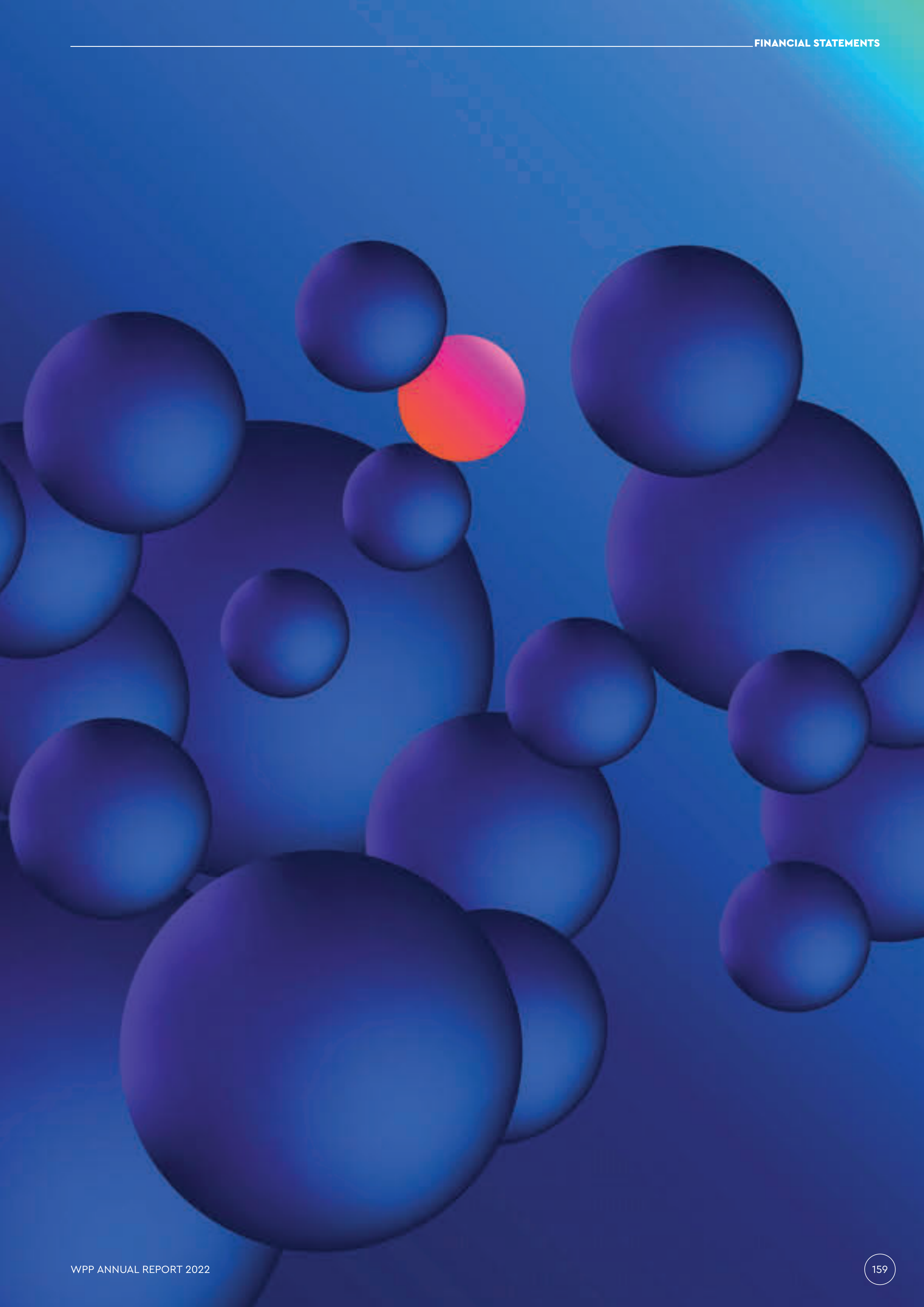
FINANCIAL STATEMENTS



ACCOUNTING POLICIES

The consolidated financial statements of WPP plc and its subsidiaries (the Group) for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as they apply to the financial statements of the Group for the year ended 31 December 2022.

BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. 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

The Group has elected to adopt the hedge accounting requirements of IFRS 9 Financial Instruments from 1 January 2022. The IFRS 9 hedge accounting requirements are applied prospectively, and all hedge arrangements in place at the point of transition are regarded as continuing hedging relationships under IFRS 9. Accordingly, prior year financial information is not required to be restated and remains as reported under IAS 39. Management has elected not to take the 'cost of hedging' approach, and instead the currency basis risk has been designated in the hedge relationships. There has been no significant impact on the financial statements as a result of the adoption of the hedge accounting requirements of IFRS 9, both at the point of transition and in the year ended 31 December 2022.

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments listed above did not have any impact on the amounts recognised in prior periods, did not have a significant impact on the amounts recognised in the current period, and are not expected to significantly affect the future periods.

At the date of authorisation of these financial statements, there were a number of standards or amendments to standards, which have not been applied in these financial statements, that were in issue but not yet effective. The Group does not consider that any of these standards or amendments to standards in issue but not yet effective will have a significant impact on the financial statements.

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 of disposal and value in use. The net present value of future cash flows, to determine value in use, 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. The effect of any revisions to fair value adjustments that had been determined provisionally at the immediately preceding balance sheet date are accounted for as revisions to goodwill, as permitted by IFRS 3 Business Combinations.

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, where the recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. 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 and joint ventures 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 of disposal 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 and retranslation 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 for disposal, 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 of disposal, 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, within the scope of IFRS 9 Financial Instruments, and is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables once the right to consideration becomes 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 loss allowances.

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. This has been applied to trade receivables, contract assets and lease receivables. 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. 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. For all other assets, the general approach has been applied and a loss allowance for 12-month expected credit losses is recognised.

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.

The Group considers that the credit risk increased significantly since initial recognition when the credit rating changes, the debtor has significant financial difficulty or if there was a breach of contract. For balances that are beyond 180 days overdue it is presumed to be an indicator of a significant increase in credit risk.

Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery. Receivables written off are still subject to enforcement activity and pursued by the Group.

Further details on expected credit losses 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 inception of the hedge relationship, the Group documents the relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the fair values or cash flows of hedged items. Furthermore the Group documents its risk management objectives and its strategy for undertaking various hedge transactions.

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 items that are 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 profit or loss for the period.

Derivatives embedded in other financial liabilities 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 the Group's own 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. On initial recognition, the corresponding amount is recognised against the equity reserve, which is subsequently reversed on derecognition, either through exercise or non-exercise of the option agreement. 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 removed from the statement of financial position when the underlying legal obligation is extinguished.

DEBT

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short-term highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, including bank deposits and money market funds. The Group's 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. As the contracts are generally short-term in nature, the Group has applied the practical expedient permitted by IFRS 15 to expense costs to obtain a contract as incurred, where applicable.

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 is broad and generally 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 able to be estimated, 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 recognised within 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 other 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 Group 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 such as onerous contracts and dilapidations. Also included are other provisions, primarily long-term employee benefits such as deferred compensation plans, 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 Group. 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 Group measures its investment property applying the cost model.

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 AND TURKEY

During 2022, 2021 and 2020, Argentina was designated as a hyperinflationary economy. In 2022, Turkey was designated as a hyperinflationary economy. The financial statements of the Group's subsidiaries in Argentina and Turkey 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 2022, this resulted in an increase in goodwill of £82.6 million (2021: £23.9 million, 2020: £22.6 million), an increase in other intangibles of £16.3 million (2021: £7.6 million, 2020: £5.3 million), and an increase in property, plant and equipment of £41.5 million (2021: £20.3 million, 2020: £19.3 million). A consumer price index (CPI) of 1,134.6 was used at 31 December 2022 (2021: 582.5, 2020: 385.9) for Argentina. For Turkey, a CPI of 1,128.5 was used at 31 December 2022. 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.

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.

NON-CONTROLLING INTERESTS

Non-controlling interests in acquired companies are measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The acquisition of a non-controlling interest in a subsidiary, and the sale of an interest while retaining control, is accounted for within equity, and the cash cost of such purchases is included within "financing activities" in the cash flow statement.

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 area of estimation uncertainty is:

- **Goodwill:** the discounted cash flow methodology employed by the Group when testing for goodwill impairment requires estimates regarding operating margins and discount rates. Further details of the methodology, discount rates and estimates used in relation to the goodwill impairment, and sensitivities to these estimates are set out in note 14

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**2022 £m**	2021 £m	2020 £m
Continuing operations				
Revenue	2	**14,428.7**	12,801.1	12,002.8
Costs of services	3	**(11,890.1)**	(10,597.5)	(9,987.9)
Gross profit		**2,538.6**	2,203.6	2,014.9
General and administrative costs	3	**(1,180.4)**	(974.6)	(4,293.0)
Operating profit/(loss)		**1,358.2**	1,229.0	(2,278.1)
(Loss)/earnings from associates – after interest and tax	4	**(60.4)**	23.8	(136.0)
Profit/(loss) before interest and taxation		**1,297.8**	1,252.8	(2,414.1)
Finance and investment income	6	**145.4**	69.4	82.7
Finance costs	6	**(359.4)**	(283.6)	(312.0)
Revaluation and retranslation of financial instruments	6	**76.0**	(87.8)	(147.2)
Profit/(loss) before taxation		**1,159.8**	950.8	(2,790.6)
Taxation	7	**(384.4)**	(230.1)	(127.1)
Profit/(loss) for the year from continuing operations		**775.4**	720.7	(2,917.7)
Discontinued operations				
Profit for the year from discontinued operations	12	**–**	–	16.4
Profit/(loss) for the year		**775.4**	720.7	(2,901.3)
Attributable to				
Equity holders of the parent:				
Continuing operations		**682.7**	637.7	(2,971.6)
Discontinued operations		**–**	–	6.5
		682.7	637.7	(2,965.1)
Non-controlling interests:				
Continuing operations		**92.7**	83.0	53.9
Discontinued operations		**–**	–	9.9
		92.7	83.0	63.8
		775.4	720.7	(2,901.3)

	Notes	**2022**	2021	2020
Earnings per share from continuing and discontinued operations				
Basic earnings per ordinary share	9	**62.2p**	53.4p	(242.5p)
Diluted earnings per ordinary share	9	**61.2p**	52.5p	(242.5p)
Earnings per share from continuing operations				
Basic earnings per ordinary share	9	**62.2p**	53.4p	(243.0p)
Diluted earnings per ordinary share	9	**61.2p**	52.5p	(243.0p)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £m	2021 £m	2020 £m
Profit/(loss) for the year	**775.4**	720.7	(2,901.3)
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences on translation of foreign operations[1]	**424.2**	(143.0)	75.4
(Loss)/gain on net investment hedges	**(141.5)**	45.5	9.7
Cash flow hedges:[1]			
Fair value gain/(loss) arising on hedging instruments	**38.5**	(38.0)	(5.9)
Less: (loss)/gain reclassified to profit or loss	**(38.5)**	38.0	5.9
Share of other comprehensive income/(loss) of associate undertakings	**51.2**	13.5	(61.5)
Exchange adjustments recycled to the income statement on disposal of discontinued operations	**–**	–	(20.6)
	333.9	(84.0)	3.0
Items that will not be reclassified subsequently to profit or loss			
Movements on equity investments held at fair value through other comprehensive income	**(22.3)**	(35.5)	(127.7)
Actuarial gain on defined benefit pension plans	**16.6**	14.3	2.0
Deferred tax on defined benefit pension plans	**(7.4)**	(3.0)	7.4
	(13.1)	(24.2)	(118.3)
Other comprehensive income/(loss) for the year	**320.8**	(108.2)	(115.3)
Total comprehensive income/(loss) for the year	**1,096.2**	612.5	(3,016.6)

Attributable to			
Equity holders of the parent:			
Continuing operations	**988.3**	539.8	(3,063.9)
Discontinued operations	**–**	–	(12.6)
	988.3	539.8	(3,076.5)
Non-controlling interests:			
Continuing operations	**107.9**	72.7	50.5
Discontinued operations	**–**	–	9.4
	107.9	72.7	59.9
	1,096.2	612.5	(3,016.6)

Notes

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

1 Balances for the year ended 31 December 2021 and 31 December 2020 have been re-presented following a reclassification between the Hedging Reserve and Translation Reserve of £38.0 million and £5.9 million, respectively. See note 28

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £m	2021 £m	2020 £m
Net cash inflow from operating activities[1]	11	**700.9**	2,029.0	2,050.6
Investing activities				
Acquisitions[1]	11	**(236.2)**	(382.3)	(174.2)
Disposal of investments and subsidiaries	11	**37.7**	28.3	272.3
Purchases of property, plant and equipment		**(208.4)**	(263.2)	(218.3)
Purchases of other intangible assets (including capitalised computer software)		**(14.9)**	(29.9)	(54.4)
Proceeds on disposal of property, plant and equipment		**12.9**	8.7	11.2
Net cash outflow from investing activities		**(408.9)**	(638.4)	(163.4)
Financing activities				
Repayment of lease liabilities		**(309.6)**	(320.7)	(300.1)
Share option proceeds		**1.2**	4.4	–
Cash consideration received from non-controlling interests	11	**–**	39.5	–
Cash consideration for purchase of non-controlling interests	11	**(84.2)**	(135.0)	(80.6)
Share repurchases and buybacks	11	**(862.7)**	(818.5)	(290.2)
Proceeds from issue of bonds	11	**–**	–	915.5
Repayment of borrowings	11	**(220.6)**	(397.1)	(282.7)
Financing and share issue costs		**(0.2)**	(0.4)	(7.1)
Equity dividends paid		**(365.4)**	(314.7)	(122.0)
Dividends paid to non-controlling interests in subsidiary undertakings		**(69.5)**	(114.5)	(83.3)
Net cash outflow from financing activities		**(1,911.0)**	(2,057.0)	(250.5)
Net (decrease)/increase in cash and cash equivalents		**(1,619.0)**	(666.4)	1,636.7
Translation of cash and cash equivalents		**64.2**	(130.1)	(99.2)
Cash and cash equivalents at beginning of year		**3,540.6**	4,337.1	2,799.6
Cash and cash equivalents at end of year	11	**1,985.8**	3,540.6	4,337.1

Notes

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

1 Earnout payments in excess of the amount determined at acquisition are recorded as operating activities. Prior year excess amounts were recorded as investing activities and have been re-presented as operating activities. See note 11

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2022

	Notes	**2022 £m**	2021 £m
Non-current assets			
Intangible assets:			
Goodwill	14	**8,453.4**	7,612.3
Other	14	**1,451.9**	1,359.5
Property, plant and equipment	15	**1,000.7**	896.4
Right-of-use assets	13	**1,528.5**	1,395.1
Interests in associates and joint ventures	16	**305.1**	412.9
Other investments	16	**369.8**	318.3
Deferred tax assets	17	**322.1**	341.5
Corporate income tax recoverable		**74.1**	46.6
Trade and other receivables	18	**218.6**	152.6
		13,724.2	12,535.2
Current assets			
Corporate income tax recoverable		**107.1**	90.4
Trade and other receivables	18	**12,499.7**	11,362.3
Cash and short-term deposits		**2,491.5**	3,882.9
		15,098.3	15,335.6
Current liabilities			
Trade and other payables	19	**(15,834.9)**	(15,252.3)
Corporate income tax payable		**(422.0)**	(386.2)
Short-term lease liabilities	13	**(282.4)**	(279.7)
Bank overdrafts, bonds and bank loans	21	**(1,169.0)**	(567.2)
		(17,708.3)	(16,485.4)
Net current liabilities		**(2,610.0)**	(1,149.8)
Total assets less current liabilities		**11,114.2**	11,385.4
Non-current liabilities			
Bonds and bank loans	21	**(3,801.8)**	(4,216.8)
Trade and other payables	20	**(490.9)**	(619.9)
Deferred tax liabilities	17	**(350.8)**	(312.5)
Provision for post-employment benefits	24	**(137.5)**	(136.6)
Provisions for liabilities and charges	22	**(244.6)**	(268.5)
Long-term lease liabilities	13	**(1,928.2)**	(1,762.1)
		(6,953.8)	(7,316.4)
Net assets		**4,160.4**	4,069.0
Equity			
Called-up share capital	27	**114.1**	122.4
Share premium account		**575.9**	574.7
Other reserves	28	**285.2**	(335.9)
Own shares		**(1,054.1)**	(1,112.1)
Retained earnings		**3,759.7**	4,367.3
Equity shareholders' funds		**3,680.8**	3,616.4
Non-controlling interests		**479.6**	452.6
Total equity		**4,160.4**	4,069.0

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

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2023.

