)	101.5	1.2	102.7
Disposals	(27.5)	(0.2)	(27.7)
Repayment of lease liabilities (including interest)	(326.2)	(14.9)	(341.1)
Transfer to disposal group classified as held for sale	(144.7)	(3.9)	(148.6)
31 December 2019	2,223.4	26.3	2,249.7
Additions	226.9	37.1	264.0
Interest expense related to lease liabilities (net)	96.8	1.7	98.5
Disposals	(49.4)	(1.7)	(51.1)
Repayment of lease liabilities (including interest)	(379.1)	(19.5)	(398.6)
Exchange adjustments	(6.8)	0.6	(6.2)
31 December 2020	2,111.8	44.5	2,156.3

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	2020 £m	2019 £m
Continuing operations		
<i>Depreciation of right-of-use assets:</i>		
Land and buildings	(312.1)	(286.5)
Plant and machinery	(19.8)	(15.1)
Impairment charges	(125.1)	–
Short-term lease expense	(36.7)	(83.8)
Low-value lease expense	(2.3)	(2.9)
Variable lease expense	(65.4)	(74.2)
Sublease income	25.3	17.5
Charge to operating profit	(536.1)	(445.0)
Interest expense related to lease liabilities	(101.0)	(99.7)
Charge to profit before taxation for leases	(637.1)	(544.7)

Variable lease payments primarily include real estate taxes and insurance costs.

The maturity of lease liabilities at 31 December 2020 were as follows:

	2020 £m	2019 £m
Within one year	412.3	385.9
Between one and two years	357.7	384.0
Between two and three years	309.0	335.4
Between three and four years	255.3	283.0
Between four and five years	209.9	220.5
Over five years	1,238.9	1,393.7
	2,783.1	3,002.5
Effect of discounting	(626.8)	(752.8)
Lease liability at end of year	2,156.3	2,249.7
Short-term lease liability	323.8	302.2
Long-term lease liability	1,832.5	1,947.5

The total committed future cash flows for leases not yet commenced at 31 December 2020 is £674.3 million.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Refer to note 25 for management of liquidity risk.

14. INTANGIBLE ASSETS**GOODWILL**

The movements in 2020 and 2019 were as follows:

	£m ¹
Cost	
1 January 2019	14,051.9
Additions ²	8.5
Revision of earnout estimates	(14.1)
Disposals	(18.6)
Transfer to disposal group classified as held for sale	(2,729.1)
Exchange adjustments	(410.0)
31 December 2019	10,888.6
Additions ²	40.1
Revision of earnout estimates	(2.8)
Disposals	(24.6)
Exchange adjustments	(94.0)
31 December 2020	10,807.3

Accumulated impairment losses and write-downs

1 January 2019	919.3
Impairment on classification as held for sale ³	70.9
Impairment losses for the year	47.7
Transfer to disposal group classified as held for sale	(230.6)
Exchange adjustments	(29.3)
31 December 2019	778.0
Impairment losses for the year	2,822.9
Exchange adjustments	(182.4)
31 December 2020	3,418.5

Net book value

31 December 2020	7,388.8
31 December 2019	10,110.6
1 January 2019	13,132.6

Notes

- Figures have been restated as described in the accounting policies.
- Additions represent goodwill arising on the acquisition of subsidiary undertakings including the effect of any revisions to fair value adjustments that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations. The effect of such revisions was not material in either year presented.
- Goodwill impairment of £70.9 million arose from the assessment of fair value less costs to sell of the Kantar group on classification as held for sale under IFRS 5.

14. INTANGIBLE ASSETS CONTINUED**OTHER INTANGIBLE ASSETS**

The movements in 2020 and 2019 were as follows:

	Brands with an indefinite useful life £m	Acquired intangibles £m	Other £m	Total £m
Cost				
1 January 2019	1,132.8	2,610.0	437.3	4,180.1
Additions	-	-	43.2	43.2
Disposals	-	(3.4)	(41.0)	(44.4)
New acquisitions	-	3.5	-	3.5
Other movements ¹	-	-	(1.4)	(1.4)
Exchange adjustments	(41.4)	(28.2)	(9.9)	(79.5)
Transfer to disposal group classified as held for sale	-	(979.0)	(115.9)	(1,094.9)
31 December 2019	1,091.4	1,602.9	312.3	3,006.6
Additions	-	-	54.3	54.3
Disposals	-	(21.5)	(74.8)	(96.3)
New acquisitions	-	4.8	0.2	5.0
Other movements ¹	-	5.7	13.1	18.8
Exchange adjustments	(19.5)	(22.2)	(4.8)	(46.5)
31 December 2020	1,071.9	1,569.7	300.3	2,941.9
Amortisation and impairment				
1 January 2019	-	2,015.2	322.9	2,338.1
Charge for the year	13.2	116.8	29.6	159.6
Disposals	-	(1.6)	(37.7)	(39.3)
Other movements	-	-	2.6	2.6
Exchange adjustments	-	(15.2)	(9.1)	(24.3)
Transfer to disposal group classified as held for sale	-	(835.9)	(63.0)	(898.9)
31 December 2019	13.2	1,279.3	245.3	1,537.8
Charge for the year	-	88.5	35.2	123.7
Disposals	-	(17.4)	(72.0)	(89.4)
Other movements	-	5.7	5.4	11.1
Exchange adjustments	(0.4)	(26.9)	(3.3)	(30.6)
31 December 2020	12.8	1,329.2	210.6	1,552.6
Net book value				
31 December 2020	1,059.1	240.5	89.7	1,389.3
31 December 2019	1,078.2	323.6	67.0	1,468.8
1 January 2019	1,132.8	594.8	114.4	1,842.0

Note

¹ Other movements in acquired intangibles include revisions to fair value adjustments arising on the acquisition of subsidiary undertakings that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations.

Cash-generating units (CGUs) with significant goodwill and brands with an indefinite useful life as at 31 December are:

	Goodwill		Brands with an indefinite useful life	
	2020 £m	2019 ¹ £m	2020 £m	2019 £m
GroupM	2,953.7	2,921.7	-	-
Wunderman Thompson	949.4	2,121.9	403.9	409.7
VMLY&R	411.9	901.0	193.4	199.1
Ogilvy	782.0	758.6	206.5	211.1
Burson Cohn & Wolfe	591.1	739.3	128.8	130.2
Other	1,700.7	2,668.1	126.5	128.1
	7,388.8	10,110.6	1,059.1	1,078.2

Note

¹ Figures have been restated, as described in the accounting policies.

Other goodwill represents goodwill on a large number of CGUs, none of which is individually significant in comparison to the total carrying value of goodwill. Separately identifiable brands with an indefinite life are carried at historical cost in accordance with the Group's accounting policy for intangible assets. The carrying values of the other brands with an indefinite useful life are not individually significant in comparison with the total carrying value of brands with an indefinite useful life.

Acquired intangible assets at net book value at 31 December 2020 include brand names of £172.8 million (2019: £218.6 million), customer-related intangibles of £67.1 million (2019: £100.6 million), and other assets (including proprietary tools) of £0.6 million (2019: £4.4 million).

The total amortisation and impairment of acquired intangible assets of £89.1 million (2019: £121.5 million) includes an impairment charge of £21.6 million (2019: £26.5 million) comprising £13.5 million in regard to certain brand names that are no longer in use, and £8.1 million in regard to customer relationships where the underlying clients have been lost. £16.4 million of the impairment charge relates to the Global Integrated Agencies segment, and £5.2 million relates to the Specialist Agencies segment. In addition, the total amortisation and impairment of acquired intangible assets includes £0.6 million (2019: £5.6 million) in relation to associates.

In accordance with the Group's accounting policy, the carrying values of goodwill and intangible assets with indefinite useful lives are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment review is undertaken annually on 30 September. Given the Covid-19 pandemic, impairment indicators such as a decline in revenue less pass-through costs forecasts, and downturns in the global economy and the advertising industry were identified in the first half of 2020. As such, the Group performed an impairment test over goodwill and intangible assets with indefinite useful lives as at 30 June 2020. Given the continued impact of Covid-19, an additional impairment test was performed as of 31 December 2020.

Under IFRS, an impairment charge is required for both goodwill and other indefinite-lived assets when the carrying amount exceeds the "recoverable amount", defined as the higher of fair value less costs to sell and value in use. The review assessed whether the carrying value of goodwill and intangible assets with indefinite useful lives was supported by the value in use determined as the net present value of future cash flows.

14. INTANGIBLE ASSETS CONTINUED

Due to the significant number of CGUs, the impairment test was performed in two steps. In the first step, the recoverable amount was calculated for each CGU using the latest available forecasts for 2020 and/or 2021, nil growth rate thereafter (2019: 3.0%) and a conservative pre-tax discount rate of 13.5% (2019: 8.5%). The pre-tax discount rate of 13.5% was above the rate calculated for the global networks of 12.5%. For smaller CGUs that operate primarily in a particular region subject to higher risk, the higher of 13.5% or 100 basis points above the regional discount rate was used in the first step.

The recoverable amount was then compared to the carrying amount, which includes goodwill, intangible assets, and other assets. CGUs where the recoverable amount exceeded the carrying amount were not considered to be impaired. Those CGUs where the recoverable amount did not exceed the carrying amount were then further reviewed in the second step.

In the second step, these CGUs were retested for impairment using more refined assumptions. This included using a CGU specific pre-tax discount rate and management forecasts for a projection period of up to five-years, followed by an assumed long-term growth rate of 2.0% (2019: 3.0%). If the recoverable amount using the more specific assumptions did not exceed the carrying value of a CGU, an impairment charge was recorded.

In developing the cash flows, we considered the impact of the Covid-19 pandemic to our businesses and adjusted projected revenue less pass-through costs and operating margins in 2020 and/or 2021 accordingly. For the remaining years in the projection period, we assessed when the cash flows would recover to 2019 levels as representative of pre-Covid-19 revenue less pass-through costs and operating margins. For many of our CGUs, recovery to 2019 levels by 2023 was estimated with some CGUs using alternative recovery profiles as considered appropriate.

The long-term growth rate is derived from management's best estimate of the likely long-term trading performance with reference to external industry reports and other relevant market trends. As at 31 December 2020, we have assessed long-term industry trends based on recent historical data including the long-term impact of Covid-19 and assumed a long-term growth rate of 2.0% (2019: 3.0%). Management have made the judgement that the long-term growth rate does not exceed the long-term average growth rate for the industry.

The discount rate uses the capital asset pricing model (CAPM) to derive the cost of equity along with an estimated cost of debt that is weighted by an appropriate capital structure to derive an indication of a weighted average cost of capital. The cost of equity is calculated based on long-term government bond yield, an estimate of the required premium for investment in equity relative to government securities and further considers the volatility associated with peer public companies relative to the market. The cost of debt reflects an estimated market yield for long-term debt financing after taking into account the credit profile of public peer companies in the industry. The capital structure used to weight the cost of equity and cost of debt has been derived from the observed capital structure of public peer companies.

Given market factors in the period, there has been an increase in the estimated cost of equity from previous years. This has been driven by increased levels of market uncertainty and volatility which is reflected in the market valuations for global advertising agencies. This has led to upward adjustments to the estimates for the equity risk premium as well as the applicable beta (ie, volatility of public peer companies relative to the market). Additionally, given the magnitude of the declines in our market capitalisation, the cost of equity reflects an increase in the size premium applicable to the Group, and a company specific risk premium to reflect implied market discount rates. This increase in the cost of equity, combined with an increase in the cost of debt as a result of increased corporate bond yields, resulted in the discount rates applied to our CGUs increasing relative to the prior year.

The pre-tax discount rate applied to the cash flow projections for the CGUs that operate globally was 12.5% (2019: 6.3% to 7.4%). We developed a global discount rate that takes into account the diverse nature of the operations, as these CGUs operate with a diverse range of clients in a range of industries throughout the world, hence are subject to similar levels of market risks. The pre-tax discount rates applied to the CGUs that have more regional specific operations ranged from 10.8% to 18.6% for the 30 June 2020 test, 11.3% to 14.4% for the 30 September 2020 test, and 11.2% to 13.6% for the 31 December 2020 test (2019: 4.1% to 13.6%).

Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue less pass-through costs growth, operating margins, appropriate discount rates and working capital requirements. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue less pass-through costs growth and operating margins. The key assumptions take account of the business' expectations for the projection period. These expectations consider the macroeconomic environment, industry and market conditions, the CGU's historical performance and any other circumstances particular to the unit, such as business strategy and client mix.

These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of CGU identified for impairment testing and the criteria used to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss.

As part of the overall effort to simplify operations and become more client-centric, certain operations have been realigned between the various networks. These realignments have been reflected in the CGUs being tested. The most significant of these for the 30 June 2020 test included the treatment of Landor and Fitch as a single CGU given the collaboration of the two brands from both a management and client perspective; the shift of certain European operations into VMLY&R; and the transfer of certain Asian operations from VMLY&R to Ogilvy in order to improve the operational synergies and offer in the respective regions.

Subsequent realignments to improve the operational synergies and regional offers were reflected in the September and December tests including the shift of certain Latin American and European operations between Wunderman Thompson, VMLY&R and GroupM; and the transfer of certain Asian operations to VMLY&R that previously operated independently from a network.

The transfers of carrying value between CGUs were determined on a relative value basis. The impact of these realignments has not had a significant impact on the impairment figures recognised.

The goodwill impairment charge of £2,822.9 million largely reflects the adverse impacts of Covid-19 on a number of businesses in the Group. The impact of these global economic conditions and trading circumstances was sufficiently severe to indicate impairment to the carrying value of goodwill. By operating sector, £1,820.1 million of the impairment charge relates to Global Integrated Agencies, £161.5 million relates to Public Relations and £841.3 million relates to Specialist Agencies.

The CGUs with significant impairments of goodwill as at 31 December 2020 are set out in the below table with the latest recoverable amount determined as of the December test.

		Recoverable amount £m	Goodwill impairment charge £m
	Operating Sector		
Wunderman Thompson	Global Integrated Agencies	1,956.8	1,207.5
VMLY&R	Global Integrated Agencies	1,075.7	516.9
Burson Cohn & Wolfe	Public Relations	790.2	144.8
Geometry Global	Specialist Agencies	164.4	305.8
Landor & Fitch	Specialist Agencies	177.6	185.4
Other		1,409.5	462.5
		5,574.2	2,822.9

14. INTANGIBLE ASSETS CONTINUED

The goodwill impairment charge recognised for the year ended 31 December 2020 includes £2,812.9 million related to the six-month period ended 30 June 2020. This figure is £328.2 million higher than the £2,484.7 million previously reported in the 30 June 2020 interim financial statements as a result of an adjustment to appropriately reflect the working capital cash flow assumptions in the impairment model. This has been fully reflected in the consolidated financial statements for the year ended 31 December 2020, and the amount will be reflected in the comparatives included in the 30 June 2021 financial statements. Refer to page 223 for additional information.