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 2022

	Called-up share capital £m	Share premium account £m	Other reserves £m	Own shares £m	Retained earnings[1] £m	Total equity shareholders' funds £m	Non-controlling interests £m	Total £m
Balance at 1 January 2021	129.6	570.3	191.2	(1,118.3)	4,959.2	4,732.0	318.1	5,050.1
Ordinary shares issued	–	4.4	–	–	–	4.4	–	4.4
Share cancellations	(7.2)	–	7.2	–	(729.3)	(729.3)	–	(729.3)
Treasury share allocations	–	–	–	3.7	(3.7)	–	–	–
Profit for the year	–	–	–	–	637.7	637.7	83.0	720.7
Foreign exchange differences on translation of foreign operations[2]	–	–	(132.7)	–	–	(132.7)	(10.3)	(143.0)
Gain on net investment hedges	–	–	45.5	–	–	45.5	–	45.5
Cash flow hedges:[2]								
Fair value loss arising on hedging instruments	–	–	(38.0)	–	–	(38.0)	–	(38.0)
Less: gain reclassified to profit or loss	–	–	38.0	–	–	38.0	–	38.0
Share of other comprehensive income of associate undertakings	–	–	7.3	–	6.2	13.5	–	13.5
Movements on equity investments held at fair value through other comprehensive income	–	–	–	–	(35.5)	(35.5)	–	(35.5)
Actuarial gain on defined benefit pension plans	–	–	–	–	14.3	14.3	–	14.3
Deferred tax on defined benefit pension plans	–	–	–	–	(3.0)	(3.0)	–	(3.0)
Other comprehensive loss	–	–	(79.9)	–	(18.0)	(97.9)	(10.3)	(108.2)
Total comprehensive (loss)/income	–	–	(79.9)	–	619.7	539.8	72.7	612.5
Dividends paid	–	–	–	–	(314.7)	(314.7)	(114.5)	(429.2)
Non-cash share-based incentive plans (including share options)	–	–	–	–	99.6	99.6	–	99.6
Tax adjustment on share-based payments	–	–	–	–	15.4	15.4	–	15.4
Net movement in own shares held by ESOP Trusts	–	–	–	2.5	(91.7)	(89.2)	–	(89.2)
Recognition/derecognition of liabilities in respect of put options	–	–	(242.7)	–	1.1	(241.6)	–	(241.6)
Share purchases – close period commitments[3]	–	–	(211.7)	–	–	(211.7)	–	(211.7)
Share of other equity movements of associates	–	–	–	–	(8.0)	(8.0)	–	(8.0)
Acquisition of subsidiaries[4]	–	–	–	–	(180.3)	(180.3)	176.3	(4.0)
Balance at 31 December 2021	122.4	574.7	(335.9)	(1,112.1)	4,367.3	3,616.4	452.6	4,069.0
Ordinary shares issued	–	1.2	–	–	–	1.2	–	1.2
Share cancellations	(8.3)	–	8.3	–	(807.4)	(807.4)	–	(807.4)
Treasury share allocations	–	–	–	–	–	–	–	–
Profit for the year	–	–	–	–	682.7	682.7	92.7	775.4
Foreign exchange differences on translation of foreign operations	–	–	409.0	–	–	409.0	15.2	424.2
Loss on net investment hedges	–	–	(141.5)	–	–	(141.5)	–	(141.5)
Cash flow hedges:								
Fair value gain arising on hedging instruments	–	–	38.5	–	–	38.5	–	38.5
Less: loss reclassified to profit or loss	–	–	(38.5)	–	–	(38.5)	–	(38.5)
Share of other comprehensive income of associate undertakings	–	–	31.9	–	19.3	51.2	–	51.2
Movements on equity investments held at fair value through other comprehensive income	–	–	–	–	(22.3)	(22.3)	–	(22.3)
Actuarial gain on defined benefit pension plans	–	–	–	–	16.6	16.6	–	16.6
Deferred tax on defined benefit pension plans	–	–	–	–	(7.4)	(7.4)	–	(7.4)
Other comprehensive income	–	–	299.4	–	6.2	305.6	15.2	320.8
Total comprehensive income	–	–	299.4	–	688.9	988.3	107.9	1,096.2
Dividends paid	–	–	–	–	(365.4)	(365.4)	(69.5)	(434.9)
Non-cash share-based incentive plans (including share options)	–	–	–	–	122.0	122.0	–	122.0
Tax adjustment on share-based payments	–	–	–	–	(9.2)	(9.2)	–	(9.2)
Net movement in own shares held by ESOP Trusts	–	–	–	58.0	(113.3)	(55.3)	–	(55.3)
Recognition/derecognition of liabilities in respect of put options	–	–	101.7	–	(40.3)	61.4	–	61.4
Share purchases – close period commitments[3]	–	–	211.7	–	–	211.7	–	211.7
Share of other equity movements of associates	–	–	–	–	–	–	–	–
Acquisition of subsidiaries[4]	–	–	–	–	(82.9)	(82.9)	(11.4)	(94.3)
Balance at 31 December 2022	**114.1**	**575.9**	**285.2**	**(1,054.1)**	**3,759.7**	**3,680.8**	**479.6**	**4,160.4**

Notes

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

1 Accumulated losses on existing equity investments held at fair value through other comprehensive income are £330.8 million at 31 December 2022 (2021: £308.5 million)

2 Balances for the year ended 31 December 2021 and 31 December 2020 have been re-presented following a reclassification between the Hedging Reserve and Translation Reserve of £38.0 million and £5.9 million, respectively. See note 28

3 During 2021, the Company entered into an arrangement with a third party to conduct share buybacks on its behalf in the close period commencing on 16 December 2021 and ending on 18 February 2022, in accordance with UK listing rules. The commitment resulting from this agreement constituted a liability at 31 December 2021 and was recognised as a movement in other reserves in the year ended 31 December 2021. After the close period ended on 18 February 2022, the liability was settled and the amount in other reserves was reclassified to retained earnings

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 2022

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

The Group is organised into three reportable segments – Global Integrated Agencies, Public Relations and Specialist Agencies.

IFRS 8 Operating Segments requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group's Chief Executive Officer (the Chief Operating Decision Maker). Provided certain quantitative and qualitative criteria are fulfilled, IFRS 8 permits aggregation of these components into reportable segments for the purposes of disclosure in the Group's financial statements. In assessing the Group's reportable segments, the Directors have had regard to the similar economic characteristics of certain operating segments, their shared client bases, the similar nature of their products or services and their long-term margins, amongst other factors.

Reported contributions were as follows:

Income statement	Revenue[2] £m	Revenue less pass-through costs[3] £m	Headline operating profit[4] £m
2022			
Global Integrated Agencies	**12,191.0**	**9,742.8**	**1,432.4**
Public Relations	**1,228.3**	**1,157.0**	**190.8**
Specialist Agencies	**1,009.4**	**899.5**	**118.6**
	14,428.7	**11,799.3**	**1,741.8**
2021[1]			
Global Integrated Agencies	10,890.5	8,683.1	1,221.8
Public Relations	959.0	909.7	143.1
Specialist Agencies	951.6	804.4	128.6
	12,801.1	10,397.2	1,493.5
2020[1]			
Global Integrated Agencies	10,329.0	8,247.8	1,070.3
Public Relations	892.9	854.4	141.3
Specialist Agencies	780.9	659.8	48.9
	12,002.8	9,762.0	1,260.5

Notes

1 Prior year figures have been re-presented to reflect the reallocation of a number of businesses between Global Integrated Agencies and Specialist Agencies
2 Intersegment sales have not been separately disclosed as they are not material
3 Revenue less pass-through costs is defined on page 233
4 A reconciliation from profit before taxation to headline operating profit is provided on page 216

Other information	Share-based payments £m	Capital additions[1] £m	Depreciation and amortisation[2] £m	Goodwill impairment £m	Loss/(earnings) from results of associates £m	Interests in associates and joint ventures £m
2022						
Global Integrated Agencies	**100.5**	**193.8**	**372.9**	–	**10.8**	**80.1**
Public Relations	**14.7**	**11.0**	**36.7**	**3.7**	**0.5**	**0.1**
Specialist Agencies	**6.8**	**18.5**	**41.4**	**34.2**	**(71.7)**	**224.9**
	122.0	**223.3**	**451.0**	**37.9**	**(60.4)**	**305.1**
2021						
Global Integrated Agencies	92.3	252.7	372.8	–	22.7	115.2
Public Relations	4.8	17.9	28.1	–	1.7	8.0
Specialist Agencies	2.5	22.5	43.1	1.8	(0.6)	289.7
	99.6	293.1	444.0	1.8	23.8	412.9
2020						
Global Integrated Agencies	61.3	234.2	449.7	2,355.1	19.0	158.4
Public Relations	8.0	15.5	32.8	161.5	1.3	6.4
Specialist Agencies	5.1	22.9	59.4	306.3	(156.3)	165.9
	74.4	272.6	541.9	2,822.9	(136.0)	330.7

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

Contributions by geographical area were as follows:

	2022 £m	2021 £m	2020 £m
Revenue[1]			
North America[2]	**5,549.5**	4,494.2	4,464.9
United Kingdom	**2,003.8**	1,866.9	1,637.0
Western Continental Europe	**2,876.2**	2,786.3	2,441.6
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,999.2**	3,653.7	3,459.3
	14,428.7	12,801.1	12,002.8
Revenue less pass-through costs[3]			
North America[2]	**4,688.1**	3,849.2	3,743.4
United Kingdom	**1,537.2**	1,414.3	1,233.8
Western Continental Europe	**2,318.5**	2,225.4	2,019.4
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,255.5**	2,908.3	2,765.4
	11,799.3	10,397.2	9,762.0
Headline operating profit[3]			
North America[2]	**770.4**	655.7	611.9
United Kingdom	**187.1**	180.9	137.7
Western Continental Europe	**301.3**	288.6	198.7
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**483.0**	368.3	312.2
	1,741.8	1,493.5	1,260.5

Notes

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

2 North America includes the United States with revenue of £5,230.9 million (2021: £4,220.8 million, 2020: £4,216.1 million), revenue less pass-through costs of £4,402.0 million (2021: £3,597.4 million, 2020: £3,524.8 million) and headline operating profit of £727.6 million (2021: £615.2 million, 2020: £563.7 million)

3 Revenue less pass-through costs and headline operating profit are defined on page 233

	2022 £m	2021 £m
Non-current assets[1]		
North America[2]	**5,896.4**	5,075.4
United Kingdom	**1,556.2**	1,565.4
Western Continental Europe	**2,797.9**	2,618.8
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,151.0**	2,933.6
	13,401.5	12,193.2

Notes

1 Non-current assets excluding financial instruments and deferred tax

2 North America includes the United States with non-current assets of £5,379.5 million (2021: £4,730.1 million)

3. COSTS OF SERVICES AND GENERAL AND ADMINISTRATIVE COSTS

	2022 £m	2021 £m	2020 £m
Costs of services	**11,890.1**	10,597.5	9,987.9
General and administrative costs	**1,180.4**	974.6	4,293.0
	13,070.5	11,572.1	14,280.9

Costs of services and general and administrative costs include:

	2022 £m	2021 £m	2020 £m
Staff costs (note 5)	**8,165.8**	7,166.7	6,556.5
Establishment costs	**536.0**	529.0	638.5
Media pass-through costs	**1,905.7**	1,865.3	1,555.2
Other costs of services and general and administrative costs[1]	**2,463.0**	2,011.1	5,530.7
	13,070.5	11,572.1	14,280.9

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

	2022 £m	2021 £m	2020 £m
Goodwill impairment (note 14)	**37.9**	1.8	2,822.9
Amortisation and impairment of acquired intangible assets	**62.1**	97.8	89.1
Investment and other impairment charges/(reversals)	**48.0**	(42.4)	296.2
Intangible asset impairment	**29.0**	–	–
Restructuring and transformation costs	**203.7**	145.5	80.7
Restructuring costs in relation to Covid-19	**15.1**	29.9	232.5
Property related costs	**18.0**	–	–
Losses/(gains) on disposal of investments and subsidiaries	**36.3**	10.6	(7.8)
Gains on remeasurement of equity interests arising from a change in scope of ownership	**(66.5)**	–	(0.6)
Litigation settlement	**–**	21.3	25.6
Amortisation of other intangible assets	**21.9**	19.9	35.2
Depreciation of property, plant and equipment	**166.9**	151.2	174.8
Depreciation of right-of-use assets	**262.2**	272.9	331.9
(Gains)/losses on sale of property, plant and equipment	**(6.4)**	(1.3)	0.3
Net foreign exchange (gains)/losses	**(8.7)**	4.4	5.9
Short-term lease expense	**20.2**	18.0	36.7
Low-value lease expense	**1.9**	2.3	2.3

Note

1 Other costs of services and general and administrative costs include £723.7 million (2021: £538.6 million, 2020: £685.6 million) of other pass-through costs

In 2022, operating profit includes credits totalling £29.3 million (2021: £19.3 million, 2020: £46.3 million) relating to the release of provisions and other balances established in respect of acquisitions completed prior to 2021. Further details of the Group's approach to acquisition reserves, as required by IFRS 3 Business Combinations, are given in note 29.

The goodwill impairment charge of £37.9 million in 2022 (2021: £1.8 million, 2020: £2,822.9 million) relates to a number of businesses in the Group where the impact of increases in discount rates and current, local economic conditions and trading circumstances is sufficiently severe to indicate impairment to the carrying value. The goodwill impairment charge of £2,822.9 million in 2020 reflects the adverse impacts of Covid-19 on a number of businesses in the Group at that time.

Amortisation and impairment of acquired intangible assets of £62.1 million (2021: £97.8 million, 2020: £89.1 million) includes an impairment charge in the year of £1.4 million (2021: £47.9 million, 2020: £21.6 million) in regard to certain brand names that are no longer in use.

The investment and other impairment charges of £48.0 million (2021: reversal of £42.4 million, 2020: £296.2 million) relate to the same macro-economic factors noted above. The reversal in the prior year for investments primarily relates to the partial reversal of a £255.6 million impairment taken in 2020 relating to Imagina, an associate in Spain.

Intangible asset impairment of £29.0 million in 2022 (2021: nil, 2020: nil) relates to the write off of capitalised configuration and customisation costs related to a software development project.

Restructuring and transformation costs of £203.7 million (2021: £145.5 million, 2020: £80.7 million) include £134.5 million (2021: £94.2 million) in relation to the Group's IT transformation programme. This programme will allow technology to become a competitive advantage in the market as our clients, and their clients, move to an ever-increasing digital world. It includes costs of £96.8 million (2021: £62.2 million, 2020: nil) in relation to the rollout of a new ERP system in order to drive efficiency and collaboration throughout the Group. The remaining restructuring and transformation costs of £69.2 million (2021: £51.3 million) relates to the continuing restructuring plan. 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.

Restructuring costs in relation to Covid-19 of £15.1 million (2021: £29.9 million, 2020: £232.5 million) primarily relate to property costs which the Group undertook in response to the Covid-19 pandemic.

Property related costs include further right-of-use asset impairments taken for properties that were previously impaired due to challenging conditions in the subletting market. In 2022, £18.0 million (2021: nil, 2020: nil) were incurred.

Losses on disposal of investments and subsidiaries of £36.3 million in 2022 primarily includes a loss of £63.1 million on the divestment of our Russian interests which completed in May 2022. This was partially offset by gains on other disposals during the period including Res Publica for £17.7 million and Mutual Mobile for £9.4 million with the remaining gains/losses due to individually insignificant transactions. Losses on disposal of investments and subsidiaries of £10.6 million in 2021 includes a loss of £4.9 million on the disposal of XMKT in China, which completed in September 2021.

Gains on remeasurement of equity interests arising from a change in scope of ownership of £66.5 million (2021: £nil, 2020: £0.6 million) comprises a gain in relation to the reclassification of the Group's interest in Imagina in Spain from interests in associates to other investments.

In 2022, the Group received £8.2 million (2021: £5.3 million, 2020: £77.1 million) of aid from governments around the world in relation to the Covid-19 pandemic, which is included as a credit in other staff costs.

Other impairment charges included in restructuring costs of £43.3 million (2021: £39.2 million, 2020: £196.7 million) consists of £7.1 million (2021: £17.6 million, 2020: £147.6 million) within restructuring costs in relation to Covid-19 and £36.2 million (2021: £21.6 million, 2020: £49.1 million) within restructuring and transformation costs and property related costs. These impairment charges include £33.5 million (2021: £19.3 million, 2020: £117.0 million) in relation to right-of-use assets, £9.8 million (2021: £9.8 million, 2020: £79.7 million) of related property, plant and equipment and £nil (2021: £10.1 million, 2020: £nil) of other intangibles, arising from the Group's reassessment of its property requirements as a result of effective remote working practices during the Covid-19 pandemic and continued focus on campuses.

Auditors' remuneration:

	2022 £m	2021 £m	2020 £m
Fees payable to the Company's auditors for the audit of the Company and Group's annual accounts	**8.4**	7.1	6.4
Fees payable for the audit of the Company's subsidiaries	**28.5**	24.8	22.9
Fees payable to the auditors pursuant to legislation[1]	**36.9**	31.9	29.3
Audit-related services[2]	**0.4**	0.4	0.4
Other services[3]	**0.6**	1.4	0.7
Tax compliance services	**0.1**	–	0.1
Total other fees	**1.1**	1.8	1.2
Total fees	**38.0**	33.7	30.5

Notes

1 Includes fees in respect of the audit of internal control over financial reporting
2 Audit-related assurance services are in respect of the review of the interim financial information
3 Other services include audits for earnout purposes and other agreed upon procedures

4. (LOSS)/EARNINGS FROM ASSOCIATES – AFTER INTEREST AND TAX

(Loss)/earnings from associates – after interest and tax was a loss of £60.4 million in 2022, earnings of £23.8 million in 2021, and loss of £136.0 million in 2020. (Loss)/earnings from associates – after interest and tax includes £75.8 million (2021: £38.8 million, 2020: £54.3 million) of amortisation and impairment of acquired intangible assets as well as restructuring and one-off transaction costs of £54.8 million (2021: £18.8 million, 2020: £89.3 million) within Kantar.

5. OUR PEOPLE

Our staff numbers averaged 114,129 for the year ended 31 December 2022 against 104,808 in 2021 and 104,163 in 2020. Their geographical distribution was as follows:

	2022	2021	2020
North America	**23,740**	21,764	21,524
United Kingdom	**12,490**	10,995	10,670
Western Continental Europe	**22,717**	21,514	21,551
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**55,182**	50,535	50,418
	114,129	104,808	104,163

Their reportable segment distribution was as follows:

	2022	2021	2020
Global Integrated Agencies	**97,288**	89,701	88,406
Data Investment Management	**–**	–	1,341
Public Relations	**8,125**	7,121	6,810
Specialist Agencies	**8,716**	7,986	7,606
	114,129	104,808	104,163

At the end of 2022, staff numbers were 115,473 (2021: 109,382, 2020: 99,830).

Staff costs include:

	2022 £m	2021 £m	2020 £m
Wages and salaries	**5,721.0**	4,797.2	4,781.0
Cash-based incentive plans	**292.6**	455.2	110.7
Share-based incentive plans (note 23)	**122.0**	99.6	74.4
Social security costs	**689.4**	630.1	570.9
Pension costs (note 24)	**204.8**	177.7	171.7
Severance	**44.2**	41.8	68.2
Other staff costs[1]	**1,091.8**	965.1	779.6
	8,165.8	7,166.7	6,556.5

Note

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

Compensation for key management personnel includes:

	2022 £m	2021 £m	2020 £m
Short-term employee benefits	**29.7**	28.0	17.9
Pensions and other post-retirement benefits	**1.1**	0.9	1.0
Share-based payments	**29.8**	14.6	10.3
	60.6	43.5	29.2

Key management personnel comprises the Board and the Executive Committee. Further details of compensation for the Board are disclosed on pages 130 to 156.

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

Finance and investment income includes:

	2022 £m	2021 £m	2020 £m
Income from equity investments	**24.5**	17.9	8.7
Interest income	**120.9**	51.5	74.0
	145.4	69.4	82.7

Finance costs include:

	2022 £m	2021 £m	2020 £m
Net interest expense on pension plans	**2.2**	1.8	2.9
Interest on other long-term employee benefits	**3.7**	2.4	3.1
Interest expense and similar charges[1]	**257.8**	188.5	205.0
Interest expense related to lease liabilities	**95.7**	90.9	101.0
	359.4	283.6	312.0

Revaluation and retranslation of financial instruments include:

	2022 £m	2021 £m	2020 £m
Movements in fair value of treasury instruments	**0.5**	9.1	15.4
Premium on the early repayment of bonds	**–**	(13.0)	–
Revaluation of investments held at fair value through profit or loss	**23.1**	(7.5)	8.0
Revaluation of put options over non-controlling interests	**27.9**	(40.6)	12.3
Revaluation of payments due to vendors (earnout agreements)	**26.2**	(58.7)	13.4
Retranslation of financial instruments	**(1.7)**	22.9	(196.3)
	76.0	(87.8)	(147.2)

Note

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

The majority of the Group's long-term debt is represented by $1,063 million of US dollar bonds at an average interest rate of 4.26%, €3,350 million of Eurobonds at an average interest rate of 2.20% 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 nil (2021: nil).

Average borrowings under the Australian Dollar Revolving Credit Facilities amounted to nil (2021: A$52 million at an average rate of 1.89%).

Average borrowings under the US Commercial Paper Programme for 2022 amounted to $195 million at an average interest rate of 2.56% inclusive of margin (2021: nil).

Average borrowings under the Euro Commercial Paper Programme for 2022 amounted to £34 million at an average interest rate of 1.95% inclusive of currency swaps (2021: nil).