As of the December test, the recoverable amounts of all CGUs were determined to be above their carrying values. Burson Cohn & Wolfe's recoverable amount exceeded its carrying value by £14.4 million and is the only significant CGU that is sensitive to changes in the key assumptions used in determining the cash flows as of the December test. The average operating margins used in the five-year projection period for CGUs with significant goodwill and brands with an indefinite useful life ranged from 12.5% to 21.3%. The average operating margin of Burson Cohn & Wolfe would have to decrease by 0.3% to cause its carrying value to be above its recoverable amount. The long-term cash flow growth rate would also have to decrease by 0.3% to cause the carrying value of Burson Cohn & Wolfe to be above its recoverable amount. Burson Cohn & Wolfe is not sensitive to a reasonably possible change in the revenue less pass-through costs growth used in the five-year projection period.

As of the December test, a reasonably possible change in the key assumptions noted above would not result in a material amount of further impairments for Burson Cohn & Wolfe or any other CGU individually or in aggregate.

A change in the discount rate applied to the cash flows in the December impairment test up or down by 1.5% is considered reasonably possible. An increase of the discount rate by 1.5% would have resulted in £84.3 million additional impairment, £70.9 million of which would be attributable to Burson Cohn & Wolfe. As of the December test, Landor & Fitch's recoverable amount exceeded its carrying value by £19.4 million. Increasing the discount rate by 1.5% would result in additional impairment of £2.6 million for Landor & Fitch with the remaining impairment attributable to other CGUs not individually significant. The discount rates would have to increase by 0.2% and 1.3% respectively to cause the carrying values of Burson Cohn & Wolfe and Landor & Fitch to be above their recoverable amounts.

15. PROPERTY, PLANT AND EQUIPMENT

The movements in 2020 and 2019 were as follows:

	Land £m	Freehold buildings £m	Leasehold buildings £m	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
Cost						
1 January 2019	37.1	135.5	1,202.4	375.3	690.4	2,440.7
Additions	-	33.7	158.5	35.0	67.7	294.9
New acquisitions	-	-	-	0.1	-	0.1
Disposals	-	(109.0)	(167.3)	(68.3)	(76.3)	(420.9)
Transfer to disposal group classified as held for sale	(2.8)	(17.1)	(98.1)	(115.2)	(231.5)	(464.7)
Exchange adjustments	-	(16.9)	(46.7)	(14.5)	(26.4)	(104.5)
31 December 2019	34.3	26.2	1,048.8	212.4	423.9	1,745.6
Additions	-	8.9	135.7	25.0	48.7	218.3
New acquisitions	-	-	0.2	-	0.2	0.4
Disposals	-	(0.2)	(99.1)	(41.1)	(83.7)	(224.1)
Exchange adjustments	-	4.7	(33.1)	(7.0)	(7.4)	(42.8)
31 December 2020	34.3	39.6	1,052.5	189.3	381.7	1,697.4
Depreciation						
1 January 2019	-	27.1	567.3	229.7	533.6	1,357.7
Charge for the year	-	1.5	79.9	36.3	67.8	185.5
Disposals	-	(7.2)	(129.9)	(59.9)	(74.5)	(271.5)
Transfer to disposal group classified as held for sale	-	(15.6)	(56.1)	(81.7)	(192.6)	(346.0)
Exchange adjustments	-	(1.6)	(17.9)	(13.2)	(23.4)	(56.1)
31 December 2019	-	4.2	443.3	111.2	310.9	869.6
Charge for the year	-	1.2	76.6	33.2	63.8	174.8
Impairment charges included in restructuring costs	-	-	72.1	6.3	1.3	79.7
Other write-downs	-	-	2.6	-	-	2.6
Disposals	-	-	(79.0)	(38.3)	(82.5)	(199.8)
Exchange adjustments	-	(3.1)	(5.2)	(5.5)	(6.6)	(20.4)
31 December 2020	-	2.3	510.4	106.9	286.9	906.5
Net book value						
31 December 2020	34.3	37.3	542.1	82.4	94.8	790.9
31 December 2019	34.3	22.0	605.5	101.2	113.0	876.0
1 January 2019	37.1	108.4	635.1	145.6	156.8	1,083.0

At 31 December 2020, capital commitments contracted, but not provided for in respect of property, plant and equipment, were £132.5 million (2019: £165.0 million). The decrease is due to a number of property development projects near completion, or completed, during 2020 in North America, UK and Latin America.

16. INTERESTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

The movements in 2020 and 2019 were as follows:

	Interests in associates and joint ventures £m	Other investments £m
1 January 2019	796.8	666.7
Additions	236.6	18.3
Share of results of associate undertakings	21.2	-
Dividends	(33.3)	-
Other movements	1.2	-
Exchange adjustments	(35.5)	-
Disposals	(51.5)	(42.3)
Reclassification to subsidiaries	(0.3)	-
Revaluation of other investments through profit or loss	-	9.1
Revaluation of other investments through other comprehensive income	-	(141.4)
Amortisation of other intangible assets	(5.6)	-
Transfer to disposal group classified as held for sale	(109.1)	(12.1)
Write-downs	(7.5)	-
31 December 2019	813.0	498.3
Additions	15.2	15.9
Share of results of associate undertakings	(136.0)	-
Dividends	(32.5)	-
Other movements	(5.2)	-
Exchange adjustments	(39.7)	-
Disposals	(7.3)	(7.0)
Reclassification from subsidiaries	4.5	-
Reclassification from other investments to associates	0.2	(0.2)
Revaluation of other investments through profit or loss	-	8.0
Revaluation of other investments through other comprehensive income	-	(127.7)
Amortisation of other intangible assets	(0.6)	-
Write-downs	(280.9)	-
31 December 2020	330.7	387.3

The investments included above as "other investments" represent investments in equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices. For unlisted securities, where market value is not available, the Group has estimated relevant fair values on the basis of information from outside sources.

The carrying values of the Group's associates and joint ventures are reviewed for impairment in accordance with the Group's accounting policies.

The Group's principal associates and joint ventures at 31 December 2020 included:

	Country of incorporation	% owned
Advantage Smollan Ltd	UK	18.7
Barrows Design and Manufacturing (Pty) Limited	South Africa	35.0
Dat Viet VAC Media Corporation	Vietnam	30.0
GIIR Inc.	Korea	30.0
Haworth Marketing & Media Company	USA	49.0
High Co SA	France	34.1
Nanjing Yindu Ogilvy Advertising Co. Ltd	China	49.0
PRAP Japan, Inc	Japan	23.4
Smollan Holdings (Pty) Ltd	South Africa	24.8
Summer (BC) US JVCo SCSP ¹	Luxembourg	40.0

Note

¹ Representing the Group's interest in Kantar in the United States.

The market value of the Group's shares in its principal listed associate undertakings at 31 December 2020 was as follows: GIIR Inc: £19.0 million, and High Co SA: £32.8 million (2019: GIIR Inc: £21.2 million and High Co SA: £39.4 million). The carrying value (including goodwill and other intangibles) of these equity interests in the Group's consolidated balance sheet at 31 December 2020 was as follows: GIIR Inc: £41.2 million and High Co SA: £38.9 million (2019: GIIR Inc: £37.7 million and High Co SA: £35.4 million).

Where the market value of the Group's listed associates is less than the carrying value, an impairment review is performed utilising the discounted cash flow methodology discussed in note 14, which represents the value in use.

The Group's investments in its principal associate undertakings are represented by ordinary shares.

AGGREGATE INFORMATION OF ASSOCIATES THAT ARE NOT INDIVIDUALLY MATERIAL

The following table presents a summary of the aggregate financial performance of the Group's associate undertakings and joint ventures.

	2020 £m	2019 £m	2018 £m
Continuing operations			
Share of results of associate undertakings (note 4)	(136.0)	14.7	30.5
Share of other comprehensive loss of associate undertakings	(61.5)	-	-
Share of total comprehensive (loss)/ income of associate undertakings	(197.5)	14.7	30.5

The application of equity accounting is ordinarily discontinued when the investment is reduced to zero and additional losses are not provided for unless the Group has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee.

In the year ended 31 December 2020, share of losses of £62.9 million were not recognised in relation to Imagina, an associate in Spain, as the investment was reduced to zero. The cumulative share of unrecognised losses relating to Imagina is £62.9 million.

At 31 December 2020, capital commitments contracted, but not provided for, in respect of interests in associates and other investments were £7.5 million (2019: £21.8 million).

17. DEFERRED TAX

The Group's deferred tax assets and liabilities are measured at the end of each period in accordance with IAS 12 Income Taxes. The recognition of deferred tax assets is determined by reference to the Group's estimate of recoverability, using models where appropriate to forecast future taxable profits.

Deferred tax assets have only been recognised for territories where the Group considers that it is probable that all or a portion of the deferred tax assets will be realised. The main factors that we consider include:

- the future earnings potential determined through the use of internal forecasts;
- the cumulative losses in recent years;
- the various jurisdictions in which the potential deferred tax assets arise;
- the history of losses carried forward and other tax assets expiring;
- the timing of future reversal of taxable temporary differences;
- the expiry period associated with the deferred tax assets; and
- the nature of the income that can be used to realise the deferred tax asset.

If it is probable that some portion of these assets will not be realised, no asset is recognised in relation to that portion.

If market conditions improve and future results of operations exceed our current expectations, our existing recognised deferred tax assets may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate further or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realisable. As a result, all or a portion of the deferred tax assets may need to be reversed.

Certain deferred tax assets and liabilities have been offset as they relate to the same tax group. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Gross 2020 £m	Offset 2020 £m	As reported 2020 £m	Gross 2019 £m	Offset 2019 £m	As reported 2019 £m
Deferred tax assets	477.5	(264.6)	212.9	430.9	(243.0)	187.9
Deferred tax liabilities	(568.7)	264.6	(304.1)	(622.8)	243.0	(379.8)
	(91.2)	-	(91.2)	(191.9)	-	(191.9)

The following are the major gross deferred tax assets recognised by the Group and movements thereon in 2020 and 2019:

	Deferred compensation £m	Accounting provisions and accruals £m	Retirement benefit obligations £m	Property, plant and equipment £m	Tax losses and credits £m	Share-based payments £m	Restructuring provisions £m	Other temporary differences £m	Total £m
1 January 2019	61.6	101.4	68.5	47.9	67.1	16.8	17.3	31.4	412.0
(Charge)/credit to income	(1.7)	10.2	6.7	19.4	24.2	2.9	12.5	(16.6)	57.6
Charge to other comprehensive income	-	-	(3.2)	-	-	-	-	-	(3.2)
Credit to equity	-	-	-	27.8	-	3.1	-	-	30.9
Transfer to disposal group classified as held for sale	(4.2)	(19.2)	(12.3)	(13.6)	(3.0)	(0.7)	(3.4)	0.1	(56.3)
Exchange differences and other movements	(2.2)	(5.0)	(2.2)	3.2	(2.0)	(0.6)	(0.6)	(0.7)	(10.1)
31 December 2019	53.5	87.4	57.5	84.7	86.3	21.5	25.8	14.2	430.9
(Charge)/credit to income	(1.5)	30.3	(3.5)	(3.4)	5.9	0.4	31.9	(2.7)	57.4
Credit to other comprehensive income	-	-	7.4	-	-	-	-	-	7.4
Exchange differences and other movements	(2.5)	(8.2)	(3.5)	(0.4)	(1.9)	(0.5)	(1.3)	0.1	(18.2)
31 December 2020	49.5	109.5	57.9	80.9	90.3	21.4	56.4	11.6	477.5

Other temporary differences comprise a number of items including tax deductible goodwill, none of which is individually significant to the Group's consolidated balance sheet. At 31 December 2020 the balance related to temporary differences in relation to revenue adjustments, tax deductible goodwill, fair value adjustments, and other temporary differences.

In addition the Group has recognised the following gross deferred tax liabilities and movements thereon in 2020 and 2019:

	Brands and other intangibles £m	Associate earnings £m	Goodwill £m	Property, plant and equipment £m	Financial instruments £m	Other temporary differences £m	Total £m
1 January 2019	438.6	17.6	182.3	22.2	39.9	37.9	738.5
Acquisition of subsidiaries	0.8	-	-	-	-	-	0.8
(Credit)/charge to income	(31.2)	68.6	10.3	(22.2)	(0.7)	(6.7)	18.1
Credit to other comprehensive income	-	-	-	-	-	(9.6)	(9.6)
Transfer to disposal group classified as held for sale	(46.6)	(7.9)	(51.7)	-	-	0.6	(105.6)
Exchange differences and other movements	(9.3)	(1.8)	(5.5)	-	(2.3)	(0.5)	(19.4)
31 December 2019	352.3	76.5	135.4	-	36.9	21.7	622.8
Acquisition of subsidiaries	1.5	-	-	-	-	-	1.5
(Credit)/charge to income	(22.3)	(16.7)	(7.8)	-	-	6.7	(40.1)
Exchange differences and other movements	(4.7)	(1.8)	(4.5)	-	(1.1)	(3.4)	(15.5)
31 December 2020	326.8	58.0	123.1	-	35.8	25.0	568.7

At the balance sheet date, the Group has gross tax losses and other temporary differences of £6,895.2 million (2019: £6,475.6 million) available for offset against future profits. Deferred tax assets have been recognised in respect of the tax benefit of £2,041.3 million (2019: £1,856.6 million) of such tax losses and other temporary differences. No deferred tax asset has been recognised in respect of the remaining £4,853.9 million (2019: £4,619.0 million) of losses and other temporary differences as the Group considers that there will not be enough taxable profits in the entities concerned such that any additional asset could be considered recoverable. Included in the total unrecognised temporary differences are losses of £65.4 million (2019: £60.7 million) that will expire within one to ten years, and £4,594.9 million (2019: £4,437.6 million) of losses that may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £1,655.3 million (2019: £2,165.3 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

18. TRADE AND OTHER RECEIVABLES

The following are included in trade and other receivables:

	2020 £m	2019 £m
Amounts falling due within one year		
Trade receivables (net of bad debt provision)	6,572.2	7,007.6
Work in progress	264.1	349.5
VAT and sales taxes recoverable	236.6	212.7
Prepayments	248.1	287.1
Accrued income	3,150.1	3,292.7
Fair value of derivatives	0.2	1.4
Other debtors	501.0	671.3
	10,972.3	11,822.3

The ageing of trade receivables and other financial assets by due date is as follows:

	Carrying amount at 31 December 2020		Days past due				
	£m	Not past due £m	0-30 days £m	31-90 days £m	91-180 days £m	181 days-1 year £m	Greater than 1 year £m
2020							
Trade receivables	6,572.2	5,692.4	660.0	167.3	40.4	7.5	4.6
Other financial assets	527.2	451.8	32.5	8.6	11.8	4.3	18.2
	7,099.4	6,144.2	692.5	175.9	52.2	11.8	22.8

	Carrying amount at 31 December 2019		Days past due				
	£m	Not past due £m	0-30 days £m	31-90 days £m	91-180 days £m	181 days-1 year £m	Greater than 1 year £m
2019							
Trade receivables	7,007.6	5,553.3	934.9	341.0	92.1	22.4	63.9
Other financial assets	582.5	357.6	129.9	48.3	16.2	5.2	25.3
	7,590.1	5,910.9	1,064.8	389.3	108.3	27.6	89.2

Other financial assets are included in other debtors.

Past due amounts are not impaired where collection is considered likely.

	2020 £m	2019 £m
Amounts falling due after more than one year		
Prepayments	2.8	2.2
Fair value of derivatives	9.6	-
Other debtors	143.8	135.4
	156.2	137.6

The Group has applied the practical expedient permitted by IFRS 15 to not disclose the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) as of the end of the reporting period as contracts typically have an original expected duration of a year or less.

	2020 £m	2019 £m
Bad debt provisions		
At beginning of year	111.7	116.6
New acquisitions	3.5	5.0
Charged to the income statement	50.6	45.4
Released to the income statement	(9.8)	(19.0)
Exchange adjustments	(2.8)	(4.1)
Transfer to disposal group classified as held for sale	-	(8.9)
Utilisations and other movements	(40.7)	(23.3)
At end of year	112.5	111.7

The allowance for bad and doubtful debts is equivalent to 1.7% (2019: 1.6%) of gross trade accounts receivables.

Impairment losses on work in progress and accrued income were immaterial for the years presented.

The Group considers that the carrying amount of trade and other receivables approximates their fair value.

EXPECTED CREDIT LOSSES

The Group has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9. Under this approach, the Group utilises a provision matrix based on the age of the trade receivables and historical loss rates to determine the expected credit losses. Where relevant, the Group also considers forward looking information. Therefore the Group does not track changes in credit risk over the life of a financial asset, but recognises a loss allowance based on the financial asset's lifetime expected credit loss. Under IFRS 9, the expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Given the short-term nature of the Group's trade receivables, work in progress and accrued income, which are mainly due from large national or multinational companies, the Group's assessment of expected credit losses includes provisions for specific clients and receivables where the contractual cash flow is deemed at risk. Additional provisions are made based on the assessment of recoverability of aged receivables, where the following criteria are met:

- 100% of the asset aged over one year;
- 50% of the asset aged between 180 days and one year; and
- sufficient evidence of recoverability is not evident.

As a result of the Covid-19 pandemic, the Group also performed a detailed review of trade receivables, work in progress and accrued income aged less than 180 days, taking into account the level of credit insurance the Group has along with internal and external data including historical and forward looking information. This review focused on significant individual clients along with the industry and country in which the clients operate where there is increased risk due to the pandemic.

19. TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

The following are included in trade and other payables falling due within one year:

	2020 £m	2019 ¹ £m
Trade payables	10,206.5	10,112.1
Deferred income	1,153.7	1,024.6
Payments due to vendors (earnout agreements)	57.8	143.4
Liabilities in respect of put option agreements with vendors	9.3	75.7
Fair value of derivatives	1.8	1.5
Share repurchases – close period commitments ²	-	252.3
Other creditors and accruals	2,430.6	2,578.5
	13,859.7	14,188.1

Notes

¹ Figures have been restated as described in the accounting policies.

² During 2019, the Company entered into an arrangement with a third party to conduct share buybacks on its behalf in the close period commencing on 2 January 2020 and ending on 27 February 2020, in accordance with UK listing rules. The commitment resulting from this agreement constitutes a liability at 31 December 2019, which is included in Trade and other payables: amounts falling due within one year and has been recognised as a movement in equity.

The Group considers that the carrying amount of trade and other payables approximates their fair value.

20. TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The following are included in trade and other payables falling due after more than one year:

	2020 £m	2019 ¹ £m
Payments due to vendors (earnout agreements)	56.5	100.3
Liabilities in respect of put option agreements with vendors	101.4	128.8
Fair value of derivatives	11.2	21.2
Other creditors and accruals	144.4	199.3
	313.5	449.6

Note

¹ Figures have been restated as described in the accounting policies.

The Group considers that the carrying amount of trade and other payables approximates their fair value.

The following tables set out payments due to vendors, comprising contingent consideration and the Directors' best estimates of future earnout-related obligations:

	2020 £m	2019 ¹ £m
Within one year	57.8	143.4
Between one and two years	17.2	36.3
Between two and three years	6.0	34.6
Between three and four years	30.5	12.3
Between four and five years	2.8	7.7
Over five years	–	9.4
	114.3	243.7

Note

¹ Figures have been restated as described in the accounting policies.

	2020 £m	2019 ¹ £m
At beginning of year	243.7	400.8
Earnouts paid	(115.2)	(130.0)
New acquisitions	7.3	9.6
Revision of estimates taken to goodwill (note 14)	(2.8)	(14.1)
Revaluation of payments due to vendors	(13.4)	3.8
Transfer to disposal group classified as held for sale	–	(11.5)
Exchange adjustments	(5.3)	(14.9)
At end of year	114.3	243.7

Note

¹ Figures have been restated as described in the accounting policies.

As of 31 December 2020, the potential undiscounted amount of future payments that could be required under the earnout agreements for acquisitions completed in the current year and for all earnout agreements ranges from £nil to £41 million (2019: £nil to £14 million) and £nil to £808 million (2019: £nil to £1,110 million), respectively. The decrease in the maximum potential undiscounted amount of future payments for all earnout agreements is due to earnout arrangements that have completed and payments made on active arrangements during the year, and exchange adjustments, partially offset by earnout arrangements related to new acquisitions.

21. BANK OVERDRAFTS, BONDS AND BANK LOANS

Amounts falling due within one year:

	2020 £m	2019 ¹ £m
Bank overdrafts	8,562.0	8,572.4
Corporate bonds and bank loans	57.2	225.6
	8,619.2	8,798.0

Note

¹ Figures have been restated as described in the accounting policies.

The Group considers that the carrying amount of bank overdrafts approximates their fair value.

Amounts falling due after more than one year:

	2020 £m	2019 £m
Corporate bonds and bank loans	4,975.5	4,047.3

The Group estimates that the fair value of corporate bonds is £5,509.1 million at 31 December 2020 (2019: £4,439.8 million). The fair values of the corporate bonds are based on quoted market prices.

The Group considers that the carrying amount of bank loans of £57.2 million (2019: £110.4 million) approximates their fair value.

The corporate bonds, bank loans and overdrafts included within liabilities fall due for repayment as follows:

	2020 £m	2019 ¹ £m
Within one year	8,619.2	8,798.0
Between one and two years	590.9	96.4
Between two and three years	669.4	590.4
Between three and four years	540.2	632.1
Between four and five years	445.6	554.3
Over five years	2,729.4	2,174.1
	13,594.7	12,845.3

Note

¹ Figures have been restated as described in the accounting policies.

22. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in 2020 and 2019 were as follows:

	Property £m	Other £m	Total £m
1 January 2019	118.7	193.0	311.7
Charged to the income statement	39.5	7.6	47.1
Acquisitions ¹	–	0.7	0.7
Utilised	(1.2)	(12.2)	(13.4)
Released to the income statement	(10.3)	(6.9)	(17.2)
Other movements ²	(58.4)	9.2	(49.2)
Transfer to disposal group classified as held for sale	(6.2)	(18.4)	(24.6)
Exchange adjustments	(0.6)	(6.7)	(7.3)
31 December 2019	81.5	166.3	247.8
Charged to the income statement	14.8	50.4	65.2
Acquisitions ¹	–	0.7	0.7
Utilised	(1.6)	(17.0)	(18.6)
Released to the income statement	(1.5)	(15.0)	(16.5)
Other movements	(15.0)	48.7	33.7
Exchange adjustments	(1.5)	(4.5)	(6.0)
31 December 2020	76.7	229.6	306.3

Notes

¹ Acquisitions include £0.4 million (2019: £0.7 million) of provisions arising from revisions to fair value adjustments related to the acquisition of subsidiary undertakings that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations.

² In 2019, other movements include transfers of property provisions related to property leases which are now recognised in right-of-use assets, and certain long-term employee benefits.

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. The Directors do not anticipate that the outcome of these proceedings and claims will have a material adverse effect on the Group's financial position or on the results of its operations.

23. SHARE-BASED PAYMENTS

Charges for share-based incentive plans were as follows:

	2020 £m	2019 £m	2018 £m
Continuing operations			
Share-based payments	74.4	66.0	78.3

Share-based payments comprise charges for stock options and restricted stock awards to employees of the Group.

As of 31 December 2020, there was £134.9 million (2019: £140.7 million) of total unrecognised compensation cost related to the Group's restricted stock plans. That cost is expected to be recognised over an average period of one to two years.

Further information on stock options is provided in note 27.

RESTRICTED STOCK PLANS

The Group operates a number of equity-settled share incentive schemes, in most cases satisfied by the delivery of stock from one of the Group's ESOP Trusts. The most significant current schemes are as follows:

EXECUTIVE PERFORMANCE SHARE PLAN (EPSP)

This scheme is intended to reward and incentivise the most senior executives of the Group. The performance period is three or five complete financial years, commencing with the financial year in which the award is granted. The vest date will usually be in the March following the end of the performance period. Vesting is conditional on continued employment throughout the vesting period.

The 2020 EPSP awards are subject to three equally weighted performance conditions: three-year average Return on Invested Capital (ROIC), cumulative Adjusted Free Cash Flow (AFCF), and relative Total Shareholder Return (TSR). Achieving the threshold performance requirement will result in a vesting opportunity of 20% for that element. The vesting opportunity will increase on a straight line basis to 100% of the award for maximum performance. The Compensation Committee has an overriding discretion to determine the extent to which the award will vest.

The 2019 EPSP awards are subject to a relative TSR performance condition, with a ROIC underpin. TSR performance will be compared to companies representing the most relevant, listed global competitors, with performance below median resulting in zero vesting. Performance between median and upper decile provides for a vesting opportunity of between 15% and 100%. The awards will vest subject to a ROIC underpin of an average of 7.5% over the performance period. The Compensation Committee has an overriding discretion to determine the extent to which the award will vest.

For EPSP awards granted between 2013 and 2018 there are three performance criteria, each constituting one-third of the vesting value, and each measured over the performance 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 dependent 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 shareholders' equity. Threshold performance ranges between 10-14% average annual ROE and maximum performance ranges between 14-18%. Threshold again gives rise to a 20% vest, 100% for maximum, with a sliding scale in between.

PERFORMANCE SHARE AWARDS (PSA)

Conditional stock awards made under the 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 vest two years after grant date provided the individual concerned is continually employed by the Group throughout this time.

LEADERS, PARTNERS AND HIGH POTENTIAL GROUP

This scheme makes annual conditional stock awards to approximately 1,600 key executives of the Group. Vesting is conditional on continued employment over the three-year vesting period.

VALUATION METHODOLOGY

For all of these schemes, the valuation methodology is based upon fair value on grant date, which is determined by the market price on that date or the application of a Black-Scholes model, depending upon the characteristics of the scheme concerned. The assumptions underlying the Black-Scholes model are detailed in note 27, including details of assumed dividend yields. Market price on any given day is obtained from external, publicly available sources.

MARKET/NON-MARKET CONDITIONS

Most share-based plans are subject to non-market performance conditions, such as margin or growth targets, as well as continued employment. EPSP is subject to a number of performance conditions, including TSR, a market-based condition.

For schemes without market-based performance conditions, the valuation methodology above is applied and, at each year-end, the relevant charge for each grant is revised, if appropriate, to take account of any changes in estimate of the likely number of shares expected to vest.

For schemes with market-based performance conditions, the probability of satisfying these conditions is assessed at grant date through a statistical model (such as the Monte Carlo model) and applied to the fair value. This initial valuation remains fixed throughout the life of the relevant plan, irrespective of the actual outcome in terms of performance. Where a lapse occurs due to cessation of employment, the cumulative charge taken to date is reversed.

Movement on ordinary shares granted for significant restricted stock plans:

	Non-vested 1 January 2020 number m	Granted number m	Forfeited number m	Vested number m	Non-vested 31 December 2020 number m
Executive Performance Share Plan (EPSP)	8.8	6.5	(2.0)	(0.3)	13.0
Performance Share Awards (PSA)	2.6	3.3	(0.3)	(1.3)	4.3
Leaders, Partners and High Potential Group	9.3	4.9	(0.7)	(2.5)	11.0

Weighted average fair value (pence per share)

Executive Performance Share Plan (EPSP)	1,198p	742p	1,336p	1,481p	943p
Performance Share Awards (PSA)	1,081p	546p	787p	1,136p	675p
Leaders, Partners and High Potential Group	974p	719p	879p	1,131p	831p

The total fair value of shares vested for all the Group's restricted stock plans during the year ended 31 December 2020 was £71.6 million (2019: £90.8 million, 2018: £107.2 million).

24. PROVISION FOR POST-EMPLOYMENT BENEFITS

Companies within the Group operate a large number of pension plans, the forms and benefits of which vary with conditions and practices in the countries concerned. The Group's pension costs are analysed as follows:

	2020 £m	2019 £m	2018 £m
Continuing operations			
Defined contribution plans	157.8	154.9	146.7
Defined benefit plans charge to operating profit	13.9	14.8	14.2
Pension costs (note 5)	171.7	169.7	160.9
Net interest expense on pension plans (note 6)	2.9	3.5	3.6
	174.6	173.2	164.5

DEFINED BENEFIT PLANS

The pension costs are assessed in accordance with the advice of local independent qualified actuaries. The latest full actuarial valuations for the various pension plans were carried out at various dates in the last three years. These valuations have been updated by the local actuaries to 31 December 2020.

The majority of plans provide final salary benefits, with plan benefits typically based either on mandatory plans under local legislation, eg, termination indemnity benefits, or on the rules of WPP sponsored supplementary plans. The implications of IFRIC 14 have been allowed for where relevant, in particular with regard to the asset ceiling/irrecoverable surplus.