7. TAXATION

In 2022, the effective tax rate on reported profit/(loss) before taxation was 33.1% (2021: 24.2%, 2020: -4.6%).

The tax charge comprises:

	2022 £m	2021 £m	2020 £m
Corporation tax			
Current year	**425.8**	404.0	307.8
Prior years	**(55.5)**	(41.4)	(83.2)
	370.3	362.6	224.6
Deferred tax			
Current year	**9.4**	(131.0)	(80.2)
Prior years	**4.7**	(1.5)	(17.3)
	14.1	(132.5)	(97.5)
Tax charge	**384.4**	230.1	127.1

The corporation tax credit for prior years in 2022, 2021 and 2020 primarily 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 profit/(loss) before taxation in the consolidated income statement as follows:

	2022 £m	2021 £m	2020 £m
Profit/(loss) before taxation	**1,159.8**	950.8	(2,790.6)
Tax at the corporation tax rate of 19.0%[1]	**220.4**	180.7	(530.2)
Tax effect of earnings from associates	**17.4**	(13.3)	16.2
Irrecoverable withholding taxes	**25.9**	52.3	49.4
Tax effect of items that are not deductible in determining taxable profits	**66.7**	29.3	67.0
Tax effect of non-deductible goodwill impairment	**7.2**	0.6	542.4
Effect of different tax rates in subsidiaries operating in other jurisdictions	**94.3**	81.2	92.7
Origination and reversal on unrecognised temporary differences	**(1.1)**	(36.3)	(29.3)
Tax losses not recognised or utilised in the year	**9.8**	7.4	21.1
Utilisation of tax losses not previously recognised	**(5.4)**	(5.1)	(1.7)
Net release of prior year provisions in relation to acquired businesses	**(2.8)**	(1.1)	(1.7)
Other prior year adjustments	**(48.0)**	(41.8)	(98.8)
Impact of deferred tax rate change	**–**	(23.8)	–
Tax charge	**384.4**	230.1	127.1
Effective tax rate on profit/(loss) before tax	**33.1%**	24.2%	(4.6%)

Note

1 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% (2021: 19.0%, 2020: 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, increasing tax rates as a consequence of the financial support programmes implemented by governments during the Covid-19 pandemic, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, and 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 considering 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.

Following the enactment in 2021 of an increase in the UK corporation tax rate from 19% to 25% from 1 April 2023, the Group remeasured UK deferred tax balances accordingly and recognised a tax credit of £23.8 million in the prior period.

TAX RISK MANAGEMENT

We look to maintain open and transparent relationships with the tax authorities in the jurisdictions in which we operate and relevant government representatives. We maintain 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 significant 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:

	2022	2021	2020	**2022**	2021	2020
Per share	Pence per share			**£m**	£m	£m
2021 Final dividend	**18.70p**	14.00p	–	**203.5**	167.7	–
2022 Interim dividend	**15.00p**	12.50p	10.00p	**161.9**	147.0	122.0
	33.70p	26.50p	10.00p	**365.4**	314.7	122.0

	2022	2021	2020	**2022**	2021	2020
Per ADR[1]	Cents per ADR			**$m**	$m	$m
2021 Final dividend	**128.63¢**	89.85¢	–	**280.0**	215.3	–
2022 Interim dividend	**92.72¢**	85.98¢	64.18¢	**200.1**	202.2	156.6
	221.35¢	175.83¢	64.18¢	**480.1**	417.5	156.6

Proposed final dividend for the year ended 31 December 2022:

	2022	2021	2020
Per share	Pence per share		
Final dividend	**24.40p**	18.70p	14.00p

	2022	2021	2020
Per ADR[1]	Cents per share		
Final dividend	**150.83¢**	128.63¢	89.85¢

Note

1 These figures have been translated for convenience purposes only, using the approximate average rate for the year of US$1.2363 (2021: US$1.3757, 2020: US$1.2836). 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.

9. EARNINGS PER SHARE

BASIC EPS

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

Continuing operations	**2022**	2021	2020
Reported earnings[1] (£m)	**682.7**	637.7	(2,971.6)
Headline earnings (£m) (page 216)	**1,100.2**	954.5	742.5
Weighted average shares used in basic EPS calculation (m)	**1,097.9**	1,194.1	1,223.0
Reported EPS	**62.2p**	53.4p	(243.0p)
Headline EPS	**100.2p**	79.9p	60.7p

Discontinued operations	**2022**	2021	2020
Reported earnings[1] (£m)	**–**	–	6.5
Weighted average shares used in basic EPS calculation (m)	**–**	–	1,223.0
Reported EPS	**–**	–	0.5p

Continuing and discontinued operations	**2022**	2021	2020
Reported earnings[1] (£m)	**682.7**	637.7	(2,965.1)
Weighted average shares used in basic EPS calculation (m)	**1,097.9**	1,194.1	1,223.0
Reported EPS	**62.2p**	53.4p	(242.5p)

Note

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

9. EARNINGS PER SHARE CONTINUED

DILUTED EPS

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

Continuing operations	**2022**	2021	2020
Diluted reported earnings (£m)	**682.7**	637.7	(2,971.6)
Diluted headline earnings (£m)	**1,100.2**	954.5	742.5
Weighted average shares used in reported diluted EPS calculation (m)[1]	**1,116.4**	1,215.3	1,223.0
Weighted average shares used in headline diluted EPS calculation (m)	**1,116.4**	1,215.3	1,236.0
Diluted reported EPS	**61.2p**	52.5p	(243.0p)
Diluted headline EPS	**98.5p**	78.5p	60.1p

Discontinued operations	**2022**	2021	2020
Diluted reported earnings (£m)	**–**	–	6.5
Weighted average shares used in diluted EPS calculation (m)[1]	**–**	–	1,223.0
Diluted reported EPS	**–**	–	0.5p

Continuing and discontinued operations	**2022**	2021	2020[1]
Diluted reported earnings (£m)	**682.7**	637.7	(2,965.1)
Weighted average shares used in diluted EPS calculation (m)[1]	**1,116.4**	1,215.3	1,223.0
Diluted reported EPS	**61.2p**	52.5p	(242.5p)

Note

1 The weighted average shares used in the basic EPS calculation for 2020 have 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 2022, options to purchase 19.7 million ordinary shares (2021: 7.2 million, 2020: 14.2 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:

	2022 m	2021 m	2020 m
Weighted average shares used in basic EPS calculation	**1,097.9**	1,194.1	1,223.0
Dilutive share options outstanding	**0.7**	1.3	–
Other potentially issuable shares	**17.8**	19.9	13.0
Weighted average shares used in diluted EPS calculation	**1,116.4**	1,215.3	1,236.0

At 31 December 2022 there were 1,141,427,296 (2021: 1,224,459,550, 2020: 1,296,080,242) ordinary shares in issue, including 70,489,953 treasury shares (2021: 70,489,953, 2020: 70,748,100).

10. SOURCES OF FINANCE

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

	Shares			Debt		
Analysis of changes in financing	**2022 £m**	2021 £m	2020 £m	**2022 £m**	2021 £m	2020 £m
Beginning of year	**697.1**	699.9	703.1	**4,441.7**	5,032.7	4,272.9
Ordinary shares issued	**1.2**	4.4	–	**–**	–	–
Share cancellations	**(8.3)**	(7.2)	(3.2)	**–**	–	–
Net (decrease)/increase in drawings on bank loans and corporate bonds	–	–	–	**(220.6)**	(397.1)	632.8
Amortisation of financing costs included in debt	–	–	–	**7.0**	8.1	7.5
Changes in fair value due to hedging arrangements	–	–	–	**–**	(2.5)	(1.4)
Other movements	–	–	–	**(0.2)**	(0.4)	(7.1)
Exchange adjustments	–	–	–	**237.2**	(199.1)	128.0
End of year	**690.0**	697.1	699.9	**4,465.1**	4,441.7	5,032.7

The table above excludes bank overdrafts which fall within cash and cash equivalents for the purposes of the consolidated cash flow statement. Other liabilities from financing activities including lease liabilities and derivatives used for hedging debts are disclosed in note 13 and note 26, respectively.

SHARES

At 31 December 2022, the Company's share base was entirely composed of ordinary equity share capital and share premium of £690.0 million (2021: £697.1 million, 2020: £699.9 million), further details of which are disclosed in note 27.

DEBT

US$ bonds The Group has in issue $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 The Group 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, €750 million of 2.375% bonds due May 2027, and €600 million of 1.625% bonds due March 2030. In March 2022, €250 million of Floating Rate Notes carrying a coupon of 3m EURIBOR +0.45% were repaid.

Sterling bonds The Group has in issue £250 million of 3.750% bonds due May 2032 and £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 2026, signed in November 2021. The Group's borrowings under these facilities, which are drawn down predominantly in pounds sterling, averaged nil in 2022 (2021: nil, 2020: nil).

In May 2021, the Group's subsidiary, WPP AUNZ, repaid in full its A$150 million Revolving Credit Facility due August 2021, and its A$270 million Revolving Credit Facility due 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 nil in 2022 (2021: A$52 million, 2020: A$151 million).

The Group had available undrawn committed credit facilities of £2,069.0 million at 31 December 2022 (2021: £1,847.5 million, 2020: £2,023.2 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.

During 2022, all covenants have been complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future.

The $2.5 billion Revolving Credit Facility, due March 2026, 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.

COMMERCIAL PAPER PROGRAMMES

The Group operates commercial paper programmes using its Revolving Credit Facility as a backstop. The average US commercial paper outstanding in 2022 was $195 million (2021: nil, 2020: $2 million). The average Euro commercial paper outstanding in 2022 was €34 million (2021: nil, 2020: nil) inclusive of the effect of currency swaps, where applicable. There was no US or Euro commercial paper outstanding at 31 December 2022.

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:

	2022 £m	2021 £m	2020 £m
Within one year	**(791.6)**	(326.8)	(182.2)
Between one and two years	**(724.3)**	(745.4)	(725.6)
Between two and three years	**(524.2)**	(646.5)	(795.7)
Between three and four years	**(740.3)**	(492.8)	(649.1)
Between four and five years	**(719.9)**	(698.0)	(528.2)
Over five years	**(1,963.7)**	(2,546.3)	(3,387.1)
Debt financing (including interest) under the Revolving Credit Facility and in relation to unsecured loan notes	**(5,464.0)**	(5,455.8)	(6,267.9)
Short-term overdrafts – within one year	**(505.7)**	(342.3)	(8,562.0)
Future anticipated cash flows	**(5,969.7)**	(5,798.1)	(14,829.9)
Effect of discounting/financing rates	**998.9**	1,014.1	1,235.2
Debt financing	**(4,970.8)**	(4,784.0)	(13,594.7)
Cash and short-term deposits	**2,491.5**	3,882.9	12,899.1
Adjusted net debt	**(2,479.3)**	(901.1)	(695.6)

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

2022		£m	Fixed rate[1]	Floating basis	Period (months)[1]
Currency					
$	– fixed	1,379.5	4.18	n/a	60
£	– fixed	1,094.1	2.97	n/a	143
€	– fixed	2,080.6	2.21	n/a	55
	– floating	–	n/a	EURIBOR	–
Other		(89.1)	n/a	n/a	n/a
		4,465.1			

2021		£m	Fixed rate[1]	Floating basis	Period (months)[1]
Currency					
$	– fixed	1,231.8	4.18	n/a	72
£	– fixed	1,094.1	2.97	n/a	155
€	– fixed	1,976.0	2.04	n/a	69
	– floating	210.2	n/a	EURIBOR	3
Other		(70.4)	n/a	n/a	n/a
		4,441.7			

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			

Note

1 Weighted average

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	
2022	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	1,186.3	1,126.2	347.1	345.7
Between one and two years	–	–	11.6	6.2
Between two and three years	–	–	449.8	461.8
	1,186.3	**1,126.2**	**808.5**	**813.7**

	Financial liabilities		Financial assets	
2021	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	185.8	173.7	581.1	582.5
Between one and two years	551.4	521.1	30.0	30.4
Between two and three years	11.6	6.0	–	–
Between three and four years	449.8	445.6	–	–
	1,198.6	1,146.4	611.1	612.9

	Financial liabilities		Financial assets	
2020	Payable £m	Receivable £m	Payable £m	Receivable £m
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	–	–
	716.6	709.9	569.3	573.0

10. SOURCES OF FINANCE CONTINUED

ANALYSIS OF CHANGE IN FINANCING ACTIVITIES (INCLUSIVE OF LEASES)

The table below details changes arising from financing activities, including both cash and non-cash changes.

2022	Opening balance £m	Cash flow £m	Acquisition of subsidiaries £m	Foreign exchange £m	Interest and Other £m	Closing balance £m
Borrowings (excluding lease liabilities) (note 10, 11, 21 and 26)[1]	4,441.7	(220.6)	–	237.2	6.8	4,465.1
Derivatives (note 18, 19 and 20)	50.6	–	–	6.4	(4.7)	52.3
Lease liabilities (note 13)[2]	2,041.8	(402.0)	0.1	145.8	424.9	2,210.6
Share repurchase commitments (note 19)[3]	211.7	(211.7)	–	–	–	–
Liabilities from financing activities	**6,745.8**	**(834.3)**	**0.1**	**389.4**	**427.0**	**6,728.0**
Cash and short-term deposits (note 11 and 26)	(3,882.9)	1,494.4	(38.8)	(64.2)	–	(2,491.5)
Bank overdrafts	342.3	163.4	–	–	–	505.7
	3,205.2	**823.5**	**(38.7)**	**325.2**	**427.0**	**4,742.2**
2021						
Borrowings (excluding lease liabilities) (note 10, 11, 21 and 26)[1]	5,032.7	(397.1)	–	(199.1)	5.2	4,441.7
Derivatives (note 18, 19 and 20)	3.2	–	–	47.0	0.4	50.6
Lease liabilities (note 13)[2]	2,156.3	(409.1)	34.2	(23.3)	283.7	2,041.8
Share repurchase commitments (note 19)[3]	–	–	–	–	211.7	211.7
Liabilities from financing activities	7,192.2	(806.2)	34.2	(175.4)	501.0	6,745.8
Cash and short-term deposits (note 11 and 26)	(12,899.1)	8,883.8	2.3	130.1	–	(3,882.9)
Bank overdrafts	8,562.0	(8,219.7)	–	–	–	342.3
	2,855.1	(142.1)	36.5	(45.3)	501.0	3,205.2

Notes

1 Borrowings includes: bonds and bank loans. The interest and other amounts within borrowings comprises amortisation of capitalised borrowing costs

2 Repayment of lease liabilities includes £92.4 million (2021: £88.4 million) of interest paid on lease liabilities recognised within net cash inflow from operating activities (note 11). Interest and other within lease liabilities comprises interest on leases as well as the lease liability additions and disposals as disclosed in note 13

3 The cash flow of £211.7 million related to share repurchase commitments is included within the £862.7 million of total share repurchase and buybacks (note 11)

11. ANALYSIS OF CASH FLOWS

The following tables analyse the items included within the main cash flow headings on page 168.

Net cash from operating activities:

	2022 £m	2021 £m	2020 £m
Profit/(loss) for the year	**775.4**	720.7	(2,901.3)
Taxation	**384.4**	230.1	129.3
Revaluation and retranslation of financial instruments	**(76.0)**	87.8	147.2
Finance costs	**359.4**	283.6	312.3
Finance and investment income	**(145.4)**	(69.4)	(82.8)
Loss/(earnings) from associates – after interest and tax	**60.4**	(23.8)	136.0
Gain on sale of discontinued operations	**–**	–	(10.0)
Attributable tax expense on sale of discontinued operations	**–**	–	1.9
Operating profit/(loss) of continuing and discontinued operations	**1,358.2**	1,229.0	(2,267.4)
Adjustments for			
Non-cash share-based incentive plans (including share options)	**122.0**	99.6	74.4
Depreciation of property, plant and equipment	**166.9**	151.2	174.8
Depreciation of right-of-use assets	**262.2**	272.9	331.9
Impairment charges included within restructuring costs[1]	**72.3**	39.2	196.7
Goodwill impairment	**37.9**	1.8	2,822.9
Amortisation and impairment of acquired intangible assets	**62.1**	97.8	89.1
Amortisation of other intangible assets	**21.9**	19.9	35.2
Investment and other impairment charges/ (reversals)	**48.0**	(42.4)	296.2
Losses/(gains) on disposal of investments and subsidiaries	**36.3**	10.6	(7.8)
Gains on remeasurement of equity interests arising from a change in scope of ownership	**(66.5)**	–	(0.6)
(Gains)/losses on sale of property, plant and equipment	**(6.4)**	(1.3)	0.3
Operating cash flow before movements in working capital and provisions	**2,114.9**	1,878.3	1,745.7
(Increase)/decrease in trade receivables and accrued income	**(498.6)**	(458.9)	585.2
Increase in trade payables and deferred income	**170.6**	777.8	195.0
(Increase)/decrease in other receivables	**(154.1)**	(120.0)	123.3
(Decrease)/increase in other payables – short-term	**(259.6)**	547.0	(36.6)
Decrease in other payables – long-term	**(67.0)**	(11.0)	(44.3)
(Decrease)/increase in provisions	**(38.0)**	(32.9)	15.6
Cash generated by operations	**1,268.2**	2,580.3	2,583.9
Corporation and overseas tax paid	**(390.9)**	(391.1)	(371.5)
Payment on early settlement of bonds	**–**	(13.0)	–
Interest and similar charges paid	**(210.2)**	(173.7)	(173.9)
Interest paid on lease liabilities	**(92.4)**	(88.4)	(98.5)
Interest received	**88.9**	47.5	73.6
Investment income	**24.5**	17.8	8.7
Dividends from associates	**37.6**	53.4	32.5
Earnout payments recognised in operating activities[2]	**(24.8)**	(3.8)	(4.2)
Net cash inflow from operating activities	**700.9**	2,029.0	2,050.6

Notes

1 Impairment charges included within restructuring costs includes impairments for right-of-use assets, property, plant and equipment and other intangible assets

2 Earnout payments in excess of the amount determined at acquisition are recorded as operating activities. Prior year excess amounts were recorded as investing activities and have been re-presented as operating activities

Acquisitions and disposals:

	2022 £m	2021 £m	2020 £m
Initial cash consideration	**(218.3)**	(227.6)	(32.8)
Cash and cash equivalents acquired	**38.8**	(2.3)	–
Earnout payments[1]	**(46.6)**	(53.2)	(111.0)
Purchase of other investments (including associates)	**(10.1)**	(99.2)	(30.4)
Acquisitions	**(236.2)**	(382.3)	(174.2)
Proceeds on disposal of investments and subsidiaries[2]	**50.1**	51.9	320.0
Cash and cash equivalents disposed	**(12.4)**	(23.6)	(47.7)
Disposals of investments and subsidiaries	**37.7**	28.3	272.3
Cash consideration received from non-controlling interests	**–**	39.5	–
Cash consideration for purchase of non-controlling interests	**(84.2)**	(135.0)	(80.6)
Cash consideration for non-controlling interests	**(84.2)**	(95.5)	(80.6)
Net acquisition payments and disposal proceeds	**(282.7)**	(449.5)	17.5

Notes

1 Earnout payments in excess of the amount determined at acquisition are recorded as operating activities. Prior year excess amounts were recorded as investing activities and have been re-presented as operating activities

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

Share repurchases and buybacks:

	2022 £m	2021 £m	2020 £m
Purchase of own shares by ESOP Trusts	**(55.3)**	(89.2)	(5.1)
Shares purchased into treasury for cancellation	**(807.4)**	(729.3)	(285.1)
Net cash outflow	**(862.7)**	(818.5)	(290.2)

Proceeds from issue of bonds:

	2022 £m	2021 £m	2020 £m
Proceeds from issue of €750 million bonds	**–**	–	665.5
Proceeds from issue of £250 million bonds	**–**	–	250.0
Net cash inflow	**–**	–	915.5

Repayment of borrowings:

	2022 £m	2021 £m	2020 £m
Decrease in drawings on bank loans	**(11.3)**	(36.3)	(59.6)
Repayment of $500 million bonds	–	(360.8)	–
Repayment of €250 million bonds	**(209.3)**	–	(223.1)
Net cash outflow	**(220.6)**	(397.1)	(282.7)

Cash and cash equivalents:

	2022 £m	2021 £m	2020 £m
Cash at bank and in hand	**2,271.6**	2,776.6	10,075.0
Short-term bank deposits	**219.9**	1,106.3	2,824.1
Overdrafts[1]	**(505.7)**	(342.3)	(8,562.0)
	1,985.8	3,540.6	4,337.1

Note

1 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.