The Group's policy is to close existing defined benefit plans to new members. This has been implemented across a significant number of the pension plans.

Contributions to funded plans are determined in line with local conditions and practices. Contributions in respect of unfunded plans are paid as they fall due. The total contributions (for funded plans) and benefit payments (for unfunded plans) paid for 2020 amounted to £20.3 million (2019: £37.1 million, 2018: £44.9 million). Employer contributions and benefit payments in 2021 are expected to be approximately £25 million.

(A) ASSUMPTIONS

There are a number of areas in pension accounting that involve estimates made by management based on advice of qualified advisors. These include establishing the discount rates, rates of increase in salaries and pensions in payment, inflation, and mortality assumptions. The main weighted average assumptions used for the actuarial valuations at 31 December are shown in the following table:

	2020 % pa	2019 % pa	2018 % pa	2017 % pa
UK				
Discount rate ¹	1.3	2.0	2.8	2.4
Rate of increase in pensions in payment	4.4	4.4	4.3	4.1
Inflation	2.8	2.6	2.8	2.7
North America				
Discount rate ¹	2.0	3.0	4.1	3.5
Rate of increase in salaries	3.0	3.0	3.0	3.1
Inflation	n/a	n/a	n/a	4.0
Western Continental Europe				
Discount rate ¹	0.9	1.2	2.0	1.9
Rate of increase in salaries	2.2	2.2	2.3	1.9
Rate of increase in pensions in payment	1.8	1.8	1.2	1.2
Inflation	1.7	1.7	1.7	1.7
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe				
Discount rate ¹	4.2	4.6	5.0	4.2
Rate of increase in salaries	5.2	6.1	5.8	5.5
Inflation	3.7	3.7	3.6	4.0

Note

¹ Discount rates are based on high-quality corporate bond yields. In countries where there is no deep market in corporate bonds, the discount rate assumption has been set with regard to the yield on long-term government bonds.

For the Group's pension plans, the plans' assets are invested with the objective of being able to meet current and future benefit payment needs, while controlling balance sheet volatility and future contributions. Pension plan assets are invested with a number of investment managers, and assets are diversified among equities, bonds, insured annuities, property and cash or other liquid investments. The primary use of bonds as an investment class is to match the anticipated cash flows from the plans to pay pensions. The Group is invested in high-quality corporate and government bonds which share similar risk characteristics and are of equivalent currency and term to the plan liabilities. Various insurance policies have also been bought historically to provide a more exact match for the cash flows, including a match for the actual mortality of specific plan members. These insurance policies effectively provide protection against both investment fluctuations and longevity risks. The strategic target allocation varies among the individual plans.

Management considers the types of investment classes in which the pension plan assets are invested. The types of investment classes are determined by economic and market conditions and in consideration of specific asset class risk.

Management periodically commissions detailed asset and liability studies performed by third-party professional investment advisors and actuaries that generate probability-adjusted expected future returns on those assets. These studies also project the estimated future pension payments and evaluate the efficiency of the allocation of the pension plan assets into various investment categories.

At 31 December 2020, the life expectancies underlying the value of the accrued liabilities for the main defined benefit pension plans operated by the Group were as follows:

Years life expectancy after age 65	All plans	North America	UK	Western Continental Europe	Other ¹
Current pensioners (at age 65) – male	22.1	21.7	23.1	20.9	13.8
Current pensioners (at age 65) – female	23.6	23.1	24.1	24.0	17.0
Future pensioners (current age 45) – male	23.7	23.1	24.7	23.3	13.8
Future pensioners (current age 45) – female	25.2	24.5	25.9	26.0	17.0

Note

¹ Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

The life expectancies after age 65 at 31 December 2019 were 22.2 years and 23.7 years for male and female current pensioners (at age 65) respectively, and 23.8 years and 25.4 years for male and female future pensioners (current age 45), respectively.

In the determination of mortality assumptions, management uses the most up-to-date mortality tables available in each country.

The following table provides information on the weighted average duration of the defined benefit pension obligations and the distribution of the timing of benefit payments for the next ten years. The duration corresponds to the weighted average length of the underlying cash flows.

	All plans	North America	UK	Western Continental Europe	Other ¹
Weighted average duration of the defined benefit obligation (years)	11.5	9.6	13.8	12.8	6.8
Expected benefit payments over the next ten years (£m)					
Benefits expected to be paid within 12 months	49.8	24.4	15.1	5.8	4.5
Benefits expected to be paid in 2022	46.9	24.7	12.8	6.2	3.2
Benefits expected to be paid in 2023	45.2	21.9	13.5	6.1	3.7
Benefits expected to be paid in 2024	43.2	21.1	13.2	5.8	3.1
Benefits expected to be paid in 2025	43.1	19.1	14.0	6.2	3.8
Benefits expected to be paid in the next five years	222.1	94.1	70.1	34.3	23.6

Note

¹ Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

24. PROVISION FOR POST-EMPLOYMENT BENEFITS CONTINUED

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of plan assets.

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant so that interdependencies between the assumptions are excluded. The methodology applied is consistent with that used to determine the recognised defined benefit obligation. The sensitivity analysis for inflation is not shown as it is an underlying assumption to build the pension and salary increase assumptions. Changing the inflation assumption on its own without changing the salary or pension assumptions will not result in a significant change in pension liabilities.

Sensitivity analysis of significant actuarial assumptions	(Decrease)/increase in benefit obligation	
	2020 £m	2019 £m
Discount rate		
<i>Increase by 25 basis points:</i>		
UK	(8.8)	(8.2)
North America	(7.6)	(7.5)
Western Continental Europe	(4.0)	(3.8)
Other ¹	(0.6)	(0.7)
<i>Decrease by 25 basis points:</i>		
UK	9.1	8.5
North America	7.8	7.7
Western Continental Europe	4.3	3.9
Other ¹	0.6	0.7
Rate of increase in salaries		
<i>Increase by 25 basis points:</i>		
Western Continental Europe	0.9	0.8
Other ¹	0.6	0.6
<i>Decrease by 25 basis points:</i>		
Western Continental Europe	(0.9)	(0.8)
Other ¹	(0.5)	(0.6)
Rate of increase in pensions in payment		
<i>Increase by 25 basis points:</i>		
UK	1.1	0.7
Western Continental Europe	2.1	1.9
<i>Decrease by 25 basis points:</i>		
UK	(0.7)	(0.6)
Western Continental Europe	(2.0)	(1.9)
Life expectancy		
<i>Increase in longevity by one additional year:</i>		
UK	14.0	11.7
North America	5.9	5.9
Western Continental Europe	4.8	4.3

Note

¹ Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

(B) ASSETS AND LIABILITIES

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

	2020		2019		2018	
	£m	%	£m	%	£m	%
Equities	41.6	6.7	55.5	9.1	76.5	9.1
Bonds	284.2	46.1	272.5	44.8	544.9	64.8
Insured annuities ¹	252.8	41.0	239.1	39.3	90.9	10.8
Property	0.7	0.1	0.7	0.1	0.9	0.1
Cash	14.7	2.4	17.7	2.9	31.1	3.7
Other	22.6	3.7	23.0	3.8	96.3	11.5
Total fair value of assets	616.6	100.0	608.5	100.0	840.6	100.0
Present value of liabilities	(772.7)		(767.5)		(1,024.0)	
Deficit in the plans	(156.1)		(159.0)		(183.4)	
Irrecoverable surplus	(0.6)		-		(0.9)	
Net liability²	(156.7)		(159.0)		(184.3)	
Plans in surplus	27.2		20.6		42.8	
Plans in deficit	(183.9)		(179.6)		(227.1)	

Notes

¹ The increase in 2019 from 2018 in the amount of assets held in insured annuities is attributable to the completion of buy-in transactions during 2019 for certain UK plans. The invested assets for these plans, as at 31 December 2018 consisted of a mixture of equities, bonds, cash and other assets, were transferred to an insurance company and, in accordance with IAS 19, all assets for these plans are now classified as insured annuities.

² The related deferred tax asset is discussed in note 17.

All plan assets have quoted prices in active markets with the exception of insured annuities and other assets.

Surplus/(deficit) in plans by region	2020	2019	2018
	£m	£m	£m
UK	0.7	0.3	33.7
North America	(37.9)	(45.2)	(68.7)
Western Continental Europe	(85.9)	(79.4)	(104.6)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	(33.0)	(34.7)	(43.8)
Deficit in the plans	(156.1)	(159.0)	(183.4)

Some of the Group's defined benefit plans are unfunded (or largely unfunded) by common custom and practice in certain jurisdictions. In the case of these unfunded plans, the benefit payments are made as and when they fall due. Pre-funding of these plans would not be typical business practice.

The following table shows the split of the deficit at 31 December between funded and unfunded pension plans.

	2020 2020 Surplus/ (deficit) £m	2020 Present value of liabilities £m	2019 Surplus/ (deficit) £m	2019 Present value of liabilities £m	2018 Surplus/ (deficit) £m	2018 Present value of liabilities £m
Funded plans by region						
UK	0.7	(262.7)	0.3	(247.6)	33.7	(290.5)
North America	17.4	(271.8)	12.8	(286.2)	(4.6)	(375.3)
Western Continental Europe	(38.6)	(84.3)	(33.3)	(77.6)	(35.8)	(168.4)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	(5.8)	(24.1)	(3.6)	(20.9)	(6.6)	(19.7)
Deficit/liabilities in the funded plans	(26.3)	(642.9)	(23.8)	(632.3)	(13.3)	(853.9)
Unfunded plans by region						
North America	(55.3)	(55.3)	(58.0)	(58.0)	(64.1)	(64.1)
Western Continental Europe	(47.3)	(47.3)	(46.1)	(46.1)	(68.8)	(68.8)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	(27.2)	(27.2)	(31.1)	(31.1)	(37.2)	(37.2)
Deficit/liabilities in the unfunded plans	(129.8)	(129.8)	(135.2)	(135.2)	(170.1)	(170.1)
Deficit/liabilities in the plans	(156.1)	(772.7)	(159.0)	(767.5)	(183.4)	(1,024.0)

In accordance with IAS 19, plans that are wholly or partially funded are considered funded plans.

(C) PENSION EXPENSE

The following tables show the breakdown of the pension expense between amounts charged to operating profit and amounts charged to finance costs:

	2020 £m	2019 £m	2018 £m
Continuing operations			
Service cost ¹	12.0	12.9	12.0
Administrative expenses	1.9	1.9	2.2
Charge to operating profit	13.9	14.8	14.2
Net interest expense on pension plans	2.9	3.5	3.6
Charge to profit before taxation for defined benefit plans	16.8	18.3	17.8

Note

¹ Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments.

The following table shows the breakdown of amounts recognised in the consolidated statement of comprehensive income (OCI):

	2020 £m	2019 £m	2018 £m
Return on plan assets (excluding interest income)	57.2	16.7	(43.9)
Changes in demographic assumptions underlying the present value of the plan liabilities	3.8	5.9	3.8
Changes in financial assumptions underlying the present value of the plan liabilities	(54.0)	(64.3)	45.2
Experience (loss)/gain arising on the plan liabilities	(4.4)	5.1	3.8
Change in irrecoverable surplus	(0.6)	-	-
Actuarial gain/(loss) recognised in OCI	2.0	(36.6)	8.9

(D) MOVEMENT IN PLAN LIABILITIES

The following table shows an analysis of the movement in the pension plan liabilities for each accounting period:

	2020 £m	2019 £m	2018 £m
Plan liabilities at beginning of year	767.5	1,024.0	1,135.4
Service cost ¹	12.0	14.9	15.5
Interest cost	17.0	26.2	30.7
Actuarial (gain)/loss:			
Effect of changes in demographic assumptions	(3.8)	(5.9)	(3.8)
Effect of changes in financial assumptions	54.0	64.3	(45.2)
Effect of experience adjustments	4.4	(5.1)	(3.8)
Benefits paid ²	(59.6)	(140.8)	(75.6)
(Gain)/loss due to exchange rate movements	(4.2)	(22.7)	30.0
Settlement payments ³	(17.0)	(47.4)	(70.4)
Transfer to disposal group classified as held for sale	-	(148.0)	-
Other ⁴	2.4	8.0	11.2
Plan liabilities at end of year	772.7	767.5	1,024.0

Notes

- ¹ Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments.
- ² In 2019, there was an amendment to a United States defined benefit plan that allowed certain participants to receive immediate lump sum pay-outs, which totalled £69.7 million.
- ³ In 2019 and 2018, the Group completed the transfer of the defined benefit obligations for certain UK plans to an insurer resulting in £47.1 million and £70.4 million, respectively, in settlement payments.
- ⁴ Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

(E) MOVEMENT IN PLAN ASSETS

The following table shows an analysis of the movement in the pension plan assets for each accounting period:

	2020 £m	2019 £m	2018 £m
Fair value of plan assets at beginning of year	608.5	840.6	930.0
Interest income on plan assets	14.1	22.4	26.3
Return on plan assets (excluding interest income)	57.2	16.7	(43.9)
Employer contributions	20.3	37.1	44.9
Benefits paid ¹	(59.6)	(140.8)	(75.6)
(Loss)/gain due to exchange rate movements	(6.8)	(15.7)	23.0
Settlement payments ²	(17.0)	(47.4)	(70.4)
Administrative expenses	(1.9)	(2.1)	(3.4)
Transfer to disposal group classified as held for sale	-	(111.1)	-
Other ³	1.8	8.8	9.7
Fair value of plan assets at end of year	616.6	608.5	840.6
Actual return on plan assets	71.3	39.1	(17.6)

Notes

- ¹ In 2019, there was an amendment to a United States defined benefit plan that allowed certain participants to receive immediate lump sum pay-outs, which totalled £69.7 million.
- ² In 2019 and 2018, the Group completed the transfer of the defined benefit obligations for certain UK plans to an insurer resulting in £47.1 million and £70.4 million, respectively, in settlement payments.
- ³ Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

25. RISK MANAGEMENT POLICIES**FOREIGN CURRENCY RISK**

The Group's results in pounds sterling are subject to fluctuation as a result of exchange rate movements. The Group does not hedge this translation exposure to its earnings but does partially hedge the currency element of its net assets using foreign currency borrowings, cross-currency swaps and forward foreign exchange contracts.

The Group effects these currency net asset hedges by borrowing in the same currencies as the operating (or "functional") currencies of its main operating units. The majority of the Group's debt is therefore denominated in US dollars, pounds sterling and euros. The Group's borrowings at 31 December 2020 were primarily made up of \$2,167 million, £1,094 million and €2,600 million (2019: \$1,563 million, £844 million and €2,600 million). The Group's average gross debt during the course of 2020 was \$2,311 million, £999 million and €2,409 million (2019: \$2,509 million, £947 million and €3,128 million).

The Group's operations conduct the majority of their activities in their own local currency and consequently the Group has no significant transactional foreign exchange exposures arising from its operations. Any significant cross-border trading exposures are hedged by the use of forward foreign-exchange contracts. No speculative foreign exchange trading is undertaken.

INTEREST RATE RISK

The Group is exposed to interest rate risk on both interest-bearing assets and interest-bearing liabilities. The Group has a policy of actively managing its interest rate risk exposure while recognising that fixing rates on all its debt eliminates the possibility of benefiting from rate reductions and similarly, having all its debt at floating rates unduly exposes the Group to increases in rates.

Including the effect of interest rate and cross-currency swaps, 100% of the year-end US dollar debt is at fixed rates averaging 4.06% for an average period of 70 months; 100% of the sterling debt is at a fixed rate of 3.21% for an average period of 167 months; 90.4% of the euro debt is at fixed rates averaging 2.20% for an average period of 79 months and 9.6% of the euro debt is at floating rates averaging 0.04% for an average of 15 months.

GOING CONCERN AND LIQUIDITY RISK

In considering going concern and liquidity risk, the Directors have reviewed the Group's future cash requirements and earnings projections. The Directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance. The Company's forecasts and projections, taking account of (i) reasonably possible declines in revenue less pass-through costs; (ii) remote declines in revenue less pass-through costs for stress-testing purposes as a consequence of the Covid-19 pandemic compared to 2020; and considering the Group's bank covenant and liquidity headroom and cost mitigation actions which are and which could be implemented, show that the Company and the Group would be able to operate with appropriate liquidity and within its banking covenants and be able to meet its liabilities as they fall due. The Company modelled a range of revenue less pass-through costs up to a decline of 30% compared with the year ended 31 December 2020 and a number of mitigating cost actions that are available to the Company. The Directors have concluded that the Group will be able to operate within its current facilities and comply with its banking covenants for the foreseeable future and therefore believe it is appropriate to prepare the financial statements of the Group on a going concern basis and that there are no material uncertainties which gives rise to a significant going concern risk.

At 31 December 2020, the Group has access to £7.1 billion of committed facilities with maturity dates spread over the years 2021 to 2046 as illustrated below:

		2021 £m	2022 £m	2023 £m	2024 £m	2025+ £m
£ bonds £400m (2.875% 2046)	400.0					400.0
US bond \$220m (5.625% 2043)	160.8					160.8
US bond \$93m (5.125% 2042)	67.9					67.9
£ bonds £250m (3.75% 2032)	250.0					250.0
Eurobonds €600m (1.625% 2030)	537.3					537.3
Eurobonds €750m (2.375% 2027)	671.7					671.7
Eurobonds €750m (2.25% 2026)	671.7					671.7
Eurobonds €500m (1.375% 2025)	447.8					447.8
Bank revolver (\$2,500m 2025)	1,828.8					1,828.8
US bond \$750m (3.75% 2024)	548.6				548.6	
Eurobonds €750m (3.0% 2023)	671.7			671.7		
US bond \$500m (3.625% 2022)	365.8		365.8			
Eurobonds €250m (3m EURIBOR + 0.45% 2022)	223.9		223.9			
Bank revolver (A\$150m 2021, A\$270m 2023)	236.7	84.5		152.2		
Total committed facilities available	7,082.7	84.5	589.7	823.9	548.6	5,036.0
Drawn down facilities at 31 December 2020	5,059.5	42.3	589.7	671.7	548.6	3,207.2
Undrawn committed credit facilities	2,023.2					
Drawn down facilities at 31 December 2020	5,059.5					
Net cash at 31 December 2020	(4,337.1)					
Other adjustments	(26.8)					
Net debt at 31 December 2020	695.6					

Given the strong cash generation of the business, its debt maturity profile and available facilities, the Directors believe the Group has sufficient liquidity to match its requirements for the foreseeable future.

TREASURY ACTIVITIES

Treasury activity is managed centrally from London, New York and Hong Kong, and is principally concerned with the monitoring of working capital, managing external and internal funding requirements and the monitoring and management of financial market risks, in particular interest rate and foreign exchange exposures.

The treasury operation is not a profit centre and its activities are carried out in accordance with policies approved by the Board of Directors and subject to regular review and audit.

The Group manages liquidity risk by ensuring continuity and flexibility of funding even in difficult market conditions. Undrawn committed borrowing facilities are maintained in excess of peak net-borrowing levels and debt maturities are closely monitored. Targets for average net debt are set on an annual basis and, to assist in meeting this, working capital targets are set for all the Group's major operations.

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 10, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity and in notes 27 and 28.

CREDIT RISK

The Group's principal financial assets are cash and short-term deposits, trade and other receivables and investments, the carrying values of which represent the Group's maximum exposure to credit risk in relation to financial assets, as shown in note 26.

The Group's credit risk is primarily attributable to its trade receivables. The majority of the Group's trade receivables are due from large national or multinational companies where the risk of default is considered low. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on expected losses, prior experience and their assessment of the current economic environment. A relatively small number of clients make up a significant percentage of the Group's debtors, but no single client represents more than 7% of total trade receivables as at 31 December 2020.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or banks that have been financed by their government.

A relatively small number of clients contribute a significant percentage of the Group's consolidated revenues. The Group's clients generally are able to reduce advertising and marketing spending or cancel projects at any time for any reason. There can be no assurance that any of the Group's clients will continue to utilise the Group's services to the same extent, or at all, in the future. Clients can reduce their marketing spend, terminate contracts, or cancel projects on short notice. The loss of one or more of our largest clients, if not replaced by new accounts or an increase in business from existing clients, would adversely affect our financial condition.

SENSITIVITY ANALYSIS

The following sensitivity analysis addresses the effect of currency and interest rate risks on the Group's financial instruments. The analysis assumes that all hedges are highly effective.

CURRENCY RISK

A 10% weakening of sterling against the Group's major currencies would result in the following losses, which would arise on the retranslation of foreign currency denominated borrowings and derivatives. These losses would be partially offset in equity by a corresponding gain arising on the retranslation of the Group's foreign currency net assets. A 10% strengthening of sterling would have an equal and opposite effect.

	2020 £m	2019 ¹ £m
US dollar	159.1	240.5
Euro	167.2	153.0

Note

¹ Figures have been restated as described in the accounting policies.

INTEREST RATE RISK

A one percentage point increase in market interest rates for all currencies in which the Group had cash and borrowings at 31 December 2020 would increase profit before tax by approximately £40.9 million (2019: £22.6 million). A one percentage decrease in market interest rates would have an equal and opposite effect. This has been calculated by applying the interest rate change to the Group's variable rate cash and borrowings.

26. FINANCIAL INSTRUMENTS

CURRENCY DERIVATIVES

The Group utilises currency derivatives to hedge significant future transactions and cash flows and the exchange risk arising on translation of the Group's investments in foreign operations. The Group is a party to a variety of foreign currency derivatives in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

The Group also designates certain cross currency swaps as hedging instruments in cash flow hedges to manage its exposure to foreign exchange movements on its borrowings. Contracts due in November 2023 have receipts of €500.0 million and payments of \$604.2 million.

At 31 December 2020, the fair value of the Group's currency derivatives is estimated to be a net liability of approximately £1.6 million (2019: £21.2 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £9.6 million (2019: £nil) assets included in trade and other receivables and £11.2 million (2019: £21.2 million) liabilities included in trade and other payables. The amounts taken to and deferred in equity during the year for currency derivatives that are designated and effective hedges was a credit of £9.7 million (2019: £nil) for net investment hedges and a debit of £5.9 million (2019: £nil) for cash flow hedges. 2019 figures have been restated as described in the accounting policies.

Changes in the fair value relating to the ineffective portion of the currency derivatives that are designated hedges amounted to £nil (2019: £nil). At the balance sheet date, the total nominal amount of outstanding forward foreign exchange contracts not designated as hedges was £304.6 million (2019: £151.7 million). The Group estimates the fair value of these contracts to be a net liability of £1.6 million (2019: £0.1 million).

These arrangements are designed to address significant exchange exposure and are renewed on a revolving basis as required.

26. FINANCIAL INSTRUMENTS CONTINUED**INTEREST RATE SWAPS**

The Group uses interest rate swaps as hedging instruments in fair value hedges to manage its exposure to interest rate movements on its borrowing. There were no interest rate swaps in existence throughout 2020. During 2019 the Group terminated contracts that had a nominal value of \$812 million which had fixed rate receipts of 4.75% and floating interest payments averaging LIBOR plus 2.34% until November 2021. The Group also terminated contracts in 2019 that had a nominal value of \$500 million which had fixed rate receipts of 3.63% and floating interest payments averaging LIBOR plus 1.52% until September 2022.

An analysis of the Group's financial assets and liabilities by accounting classification is set out below:

	Derivatives in designated hedge relationships £m	Held at fair value through profit or loss £m	Held at fair value through other comprehensive income £m	Amortised cost £m	Carrying value £m
2020					
Other investments	-	263.3	124.0	-	387.3
Cash and short-term deposits	-	-	-	12,899.1	12,899.1
Bank overdrafts, bonds and bank loans	-	-	-	(8,619.2)	(8,619.2)
Bonds and bank loans	-	-	-	(4,975.5)	(4,975.5)
Trade and other receivables: amounts falling due within one year	-	-	-	6,989.3	6,989.3
Trade and other receivables: amounts falling due after more than one year	-	-	-	110.1	110.1
Trade and other payables: amounts falling due within one year	-	-	-	(10,268.0)	(10,268.0)
Trade and other payables: amounts falling due after more than one year	-	-	-	(0.9)	(0.9)
Derivative assets	9.6	0.2	-	-	9.8
Derivative liabilities	(6.3)	(6.7)	-	-	(13.0)
Payments due to vendors (earnout agreements) (note 20)	-	(114.3)	-	-	(114.3)
Liabilities in respect of put options	-	(110.7)	-	-	(110.7)
	3.3	31.8	124.0	(3,865.1)	(3,706.0)

	Held at fair value through profit or loss £m	Held at fair value through other comprehensive income £m	Amortised cost £m	Carrying value £m
2019				
Other investments		255.7		498.3
Cash and short-term deposits ¹	-	-	11,305.7	11,305.7
Bank overdrafts, bonds and bank loans ¹	-	-	(8,798.0)	(8,798.0)
Bonds and bank loans	-	-	(4,047.3)	(4,047.3)
Trade and other receivables: amounts falling due within one year	-	-	7,530.8	7,530.8
Trade and other receivables: amounts falling due after more than one year	-	-	59.3	59.3
Trade and other payables: amounts falling due within one year	-	-	(10,191.6)	(10,191.6)
Trade and other payables: amounts falling due after more than one year	-	-	(2.6)	(2.6)
Derivative assets		1.4		1.4
Derivative liabilities ¹		(22.7)		(22.7)
Payments due to vendors (earnout agreements) (note 20) ¹		(243.7)		(243.7)
Liabilities in respect of put options ¹		(204.5)		(204.5)
		(213.8)	(4,143.7)	(4,114.9)

Note

¹ Figures have been restated as described in the accounting policies.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2020	Level 1 £m	Level 2 £m	Level 3 £m
Derivatives in designated hedge relationships			
Derivative assets	-	9.6	-
Derivative liabilities	-	(6.3)	-
Held at fair value through profit or loss			
Other investments	0.1	-	263.2
Derivative assets	-	0.2	-
Derivative liabilities	-	(6.7)	-
Payments due to vendors (earnout agreements) (note 20)	-	-	(114.3)
Liabilities in respect of put options	-	-	(110.7)
Held at fair value through other comprehensive income			
Other investments	20.6	-	103.4

2019	Level 1 £m	Level 2 ¹ £m	Level 3 ¹ £m
Held at fair value through profit or loss			
Other investments	-	-	255.7
Derivative assets	-	1.4	-
Derivative liabilities	-	(22.7)	-
Payments due to vendors (earnout agreements) (note 20)	-	-	(243.7)
Liabilities in respect of put options	-	-	(204.5)
Held at fair value through other comprehensive income			
Other investments	42.2	-	200.4

Note

¹ Figures have been restated as described in the accounting policies.

There have been no transfers between these levels in the years presented.

Reconciliation of level 3 fair value measurements:

	Liabilities in respect of put options ² £m	Other investments £m
1 January 2019	(208.0)	538.2
(Losses)/gains recognised in the income statement	(30.1)	9.1
Losses recognised in other comprehensive income	-	(55.4)
Exchange adjustments	6.9	-
Additions	(34.8)	18.2
Disposals	-	(53.4)
Cancellations	9.7	-
Transfer to disposal group classified as held for sale	31.0	(0.6)
Settlements	20.8	-
31 December 2019	(204.5)	456.1
Gains recognised in the income statement	12.3	7.9
Losses recognised in other comprehensive income	-	(106.1)
Exchange adjustments	2.3	-
Additions	(4.2)	15.9
Disposals	-	(7.0)
Reclassification from other investments to interests in associates	-	(0.2)
Cancellations	30.5	-
Settlements	52.9	-
31 December 2020	(110.7)	366.6

Notes

¹ The reconciliation of payments due to vendors (earnout agreements) is presented in note 20.

² Figures have been restated as described in the accounting policies.

The fair values of financial assets and liabilities are based on quoted market prices where available. Where the market value is not available, the Group has estimated relevant fair values on the basis of available information from outside sources. There have been no movements between level 3 and other levels.

PAYMENTS DUE TO VENDORS AND LIABILITIES IN RESPECT OF PUT OPTIONS

Future anticipated payments due to vendors in respect of contingent consideration (earnout agreements) are recorded at fair value, which is the present value of the expected cash outflows of the obligations. Liabilities in respect of put option agreements are initially recorded at the present value of the redemption amount in accordance with IAS 32. After recognition, the liability is remeasured in accordance with IFRS 9 and is subject to the estimation of future performance of the business acquired. Changes in the estimation result in re-measurement of the liability through the income statement. Both types of obligations are dependent on the future financial performance of the entity and it is assumed that future profits are in line with Directors' estimates. The Directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition. At 31 December 2020, the weighted average growth rate in estimating future financial performance was 14.8% (2019: 19.5%), which reflects the prevalence of acquisitions in the faster-growing markets and new media sectors. The decrease in the weighted average growth rate from 19.5% to 14.8% is due primarily to completed, settled or cancelled obligations and partially due to the effects of Covid-19 to the future financial performance of the entity. The weighted average of the risk-adjusted discount rate applied to these obligations at 31 December 2020 was approximately 4.0% (2019: 3.2%).