The Kantar group is classified as a discontinued operation in 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
Revenue	107.4
Costs of services	(92.3)
Gross profit	15.1
General and administrative costs	(4.4)
Operating profit	10.7
Profit before interest and taxation	10.7
Finance and investment income	0.1
Finance costs	(0.3)
Profit before taxation	10.5
Attributable tax expense	(2.2)
Profit after taxation	8.3
Gain on sale of discontinued operations	10.0
Attributable tax expense on sale of discontinued operations	(1.9)
Net gain attributable to discontinued operations	16.4
Attributable to	
Equity holders of the parent	6.5
Non-controlling interests[1]	9.9
	16.4

Note

1 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 to the Group's net operating cash flows, paid £0.9 million in respect of investing activities and paid £0.7 million in respect of financing activities.

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

	2020 £m
Intangible assets (including goodwill)	162.5
Property, plant and equipment	15.1
Right-of-use assets	27.2
Interests in associates and joint ventures	4.6
Deferred tax assets	6.1
Corporate income tax recoverable	16.9
Trade and other receivables	170.3
Cash and cash equivalents	32.2
Trade and other payables	(141.6)
Corporate income tax payable	(5.6)
Lease liabilities	(23.2)
Deferred tax liabilities	(1.3)
Provisions for post-employment benefits	(7.9)
Provisions for liabilities and charges	(0.6)
Net assets	254.7
Non-controlling interests	(6.1)
Net assets excluding non-controlling interests	248.6
Consideration received in cash and cash equivalents	240.9
Transaction costs	(4.5)
Deferred consideration[1]	1.6
Total consideration received	238.0
Loss on sale before exchange adjustments	(10.6)
Exchange adjustments recycled to the income statement	20.6
Gain on sale of discontinued operation	10.0

Note

1 Deferred consideration in 2020 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 2022 and 2021 were as follows:

Right-of-use assets	Land and buildings[1] £m	Plant and machinery £m	Total £m
1 January 2021	1,461.8	42.7	1,504.5
Additions	264.6	17.2	281.8
Transfers to net investment in subleases	(26.9)	–	(26.9)
Disposals	(53.6)	(1.3)	(54.9)
Depreciation of right-of-use assets	(254.7)	(18.2)	(272.9)
Impairment charges included within restructuring costs	(18.9)	(0.4)	(19.3)
Other reversals	6.8	–	6.8
Exchange adjustments	(22.1)	(1.9)	(24.0)
31 December 2021	1,357.0	38.1	1,395.1
Additions	363.8	23.8	387.6
Transfers to net investment in subleases	(7.0)	–	(7.0)
Disposals	(42.2)	(0.8)	(43.0)
Depreciation of right-of-use assets	(245.3)	(16.9)	(262.2)
Impairment charges included within restructuring costs	(33.3)	(0.2)	(33.5)
Exchange adjustments	89.2	2.3	91.5
31 December 2022	**1,482.2**	**46.3**	**1,528.5**

Note

1 For the years ended 31 December 2022 and 2021, the Company has £18.5 million and £38.5 million of right-of-use assets that are classified as investment property, respectively

Lease liabilities	Land and buildings £m	Plant and machinery £m	Total £m
1 January 2021	2,111.8	44.5	2,156.3
Additions	277.0	16.1	293.1
Interest expense related to lease liabilities	89.7	1.2	90.9
Disposals	(64.2)	(1.9)	(66.1)
Repayment of lease liabilities (including interest)	(390.6)	(18.5)	(409.1)
Exchange adjustments	(21.2)	(2.1)	(23.3)
31 December 2021	2,002.5	39.3	2,041.8
Additions	353.6	23.7	377.3
Interest expense related to lease liabilities	94.2	1.5	95.7
Disposals	(46.1)	(1.9)	(48.0)
Repayment of lease liabilities (including interest)	(385.6)	(16.4)	(402.0)
Exchange adjustments	143.6	2.2	145.8
31 December 2022	**2,162.2**	**48.4**	**2,210.6**

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

	2022 £m	2021 £m	2020 £m
Depreciation of right-of-use assets:			
Land and buildings	**(245.3)**	(254.7)	(312.1)
Plant and machinery	**(16.9)**	(18.2)	(19.8)
Impairment charges	**(33.5)**	(12.5)	(125.1)
Short-term lease expense	**(20.2)**	(18.0)	(36.7)
Low-value lease expense	**(1.9)**	(2.3)	(2.3)
Variable lease expense	**(57.3)**	(56.2)	(65.4)
Sublease income	**18.6**	17.3	25.3
Charge to operating profit	**(356.5)**	(344.6)	(536.1)
Interest expense related to lease liabilities	**(95.7)**	(90.9)	(101.0)
Charge to profit before taxation for leases	**(452.2)**	(435.5)	(637.1)

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

The maturity of lease liabilities at 31 December 2022 and 2021 were as follows:

	2022 £m	2021 £m
Within one year	**379.1**	369.7
Between one and two years	**337.7**	321.9
Between two and three years	**293.0**	273.7
Between three and four years	**252.3**	229.1
Between four and five years	**234.8**	199.1
Over five years	**1,328.5**	1,227.1
	2,825.4	2,620.6
Effect of discounting	**(614.8)**	(578.8)
Lease liability at end of year	**2,210.6**	2,041.8
Short-term lease liability	**282.4**	279.7
Long-term lease liability	**1,928.2**	1,762.1

The total committed future cash flows for leases not yet commenced at 31 December 2022 is £440.0 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 2022 and 2021 were as follows:

	£m
Cost	
1 January 2021	10,807.3
Additions[1]	335.8
Disposals	(5.4)
Exchange adjustments	(146.7)
31 December 2021	10,991.0
Additions[1]	262.6
Disposals	–
Exchange adjustments	891.0
31 December 2022	**12,144.6**
Accumulated impairment losses and write-downs	
1 January 2021	3,418.5
Impairment losses for the year	1.8
Exchange adjustments	(41.6)
31 December 2021	3,378.7
Impairment losses for the year	37.9
Exchange adjustments	274.6
31 December 2022	**3,691.2**
Net book value	
31 December 2022	**8,453.4**
31 December 2021	7,612.3
1 January 2021	7,388.8

Note

1 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

14. INTANGIBLE ASSETS CONTINUED

OTHER INTANGIBLE ASSETS

The movements in 2022 and 2021 were as follows:

	Brands with an indefinite useful life £m	Acquired intangibles £m	Other £m	Total £m
Cost				
1 January 2021	1,071.9	1,569.7	300.3	2,941.9
Additions	–	–	29.9	29.9
Disposals	–	(7.3)	(44.6)	(51.9)
New acquisitions	–	97.7	–	97.7
Other movements[1]	–	–	3.9	3.9
Exchange adjustments	(4.6)	(15.7)	(1.4)	(21.7)
31 December 2021	1,067.3	1,644.4	288.1	2,999.8
Additions	–	–	14.9	14.9
Disposals	–	(4.7)	(59.2)	(63.9)
New acquisitions	–	46.5	1.2	47.7
Other movements[1]	–	9.3	0.8	10.1
Exchange adjustments	98.7	131.6	34.7	265.0
31 December 2022	**1,166.0**	**1,827.1**	**280.5**	**3,273.6**
Amortisation and impairment				
1 January 2021	12.8	1,329.2	210.6	1,552.6
Charge for the year	43.8	53.5	19.9	117.2
Impairment charges included within restructuring costs	–	–	10.1	10.1
Disposals	–	(3.5)	(24.5)	(28.0)
Other movements	–	–	(1.5)	(1.5)
Exchange adjustments	0.2	(8.2)	(2.1)	(10.1)
31 December 2021	56.8	1,371.0	212.5	1,640.3
Charge for the year	–	61.9	21.9	83.8
Intangible asset impairment	–	–	29.0	29.0
Disposals	–	(4.4)	(59.4)	(63.8)
Exchange adjustments	5.8	109.9	16.7	132.4
31 December 2022	**62.6**	**1,538.4**	**220.7**	**1,821.7**
Net book value				
31 December 2022	**1,103.4**	**288.7**	**59.8**	**1,451.9**
31 December 2021	1,010.5	273.4	75.6	1,359.5
1 January 2021	1,059.1	240.5	89.7	1,389.3

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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
GroupM	**3,178.3**	2,982.5	–	–
Wunderman Thompson	**1,210.8**	997.3	**442.0**	405.1
Ogilvy	**849.8**	784.4	**222.8**	205.0
VMLY&R	**776.0**	675.6	**207.6**	189.8
Burson Cohn & Wolfe	**646.0**	585.7	**140.5**	128.4
AKQA Group	**628.7**	570.2	–	–
FGS Global	**451.8**	393.2	–	–
Landor Group	**106.5**	97.1	**55.7**	50.7
Other	**605.5**	526.3	**34.8**	31.5
	8,453.4	7,612.3	**1,103.4**	1,010.5

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 useful 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 2022 include brand names of £142.3 million (2021: £137.4 million), customer-related intangibles of £120.3 million (2021: £110.4 million), and other assets (including proprietary tools) of £26.1 million (2021: £25.6 million).

The total amortisation and impairment of acquired intangible assets of £61.9 million (2021: £97.3 million) includes an impairment charge in the year of £1.4 million (2021: £47.9 million) in regards to certain brand names in the Global Integrated Agencies segment that are no longer in use. In 2021, £43.8 million of the impairment charge related to brands with an indefinite useful life. In 2021, £45.1 million of the impairment charge related to the Global Integrated Agencies segment and £2.8 million related to the Specialist Agencies segment. In addition, the total amortisation and impairment of acquired intangible assets includes £0.2 million (2021: £0.5 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. A goodwill impairment charge of £37.9 million (2021: £1.8 million) was recognised during the year due to a number of underperforming businesses in the Group. This year, £34.2 million of the impairment charge related to the Specialist Agencies segment and £3.7 million related to the Public Relations segment. In certain markets, the impact of local economic conditions and trading circumstances on these businesses was sufficiently severe to indicate impairment to the carrying value of goodwill.

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 of disposal 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.

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 2022 and/or 2023, nil growth rate thereafter (2021: nil) and a conservative pre-tax discount rate of 15.5% (2021: 13.5%). The pre-tax discount rate of 15.5% was above the rate calculated for the global networks of 14.5% (2021: 12.5%). For smaller CGUs that operate primarily in a particular region subject to higher risk, the higher of 15.5% 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% (2021: 2.0%, 2020: 2.0%). If the recoverable amount using the more specific assumptions did not exceed the carrying value of a CGU, an impairment charge was recorded.

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 2022, we have assessed long-term industry trends based on recent historical data and assumed a long-term growth rate of 2.0% (2021: 2.0%, 2020: 2.0%). 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.

The pre-tax discount rate applied to the cash flow projections for the CGUs that operate globally was 14.5% (2021: 12.5%). 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 14.0% (2021: 11.3%) to 22.6% (2021: 18.4%).

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 passthrough costs growth and operating margins. The key assumptions take account of the business's 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. Changes in our business activities or structure may also result in additional changes to the level of testing in future periods. Further, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired.

Historically our impairment losses have resulted from a specific event, condition or circumstance in one or more of our companies, such as the impact of Covid-19 or the loss of a significant client. As a result, changes in the assumptions used in our impairment model have generally not had a significant effect on the impairment charges recognised. 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 12.8% to 23.6%. Wunderman Thompson's recoverable amount exceeded its carrying value by £105.5 million and is the only CGU with significant goodwill and brands with an indefinite useful life that is sensitive to changes in the key assumptions used in determining the recoverable amount. Holding other assumptions constant, the carrying value would be greater than its recoverable amount if the average operating margin decreased by 0.8% or the discount rate increased by 0.7%. Wunderman Thompson is not sensitive to a reasonably possible change in revenue less pass-through costs growth. The carrying value of goodwill and other intangible assets will continue to be reviewed at least annually for impairment and adjusted down to the recoverable amount if required.

IMPAIRMENTS IN 2020

In 2020, £2,822.9 million of impairment charges were incurred. The impairments related to historical acquisitions whose carrying values were reassessed in light of the impact of Covid-19. The impairments were driven by a combination of higher discount rates used to value future cash flows, a lower profit base in 2020 and lower industry growth rates. By operating sector, £2,355.1 million of the impairment charge related to Global Integrated Agencies, £161.5 million related to Public Relations and £306.3 million related to Specialist Agencies.

As noted above, 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 also 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.

In developing the cash flows for the 2020 impairment tests, 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 pre-tax discount rate applied to the cash flow projections for the CGUs that operate globally was 12.5%. 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.

As part of the overall effort to simplify operations and become more client-centric, certain operations were realigned between the various networks. These realignments were 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. These realignments did not have a significant impact on the impairment figures recognised. The CGUs with significant impairments of goodwill as at 31 December 2020 are set out in the below table with the recoverable amount determined as of the December 2020 test.

	Operating Sector	Recoverable amount 2020 £m	Goodwill impairment charge 2020 £m
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	Global Integrated 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

15. PROPERTY, PLANT AND EQUIPMENT

The movements in 2022 and 2021 were as follows:

	Land £m	Freehold buildings £m	Leasehold buildings £m	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
Cost						
1 January 2021	34.3	39.6	1,052.5	189.3	381.7	1,697.4
Additions	14.3	8.9	134.5	31.5	74.0	263.2
New acquisitions	–	–	1.5	1.3	1.2	4.0
Disposals	(0.1)	(0.6)	(108.3)	(60.0)	(56.4)	(225.4)
Exchange adjustments	(5.3)	13.5	(5.2)	(12.6)	(8.7)	(18.3)
31 December 2021	43.2	61.4	1,075.0	149.5	391.8	1,720.9
Additions	13.8	0.1	75.8	32.1	86.6	208.4
New acquisitions	–	–	0.5	0.2	0.6	1.3
Disposals	(0.1)	(8.3)	(62.1)	(40.0)	(72.1)	(182.6)
Exchange adjustments	(16.9)	39.3	89.7	23.0	39.8	174.9
31 December 2022	**40.0**	**92.5**	**1,178.9**	**164.8**	**446.7**	**1,922.9**
Depreciation and impairment						
1 January 2021	–	2.3	510.4	106.9	286.9	906.5
Charge for the year	–	1.0	66.5	27.6	56.1	151.2
Impairment charges included within restructuring costs	–	–	7.1	1.8	0.9	9.8
Disposals	–	–	(108.2)	(55.9)	(55.1)	(219.2)
Exchange adjustments	–	(0.6)	(6.2)	(8.5)	(8.5)	(23.8)
31 December 2021	–	2.7	469.6	71.9	280.3	824.5
Charge for the year	–	0.7	74.0	26.5	65.7	166.9
Impairment charges included within restructuring costs	–	–	9.1	0.6	0.1	9.8
Disposals	–	(1.7)	(63.5)	(36.7)	(71.1)	(173.0)
Exchange adjustments	–	0.3	43.2	17.5	33.0	94.0
31 December 2022	–	**2.0**	**532.4**	**79.8**	**308.0**	**922.2**
Net book value						
31 December 2022	**40.0**	**90.5**	**646.5**	**85.0**	**138.7**	**1,000.7**
31 December 2021	43.2	58.7	605.4	77.6	111.5	896.4
1 January 2021	34.3	37.3	542.1	82.4	94.8	790.9

At 31 December 2022, capital commitments contracted, but not provided for in respect of property, plant and equipment, were £128.2 million (2021: £107.3 million).

16. INTERESTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

The movements in 2022 and 2021 were as follows:

	Interests in associates and joint ventures £m	Other investments £m
1 January 2021	330.7	387.3
Additions	93.6	5.9
Earnings from associates – after interest and tax	23.8	–
Share of other comprehensive income of associate undertakings	13.5	–
Dividends	(53.4)	–
Other movements	(0.2)	–
Exchange adjustments	(22.5)	–
Disposals	(4.8)	(31.9)
Reclassification from subsidiaries	4.2	–
Revaluation of other investments through profit or loss	–	(7.5)
Revaluation of other investments through other comprehensive income	–	(35.5)
Amortisation of other intangible assets	(0.5)	–
Reversal of write-downs	28.5	–
31 December 2021	412.9	318.3
Additions	4.4	5.1
Loss from associates – after interest and tax	(60.4)	–
Share of other comprehensive income of associate undertakings	51.2	–
Dividends	(37.6)	–
Other movements	2.9	–
Exchange adjustments	17.1	–
Disposals	(9.6)	(16.0)
Reclassification to subsidiaries	(5.9)	–
Reclassification from associates to other investments	(22.5)	61.6
Revaluation of other investments through profit or loss	–	23.1
Revaluation of other investments through other comprehensive income	–	(22.3)
Amortisation of other intangible assets	(0.2)	–
Write-downs	(47.2)	–
31 December 2022	**305.1**	**369.8**

Interests in joint ventures are immaterial and none of the Group's associates are individually material at 31 December 2022.

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.

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.

	2022 £m	2021 £m	2020 £m
(Loss)/earnings from associates – after interest and tax (note 4)	**(60.4)**	23.8	(136.0)
Share of other comprehensive income/(loss) of associate undertakings	**51.2**	13.5	(61.5)
Share of total comprehensive (loss)/ income of associate undertakings	**(9.2)**	37.3	(197.5)

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.

As at 31 December 2021, the cumulative share of unrecognised losses in relation to Imagina, an associate in Spain with the investment carrying value reduced to zero, were £23.0 million. In 2022, the Group partially disposed of its investment in Imagina in Spain resulting in its reclassification from interests in associates to other investments (within the scope of IFRS 9) designated as fair value through other comprehensive income. Refer to note 26 for further details on financial instruments held at fair value though other comprehensive income.

In the year ended 31 December 2022, share of losses of £29.5 million for the US and £33.8 million for the Rest of World were not recognised in relation to Kantar as the investment was reduced to zero.

At 31 December 2022, capital commitments contracted, but not provided for, in respect of interests in associates and other investments were £3.2 million (2021: £5.4 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
- 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 2022 £m	Offset 2022 £m	**As reported 2022 £m**	Gross 2021 £m	Offset 2021 £m	As reported 2021 £m
Deferred tax assets	588.8	(266.7)	**322.1**	565.0	(223.5)	341.5
Deferred tax liabilities	(617.5)	266.7	**(350.8)**	(536.0)	223.5	(312.5)
	(28.7)	–	**(28.7)**	29.0	–	29.0

The following are the major gross deferred tax assets recognised by the Group and movements thereon in 2022 and 2021:

	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 2021	49.5	109.5	57.9	80.9	90.3	21.4	56.4	11.6	477.5
Acquisition of subsidiaries	–	–	–	–	–	–	–	0.9	0.9
Credit/(charge) to income	58.2	0.3	1.2	(15.9)	19.7	9.9	9.1	(1.6)	80.9
Charge to other comprehensive income	–	–	(3.0)	–	–	–	–	–	(3.0)
Credit to equity	–	–	–	–	–	11.9	–	–	11.9
Exchange differences and other movements	0.8	(3.6)	(2.7)	3.0	0.5	0.3	(4.4)	2.9	(3.2)
31 December 2021	108.5	106.2	53.4	68.0	110.5	43.5	61.1	13.8	565.0
Acquisition of subsidiaries	–	–	–	–	–	–	–	1.1	1.1
(Charge)/credit to income	(38.7)	3.3	(2.9)	(10.0)	5.0	1.3	21.2	(14.2)	(35.0)
Charge to other comprehensive income	–	–	(7.0)	–	–	–	–	–	(7.0)
Charge to equity	–	–	–	–	–	(15.5)	–	–	(15.5)
Exchange differences and other movements	4.5	10.6	4.5	43.6	7.0	3.0	2.3	4.7	80.2
31 December 2022	**74.3**	**120.1**	**48.0**	**101.6**	**122.5**	**32.3**	**84.6**	**5.4**	**588.8**

Other temporary differences comprise a number of items, none of which is individually significant to the Group's consolidated balance sheet. At 31 December 2022 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 2022 and 2021:

	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 2021	326.8	58.0	123.1	–	35.8	25.0	568.7
Acquisition of subsidiaries	22.5	–	–	–	–	–	22.5
(Credit)/charge to income	(19.5)	(21.4)	8.2	–	(35.5)	16.6	(51.6)
Exchange differences and other movements	(4.7)	0.2	1.9	–	(0.3)	(0.7)	(3.6)
31 December 2021	325.1	36.8	133.2	–	–	40.9	536.0
Acquisition of subsidiaries	15.1	–	–	–	–	–	15.1
(Credit)/charge to income	(12.4)	(3.5)	19.7	(14.2)	–	(10.5)	(20.9)
Charge to other comprehensive income	–	–	–	–	–	0.4	0.4
Exchange differences and other movements	24.8	3.2	20.5	37.2	–	1.2	86.9
31 December 2022	**352.6**	**36.5**	**173.4**	**23.0**	**–**	**32.0**	**617.5**

Other temporary differences comprise a number of items none of which is individually significant to the Group's consolidated balance sheet. At 31 December 2022 the balance related to temporary differences in relation to unremitted earnings of subsidiaries, unremitted earnings of associates and other temporary differences.

At the balance sheet date, the Group has gross tax losses and other temporary differences of £7,667.4 million (2021: £6,961.4 million) available for offset against future profits. Deferred tax assets have been recognised in respect of the tax benefit of £2,259.7 million (2021: £2,259.2 million) of such tax losses and other temporary differences. No deferred tax asset has been recognised in respect of the remaining £5,407.7 million (2021: £4,702.2 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 £60.3 million (2021: £63.8 million) that will expire within one to ten years, and £5,138.1 million (2021: £4,457.3 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 £1,346.1 million (2021: £1,385.3 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:

	2022 £m	2021 £m
Amounts falling due within one year		
Trade receivables (net of loss allowance)	**7,403.9**	6,600.5
Work in progress	**352.4**	254.0
VAT and sales taxes recoverable	**448.1**	350.3
Prepayments	**236.6**	215.3
Accrued income	**3,468.3**	3,435.7
Fair value of derivatives	**5.1**	2.5
Other debtors	**585.3**	504.0
	12,499.7	11,362.3

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

			Days past due				
2022	Carrying amount at 31 December 2022 £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
Gross trade receivables	7,475.4	6,386.5	706.4	247.1	66.8	23.5	45.1
Loss allowance	(71.5)	(1.6)	(5.8)	(6.6)	(6.6)	(13.3)	(37.6)
	7,403.9	6,384.9	700.6	240.5	60.2	10.2	7.5
Gross accrued income	3,485.6	2,027.0	603.8	450.5	376.8	27.5	–
Loss allowance	(17.3)	(0.1)	(0.2)	(0.1)	(16.9)	–	–
	3,468.3	2,026.9	603.6	450.4	359.9	27.5	–
Other financial assets	612.0	538.8	31.2	6.1	1.0	6.2	28.7
	11,484.2	**8,950.6**	**1,335.4**	**697.0**	**421.1**	**43.9**	**36.2**

			Days past due				
2021	Carrying amount at 31 December 2021 £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
Gross trade receivables	6,671.0	5,755.6	589.8	194.4	64.0	10.6	56.6
Loss allowance	(70.5)	(2.3)	(0.2)	(1.9)	(7.5)	(4.9)	(53.7)
	6,600.5	5,753.3	589.6	192.5	56.5	5.7	2.9
Gross accrued income	3,449.6	1,947.6	619.4	448.1	307.7	126.8	–
Loss allowance	(13.9)	(1.8)	(1.0)	(0.8)	(4.3)	(6.0)	–
	3,435.7	1,945.8	618.4	447.3	303.4	120.8	–
Other financial assets	496.3	422.1	15.2	2.7	3.0	2.7	50.6
	10,532.5	8,121.2	1,223.2	642.5	362.9	129.2	53.5

Other financial assets are included in other debtors.

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

	2022 £m	2021 £m
Amounts falling due after more than one year		
Prepayments	**3.9**	3.0
Fair value of derivatives	**0.6**	0.5
Other debtors	**214.1**	149.1
	218.6	152.6

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.

Other debtors falling due after more than one year for 31 December 2022 includes £15.4 million in relation to pension plans in surplus. The corresponding figure for 31 December 2021 is included in provision for post employment benefits.

	2022 £m	2021 £m
Loss allowance		
At beginning of year	**70.5**	112.5
New acquisitions	**–**	3.7
Charged to the income statement	**29.1**	17.2
Released to the income statement	**(8.4)**	(27.9)
Exchange adjustments	**5.1**	(1.7)
Utilisations and other movements	**(24.8)**	(33.3)
At end of year	**71.5**	70.5

The loss allowance is equivalent to 1.0% (2021: 1.1%) of gross trade accounts receivables.

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

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

18. TRADE AND OTHER RECEIVABLES CONTINUED

EXPECTED CREDIT LOSSES

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. Considerations include the current economic environment, and the level of credit insurance the Group has along with historical and forward-looking information. Additional provisions are made based on the assessment of recoverability of aged receivables over one year where sufficient evidence of recoverability is not evident.

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:

	2022 £m	2021 £m
Trade payables	**11,182.3**	10,596.9
Deferred income	**1,599.0**	1,334.0
Payments due to vendors (earnout agreements)	**62.0**	85.6
Liabilities in respect of put option agreements with vendors	**18.8**	58.4
Fair value of derivatives	**58.0**	6.4
Share repurchases – close period commitments[1]	**–**	211.7
Other creditors and accruals	**2,914.8**	2,959.3
	15,834.9	15,252.3

Note

1 During 2021, the Company entered into an arrangement with a third party to conduct share buybacks on its behalf in the close period commencing on 16 December 2021 and ending on 18 February 2022, in accordance with UK listing rules. The commitment resulting from this agreement constituted a liability at 31 December 2021 and was recognised as a movement in other reserves in the year ended 31 December 2021. After the close period ended on 18 February 2022, the liability was settled and the amount in other reserves was reclassified to retained earnings

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

In all material respects, deferred income at 31 December 2021 was recognised as revenue during the year. Other than business-as-usual movements, and deferred income acquired on the acquisition of subsidiaries, there were no other significant changes in contract liability balances during the year.

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:

	2022 £m	2021 £m
Payments due to vendors (earnout agreements)	**98.1**	111.1
Liabilities in respect of put option agreements with vendors	**323.3**	333.1
Fair value of derivatives	**–**	47.2
Other creditors and accruals	**69.5**	128.5
	490.9	619.9

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

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

	2022 £m	2021 £m
Within one year	**62.0**	85.6
Between one and two years	**19.5**	24.0
Between two and three years	**27.6**	35.7
Between three and four years	**28.6**	51.4
Between four and five years	**22.4**	–
	160.1	196.7

The following table is an analysis of future anticipated cash flows in relation to liabilities in respect of put option agreements with vendors at 31 December:

	2022 £m	2021 £m
Within one year	**18.8**	58.4
Between one and two years	**5.2**	15.1
Between two and three years	**76.6**	14.4
Between three and four years	**99.2**	99.0
Between four and five years	**74.8**	76.6
Over five years	**67.5**	128.0
	342.1	391.5

21. BANK OVERDRAFTS, BONDS AND BANK LOANS

Amounts falling due within one year:

	2022 £m	2021 £m
Bank overdrafts	**505.7**	342.3
Corporate bonds and bank loans	**663.3**	224.9
	1,169.0	567.2

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

Amounts falling due after more than one year:

	2022 £m	2021 £m
Corporate bonds and bank loans	**3,801.8**	4,216.8

The Group estimates that the fair value of corporate bonds is £4,049.1 million at 31 December 2022 (2021: £4,790.3 million). The fair values of the corporate bonds are based on quoted market prices and is within Level 1 of the fair value hierarchy.

The Group considers that the carrying amount of bank loans of £nil (2021: £14.7 million) approximates their fair value.

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

	2022 £m	2021 £m
Within one year	**1,169.0**	567.2
Between one and two years	**618.0**	629.2
Between two and three years	**441.5**	550.4
Between three and four years	**658.8**	418.8
Between four and five years	**661.1**	623.6
Over five years	**1,422.4**	1,994.8
	4,970.8	4,784.0

22. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in 2022 and 2021 were as follows:

	Property £m	Other £m	Total £m
1 January 2021	76.7	229.6	306.3
Charged to the income statement	25.2	35.8	61.0
Acquisitions[1]	–	7.3	7.3
Utilised	(7.0)	(69.9)	(76.9)
Released to the income statement	(18.3)	(25.0)	(43.3)
Other movements	(5.2)	18.9	13.7
Exchange adjustments	(0.8)	1.2	0.4
31 December 2021	70.6	197.9	268.5
Charged to the income statement	8.1	6.4	14.5
Acquisitions[1]	–	1.3	1.3
Utilised	(12.8)	(37.2)	(50.0)
Released to the income statement	(3.2)	(22.2)	(25.4)
Other movements	(4.8)	17.8	13.0
Exchange adjustments	4.9	17.8	22.7
31 December 2022	**62.8**	**181.8**	**244.6**

Note

1 Acquisitions include £1.3 million (2021: £7.3 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

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.

The utilisation of "Other" provisions in 2021 is primarily driven by litigation settlements.

23. SHARE-BASED PAYMENTS

Charges for share-based incentive plans were as follows:

	2022 £m	2021 £m	2020 £m
Share-based payments	**122.0**	99.6	74.4

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

As of 31 December 2022, there was £200.7 million (2021: £203.4 million) of total unrecognised compensation cost related to the Group's restricted stock plans.

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, 2021 and 2022 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 2017 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 15% 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. The performance range is 7% to 14% compound annual growth. Threshold performance will result in 15% vesting, maximum performance will result in 100% vesting. There is a sliding vesting scale in between threshold and maximum.

(iii) Return on equity (ROE). Average annual ROE is defined as headline diluted EPS divided by the balance sheet value per share of shareholders' equity. The performance range is 15% – 18% average annual ROE. Threshold performance will result in 15% vesting, maximum performance will result in 100% vesting. There is a sliding vesting scale in between threshold and maximum.

23. SHARE-BASED PAYMENTS CONTINUED

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.

LEADERSHIP SHARE AWARDS

WPP Leadership Awards are conditional stock awards made to around 1,900 of our key executives. Awards vest three years after grant, provided the participant is still employed within the Group.

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 2022 number m	Granted number m	Forfeited number m	Vested number m	**Non-vested 31 December 2022 number m**
Executive Performance Share Plan (EPSP)	16.7	6.1	(2.2)	(0.2)	**20.4**
Performance Share Awards (PSA)	3.1	4.0	(0.2)	(2.8)	**4.1**
Leadership Share Awards	10.4	4.9	(1.2)	(2.8)	**11.3**
Weighted average fair value (pence per share)					
Executive Performance Share Plan (EPSP)	900p	1,025p	1,055p	613p	**924p**
Performance Share Awards (PSA)	604p	911p	798p	519p	**952p**
Leadership Share Awards	922p	787p	881p	795p	**899p**

	Non-vested 1 January 2021 number m	Granted number m	Forfeited number m	Vested number m	**Non-vested 31 December 2021 number m**
Executive Performance Share Plan (EPSP)	13.0	6.1	(2.2)	(0.2)	**16.7**
Performance Share Awards (PSA)	4.3	0.4	(0.2)	(1.4)	**3.1**
Leadership Share Awards	11.0	3.6	(1.1)	(3.1)	**10.4**
Weighted average fair value (pence per share)					
Executive Performance Share Plan (EPSP)	943p	951p	1,289p	833p	**900p**
Performance Share Awards (PSA)	675p	666p	534p	859p	**604p**
Leadership Share Awards	831p	990p	853p	709p	**922p**

The total fair value of shares vested for all the Group's restricted stock plans during the year ended 31 December 2022 was £65.4 million (2021: £64.1 million, 2020: £71.6 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:

	2022 £m	2021 £m	2020 £m
Defined contribution plans	**191.3**	162.8	157.8
Defined benefit plans charge to operating profit	**13.5**	14.9	13.9
Pension costs (note 5)	**204.8**	177.7	171.7
Net interest expense on pension plans (note 6)	**2.2**	1.8	2.9
	207.0	179.5	174.6

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 2022.

The majority of plans provide final salary benefits, with plan benefits typically based either on mandatory plans under local legislation, 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 2022 amounted to £24.0 million (2021: £16.7 million, 2020: £20.3 million). Employer contributions and benefit payments in 2023 are expected to be approximately £20.0 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:

	2022 % pa	2021 % pa	2020 % pa	2019 % pa
UK				
Discount rate[1]	**5.1**	1.8	1.3	2.0
Rate of increase in pensions in payment	**4.4**	4.5	4.4	4.4
Inflation	**3.0**	3.2	2.8	2.6
North America				
Discount rate[1]	**5.2**	2.6	2.0	3.0
Rate of increase in salaries[2]	**n/a**	n/a	3.0	3.0
Western Continental Europe				
Discount rate[1]	**4.1**	1.2	0.9	1.2
Rate of increase in salaries	**2.5**	2.3	2.2	2.2
Rate of increase in pensions in payment	**2.0**	1.8	1.8	1.8
Inflation	**2.0**	1.7	1.7	1.7
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe				
Discount rate[1]	**6.4**	5.3	4.2	4.6
Rate of increase in salaries	**5.7**	5.6	5.2	6.1
Inflation	**3.4**	3.7	3.7	3.7

Notes

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

2 The salary assumptions are no longer applicable to the US as all plans were frozen. Active participants will not accrue additional benefits for future services under these plans

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 2022, 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	**22.3**	**21.9**	**23.6**	**21.0**	**12.7**
Current pensioners (at age 65) – female	**24.0**	**23.3**	**25.1**	**24.0**	**15.5**
Future pensioners (current age 45) – male	**24.0**	**23.3**	**25.6**	**23.2**	**12.7**
Future pensioners (current age 45) – female	**25.7**	**24.7**	**27.1**	**25.9**	**15.5**

Note

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

The life expectancies after age 65 at 31 December 2021 were 22.3 years and 24.0 years for male and female current pensioners (at age 65) respectively, and 24.1 years and 25.8 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)	**8.5**	**7.5**	**10.0**	**9.7**	**5.9**
Expected benefit payments over the next ten years (£m)					
Within 12 months	46.6	21.7	12.7	5.8	6.4
In 2024	43.5	21.1	12.7	6.1	3.6
In 2025	44.5	20.6	13.4	6.0	4.5
In 2026	46.4	21.2	13.4	6.4	5.4
In 2027	44.2	21.1	12.0	6.2	4.9
In the next five years	213.2	93.5	56.5	33.9	29.3

Note

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

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.

	(Decrease)/increase in benefit obligation	
Sensitivity analysis of significant actuarial assumptions	**2022 £m**	2021 £m
Discount rate		
Increase by 25 basis points:		
UK	**(3.6)**	(7.6)
North America	**(4.4)**	(6.4)
Western Continental Europe	**(2.0)**	(3.4)
Other[1]	**(0.5)**	(0.6)
Decrease by 25 basis points:		
UK	**3.8**	8.0
North America	**4.6**	6.6
Western Continental Europe	**2.1**	3.6
Other[1]	**0.6**	0.6
Rate of increase in salaries		
Increase by 25 basis points:		
Western Continental Europe	**0.5**	0.8
Other[1]	**0.5**	0.5
Decrease by 25 basis points:		
Western Continental Europe	**(0.5)**	(0.8)
Other[1]	**(0.5)**	(0.5)
Rate of increase in pensions in payment		
Increase by 25 basis points:		
UK	**0.7**	0.9
Western Continental Europe	**1.1**	1.7
Decrease by 25 basis points:		
UK	**(0.6)**	(0.9)
Western Continental Europe	**(1.0)**	(1.7)
Life expectancy		
Increase in longevity by one additional year:		
UK	**6.8**	13.3
North America	**4.2**	5.3
Western Continental Europe	**2.6**	4.2

Note

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

24. PROVISION FOR POST-EMPLOYMENT BENEFITS CONTINUED

(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:

	2022 £m	%	2021 £m	%	2020 £m	%
Equities	**26.7**	**6.2**	31.8	5.8	41.6	6.7
Bonds	**208.8**	**48.5**	259.7	47.0	284.2	46.1
Insured annuities	**149.2**	**34.7**	222.5	40.3	252.8	41.0
Property	**1.4**	**0.3**	1.0	0.2	0.7	0.1
Cash	**18.1**	**4.2**	15.3	2.8	14.7	2.4
Other	**26.3**	**6.1**	21.8	3.9	22.6	3.7
Total fair value of assets	**430.5**	**100.0**	552.1	100.0	616.6	100.0
Present value of liabilities	**(552.6)**		(688.5)		(772.7)	
Deficit in the plans	**(122.1)**		(136.4)		(156.1)	
Irrecoverable surplus	**–**		(0.2)		(0.6)	
Net liability[1]	**(122.1)**		(136.6)		(156.7)	
Plans in surplus[2]	**15.4**		30.1		27.2	
Plans in deficit	**(137.5)**		(166.7)		(183.9)	

Notes

1 The related deferred tax asset is discussed in note 17

2 The net asset related to plans in surplus of £15.4 million for 31 December 2022 is recorded in the consolidated balance sheet within other debtors. The corresponding figures for 31 December 2021 and 31 December 2020 are recorded in provision for post-employment benefits

All plan assets have quoted prices in active markets with the exception of insured annuities and other assets. The value of insured annuities is equal to the value of the pension benefits covered by the annuities.