A one percentage point increase or decrease in the growth rate in estimated future financial performance would increase or decrease the combined liabilities due to earnout agreements and put options by approximately £1.5 million (2019: £3.8 million) and £1.4 million (2019: £6.6 million), respectively. A 0.5 percentage point increase or decrease in the risk-adjusted discount rate would decrease or increase the combined liabilities by approximately £2.0 million (2019: £3.9 million) and £2.0 million (2019: £4.0 million), respectively. An increase in the liability would result in a loss in the revaluation of financial instruments, while a decrease would result in a gain.

OTHER INVESTMENTS

The fair value of other investments included in level 1 is based on quoted market prices. Other investments included in level 3 are unlisted securities, where market value is not readily available. The Group has estimated relevant fair values on the basis of information from outside sources using the most appropriate valuation technique, including all external funding rounds, revenue and EBITDA multiples, the share of fund net asset value and discounted cash flows. Certain investments are valued using revenue multiples. An increase or decrease in this multiple of 0.5 times revenue would result in an increase or decrease in the value of investments of £24.2 million, which would result in a credit or charge to the income statement of £1.5 million and equity of £22.7 million. The sensitivity to changes in unobservable inputs is specific to each individual investment.

27. AUTHORISED AND ISSUED SHARE CAPITAL

	Equity ordinary shares	Nominal value £m
Authorised		
1 January 2019	1,750,000,000	175.0
31 December 2019	1,750,000,000	175.0
31 December 2020	1,750,000,000	175.0
Issued and fully paid		
1 January 2019	1,332,678,227	133.3
Exercise of share options	75,625	-
Share cancellations	(4,586,039)	(0.5)
At 31 December 2019	1,328,167,813	132.8
Exercise of share options	1,000	-
Share cancellations	(32,088,571)	(3.2)
At 31 December 2020	1,296,080,242	129.6

COMPANY'S OWN SHARES

The Company's holdings of own shares are stated at cost and represent shares held in treasury and purchases by the Employee Share Ownership Plan (ESOP) trusts of shares in the Company for the purpose of funding certain of the Group's share-based incentive plans, details of which are disclosed in the Compensation Committee report on pages 134-154.

The trustees of the ESOP purchase the Company's ordinary shares in the open market using funds provided by the Company. The Company also has an obligation to make regular contributions to the ESOP to enable it to meet its administrative costs. The number and market value of the ordinary shares of the Company held by the ESOP at 31 December 2020 was 4,863,244 (2019: 9,219,837), and £38.9 million (2019: £98.3 million) respectively. The number and market value of ordinary shares held in treasury at 31 December 2020 was 70,748,100 (2019: 70,787,730) and £566.0 million (2019: £755.0 million) respectively.

SHARE OPTIONS**WPP EXECUTIVE SHARE OPTION SCHEME (WPP)**

As at 31 December 2020, unexercised options over ordinary shares of 6,741 have been granted under the WPP Executive Share Option Scheme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
3,696	8.333	2015-2022
3,045	10.595	2016-2023

WPP WORLDWIDE SHARE OWNERSHIP PROGRAMME (WWOP)

As at 31 December 2020, unexercised options over ordinary shares of 1,330,679 and unexercised options over ADRs of 233,799 have been granted under the WPP Worldwide Share Ownership Programme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
45,325	6.268	2014-2021
7,250	6.268	2015-2021
88,604	8.458	2015-2022
28,125	13.145	2017-2021
897,100	13.145	2017-2024
4,250	13.145	2018-2024
259,150	13.505	2016-2023
875	13.505	2017-2023
Number of ADRs under option	Exercise price per ADR (\$)	Exercise dates
14,930	49.230	2014-2021
25,234	67.490	2015-2022
105,545	102.670	2017-2024
88,090	110.760	2016-2023

WPP SHARE OPTION PLAN 2015 (WSOP)

As at 31 December 2020, unexercised options over ordinary shares of 11,276,225 and unexercised options over ADRs of 1,332,900 have been granted under the WPP Share Option Plan as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
14,875	7.344	2023-2027
3,109,225	7.344	2023-2030
10,500	8.372	2021-2025
1,920,375	8.372	2021-2028
12,375	9.600	2022-2026
2,336,975	9.600	2022-2029
10,375	13.085	2020-2024
1,538,225	13.085	2020-2027
37,625	15.150	2018-2022
1,042,700	15.150	2018-2025
5,125	15.150	2019-2025
8,125	17.055	2019-2023
1,229,725	17.055	2019-2026
Number of ADRs under option	Exercise price per ADR (\$)	Exercise dates
364,225	48.950	2023-2030
229,810	53.140	2021-2028
287,790	62.590	2022-2029
180,155	88.260	2020-2027
150,955	105.490	2020-2026
119,965	115.940	2018-2025

The aggregate status of the WPP Share Option Plans during 2020 was as follows:

	1 January 2020	Granted	Exercised	Forfeited	Outstanding 31 December 2020	Exercisable 31 December 2020
Movements on options granted (represented in ordinary shares)						
WPP	6,741	-	-	-	6,741	-
WWOP	4,701,924	-	(1,000)	(2,201,250)	2,499,674	127,225
WSOP	20,397,150	4,990,300	-	(7,446,725)	17,940,725	6,094,275
	25,105,815	4,990,300	(1,000)	(9,647,975)	20,447,140	6,221,500

	1 January 2020	Granted	Exercised	Forfeited	Outstanding 31 December 2020	Exercisable 31 December 2020
Weighted-average exercise price for options over						
Ordinary shares (£)						
WPP	9.355	-	-	-	9.355	-
WWOP	12.421	-	6.268	12.229	12.631	6.268
WSOP	12.121	7.344	-	12.530	10.596	7.344
ADRs (\$)						
WWOP	96.744	-	-	94.083	98.509	49.230
WSOP	79.798	48.950	-	82.605	70.363	50.571

OPTIONS OVER ORDINARY SHARES

	Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
Outstanding	6.268-17.055	10.810	91

OPTIONS OVER ADRs

	Range of exercise prices \$	Weighted average exercise price \$	Weighted average contractual life Months
Outstanding	48.950-115.940	74.563	89

As at 31 December 2020 there was £7.2 million (2019: £7.3 million) of total unrecognised compensation costs related to share options. That cost is expected to be recognised over a weighted average period of 20 months (2019: 19 months).

Share options are satisfied out of newly issued shares.

The weighted average fair value of options granted in the year calculated using the Black-Scholes model was as follows:

	2020	2019	2018
Fair value of UK options (shares)	128.0p	117.0p	107.0p
Fair value of US options (ADRs)	\$8.95	\$8.49	\$8.09

Weighted average assumptions

UK risk-free interest rate	-0.02%	0.57%	0.78%
US risk-free interest rate	0.31%	1.61%	2.74%
Expected life (months)	48	48	48
Expected volatility	34%	24%	24%
Dividend yield	4.2%	3.8%	3.5%

Options are issued at an exercise price equal to market value on the date of grant.

The average share price of the Group for the year ended 31 December 2020 was £6.96 (2019: £9.39, 2018: £11.56) and the average ADR price for the same period was \$44.56 (2019: \$59.93, 2018: \$77.31).

Expected volatility is sourced from external market data and represents the historical volatility in the Company's share price over a period equivalent to the expected option life.

Expected life is based on a review of historical exercise behaviour in the context of the contractual terms of the options, as described in more detail below.

27. AUTHORISED AND ISSUED SHARE CAPITAL CONTINUED**TERMS OF SHARE OPTION PLANS**

In 2015, the Group introduced the Share Option Plan 2015 to replace both the "all-employee" Worldwide Share Ownership Plan and the discretionary Executive Stock Option Plan. Two kinds of options over ordinary shares can be granted, both with a market value exercise price. Firstly, options can be granted to employees who have worked at a company owned by WPP plc for at least two years which are not subject to performance conditions. Secondly, options may be granted on a discretionary basis subject to the satisfaction of performance conditions.

The Worldwide Share Ownership Programme was open for participation to employees with at least two years' employment in the Group. It was not available to those participating in other share-based incentive programmes or to Executive Directors. The vesting period for each grant is three years and there are no performance conditions other than continued employment with the Group.

The Executive Stock Option Plan has historically been open for participation to WPP Group Leaders, Partners and High Potential Group. It is not currently offered to Parent Company Executive Directors. The vesting period is three years and performance conditions include achievement of various TSR (Total Shareholder Return) and EPS (Earnings Per Share) objectives, as well as continued employment. The terms of these stock options are such that if, after nine years and eight months, the performance conditions have not been met, the stock option will vest automatically.

The Group grants stock options with a life of ten years, including the vesting period.

28. OTHER RESERVES

Other reserves comprise the following:

	Capital redemption reserve £m	Equity reserve ¹ £m	Translation reserve ¹ £m	Total other reserves ¹ £m
1 January 2019	2.7	(236.4)	1,196.1	962.4
Exchange adjustments on foreign currency net investments	-	-	(607.1)	(607.1)
Exchange adjustments recycled to the income statement on disposal of discontinued operations	-	-	(284.0)	(284.0)
Share cancellations	0.5	-	-	0.5
Recognition and remeasurement of financial instruments	-	10.6	-	10.6
Share purchases – close period commitments	-	(252.3)	-	(252.3)
31 December 2019	3.2	(478.1)	305.0	(169.9)
Exchange adjustments on foreign currency net investments	-	-	27.5	27.5
Exchange adjustments recycled to the income statement on disposal of discontinued operations	-	-	(20.6)	(20.6)
Share cancellations	3.2	-	-	3.2
Recognition and remeasurement of financial instruments	-	103.5	-	103.5
Share purchases – close period commitments	-	252.3	-	252.3
31 December 2020	6.4	(122.3)	311.9	196.0

Note

¹ Figures have been restated as described in the accounting policies.

29. ACQUISITIONS

The Group accounts for acquisitions in accordance with IFRS 3 Business Combinations. IFRS 3 requires the acquiree's identifiable assets, liabilities and contingent liabilities (other than non-current assets or disposal groups held for sale) to be recognised at fair value at acquisition date. In assessing fair value at acquisition date, management make their best estimate of the likely outcome where the fair value of an asset or liability may be contingent on a future event. In certain instances, the underlying transaction giving rise to an estimate may not be resolved until some years after the acquisition date. IFRS 3 requires the release to profit of any acquisition reserves which subsequently become excess in the same way as any excess costs over those provided at acquisition date are charged to profit. At each period end management assess provisions and other balances established in respect of acquisitions for their continued probability of occurrence and amend the relevant value accordingly through the consolidated income statement or as an adjustment to goodwill as appropriate under IFRS 3.

Goodwill arising from acquisitions represents the value of synergies with our existing portfolio of businesses and skilled staff to deliver services to our clients.

Non-controlling interests in acquired companies are measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

The contribution to revenue and operating profit of acquisitions completed in the year was not material. There were no material acquisitions completed in the year ended 31 December 2020 or between 31 December 2020 and the date the financial statements have been authorised for issue.

30. RELATED PARTY TRANSACTIONS

From time to time the Group enters into transactions with its associate undertakings.

The Group has continuing transactions with Kantar, including sales, purchases, the provision of IT services, subleases and property related items. None of these were material in the period after 5 December 2019, when Kantar became an associate, to 31 December 2019, or in 2020.

In 2020, revenue of £90.6 million was reported in relation to Compas, an associate in the United States. All other transactions in the periods presented were immaterial.

The following amounts were outstanding at 31 December:

	2020 £m	2019 £m
Amounts owed by related parties		
Kantar	39.0	87.5
Other	27.9	87.5
	66.9	175.0
Amounts owed to related parties		
Kantar	(5.6)	(36.5)
Other	(36.0)	(49.6)
	(41.6)	(86.1)

COMPANY PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £m	2019 £m
Turnover		–	–
Operating income		0.8	0.5
Operating profit		0.8	0.5
Interest receivable and similar income		0.3	0.1
Interest payable and similar charges	32	(128.1)	(138.9)
Loss on ordinary activities before taxation		(127.0)	(138.3)
Taxation on loss on ordinary activities	33	–	–
Loss for the year		(127.0)	(138.3)

Note

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

All results are derived from continuing activities.

There are no recognised gains or losses in either year, other than those shown above, and accordingly no statement of comprehensive income has been prepared.

COMPANY BALANCE SHEET

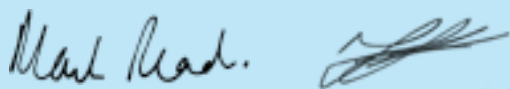
AS AT 31 DECEMBER 2020

	Notes	2020 £m	2019 £m
Fixed assets			
Investments	34	13,303.6	13,231.5
		13,303.6	13,231.5
Current assets			
Debtors due within one year	35	1,997.6	1,647.9
Cash at bank and in hand		0.3	216.8
		1,997.9	1,864.7
Current liabilities			
Creditors: amounts falling due within one year	36	(9,063.7)	(8,446.3)
Net current liabilities		(7,065.8)	(6,581.6)
Total assets less current liabilities		6,237.8	6,649.9
Creditors: amounts falling due after more than one year	37	(479.7)	(688.3)
Net assets		5,758.1	5,961.6
Capital and reserves			
Called-up share capital		129.6	132.8
Share premium account		570.3	570.3
Other reserves	38	(10.0)	(262.3)
Capital redemption reserve		6.4	3.2
Own shares		(1,045.3)	(1,045.9)
Profit and loss account		6,107.1	6,563.5
Equity shareholders' funds		5,758.1	5,961.6

Note

The accompanying notes form an integral part of this balance sheet.

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2021.



Mark Read
Chief Executive Officer

John Rogers
Chief Financial Officer

Registered Company Number: 111714

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Ordinary share capital £m	Share premium £m	Other reserves ¹ £m	Capital redemption reserve £m	Own shares £m	Profit and loss account £m	Total equity shareholders' funds £m
Balance at 1 January 2019	133.3	569.7	(10.0)	2.7	(1,046.9)	7,429.6	7,078.4
Ordinary shares issued	-	0.6	-	-	-	-	0.6
Share cancellations	(0.5)	-	-	0.5	-	(47.7)	(47.7)
Treasury share allocations	-	-	-	-	1.0	(1.0)	-
Loss for the year	-	-	-	-	-	(138.3)	(138.3)
Dividends paid	-	-	-	-	-	(750.5)	(750.5)
Non-cash share-based incentive plans (including share options)	-	-	-	-	-	71.4	71.4
Share purchases – close period commitments	-	-	(252.3)	-	-	-	(252.3)
Balance at 31 December 2019	132.8	570.3	(262.3)	3.2	(1,045.9)	6,563.5	5,961.6
Share cancellations	(3.2)	-	-	3.2	-	(281.2)	(281.2)
Treasury share allocations	-	-	-	-	0.6	(0.6)	-
Loss for the year	-	-	-	-	-	(127.0)	(127.0)
Dividends paid	-	-	-	-	-	(122.0)	(122.0)
Non-cash share-based incentive plans (including share options)	-	-	-	-	-	74.4	74.4
Share purchases – close period commitments	-	-	252.3	-	-	-	252.3
Balance at 31 December 2020	129.6	570.3	(10.0)	6.4	(1,045.3)	6,107.1	5,758.1

Notes

The accompanying notes form an integral part of this statement of changes in equity.