Surplus/(deficit) in plans by region	2022 £m	2021 £m	2020 £m
UK	**2.3**	0.4	0.7
North America	**(37.1)**	(28.1)	(37.9)
Western Continental Europe	**(52.6)**	(74.0)	(85.9)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(34.7)**	(34.7)	(33.0)
Deficit in the plans	**(122.1)**	(136.4)	(156.1)

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.

	2022 Surplus/ (deficit) £m	2022 Present value of liabilities £m	2021 Surplus/ (deficit) £m	2021 Present value of liabilities £m	2020 Surplus/ (deficit) £m	2020 Present value of liabilities £m
Funded plans by region						
UK	**2.3**	**(155.5)**	0.4	(231.9)	0.7	(262.7)
North America	**4.1**	**(208.5)**	20.1	(237.9)	17.4	(271.8)
Western Continental Europe	**(29.1)**	**(67.9)**	(45.1)	(87.6)	(38.6)	(84.3)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(4.1)**	**(25.4)**	(6.4)	(25.7)	(5.8)	(24.1)
Deficit/liabilities in the funded plans	**(26.8)**	**(457.3)**	(31.0)	(583.1)	(26.3)	(642.9)
Unfunded plans by region						
North America	**(41.2)**	**(41.2)**	(48.2)	(48.2)	(55.3)	(55.3)
Western Continental Europe	**(23.5)**	**(23.5)**	(28.9)	(28.9)	(47.3)	(47.3)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(30.6)**	**(30.6)**	(28.3)	(28.3)	(27.2)	(27.2)
Deficit/liabilities in the unfunded plans	**(95.3)**	**(95.3)**	(105.4)	(105.4)	(129.8)	(129.8)
Deficit/liabilities in the plans	**(122.1)**	**(552.6)**	(136.4)	(688.5)	(156.1)	(772.7)

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:

	2022 £m	2021 £m	2020 £m
Service cost[1]	**10.4**	12.6	12.0
Administrative expenses	**3.1**	2.3	1.9
Charge to operating profit	**13.5**	14.9	13.9
Net interest expense on pension plans	**2.2**	1.8	2.9
Charge to profit before taxation for defined benefit plans	**15.7**	16.7	16.8

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 other comprehensive income (OCI):

	2022 £m	2021 £m	2020 £m
Return on plan assets (excluding interest income)	**(127.6)**	(29.3)	57.2
Changes in demographic assumptions underlying the present value of the plan liabilities	**0.6**	(3.6)	3.8
Changes in financial assumptions underlying the present value of the plan liabilities	**143.5**	31.1	(54.0)
Experience (loss)/gain arising on the plan liabilities	**(0.1)**	15.7	(4.4)
Change in irrecoverable surplus	**0.2**	0.4	(0.6)
Actuarial gain recognised in OCI	**16.6**	14.3	2.0

(D) MOVEMENT IN PLAN LIABILITIES

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

	2022 £m	2021 £m	2020 £m
Plan liabilities at beginning of year	**688.5**	772.7	767.5
Service cost[1]	**10.4**	12.6	12.0
Interest cost	**15.5**	12.0	17.0
Actuarial (gain)/loss:			
Effect of changes in demographic assumptions	**(0.6)**	3.6	(3.8)
Effect of changes in financial assumptions	**(143.5)**	(31.1)	54.0
Effect of experience adjustments	**0.1**	(15.7)	4.4
Benefits paid	**(52.0)**	(59.5)	(59.6)
Loss/(gain) due to exchange rate movements	**40.4**	(6.1)	(4.2)
Settlement payments	**(8.7)**	(0.3)	(17.0)
Other[2]	**2.5**	0.3	2.4
Plan liabilities at end of year	**552.6**	688.5	772.7

Notes

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

2 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:

	2022 £m	2021 £m	2020 £m
Fair value of plan assets at beginning of year	**552.1**	616.6	608.5
Interest income on plan assets	**13.3**	10.2	14.1
Return on plan assets (excluding interest income)	**(127.6)**	(29.3)	57.2
Employer contributions	**24.0**	16.7	20.3
Benefits paid	**(52.0)**	(59.5)	(59.6)
Gain/(loss) due to exchange rate movements	**31.5**	(0.6)	(6.8)
Settlement payments	**(8.7)**	(0.3)	(17.0)
Administrative expenses	**(3.1)**	(1.8)	(1.9)
Other[1]	**1.0**	0.1	1.8
Fair value of plan assets at end of year	**430.5**	552.1	616.6
Actual return on plan assets	**(114.3)**	(19.1)	71.3

Note

1 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 (including cross currency swaps) at 31 December 2022 were primarily made up of $1,667 million, £1,094 million and €2,350 million (2021: $1,667 million, £1,094 million and €2,600 million). The Group's average gross debt during the course of 2022 was $1,667 million, £1,094 million and €2,404 million (2021: $1,934 million, £1,094 million and €2,600 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 4.18% for an average period of 60 months; 100% of the sterling debt is at a fixed rate of 2.97% for an average period of 143 months; and 100% of the euro debt is at fixed rates averaging 2.21% for an average period of 55 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 impact of the Russian invasion of Ukraine and sanctions response from governments has been considered. The Company modelled a range of revenue less pass-through costs compared with the year ended 31 December 2022 and a number of mitigating cost actions that are available to the Company. Considering the Group's bank covenant and liquidity headroom and cost mitigation actions which could be implemented, 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 with a decline in revenue less pass-through costs up to 28% in 2023. The likelihood of such a decline is considered remote as compared to Company expectations and external benchmarks, including previously witnessed declines in times of economic stress or external forces such as the pandemic. The modelling in this extreme scenario includes cost mitigations of 70% of the decline in revenue less pass-through costs and the suspension of the share buyback programme and dividend. Further measures that were not included in the modelling, should the Company face such an extreme scenario, include the reduction of capital expenditure and acquisitions. Therefore, 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 give rise to a significant going concern risk.

25. RISK MANAGEMENT POLICIES CONTINUED

At 31 December 2022, the Group has access to £6.6 billion of committed facilities with maturity dates spread over the years 2023 to 2046 as illustrated below:

		2023 £m	2024 £m	2025 £m	2026 £m	2027+ £m
£ bonds £400m (2.875% 2046)	**400.0**					400.0
US bond $220m (5.625% 2043)	**181.9**					181.9
US bond $93m (5.125% 2042)	**76.8**					76.8
£ bonds £250m (3.75% 2032)	**250.0**					250.0
Eurobonds €600m (1.625% 2030)	**531.2**					531.2
Eurobonds €750m (2.375% 2027)	**664.0**					664.0
Eurobonds €750m (2.25% 2026)	**664.0**				664.0	
Bank revolver ($2,500m 2026)	**2,069.0**				2,069.0	
Eurobonds €500m (1.375% 2025)	**442.7**			442.7		
US bond $750m (3.75% 2024)	**620.7**		620.7			
Eurobonds €750m (3.0% 2023)	**664.0**	664.0				
Total committed facilities available	**6,564.3**	**664.0**	**620.7**	**442.7**	**2,733.0**	**2,103.9**
Drawn down facilities at 31 December 2022	**4,495.3**	664.0	620.7	442.7	664.0	2,103.9
Undrawn committed credit facilities	**2,069.0**					
Drawn down facilities at 31 December 2022	**4,495.3**					
Net cash at 31 December 2022	**(1,985.8)**					
Other adjustments	**(30.2)**					
Adjusted net debt at 31 December 2022	**2,479.3**					

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 adjusted 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 loss allowances, 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 6% of total trade receivables as at 31 December 2022 or 31 December 2021.

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

EFFECTS OF HEDGE ACCOUNTING ON THE FINANCIAL POSITION AND PERFORMANCE

The effects of the hedging instruments on the Group's financial position and performance are as follows:

	2022	2021
(i) Cash flow hedges of foreign currency risk		
Carrying amount of derivative hedging instruments[1]	**(£6.6m)**	(£48.0m)
Notional amount of hedged items	**€1,000.0m**	€1,000.0m
Notional amount of hedging instruments	**€1,000.0m**	€1,000.0m
Maturity date	**2023-2025**	2023-2025
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness	**£38.5m**	(£38.0m)
Change in value of hedging instrument used to determine hedge effectiveness	**(£41.4m)**	£35.5m
Hedge ineffectiveness (revaluation and retranslation of financial instruments)	**£2.9m**	£2.5m
Weighted average hedged rate for the year	**3.2%**	3.2%
(ii) Net investment hedges of foreign currency risk		
Carrying amount of derivative hedging instruments[1]	**(£46.9m)**	£0.7m
Carrying amount of non-derivative hedging instruments (bonds and bank loans)	**(£879.5m)**	(£879.5m)
Notional amount of hedging instruments	**$1,666.8m**	$1,666.8m
Notional amount of hedged net assets	**$1,666.8m**	$1,666.8m
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness	**(£141.5m)**	£45.5m
Change in value of hedging instrument used to determine ineffectiveness	**£141.5m**	(£45.5m)
Hedge ineffectiveness (revaluation and retranslation of financial instruments)	**–**	–
Weighted average hedged rate for the year (USD/GBP)	**1.2083**	1.3532

Note

1 This amount is presented in trade and other receivables, and trade and other payables. The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the carrying amounts are grossed up by hedge type, whereas they are presented at an instrument level in the balance sheet

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 impacts on the income statement and equity, which would arise on the retranslation of foreign currency denominated borrowings and derivatives. A 10% strengthening of sterling would have an equal and opposite effect.

	Impact on income statement		Impact on equity	
	2022 £m	2021 £m	**2022 £m**	2021 £m
US dollar	**(179.6)**	0.7	**34.6**	64.0
Euro	**78.9**	17.4	**(11.3)**	(49.9)

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 2022 would increase profit before tax by approximately £19.9 million (2021: £33.3 million). A one percentage point 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. Note that in practice, the Group has a cyclical cash profile throughout the year.

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 designates foreign currency denominated debt as hedging instruments against the exposure to movements in the spot translation rates associated with the translation of its foreign operations.

The Group also designates certain cross currency swaps as hedging instruments in cash flow hedges to manage its exposure to foreign exchange risk and interest rate risk on its borrowings. Contracts due in November 2023 have receipts of €500.0 million and payments of $604.2 million. Contracts due in March 2025 have receipts of €500.0 million and payments of £444.1 million.

Critical terms of hedging instruments and hedged items are transacted to match on a 1:1 ratio by notional values. Hedge ineffectiveness can nonetheless arise from inherent differences between derivatives and non-derivative instruments and other market factors including credit, correlations, supply and demand, and market volatilities. In addition, hedge ineffectiveness can arise as a result of the currency basis being included in the hedge designation. Hedge accounting is discontinued when a hedging relationship no longer qualifies for hedge accounting.

At 31 December 2022, the fair value of the Group's currency derivatives is estimated to be a net liability of approximately £52.7 million (2021: £46.7 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £0.6 million (2021: £0.5 million) assets included in trade and other receivables and £53.3 million (2021: £47.2 million) liabilities included in trade and other payables. The fair value of currency derivatives is based on the present value of contractual cash flows using foreign currency and interest rate forward market curves at the balance sheet date. The amounts taken to and deferred in equity during the year for currency derivatives that are designated and effective hedges was a debit of £141.5 million (2021: credit of £45.5 million) for net investment hedges and a credit of £38.5 million (2021: debit of £38.0 million) for cash flow hedges.

For cash flow hedge arrangements, amounts of a credit of £38.5 million (2021: debit of £38.0 million) representing the effective portion of the gain or loss on the hedging instrument were taken to equity, and reclassified to profit or loss in the same period when the related foreign exchange impact on the associated hedged item affected profit or loss.

Changes in the fair value relating to the ineffective portion of the currency derivatives that are designated hedges amounted to £2.7 million (2021: £2.5 million) which is included within revaluation and retranslation of financial instruments in the income statement. At the balance sheet date, the total nominal amount of outstanding forward foreign exchange contracts not designated as hedges was £1,004.8 million (2021: £764.8 million). The Group estimates the fair value of these contracts to be a net asset of £0.4 million (2021: net liability of £3.9 million).

As at 31 December 2022, the Group had designated its $93 million bond, $750 million bond, $220 million bond, and $604 million leg of its cross currency swap, as the hedging instruments in a net investment hedge relationship. The Group has designated its €500 million leg of its cross currency swap as the hedging instrument in a cash flow hedge. Possible sources of ineffectiveness include any impairments to the Group's net investment in US dollars. The hedges are documented and are assessed for effectiveness on an ongoing basis. Both hedge relationships were effective during the year.

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

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
2022					
Other investments	–	255.7	114.1	–	369.8
Cash and short-term deposits	–	–	–	2,491.5	2,491.5
Bank overdrafts, bonds and bank loans	–	–	–	(1,169.0)	(1,169.0)
Bonds and bank loans	–	–	–	(3,801.8)	(3,801.8)
Trade and other receivables: amounts falling due within one year	–	–	–	11,338.0	11,338.0
Trade and other receivables: amounts falling due after more than one year	–	–	–	146.2	146.2
Trade and other payables: amounts falling due within one year	–	–	–	(11,283.0)	(11,283.0)
Trade and other payables: amounts falling due after more than one year	–	–	–	(0.9)	(0.9)
Derivative assets	0.6	5.1	–	–	5.7
Derivative liabilities	(53.3)	(4.7)	–	–	(58.0)
Payments due to vendors (earnout agreements)	–	(160.1)	–	–	(160.1)
Liabilities in respect of put options	–	(342.1)	–	–	(342.1)
	(52.7)	**(246.1)**	**114.1**	**(2,279.0)**	**(2,463.7)**

	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
2021					
Other investments	–	228.3	90.0	–	318.3
Cash and short-term deposits	–	–	–	3,882.9	3,882.9
Bank overdrafts, bonds and bank loans	–	–	–	(567.2)	(567.2)
Bonds and bank loans	–	–	–	(4,216.8)	(4,216.8)
Trade and other receivables: amounts falling due within one year	–	–	–	10,448.0	10,448.0
Trade and other receivables: amounts falling due after more than one year	–	–	–	84.5	84.5
Trade and other payables: amounts falling due within one year	–	–	–	(10,674.8)	(10,674.8)
Trade and other payables: amounts falling due after more than one year	–	–	–	(1.5)	(1.5)
Derivative assets	0.5	2.5	–	–	3.0
Derivative liabilities	(47.2)	(6.4)	–	–	(53.6)
Payments due to vendors (earnout agreements)	–	(196.7)	–	–	(196.7)
Liabilities in respect of put options	–	(391.5)	–	–	(391.5)
	(46.7)	(363.8)	90.0	(1,044.9)	(1,365.4)

26. FINANCIAL INSTRUMENTS CONTINUED

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).

2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives in designated hedge relationships				
Derivative assets	–	0.6	–	0.6
Derivative liabilities	–	(53.3)	–	(53.3)
Held at fair value through profit or loss				
Other investments	0.4	–	255.3	255.7
Derivative assets	–	5.1	–	5.1
Derivative liabilities	–	(4.7)	–	(4.7)
Payments due to vendors (earnout agreements)	–	–	(160.1)	(160.1)
Liabilities in respect of put options	–	–	(342.1)	(342.1)
Held at fair value through other comprehensive income				
Other investments	10.9	–	103.2	114.1

2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives in designated hedge relationships				
Derivative assets	–	0.5	–	0.5
Derivative liabilities	–	(47.2)	–	(47.2)
Held at fair value through profit or loss				
Other investments	0.4	–	227.9	228.3
Derivative assets	–	2.5	–	2.5
Derivative liabilities	–	(6.4)	–	(6.4)
Payments due to vendors (earnout agreements)	–	–	(196.7)	(196.7)
Liabilities in respect of put options	–	–	(391.5)	(391.5)
Held at fair value through other comprehensive income				
Other investments	27.9	–	62.1	90.0

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

Reconciliation of level 3 fair value measurements:

	Payments due to vendors (earnout agreements)	Liabilities in respect of put options £m	Other investments £m
1 January 2021	(114.3)	(110.7)	366.6
Losses recognised in the income statement	(58.7)	(40.6)	(7.7)
Losses recognised in other comprehensive income	–	–	(42.8)
Exchange adjustments	1.0	1.3	–
Additions	(81.7)	(247.7)[1]	5.9
Disposals	–	–	(32.0)
Cancellations	–	0.8	–
Settlements	57.0	5.4	–
31 December 2021	(196.7)	(391.5)	290.0
Gains recognised in the income statement	26.2	27.9	23.1
Losses recognised in other comprehensive income	–	–	(5.3)
Exchange adjustments	(14.3)	(39.9)	–
Additions	(46.7)	(5.0)	66.7
Disposals	–	–	(16.0)
Cancellations	–	11.0	–
Settlements	71.4	55.4	–
31 December 2022	**(160.1)**	**(342.1)**	**358.5**

Note

1 During 2021, the Group merged Finsbury Glover Hering and Sard Verbinnen & Co to form a leading global strategic communications firm. As a part of this transaction, certain management acquired shares in the Company and a put option was granted which allows the equity partners to require the Group to purchase these shares. This resulted in additions to liabilities in respect of put options in the year of £219.6 million

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 and subsequently measured at fair value in accordance with IFRS 9. 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.

As of 31 December 2022, 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 £226 million (2021: £nil to £124 million) and £nil to £695 million (2021: £nil to £595 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.

At 31 December 2022, the weighted average growth rate in estimating future financial performance was 12.4% (2021: 16.7%). The weighted average of the risk-adjusted discount rate applied to these obligations at 31 December 2022 was 7.6% (2021: 6.5%).

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 £9.1 million (2021: £6.0 million) and £6.9 million (2021: £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 £7.3 million (2021: £8.6 million) and £7.4 million (2021: £8.9 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. The sensitivity to changes in unobservable inputs is specific to each individual investment. A change to one or more of these unobservable inputs to reflect a reasonably possible alternative assumption would not result in a significant change to the fair value.

During the year, Imagina stepped down from interests in associates to other investments and this investment has been designated as fair value through other comprehensive income. The fair value of Imagina as at 31 December 2022 was £61.6 million.

27. AUTHORISED AND ISSUED SHARE CAPITAL

	Equity ordinary shares	Nominal value £m
Authorised		
1 January 2021	1,750,000,000	175.0
31 December 2021	1,750,000,000	175.0
31 December 2022	**1,750,000,000**	**175.0**
Issued and fully paid		
1 January 2021	1,296,080,242	129.6
Exercise of share options	534,800	–
Share cancellations	(72,155,492)	(7.2)
At 31 December 2021	1,224,459,550	122.4
Exercise of share options	125,700	–
Share cancellations	(83,157,954)	(8.3)
At 31 December 2022	**1,141,427,296**	**114.1**

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 130 to 156.

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 2022 was 1,211,974 (2021: 5,803,641) and £9.9 million (2021: £65.0 million) respectively. The number and market value of ordinary shares held in treasury at 31 December 2022 was 70,489,953 (2021: 70,489,953) and £578.2 million (2021: £789.1 million) respectively.

SHARE OPTIONS

WPP WORLDWIDE SHARE OWNERSHIP PROGRAMME (WWOP)

As at 31 December 2022, unexercised options over ordinary shares of 897,900 and unexercised options over ADRs of 148,225 have been granted under the WPP Worldwide Share Ownership Programme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
696,975	13.145	2017-2024
3,625	13.145	2018-2024
196,675	13.505	2016-2023
625	13.505	2017-2023

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
80,265	102.670	2017-2024
67,960	110.760	2016-2023

WPP SHARE OPTION PLAN 2015 (WSOP)

As at 31 December 2022, unexercised options over ordinary shares of 13,567,625 and unexercised options over ADRs of 1,546,280 have been granted under the WPP Share Option Plan as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
10,125	7.344	2023-2027
2,045,200	7.344	2023-2030
7,875	8.372	2021-2025
1,017,925	8.372	2021-2028
232,625	8.684	2025-2029
3,150,575	8.684	2025-2032
9,375	9.600	2022-2026
1,618,875	9.600	2022-2029
2,581,000	11.065	2023-2030
8,250	13.085	2020-2024
1,141,850	13.085	2020-2027
802,475	15.150	2018-2025
4,375	15.150	2019-2025
6,750	17.055	2019-2023
930,350	17.055	2019-2026

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
226,670	48.950	2023-2030
366,420	52.600	2025-2032
136,260	53.140	2021-2028
189,600	62.590	2022-2029
294,270	73.780	2023-2030
131,040	88.260	2020-2027
111,770	105.490	2020-2026
90,250	115.940	2018-2025

27. AUTHORISED AND ISSUED SHARE CAPITAL CONTINUED

The aggregate status of the WPP Share Option Plans during 2022 was as follows:

MOVEMENTS ON OPTIONS GRANTED (REPRESENTED IN ORDINARY SHARES)

	1 January 2022	Granted	Exercised	Forfeited	**Outstanding 31 December 2022**	Exercisable 31 December 2022
WPP	6,741	–	–	(6,741)	**–**	–
WWOP	2,049,299	–	(2,575)	(407,699)	**1,639,025**	–
WSOP	19,608,150	5,224,050	(123,125)	(3,410,050)	**21,299,025**	3,188,675
	21,664,190	5,224,050	(125,700)	(3,824,490)	**22,938,050**	3,188,675

	1 January 2021	Granted	Exercised	Forfeited	**Outstanding 31 December 2021**	Exercisable 31 December 2021
WPP	6,741	–	–	–	**6,741**	6,741
WWOP	2,499,674	–	(54,050)	(396,325)	**2,049,299**	184,124
WSOP	17,940,725	5,155,800	(480,750)	(3,007,625)	**19,608,150**	14,287,525
	20,447,140	5,155,800	(534,800)	(3,403,950)	**21,664,190**	14,478,390

WEIGHTED AVERAGE EXERCISE PRICE FOR OPTIONS OVER

	1 January 2022	Granted	Exercised	Forfeited	**Outstanding 31 December 2022**	Exercisable 31 December 2022
Ordinary shares (£)						
WPP	9.355	–	–	9.355	**–**	–
WWOP	12.923	–	8.458	11.565	**13.224**	–
WSOP	10.854	8.684	8.357	10.530	**10.356**	7.344
ADRs ($)						
WWOP	101.693	–	-	85.706	**106.379**	–
WSOP	72.228	52.600	53.270	71.674	**67.910**	48.950

	1 January 2021	Granted	Exercised	Forfeited	**Outstanding 31 December 2021**	Exercisable 31 December 2021
Ordinary shares (£)						
WPP	9.355	–	–	–	**9.355**	9.355
WWOP	12.631	–	7.304	11.803	**12.923**	8.458
WSOP	10.596	11.065	8.372	10.116	**10.854**	9.322
ADRs ($)						
WWOP	98.509	–	49.313	89.225	**101.693**	67.490
WSOP	70.363	73.780	53.248	66.257	**72.228**	61.479

OPTIONS OVER ORDINARY SHARES

Outstanding	Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
	7.344-17.055	10.534	84

OPTIONS OVER ADRs

Outstanding	Range of exercise prices $	Weighted average exercise price $	Weighted average contractual life Months
	48.950-115.940	71.275	82

As at 31 December 2022 there was £11.1 million (2021: £10.2 million) of total unrecognised compensation costs related to share options. The cost is expected to be recognised over a weighted average period of 20 months (2021: 21 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:

	2022	2021	2020
Fair value of UK options (shares)	**177.0p**	220.0p	128.0p
Fair value of US options (ADRs)	**$11.48**	$14.89	$8.95
Weighted average assumptions			
UK risk-free interest rate	**2.92%**	0.63%	-0.02%
US risk-free interest rate	**4.09%**	1.16%	0.31%
Expected life (months)	**48**	48	48
Expected volatility	**32%**	34%	34%
Dividend yield	**3.9%**	3.4%	4.2%

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 2022 was £9.13 (2021: £9.64, 2020: £6.96) and the average ADR price for the same period was $56.80 (2021: $66.44, 2020: $44.56). The average share price of the Group for year ended 31 December 2022 approximates the weighted average share price during the periods of exercise throughout the year.

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.

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 £m	Hedging reserve £m	Translation reserve £m	Total other reserves £m
Balance at 1 January 2021	6.4	(122.3)	(5.9)	313.0	191.2
Reclassification between Hedging reserve and Translation reserve[1]	–	–	5.9	(5.9)	–
Re-presented balance at 1 January 2021	6.4	(122.3)	–	307.1	191.2
Foreign exchange differences on translation of foreign operations[1]	–	–	–	(132.7)	(132.7)
Gain on net investment hedges	–	–	–	45.5	45.5
Cash flow hedges:[1]					
Fair value loss arising on hedging instruments	–	–	(38.0)	–	(38.0)
Less: gain reclassified to profit or loss	–	–	38.0	–	38.0
Share of other comprehensive income of associate undertakings	–	–	–	7.3	7.3
Share cancellations	7.2	–	–	–	7.2
Recognition/derecognition of liabilities in respect of put options	–	(242.7)	–	–	(242.7)
Share purchases – close period commitments	–	(211.7)	–	–	(211.7)
Balance at 31 December 2021	13.6	(576.7)	–	227.2	(335.9)
Foreign exchange differences on translation of foreign operations	–	–	–	409.0	409.0
Loss on net investment hedges	–	–	–	(141.5)	(141.5)
Cash flow hedges:					
Fair value gain arising on hedging instruments	–	–	38.5	–	38.5
Less: loss reclassified to profit or loss	–	–	(38.5)	–	(38.5)
Share of other comprehensive income of associate undertakings	–	–	–	31.9	31.9
Share cancellations	8.3	–	–	–	8.3
Recognition/derecognition of liabilities in respect of put options	–	101.7	–	–	101.7
Share purchases – close period commitments	–	211.7	–	–	211.7
Balance at 31 December 2022	**21.9**	**(263.3)**	**–**	**526.6**	**285.2**

Note

[1] Balances for the year ended 31 December 2021 and 31 December 2020 have been re-presented following a reclassification between the hedging reserve and translation reserve of £38.0 million and £5.9 million, respectively

The capital redemption reserve relates entirely to share cancellations.

The equity reserve primarily relates to the recognition of liabilities in respect of put options agreements entered into by the Group as part of a business combination that allows non-controlling shareholders to sell their shares to the Group in the future. During 2021, the Company entered into an agreement with a third party to conduct share buybacks on its behalf in the close period commencing on 16 December 2021 and ending on 18 February 2022, in accordance with UK listing rules. The commitment resulting from this agreement constituted a liability at 31 December 2021 and was also recognised as a movement in the equity reserve in the year ended 31 December 2021. After the close period ended on 18 February 2022, the liability was settled and the amount in other reserves was reclassified to retained earnings.

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedges less amounts reclassified to profit or loss.

The translation reserve contains the accumulated gains/(losses) on currency translation of foreign operations arising on consolidation.

The translation reserve comprises:

	2022 £m	2021 £m
Balance relating to continuing net investment hedges	**(143.8)**	(2.3)
Balance relating to discontinued net investment hedges	**(85.0)**	(85.0)
Balance related to foreign exchange differences on translation of foreign operations[1]	**755.4**	314.5
	526.6	227.2

Note

[1] Balances for the year ended 31 December 2021 and 31 December 2020 have been re-presented following a reclassification between the hedging reserve and translation reserve of £38.0 million and £5.9 million, respectively

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.

The Group acquired a number of subsidiaries in the year. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group. The fair value adjustments for certain acquisitions have been determined provisionally at the balance sheet date.

	Book value at acquisition £m	Fair value adjustments £m	Fair value to Group £m
Intangible assets	1.2	46.5	47.7
Property, plant and equipment	1.3	–	1.3
Cash and cash equivalents	38.8	–	38.8
Trade receivables due within one year	27.0	–	27.0
Other current assets	13.1	1.1	14.2
Total assets	**81.4**	**47.6**	**129.0**
Current liabilities	(49.4)	(5.3)	(54.7)
Trade and other payables due after one year	(10.3)	(27.3)	(37.6)
Deferred tax liabilities	(0.1)	(12.4)	(12.5)
Long-term lease liabilities	(0.1)	–	(0.1)
Provisions	(0.1)	(1.2)	(1.3)
Total liabilities	**(60.0)**	**(46.2)**	**(106.2)**
Net assets	**21.4**	**1.4**	**22.8**
Non-controlling interests			(2.1)
Fair value of equity stake in associate undertakings before acquisition of controlling interest			(9.0)
Goodwill			249.3
Consideration			261.0
Consideration satisfied by:			
Cash			218.3
Payments due to vendors			42.7

Goodwill arising from acquisitions represents the value of synergies with our existing portfolio of businesses and skilled staff to deliver services to our clients. Goodwill that is expected to be deductible for tax purposes is £42.7 million.

Non-controlling interests in acquired companies are measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. There continues to be no subsidiaries with non-controlling interests that are individually material to the Group.

The contribution to revenue and operating profit of acquisitions completed in the year was not material. There were no material acquisitions completed between 31 December 2022 and the date the financial statements have been authorised for issue.

30. RELATED PARTY TRANSACTIONS

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.

In the year ended 31 December 2022, revenue of £88.3 million (2021: £117.2 million) was reported in relation to Compas, an associate in the USA, and revenue of £42.7 million (2021: £11.3 million) was reported in relation to Kantar. All other transactions in the years presented were immaterial.

The following amounts were outstanding at 31 December:

	2022 £m	2021 £m
Amounts owed by related parties		
Kantar	**26.1**	30.3
Other	**62.4**	45.7
	88.5	76.0
Amounts owed to related parties		
Kantar	**(10.5)**	(6.2)
Other	**(65.2)**	(51.4)
	(75.7)	(57.6)

31. EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period that require an adjustment or a disclosure within the financial statements.

COMPANY PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**2022 £m**	2021 £m
Turnover		**–**	–
Operating income		**17.0**	1.8
Operating profit		**17.0**	1.8
Dividend income		**2,052.6**	–
Interest receivable and similar income		**8.0**	8.1
Interest payable and similar charges	33	**(163.1)**	(91.9)
Profit/(loss) on ordinary activities before taxation		**1,914.5**	(82.0)
Taxation on profit/(loss) on ordinary activities	34	**–**	–
Profit/(loss) for the year		**1,914.5**	(82.0)

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.

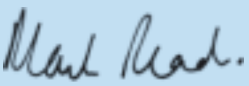
COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	**2022 £m**	2021 £m
Fixed assets			
Investments	35	**13,525.2**	13,403.1
		13,525.2	13,403.1
Current assets			
Debtors due within one year	36	**363.0**	1,992.5
		363.0	1,992.5
Current liabilities			
Creditors: amounts falling due within one year	37	**(7,891.3)**	(10,845.8)
Net current liabilities		**(7,528.3)**	(8,853.3)
Total assets less current liabilities		**5,996.9**	4,549.8
Creditors: amounts falling due after more than one year	38	**(395.9)**	(25.4)
Net assets		**5,601.0**	4,524.4
Capital and reserves			
Called-up share capital		**114.1**	122.4
Share premium account		**575.9**	574.7
Other reserves	39	**(10.0)**	(221.7)
Capital redemption reserve		**21.9**	13.6
Own shares		**(1,041.6)**	(1,041.6)
Profit and loss account		**5,940.7**	5,077.0
Equity shareholders' funds		**5,601.0**	4,524.4

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 23 March 2023.



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 2022

	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 2021	129.6	570.3	(10.0)	6.4	(1,045.3)	6,107.1	5,758.1
Ordinary shares issued	–	4.4	–	–	–	–	4.4
Share cancellations	(7.2)	–	–	7.2	–	(729.3)	(729.3)
Treasury share allocations	–	–	–	–	3.7	(3.7)	–
Loss for the year	–	–	–	–	–	(82.0)	(82.0)
Dividends paid	–	–	–	–	–	(314.7)	(314.7)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	99.6	99.6
Share purchases – close period commitments	–	–	(211.7)	–	–	–	(211.7)
Balance at 31 December 2021	122.4	574.7	(221.7)	13.6	(1,041.6)	5,077.0	4,524.4
Ordinary shares issued	–	**1.2**	–	–	–	–	1.2
Share cancellations	(8.3)	–	–	8.3	–	(807.4)	(807.4)
Treasury share allocations	–	–	–	–	–	–	–
Income for the year	–	–	–	–	–	1,914.5	1,914.5
Dividends paid	–	–	–	–	–	(365.4)	(365.4)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	122.0	122.0
Reversal of share purchases – close period commitments	–	–	211.7	–	–	–	211.7
Balance at 31 December 2022	**114.1**	**575.9**	**(10.0)**	**21.9**	**(1,041.6)**	**5,940.7**	**5,601.0**

Notes

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

1 Other reserves are analysed in note 39

NOTES TO THE COMPANY FINANCIAL STATEMENTS

32. ACCOUNTING POLICIES

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

(A) BASIS OF ACCOUNTING

The 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 90.

(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 2022, 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 Company 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 £122.0 million in 2022 (2021: £99.6 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. The general approach has been applied and a loss allowance for 12-month expected credit losses is recognised. 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.

The Group considers that the credit risk increased significantly since initial recognition when the credit rate changes, the debtor has significant financial difficulty or if there was a breach of contract. For balances that are beyond 180 days overdue it is presumed to be an indicator of a significant increase in credit risk.

33. INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £m	2021 £m
Bank and other interest payable	–	1.4
Interest payable to subsidiary undertakings	**163.1**	90.5
	163.1	91.9

34. 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% (2021: 19%). The differences are explained below:

	2022 £m	2021 £m
Profit/(loss) on ordinary activities before tax	**1,914.5**	(82.0)
Tax charge/(credit) at the corporation tax rate of 19.0% thereon	**363.8**	(15.6)
Factors affecting tax charge for the year		
Losses (claimed)/surrendered for nil consideration	**26.2**	15.6
Items that are (not taxable)/not deductible	**(390.0)**	–
Current tax charge for the year	**–**	–

35. FIXED ASSET INVESTMENTS

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

	Subsidiary undertakings £m
Cost	
1 January 2021	**13,305.9**
Additions	99.6
31 December 2021	**13,405.5**
Additions	122.0
31 December 2022	**13,527.5**
Accumulated impairment losses and write-downs	
1 January 2021	**(2.3)**
Impairment losses for the year	(0.1)
31 December 2021	**(2.4)**
Impairment gains for the year	0.1
31 December 2022	**(2.3)**
Net book value	
31 December 2022	**13,525.2**
31 December 2021	13,403.1
1 January 2021	13,303.6

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.

36. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

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

	2022 £m	2021 £m
Amounts owed by subsidiary undertakings	**362.8**	1,992.3
Other debtors	**0.2**	0.2
	363.0	1,992.5

The amounts owed by subsidiary undertakings are repayable on demand.

There was no loss allowance on debtors in the year ended 31 December 2022 (2021: £nil), as these are amounts due from other entities within the Group. Our historical experience of collecting these balances supported by the level of default confirms that the credit risk is low.

37. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

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

	2022 £m	2021 £m
Bank overdrafts	**–**	–
Amounts due to subsidiary undertakings	**7,887.5**	10,633.0
Share purchases – close period commitments	**–**	211.7
Other creditors and accruals	**3.8**	1.1
	7,891.3	10,845.8

During 2021 the Group converted the majority of its cash pool arrangements to zero-balancing cash pools, whereby the cash and overdrafts within these cash pools are physically swept to the header accounts on a daily basis. At 31 December 2022, there are no gross cash or overdraft balances reported by the Company as these now form amounts owed by/to subsidiary undertakings.

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

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

	2022 £m	2021 £m
Amounts due to subsidiary undertakings	**395.9**	25.4

Total borrowings are repayable as follows:

	2022 £m	2021 £m
Within one year	**7,891.3**	10,845.8
Between one and five years	**–**	25.4
Over five years	**395.9**	–
	8,287.2	10,871.2

39. EQUITY SHAREHOLDERS' FUNDS

Other reserves at 31 December 2022 comprise a translation reserve of £10.0 million (2021: £10.0 million) and an equity reserve of £nil (2021: £211.7 million).

At 31 December 2022 the Company's distributable reserves amounted to £5,465.0 million (2021: £4,388.4 million) which, under the Companies (Jersey) Law 1991, is total reserves excluding share capital and capital redemption reserve. 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 2022 and of the group's profit and of the parent company's loss for the year then ended
- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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"
- The financial statements have been properly prepared in accordance with 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 related notes 1 to 31 of the consolidated financial statements
- The parent company profit and loss account, balance sheet and statement of changes in equity
- The related notes 32 to 39 of the parent company financial statements

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, 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 we have not provided any non-audit services prohibited by the FRC's Ethical Standard 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 matter	The key audit matter we identified in the current year was valuation of goodwill.
Materiality	We considered a number of metrics when determining group materiality, including: pre-tax profit; revenue; and headline EBITDA. Our selected materiality represents 5.2% of pre-tax profit (2021: 5.8%), 0.4% of revenue (2021: 0.4%) and 2.6% of Headline EBITDA (2021: 2.7%).
Scoping	Those entities subject to audit represented 68% of the group's consolidated revenue (2021: 70% of revenue) 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.
Significant changes in our approach	There have been no significant changes in our approach in the current year.

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 controls over management's going concern model, including the review of the inputs and assumptions used in the model
- Identifying the key assumptions, including those relating to the current macroeconomic uncertainty, 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, both under the group's forecasts and in severe downside scenarios
- Confirming the existence and availability of financing facilities
- Evaluating the appropriateness of management's sensitivity analysis modelled under their most severe scenario, including an evaluation of the mitigating actions available to management
- 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.

5.1. VALUATION OF GOODWILL

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
VALUATION OF GOODWILL **(Refer to the Accounting Policies and Note 14 (Intangible assets) to the financial statements, and the Audit Committee Report)**		

The group's assessment of goodwill for impairment involves the comparison of the recoverable amount of goodwill to its carrying value at the measurement date. The recoverable amount is calculated as the higher of fair value less costs of disposal 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 cash flow forecasts and long-term growth rates. The net book value of goodwill was £8,453 million as at 31 December 2022 (31 December 2021: £7,612 million).
 	