¹ Other reserves are analysed in note 38.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

31. 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 separate financial statements of the Company are prepared under the historical cost convention in accordance with the Companies (Jersey) Law 1991. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of a cash-flow statement and certain related-party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements. The financial statements are prepared on a going concern basis, further details of which are in the Strategic Report on page 94.

(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. Investments are tested for impairment annually. At 31 December 2020, the recoverable amount was assessed based on the Group's market value and exceeded the carrying value at that date.

(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 substantively enacted by the balance sheet date.

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 recognised for all taxable temporary differences unless specifically excepted by IAS 12 Income Taxes. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity. 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 other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

(E) 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, IFRS 2 Share-based Payments requires the subsidiary to record an expense for such compensation with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of WPP plc, the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £74.4 million in 2020 (2019: £71.4 million), with a credit to equity for the same amount.

(F) EXPECTED CREDIT LOSSES

Amounts owed by subsidiaries are recorded at amortised cost and are reduced by expected credit losses. Under IFRS 9 Financial Instruments, the expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

32. INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £m	2019 £m
Bank and other interest payable	12.0	26.9
Interest payable to subsidiary undertakings	116.1	112.0
	128.1	138.9

33. TAXATION ON LOSS ON ORDINARY ACTIVITIES

The tax assessed for the year differs from that resulting from applying the rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £m	2019 £m
Loss on ordinary activities before tax	(127.0)	(138.3)
Tax at the rate of 19% (2019: 19%) thereon	24.1	26.3
Factors affecting tax charge for the year		
Group relief not paid for	(23.0)	(26.3)
Items that are not deductible	(1.1)	-
Tax charge for the year	-	-

34. FIXED ASSET INVESTMENTS

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

	Subsidiary undertakings £m
Cost	
1 January 2019	13,160.1
Additions	71.4
31 December 2019	13,231.5
Additions	74.4
31 December 2020	13,305.9
Accumulated impairment losses and write-downs	
1 January 2019 and 31 December 2019	-
Impairment losses for the year	(2.3)
31 December 2020	(2.3)
Net book value	
31 December 2020	13,303.6
31 December 2019	13,231.5
1 January 2019	13,160.1

Fixed asset investments primarily represent 100% of the issued share capital of WPP Emerald Limited, a company incorporated in Ireland. Fixed asset investments were purchased in a share-for-share exchange.

35. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

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

	2020 £m	2019 £m
Amounts owed by subsidiary undertakings	1,997.3	1,646.8
Other debtors	0.3	1.1
	1,997.6	1,647.9

There were no expected credit losses on debtors in the year ended 31 December 2020 (2019: £nil).

36. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

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

	2020 £m	2019 £m
Bank overdrafts	716.4	1,222.5
Amounts due to subsidiary undertakings	8,344.9	6,964.3
Share purchases – close period commitments	-	252.3
Other creditors and accruals	2.4	7.2
	9,063.7	8,446.3

37. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

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

	2020 £m	2019 £m
Amounts due to subsidiary undertakings	479.7	688.3

Total borrowings are repayable as follows:

	2020 £m	2019 £m
Within one year	9,063.7	8,446.3
Between one and five years	331.4	535.4
Over five years	148.3	152.9
	9,543.4	9,134.6

38. EQUITY SHAREHOLDERS' FUNDS

Other reserves at 31 December 2020 comprise a translation reserve of £10.0 million (2019: £10.0 million) and an equity reserve of £nil (2019: £252.3 million).

At 31 December 2020 the Company's distributable reserves amounted to £5,622.1 million (2019: £5,825.6 million). Further details of the Company's share capital are shown in note 27.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WPP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion:

- the financial statements of WPP plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's and of the Parent Company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Jersey Law 1991.

We have audited the financial statements which comprise:

- the accounting policies;
- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated cash flow statement;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the Parent Company profit and loss account, balance sheet and statement of changes in equity; and
- the related notes 1 to 38.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).





2. 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 Group and the Parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 3 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> – Goodwill  – Revenue  <p>Within this report, any new key audit matters are identified with  and any key audit matters which are similar to the prior year are identified with .</p>
Materiality	<p>We considered a number of metrics when determining Group materiality, including: pre-tax profit from continuing operations adjusted to exclude impairment of goodwill and investments in associates, and retranslation of financial instruments; revenue; and headline EBITDA. Our selected materiality figure represents 9.5% of pre-tax profit from continuing operations adjusted to exclude impairment of goodwill and investments in associates, and retranslation of financial instruments, 0.4% of revenue (2019: 0.4%) and 2.8% of Headline EBITDA (2019: 2.6%).</p>
Scoping	<p>Those entities subject to audit represented 73% of the Group's consolidated revenue from continuing operations (2019: 75%) achieved through a combination of direct testing and specified audit procedures, including substantive analytical review procedures, performed by the Group auditor and/or component auditors across the world.</p>
Significant changes in our approach	<p>We have revised our assessment of key audit matters as compared to the prior year as discussed below.</p>

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- testing the operating effectiveness of controls over management's going concern model, including the review of the inputs and assumptions used in the model;
- identifying the key assumptions and evaluating the appropriateness of these assumptions and their consistency with management's presentations to the Board and Audit Committee;
- comparing the forecasts within the going concern model to recent historical financial information;
- testing the mechanical accuracy of the going concern model;
- testing the covenant compliance calculations and headroom thereof;
- confirming the existence and availability of financing facilities;
- evaluating the appropriateness of management's sensitivity analysis modelled under their most severe scenario; and
- evaluating the disclosures on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.


During the year we reassessed the risks of material misstatement in respect of revenue recognition, recognising in part the impact of the Covid-19 pandemic on the performance of the Group. As a result, revenue recognition for open contracts at 31 December 2020 in certain of the Group's operating companies accounted for on a percentage of completion basis has been identified as a new key audit matter in the current period.

In the prior year audit we identified assets held for sale and discontinued operations in relation to the Kantar disposal as a key audit matter. Given the transaction substantially completed during the year ended 31 December 2019, assets held for sale and discontinued operations in relation to the Kantar disposal is no longer a key audit matter.

As there were no new significant uncertain tax positions (UTPs) or significant changes to existing UTPs which arose during the year, we no longer consider UTPs to be a key audit matter.

We determined that going concern is no longer a key audit matter given the Group's trading performance in the year is significantly better than management's most severe scenarios modelled in connection with the directors' going concern assessment in respect of the 2019 financial statements.

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
<p>GOODWILL </p> <p>(Refer to the Accounting Policies and Notes 3 (Costs of services and general and administrative costs) and 14 (Intangible assets) to the financial statements, and the Audit Committee Report)</p> <p>The Group's assessment of goodwill for impairment involves the comparison of the recoverable amount of goodwill to its carrying value at each measurement date, calculated as the higher of fair value less costs to sell and value in use. The Group used the value in use approach, which uses a discounted cash flow model to estimate the recoverable amount of each cash generating unit or group of cash generating units and requires management to make significant estimates and assumptions related to discount rates, short-term forecasts and long-term growth rates. The net book value of goodwill was £7,389 million as at 31 December 2020 (2019: £10,111 million). In the current year, an impairment charge of £2,823 million was recorded (2019: £48 million) related to a number of businesses that were either underperforming or impacted by the Covid-19 pandemic.</p> <p>We identified goodwill valuation as a key audit matter because of the significant judgements made by management, which consider future impacts of the Covid-19 pandemic, to estimate the recoverable amount of goodwill, the sensitivity of certain inputs to the value in use calculations for certain groups of cash generating units, and the increased auditor judgement and level of audit effort required to obtain evidence to test these significant judgements. Estimates of future performance and market conditions used to arrive at the net present value of future cash flows at the relevant assessment date, which is used within the goodwill impairment analysis, are subjective in nature with increased uncertainty as a result of the Covid-19 pandemic. Through our risk assessment procedures, we identified those inputs that were the most sensitive to the recoverable values computed by the value in use calculations for certain groups of cash generating units, which enabled us to design our audit procedures to address the most significant risk areas in our work, focusing on those estimates that are either complex, including the discount rate calculations, or subjective in nature, including the short-term forecast and long-term growth rates.</p>	<p>Our audit procedures focused on challenging the discount rates, short-term forecasts and long-term growth rates used in the respective discounted cash flow models to determine the recoverable amount of each group of cash generating units and included the following audit procedures, among others:</p> <ul style="list-style-type: none"> - We tested the effectiveness of controls over management's selection of long-term growth rates used to determine the recoverable amount for each group of cash generating units. - We assessed the appropriateness of forecasted revenue and operating margin growth rates by comparing with external economic data, including peers, market data and wider economic forecasts, with a particular focus on the impact of Covid-19 on those forecasts. - We evaluated management's ability to accurately forecast future revenues and growth rates by comparing actual results to management's historical forecasts. - We assessed the mechanical accuracy of the impairment models and the methodology applied by management for consistency with the requirements of IAS 36. - With the assistance of our valuation specialists, we evaluated the appropriateness of the discount rates and long-term growth rates used for each group of cash generating units by: <ul style="list-style-type: none"> - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation; - Assessing the methodology applied in the discount rate calculation against market practice valuation techniques; and - Assessing the long-term growth rates against independently derived weighted average rate for each country, based on their GDP forecasts. - We compared the long-term growth rates to independent market data to assess the appropriateness of the management's long-term growth rates used within the forecasts. - We evaluated the Group's disclosures on goodwill against the requirements of IFRS. 	<p>Based on our procedures, we determined management's assumptions used in the valuation of goodwill to be reasonable.</p> <p>As set out in the Audit Committee Report on page 130, a control weakness was identified with respect to management's review and selection of the appropriate discount rates, the determination of the appropriateness of the cash flow periods and associated discounting, and assumptions in respect of working capital cash flows included in the impairment calculations.</p>

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
<p>REVENUE RECOGNITION </p> <p>(Refer to the Accounting Policies in the financial statements)</p> <p>The Group recognises revenue when a performance obligation is satisfied, in accordance with the terms of its contractual arrangements. Typically, performance obligations are satisfied over time as services are rendered. Revenue recognised over time is based on the proportion of the service performed, using either an input method or an output method, depending on the particular arrangement, to measure progress for each performance obligation. For most contracts where revenue is recognised over time using the input method, costs incurred are used as an objective measure of performance. The Group's revenue was £12,003 million for the year ended 31 December 2020 (2019: £13,234 million).</p> <p>We identified the revenue recognition for open contracts at 31 December 2020 in certain of the Group's operating companies accounted for on a percentage of completion basis as a key audit matter because of the management judgement required to estimate the proportion of the service performed and therefore the revenue to be recognised on these contracts at year end. Auditing these estimates was challenging and required extensive audit effort and a high degree of auditor judgement given the bespoke nature of each contract and limited availability of external evidence to support the percentage of completion determined.</p>	<p>Our audit procedures related to the key audit matter for revenue recognition included the following, among others:</p> <ul style="list-style-type: none"> - We tested the effectiveness of controls for over time recognition of revenue, including management's controls over the recording of costs incurred and estimates of costs to complete for the remaining contract performance obligations. - We evaluated the accuracy of management's previous forecasts of costs to complete projects by performing retrospective reviews of such estimates as compared to actual results for performance obligations that have been fulfilled. - We selected a sample of contracts with customers and performed the following: <ul style="list-style-type: none"> - Recalculated revenue recognised based on the percentage of completion by obtaining schedules of estimated costs to complete from project managers and challenging the key underlying assumptions to test their completeness and accuracy. - Evaluated whether the contracts were properly included in management's calculation of revenue recognised over time based on the terms and conditions of each contract and confirmed contract values by verifying the values against signed agreements and any contract amendments. - Tested the completeness and accuracy of costs incurred to date to determine fulfilment of the performance obligations. - Evaluated the reasonableness and consistency of the methods and assumptions used by management to develop the estimates of costs to complete. - Evaluated management's ability to achieve the estimates of future costs to complete by performing inquiries with the Group's project managers related to project status and comparing estimates to project work plans. - Tested the mathematical accuracy of cost estimates. - Recalculated deferred and accrued income balances based on the contract terms, costs incurred to date and remaining cost estimates to conclude on the appropriateness of the revenue recognised at year end. 	<p>Based on our procedures, we determined management's judgement to estimate the proportion of the service performed, and therefore the revenue to be recognised on open contracts at year end to be reasonable.</p>

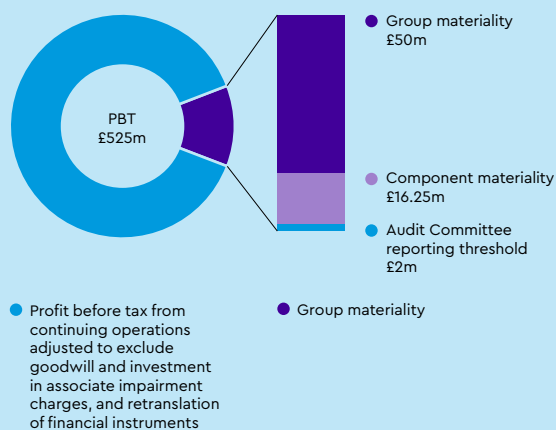
6. OUR APPLICATION OF MATERIALITY

6.1. MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£50 million (2019: £55 million)	£25 million (2019: £22 million)
Basis for determining materiality	<p>We considered a number of metrics when determining Group materiality, including: pre-tax profit from continuing operations adjusted to exclude impairment of goodwill and investments in associates, and retranslation of financial instruments; revenue; and headline EBITDA. Our selected materiality figure represents 9.5% of pre-tax profit from continuing operations adjusted to exclude impairment of goodwill and investments in associates, and retranslation of financial instruments, 0.4% of revenue (2019: 0.4%) and 2.8% of Headline EBITDA (2019: 2.6%).</p> <p>In 2019, we determined materiality to be £55 million, as 5.6% of pre-tax profit from continuing operations.</p>	<p>The basis for materiality is shareholder's equity. The materiality used is less than 1% of shareholders' equity (2019: less than 1% of shareholders' equity).</p>
Rationale for the benchmark applied	<p>The significant impairment charges of £3,119 million recognised in 2020 caused us to place more emphasis on pre-tax profit from continuing operations adjusted to exclude impairment of goodwill and investments in associates, and retranslation of financial instruments, revenue and Headline EBITDA in our determination of materiality this year.</p>	<p>Due to the nature of the Company as a parent entity holding company, we consider shareholders' equity to be the most appropriate basis for materiality.</p>



6.2. PERFORMANCE MATERIALITY

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	65% (2019: 60%) of Group materiality	65% (2019: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	<p>In determining performance materiality, we considered factors including:</p> <ul style="list-style-type: none"> - our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls, financial processes and systems in the majority of areas of the audit; and - our past experience of the audit, which has indicated a low value of uncorrected misstatements identified in prior periods. 	The Parent Company performance materiality has been set at 65% of Parent Company materiality, to align with the Group performance materiality threshold used.