We identified goodwill valuation as a key audit matter because of the significant judgements made by management, which consider future impacts of the current economic uncertainty, to estimate the value in use of goodwill and the increased auditor judgement and level of audit effort required to obtain evidence to test these significant judgements, including the use of specialists. 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 due to inflationary pressures, rising interest rates and global economic uncertainty. Through our risk assessment procedures, we identified those inputs that were the most sensitive in determining the value in use, which enabled us to design our audit procedures to focus on those estimates that are either complex, including the discount rate calculation, or subjective in nature, including the short-term forecasts and long-term growth rates.
	Our audit procedures focused on challenging and evaluating the discount rates, short-term forecasts and long-term growth rates used in the discounted cash flow model to determine the value in use and included the following audit procedures, among others:
	
	– We tested the effectiveness of controls over management's estimations of the short-term cash flow forecasts, discount rates and long-term growth rates used to determine the value in use
	– We assessed the appropriateness of forecasted revenue and operating margin growth rates by performing procedures such as comparing to external economic data, including peers, market data and wider economic forecasts, specifically assessing the impact of inflationary pressures and rising interest rates on the forecasts
	– We evaluated management's ability to accurately forecast future revenues and growth rates by comparing actual results to management's historical forecasts
	– With the assistance of our valuation specialists, we assessed the mechanical accuracy of the impairment model 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 by:
	  – Testing the source information underlying the determination of the discount rates and the mathematical accuracy of the calculation
	  – Assessing the methodology applied in the discount rate calculation against market practice valuation techniques
	  – Assessing the long-term growth rates against independent market data and an independently derived weighted average rate for each country, based on their GDP forecasts
	– We evaluated the group's disclosures on goodwill against the requirements of IFRS
		Based on our procedures, we determined management's assumptions used in the valuation of goodwill to be reasonable.

6. OUR APPLICATION OF MATERIALITY

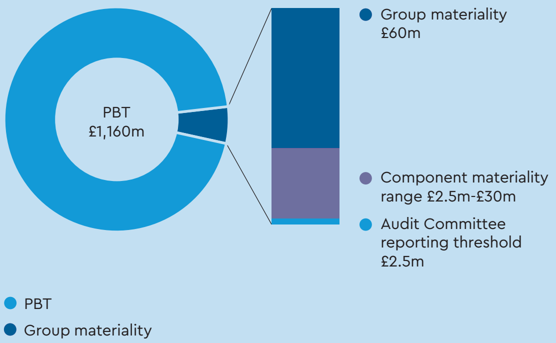
6.1. MATERIALITY

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	£60 million (2021: £55 million)	£30 million (2021: £27.5 million)
Basis for determining materiality	We have considered a number of metrics when determining group materiality, including: pre-tax profit; revenue; and headline EBITDA. Our selected materiality figure represents 5.2% of pre-tax profit, 0.4% of revenue and 2.7% of Headline EBITDA.[1] In 2021, we determined materiality to be £55 million, as 5.8% of pre-tax profit excluding impairment of goodwill and investments in associates, and retranslation of financial instruments, 0.4% of revenue and 2.7% of Headline EBITDA.	The basis for materiality is shareholder's equity. The materiality used is less than 1% of shareholders' equity (2021: less than 1% of shareholders' equity), and is capped at 50% of group materiality (2021: 50%).
Rationale for the benchmark applied	We have determined that the critical benchmark for the Group was pre-tax profit because we consider this measure to be the primary focus of users of the financial statements. We also considered revenue and headline EBITDA as relevant metrics to the users of the financial statements.	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.

[1] The calculation of headline EBITDA is set out on page 216



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% (2021: 60%) of group materiality	65% (2021: 60%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered factors including: – Our risk assessment and assessment of the Group's overall control environment, financial processes and systems in the majority of areas of the audit – Our past experience of the audit, including the restatements required during 2020 for the 2018 and 2019 financial statements The increase in the performance materiality percentage in the current period reflects the prior-year remediation of previously identified material weaknesses.	The parent company performance materiality has been set at 60% 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 £2.5 million (2021: £2.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

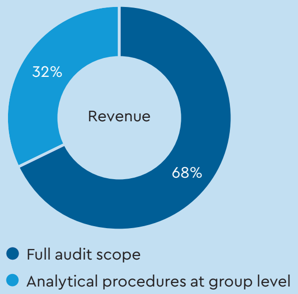
7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. IDENTIFICATION AND SCOPING OF COMPONENTS

As a result of the disaggregated structure and diversity of the Group, a significant portion of our audit planning effort was ensuring that the scope of work is appropriate in addressing the identified risks of material misstatement. 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 68% of the group's consolidated revenue (2021: 70% revenue) 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. Component teams performed specified audit procedures on 64 operating units (2021: 62), defined as business locations operating under a common control environment. 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 internal controls, including the general IT controls, over financial reporting in all areas of the audit.

7.3. OUR CONSIDERATION OF CLIMATE-RELATED RISKS

The group identified climate-related risks such as the increased frequency of extreme weather and climate-related natural disasters, increased reputational risk associated with working on environmentally detrimental client briefs, and/or misrepresenting environmental claims and changes in regulation and reporting standards which could result in climate-related litigation and claims. The risks are disclosed within the Task Force on Climate-Related Financial Disclosures ("TCFD") statement on pages 220 to 226 of the Annual Report.

Our risk assessment procedures in relation to the impact of climate-related risks involved obtaining an understanding of management's relevant processes and controls. We further reviewed management's paper assessing these risks. We evaluated these risks to assess whether they were complete and consistent with our understanding of the entity and our wider risk assessment procedures.

Our procedures to address our identified risks involved considering the impact of the risks on the financial statements overall, including in the application of individual accounting standards. Such considerations included the impact of the Group's net zero carbon emission commitments, and changes in regulation and reporting standards. We further reconciled the disclosures made to underlying supporting evidence. With the assistance of internal specialists, we assessed the TCFD recommended disclosures within the Annual Report and considered whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. 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 and complexity of the entity. The group audit team directs, supervises and evaluates the audit work performed by component audit teams by:

- Speaking regularly with teams about the status of their work
- Reviewing reporting and underlying workpapers where determined to be necessary
- Attending key meetings including close meetings

In order to drive consistency and comparability over the audit work performed by our component auditors, the group engagement team directly leads the risk assessment process in all areas of the audit. This process involves workshops with our local audit teams to enhance and confirm the group teams understanding of local processes and risks. After consideration of how the nature and extent of those operating unit level risks contribute to risk of material misstatement at a group level the group engagement team, in consultation with the local team, confirms the specific audit procedures that component auditors are instructed to perform.

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

- Include the component audit partner in our team planning meeting
- Discuss the results of the Group-led risk assessment
- 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 statement of directors' responsibilities, 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: www.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, including consideration of the visibility of management incentive schemes and how they could influence local, regional and global management behaviour
- 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, including consideration of the nature and quantum of matters raised to the group's Business Integrity team
- 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
- The matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including fraud, impairment, 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. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override, including adjustments made in the financial reporting process outside of local operational reporting.

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, 1991 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 did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

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
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, including those made outside of local operational reporting; 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
- 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 90
- 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 90
- The directors' statement on fair, balanced and understandable set out on page 157
- The board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 91 to 97
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 124
- The section describing the work of the audit committee set out on pages 122 to 127

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 proper 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 21 years, covering the years ending 31 December 2002 to 31 December 2022.

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 those matters we have expressly agreed to report to them on in our engagement letter 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

James A Bates

James Bates, FCA
Senior statutory auditor
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23 March 2023

RECONCILIATION TO NON-GAAP MEASURES OF PERFORMANCE

The Group presents alternative performance measures, including headline operating profit, headline operating profit margin, headline profit before interest and tax, headline profit before tax, headline earnings, headline EPS, headline EBITDA, revenue less pass-through costs, adjusted net debt and adjusted free cash flow. 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.

In the calculation of headline profit measures, judgement is required by management in determining which revenues and costs are considered to be significant, non-recurring or volatile items that are to be excluded.

The exclusion of certain adjusting items may result in headline earnings being materially higher or lower than reported earnings, for example when significant impairments or restructuring charges are excluded but the related benefits are included headline earnings will be higher. Headline measures should not be considered in isolation as they provide additional information to aid the understanding of the Group's financial performance.

Reconciliation of revenue to revenue less pass-through costs:

	2022 £m	2021 £m	2020 £m
Revenue	**14,428.7**	12,801.1	12,002.8
Media pass-through costs	**(1,905.7)**	(1,865.3)	(1,555.2)
Other pass-through costs	**(723.7)**	(538.6)	(685.6)
Revenue less pass-through costs	**11,799.3**	10,397.2	9,762.0

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 profit/(loss) before taxation to headline operating profit:

	2022 £m	2021 £m	2020 £m
Profit/(loss) before taxation	**1,159.8**	950.8	(2,790.6)
Finance and investment income	**145.4**	69.4	82.7
Finance costs	**(359.4)**	(283.6)	(312.0)
Revaluation and retranslation of financial instruments	**76.0**	(87.8)	(147.2)
Profit/(loss) before interest and taxation	**1,297.8**	1,252.8	(2,414.1)
Earnings/(loss) from associates – after interest and tax	**60.4**	(23.8)	136.0
Operating profit/(loss)	**1,358.2**	1,229.0	(2,278.1)
Operating profit/(loss) margin %	**11.5%**	11.8%	(23.3%)
Goodwill impairment	**37.9**	1.8	2,822.9
Amortisation and impairment of acquired intangible assets	**62.1**	97.8	89.1
Investment and other impairment charges/(reversals)	**48.0**	(42.4)	296.2
Intangible asset impairment	**29.0**	–	–
Restructuring and transformation costs	**203.7**	145.5	80.7
Restructuring costs in relation to Covid-19	**15.1**	29.9	232.5
Property related costs	**18.0**	–	–
Losses/(gains) on disposal of investments and subsidiaries	**36.3**	10.6	(7.8)
Gains on remeasurement of equity interests arising from a change in scope of ownership	**(66.5)**	–	(0.6)
Litigation settlement	**–**	21.3	25.6
Headline operating profit	**1,741.8**	1,493.5	1,260.5
Headline operating profit margin %	**14.8%**	14.4%	12.9%

	2022 £m	2021 £m	2020 £m
Headline operating profit	**1,741.8**	1,493.5	1,260.5
Finance and investment income	**145.4**	69.4	82.7
Finance costs (excluding interest expense related to lease liabilities)	**(263.7)**	(192.7)	(211.0)
	(118.3)	(123.3)	(128.3)
Interest cover[1] on headline operating profit	**14.7 times**	12.1 times	9.8 times

Note

1 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 and headline operating margin are metrics that management use to assess the performance of the business.

Headline operating profit margin before and after earnings from associates:

	Margin %	2022 £m	Margin %	2021 £m	Margin %	2020 £m
Revenue less pass-through costs		**11,799.3**		10,397.2		9,762.0
Headline operating profit	**14.8**	**1,741.8**	14.4	1,493.5	12.9	1,260.5
Earnings from associates (after interest and tax, excluding adjusting items)		**73.9**		86.1		10.1
Headline PBIT	**15.4**	**1,815.7**	15.2	1,579.6	13.0	1,270.6

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

Calculation of headline EBITDA:

	2022 £m	2021 £m	2020 £m
Headline PBIT (as above)	**1,815.7**	1,579.6	1,270.6
Depreciation of property, plant and equipment	**166.9**	151.2	174.8
Amortisation of other intangible assets	**21.9**	19.9	35.2
Headline EBITDA (including depreciation of right-of-use assets)	**2,004.5**	1,750.7	1,480.6
Depreciation of right-of-use assets	**262.2**	272.9	331.9
Headline EBITDA	**2,266.7**	2,023.6	1,812.5

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 profit before taxation to headline PBT and headline earnings:

	2022 £m	2021 £m	2020 £m
Profit/(loss) before taxation	**1,159.8**	950.8	(2,790.6)
Goodwill impairment	**37.9**	1.8	2,822.9
Amortisation and impairment of acquired intangible assets	**62.1**	97.8	89.1
Investment and other impairment charges/(reversals)	**48.0**	(42.4)	296.2
Intangible asset impairment	**29.0**	–	–
Restructuring and transformation costs	**203.7**	145.5	80.7
Restructuring costs in relation to Covid-19	**15.1**	29.9	232.5
Property related costs	**18.0**	–	–
Losses/(gains) on disposal of investments and subsidiaries	**36.3**	10.6	(7.8)
Gains on remeasurement of equity interests arising from a change in scope of ownership	**(66.5)**	–	(0.6)
Litigation settlement	**–**	21.3	25.6
Share of adjusting items of associates	**134.3**	62.3	146.1
Revaluation and retranslation of financial instruments	**(76.0)**	87.8	147.2
Headline PBT	**1,601.7**	1,365.4	1,041.3
Headline tax charge	**(408.8)**	(327.9)	(239.9)
Headline non-controlling interests	**(92.7)**	(83.0)	(58.9)
Headline earnings	**1,100.2**	954.5	742.5

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

Calculation of headline taxation:

	2022 £m	2021 £m	2020 £m
Headline PBT	**1,601.7**	1,365.4	1,041.3
Tax charge	**384.4**	230.1	127.1
Tax (charge)/credit relating to gains on disposal of investments and subsidiaries	**(9.0)**	31.5	(2.7)
Tax credit relating to restructuring and transformation costs	**41.1**	38.4	14.3
Tax credit relating to restructuring and transformation costs in relation to Covid-19	**5.4**	7.3	51.2
Tax (charge)/credit relating to litigation settlement	**–**	(5.4)	5.4
Deferred tax impact of the amortisation of acquired intangible assets and other goodwill items	**(15.4)**	5.6	36.0
Deferred tax relating to gains on disposal of investments and subsidiaries	**2.3**	20.4	8.6
Headline tax charge	**408.8**	327.9	239.9
Headline tax rate	**25.5%**	24.0%	23.0%

In 2021 the Group reassessed the measure of headline tax rate, as some associate businesses are classified as US tax partnerships with their related tax forming part of the headline tax charge, and now considers the most appropriate metric is to use the headline tax charge as a percentage of headline PBT (that includes the share of headline results of associates). The headline tax rate on headline PBT including the share of headline results of associates was 25.5% (2021: 24.0%, 2020: 23.0%). Given the Group's geographic mix of profits and the changing international tax environment, the headline tax rate is expected to increase over the next few years.

Calculation of headline non-controlling interests:

	2022 £m	2021 £m	2020 £m
Non-controlling interests	**92.7**	83.0	53.9
Non-controlling interests relating to restructuring costs in relation to Covid-19	**–**	–	5.0
Headline non-controlling interests	**92.7**	83.0	58.9

Reconciliation of adjusted free cash flow:

	2022 £m	2021 £m	2020 £m
Cash generated by operations	**1,268.2**	2,580.3	2,583.9
Plus			
Interest received	**88.9**	47.5	73.6
Investment income	**24.5**	17.8	8.7
Dividends from associates	**37.6**	53.4	32.5
Share option proceeds	**1.2**	4.4	–
Less			
Earnout payments	**(71.4)**	(57.0)	(115.2)
Corporation and overseas tax paid	**(390.9)**	(391.1)	(371.5)
Interest and similar charges paid	**(210.2)**	(173.7)	(173.9)
Interest paid on lease liabilities	**(92.4)**	(88.4)	(98.5)
Repayment of lease liabilities	**(309.6)**	(320.7)	(300.1)
Purchases of property, plant and equipment	**(208.4)**	(263.2)	(218.3)
Purchase of other intangible assets (including capitalised computer software)	**(14.9)**	(29.9)	(54.4)
Dividends paid to non-controlling interests in subsidiary undertakings	**(69.5)**	(114.5)	(83.3)
Adjusted free cash flow	**53.1**	1,264.9	1,283.5

The Group bases its internal cash flow objectives on adjusted free cash flow. Management believes adjusted 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 adjusted 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).

ADJUSTED NET DEBT AND AVERAGE ADJUSTED NET DEBT

Management believes that adjusted net debt and average adjusted net debt are appropriate and meaningful measures of the debt levels within the Group. This is because of the seasonal swings in our working capital generally, and those resulting from our media buying activities on behalf of our clients in particular.

Adjusted net debt at a period end consists of cash and short-term deposits, bank overdraft, bonds and bank loans due within one year and bonds and bank loans due after one year.

Reconciliation of adjusted net debt:

	2022 £m	2021 £m	2020 £m
Cash and short-term deposits	**2,491.5**	3,882.9	12,899.1
Bank overdraft, bonds and bank loans due within one year	**(1,169.0)**	(567.2)	(8,619.2)
Bonds and bank loans due after one year	**(3,801.8)**	(4,216.8)	(4,975.5)
Adjusted net debt	**(2,479.3)**	(901.1)	(695.6)

Average adjusted net debt is calculated as the average daily net borrowings of the Group. Adjusted net debt excludes lease liabilities.

FUTURE RESTRUCTURING AND TRANSFORMATION COSTS

Further restructuring and transformation costs are expected from 2023 to 2025, with approximately £250 million in relation to the continued rollout of the Group's new ERP system in order to drive efficiency and collaboration throughout the Group. Costs of between £100 million and £150 million are also expected in relation to other IT transformation projects, shared service centres and co-locations.

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 Glossary on pages 232 and 233.

Reconciliation of reported revenue less pass-through costs to like-for-like revenue less pass-through costs:

	Revenue less pass-through costs £m	
2020	9,762.0	
Impact of exchange rate changes	(487.4)	-5.0%
Impact of acquisition	(58.6)	-0.6%
Like-for-like growth	1,181.2	12.1%
2021	**10,397.2**	6.5%
Impact of exchange rate changes	611.9	5.9%
Impact of acquisition	72.8	0.7%
Like-for-like growth	717.4	6.9%
2022	**11,799.3**	13.5%

(LOSS)/EARNINGS FROM ASSOCIATES – AFTER INTEREST AND TAX

Management reviews the '(Loss)/earnings from associates – after interest and tax' by assessing the underlying component movements including 'share of profit before interest and taxation of associates', 'share of adjusting items of associates', 'share of interest and non-controlling interests of associates', and 'share of taxation of associates', which are derived from the Income Statements of the associate undertakings.

The following table is an analysis of '(Loss)/earnings from associates – after interest and tax' and underlying component movements:

	2022 £m	2021 £m	2020 £m
Share of profit before interest and taxation	**219.6**	208.5	142.5
Share of adjusting items	**(134.3)**	(62.3)	(146.1)
Share of interest and non-controlling interests	**(104.7)**	(83.9)	(91.4)
Share of taxation	**(41.0)**	(38.5)	(41.0)
(Loss)/earnings from associates – after interest and tax	**(60.4)**	23.8	(136.0)

Share of adjusting items of £134.3 million (2021: £62.3 million, 2020: £146.1 million) primarily comprise £75.8 million (2021: £38.8 million, 2020 £54.3 million) of amortisation and impairment of acquired intangible assets as well as restructuring and one-off costs of £54.8 million (2021: £18.8 million, 2020: £89.3 million) within Kantar.