6.3. ERROR REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.0 million (2019: £1.5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The change in the reporting threshold has been made following our reassessment of matters requiring communication. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

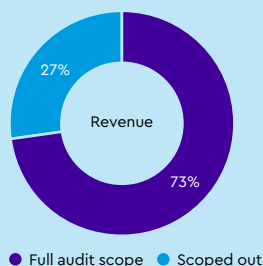
7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. IDENTIFICATION AND SCOPING OF COMPONENTS

In selecting the components that are in scope each year, we refresh and update our understanding of the Group and its environment, including obtaining an understanding of the Group's system of internal controls, and assessing the risks of material misstatement at the Group level, in order to ensure that the components selected for audit provide an appropriate basis on which to undertake audit work to address the identified risks of material misstatement. Such audit work represents a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible.

Those entities subjected to audit represented 73% of the Group's consolidated revenue from continuing operations (2019: 75%) achieved through a combination of direct testing and specified audit procedures, including substantive analytical review procedures, performed by the Group auditor and component auditors across the world. Our audit work on components is executed at levels of materiality appropriate for such components, many of which are local statutory materiality levels which in all instances are no higher than 50% of Group performance materiality.

In order to support our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components, we tested the consolidation process and performed analytical procedures at both the Group level and component level for components deemed to be out-of-scope.



7.2. OUR CONSIDERATION OF THE CONTROL ENVIRONMENT

WPP plc is reliant on the effectiveness of a number of IT applications and controls to ensure that financial transactions are processed and recorded completely and accurately. As the Group files its financial statements in the US, the Group is required to comply with the US Sarbanes Oxley Act. Accordingly, we perform testing of the operating effectiveness of internal controls, including the general IT controls, over financial reporting in all areas of the audit.

As set out in the Audit Committee's report, management identified material weaknesses in internal control over financial reporting with respect to three areas of financial reporting. We have assessed the impact of these material weaknesses on our audit and we have not relied upon controls in our substantive testing of the related areas.

7.3. WORKING WITH OTHER AUDITORS

The Group audit team exercises its oversight of component auditors using a carefully designed programme, which considers a variety of factors including the size of entity and number of significant risks. This programme is put in place to ensure that appropriate guidance is provided to the component auditors through a combination of:

- upfront planning meetings with all component teams;
- site visits;
- central review of documentation; and
- risk assessment discussions and detailed review of workpapers.

As a result of the Covid-19 pandemic, our oversight of component auditors including site visits was conducted largely remotely using video conferencing.

In years when we elect to not visit a key location, either physically or virtually, we:

- include the component audit partner in our team planning meeting;
- discuss their risk assessment; and
- review the documentation of the findings from their work and discuss with them as needed.

These are designed so that the Senior Statutory Auditor or a senior member of the Group audit team can have oversight of the work of our component auditors on a regular basis. In addition we assess the competence of each of our component auditors.

We also hold quarterly meetings with management at a regional and global level in order to update our understanding of the Group and its environment on an ongoing basis.

8. OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

9. 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. 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: frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, the Group's general counsel, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the areas of goodwill impairment and revenue recognition related to open contracts at year-end accounted for using the percentage of completion method. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Securities and Exchange Commission rules, Securities Law in the UK and US, the UK Listing Rules, Companies (Jersey) Law and tax legislation in the Group's various jurisdictions.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the US Foreign Corrupt Practices Act and the UK Bribery Act.

11.2. AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we identified goodwill impairment and revenue recognition related to open contracts at year-end accounted for using the percentage of completion method as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant tax authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY OUR ENGAGEMENT LETTER

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006 as if that Act had applied to the Group.

In our opinion, based on the work undertaken in the course of the audit:

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

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

13. CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 94;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 94;
- the directors' statement on fair, balanced and understandable set out on page 155;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 95-101;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 130; and
- the section describing the work of the audit committee set out on pages 128-132.

14. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

14.1. ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2 DIRECTORS' REMUNERATION

Under our engagement letter we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

15.1. AUDITOR TENURE

Following the recommendation of the audit committee, we were appointed by the Company at the Annual General Meeting on 20 May 2002 to audit the financial statements for the year ending 31 December 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 19 years, covering the years ending 31 December 2002 to 31 December 2020.

15.2. CONSISTENCY OF THE AUDIT REPORT WITH THE ADDITIONAL REPORT TO THE AUDIT COMMITTEE

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Robert Topley, FCA
For and on behalf of Deloitte LLP
Recognized auditor
London, United Kingdom
29 April 2021

RECONCILIATION TO NON-GAAP MEASURES OF PERFORMANCE

Management includes non-GAAP measures as they consider these measures to be both useful and necessary. They are used by management for internal performance analyses; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies; and these measures are useful in connection with discussions with the investment community.

Reconciliation of revenue to revenue less pass-through costs:

Continuing operations	2020 £m	2019 £m	2018 £m
Revenue	12,002.8	13,234.1	13,046.7
Media pass-through costs	(1,555.2)	(1,656.2)	(1,458.0)
Other pass-through costs	(685.6)	(731.4)	(713.0)
Revenue less pass-through costs	9,762.0	10,846.5	10,875.7

Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients. This includes the cost of media where the Group is buying digital media for its own account on a transparent opt-in basis and, as a result, the subsequent media pass-through costs have to be accounted for as revenue, as well as billings. Therefore, management considers that revenue less pass-through costs gives a helpful reflection of top-line growth.

Reconciliation of operating (loss)/profit to headline operating profit:

Continuing operations	2020 £m	2019 £m	2018 ¹ £m
Operating (loss)/profit	(2,278.1)	1,295.9	1,245.3
Amortisation and impairment of acquired intangible assets	89.1	121.5	201.8
Goodwill impairment	2,822.9	47.7	176.5
Gains on disposal of investments and subsidiaries	(7.8)	(40.4)	(237.9)
Gains on remeasurement of equity interests arising from a change in scope of ownership	(0.6)	(0.4)	(2.0)
Investment and other write-downs	296.2	7.5	2.0
Litigation settlement	25.6	(16.8)	-
Gain on sale of freehold property in New York	-	(7.9)	-
Restructuring and transformation costs	80.7	153.5	265.5
Restructuring costs in relation to Covid-19	232.5	-	-
Headline operating profit	1,260.5	1,560.6	1,651.2
Finance and investment income	82.7	99.0	98.9
Finance costs (excluding interest expense related to lease liabilities)	(211.0)	(259.4)	(279.1)
	(128.3)	(160.4)	(180.2)
Interest cover² on headline operating profit	9.8 times	9.7 times	9.2 times

Notes

¹ Figures have been restated as described in the accounting policies.

² Interest expense related to lease liabilities is excluded from interest cover as lease liabilities are excluded from the Group's key leverage metrics.

Headline operating profit is one of the metrics that management uses to assess the performance of the business.

Headline operating profit margin before and after share of results of associates:

Continuing operations	Margin %	2020 £m	Margin %	2019 £m	Margin %	2018 £m
Revenue less pass-through costs		9,762.0		10,846.5		10,875.7
Headline operating profit	12.9	1,260.5	14.4	1,560.6	15.2	1,651.2
Share of results of associates (excluding exceptional gains/losses)		10.1		62.5		72.0
Headline PBIT	13.0	1,270.6	15.0	1,623.1	15.8	1,723.2

Calculation of headline EBITDA:

Continuing operations	2020 £m	2019 £m	2018 £m
Headline PBIT (as above)	1,270.6	1,623.1	1,723.2
Depreciation of property, plant and equipment	174.8	185.5	188.6
Amortisation of other intangible assets	35.2	21.2	20.7
Headline EBITDA (including depreciation of right-of-use assets)	1,480.6	1,829.8	1,932.5
Depreciation of right-of-use assets	331.9	301.6	-
Headline EBITDA	1,812.5	2,131.4	1,932.5

Headline EBITDA is a key metric that private equity firms, for example, use for valuing companies, and is one of the metrics that management uses to assess the performance of the business. Headline EBITDA (including depreciation of right-of-use assets) is used in the Group's key leverage metric.

Reconciliation of (loss)/profit before taxation to headline PBT and headline earnings:

Continuing operations	2020 £m	2019 ¹ £m	2018 ¹ £m
(Loss)/profit before taxation	(2,790.6)	1,214.3	1,019.3
Amortisation and impairment of acquired intangible assets	89.1	121.5	201.8
Goodwill impairment	2,822.9	47.7	176.5
Gains on disposal of investments and subsidiaries	(7.8)	(40.4)	(237.9)
Gains on remeasurement of equity interests arising from a change in scope of ownership	(0.6)	(0.4)	(2.0)
Investment and other write-downs	296.2	7.5	2.0
Restructuring and transformation costs	80.7	153.5	265.5
Restructuring costs in relation to Covid-19	232.5	-	-
Share of exceptional losses of associates	146.1	47.8	41.5
Litigation settlement	25.6	(16.8)	-
Gain on sale of freehold property in New York	-	(7.9)	-
Revaluation and retranslation of financial instruments	147.2	(163.8)	76.3
Headline PBT	1,041.3	1,363.0	1,543.0
Headline tax charge	(242.1)	(299.6)	(320.1)
Headline non-controlling interests	(58.9)	(79.2)	(69.8)
Headline earnings	740.3	984.2	1,153.1

Note

¹ Figures have been restated as described in the accounting policies.

Headline PBT and headline earnings are metrics that management use to assess the performance of the business.

Calculation of headline taxation:

	2020 £m	2019 £m	2018 £m
Continuing operations			
Headline PBT	1,041.3	1,363.0	1,543.0
Share of results of associates (excluding exceptional gains/losses)	(10.1)	(62.5)	(72.0)
Headline PBT excluding headline share of results of associates	1,031.2	1,300.5	1,471.0
Tax charge	129.3	275.0	256.0
Tax charge relating to gains on disposal of investments and subsidiaries	(2.7)	(6.9)	(0.8)
Tax credit relating to gain on sale of freehold property in New York	-	0.5	-
Tax credit/(charge) relating to litigation settlement	5.4	(4.2)	-
Deferred tax impact of the amortisation of acquired intangible assets and other goodwill items	36.0	13.3	12.9
Tax credit relating to restructuring and transformation costs	14.3	29.2	41.1
Tax credit relating to restructuring and transformation costs in relation to Covid-19	51.2	-	-
Tax impact of US tax reform	-	-	11.6
Deferred tax relating to gains on disposal of investments and subsidiaries	8.6	(7.3)	(0.7)
Headline tax charge	242.1	299.6	320.1
Headline tax rate	23.5%	23.0%	21.8%

Following the disposal of a majority stake in Kantar and its subsequent classification as an associate in December 2019, the Group considers the most relevant metric to assess the underlying tax charge is to use the headline tax charge on headline PBT excluding the share of headline results of associates, as the tax charge on associate income is reflected within the share of results of associates. On this basis, the headline tax rate was 23.5% (2019: 23.0%, 2018: 21.8%).

Given the Group's geographic mix of profits and the changing international tax environment, the headline tax rate is expected to increase slightly over the next few years.

Calculation of headline non-controlling interests:

	2020 £m	2019 £m	2018 £m
Continuing operations			
Non-controlling interests	53.9	79.2	65.1
Non-controlling interests relating to restructuring costs in relation to Covid-19	5.0	-	-
Non-controlling interests relating to restructuring and transformation costs	-	-	4.7
Headline non-controlling interests	58.9	79.2	69.8

Reconciliation of free cash flow:

	2020 £m	2019 £m	2018 £m
Cash generated by continuing and discontinued operations (note 11)	2,583.9	2,693.2	2,174.7
Plus			
Interest received	73.6	80.8	90.4
Investment income	8.7	18.3	15.4
Dividends from associates	32.5	33.3	49.7
Share option proceeds	-	0.6	1.2
Less			
Earnout payments	(115.2)	(130.2)	(120.2)
Interest and similar charges paid	(173.9)	(270.6)	(252.8)
Purchases of property, plant and equipment	(218.3)	(339.3)	(314.8)
Purchase of other intangible assets (including capitalised computer software)	(54.4)	(54.8)	(60.4)
Repayment of lease liabilities	(300.1)	(249.8)	-
Interest paid on lease liabilities	(98.5)	(105.1)	-
Corporation and overseas tax paid	(371.5)	(536.0)	(383.6)
Dividends paid to non-controlling interests in subsidiary undertakings	(83.3)	(96.2)	(106.2)
Free cash flow	1,283.5	1,044.2	1,093.4

The Group bases its internal cash flow objectives on free cash flow.

Management believes free cash flow is meaningful to investors because it is the measure of the Group's funds available for acquisition related payments, dividends to shareholders, share repurchases and debt repayment. The purpose of presenting free cash flow is to indicate the ongoing cash generation within the control of the Group after taking account of the necessary cash expenditures of maintaining the capital and operating structure of the Group (in the form of payments of interest, corporate taxation and capital expenditure).

CONSTANT CURRENCY AND PRO FORMA ('LIKE-FOR-LIKE')

These consolidated financial statements are presented in pounds sterling. However, the Group's significant international operations give rise to fluctuations in foreign exchange rates. To neutralise foreign exchange impact and illustrate the underlying change in revenue and profit from one year to the next, the Group has adopted the practice of discussing results in both reportable currency (local currency results translated into pounds sterling at the prevailing foreign exchange rate) and constant currency.

Management also believes that discussing pro forma or like-for-like contributes to the understanding of the Group's performance and trends because it allows for meaningful comparisons of the current year to that of prior years.

Further details of the constant currency and pro forma methods are given in the Financial Glossary on pages 225 and 226.