Unaudited condensed consolidated interim income statement for the six months ended 30 June 2013

£ million	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012	+/(-)%	Constant Currency[1] +/(-)%	Year ended 31 December 2012
Billings		22,735.9	21,650.6	5.0	3.3	44,405.3
Revenue	6	5,326.7	4,971.6	7.1	5.5	10,373.1
Direct costs		(442.4)	(403.8)	(9.6)	(7.5)	(858.3)
Gross profit		4,884.3	4,567.8	6.9	5.3	9,514.8
Operating costs	4	(4,370.5)	(4,112.4)	(6.3)	(4.8)	(8,273.7)
Operating profit		513.8	455.4	12.8	10.0	1,241.1
Share of results of associates	4	27.6	28.0	(1.4)	0.6	69.4
Profit before interest and taxation		541.4	483.4	12.0	9.5	1,310.5
Finance income	5	25.0	27.9	(10.4)	(18.5)	55.9
Finance costs	5	(138.3)	(131.1)	(5.5)	(3.7)	(269.8)
Revaluation of financial instruments	5	(1.0)	(22.5)	-	-	(4.7)
Profit before taxation		427.1	357.7	19.4	16.4	1,091.9
Taxation	7	(111.7)	(50.9)	(119.4)	(126.5)	(197.2)
Profit for the period		315.4	306.8	2.8	(1.4)	894.7
Attributable to:						
Equity holders of the parent		280.9	277.8	1.1	(3.5)	822.7
Non-controlling interests		34.5	29.0	(19.0)	(18.6)	72.0
		315.4	306.8	2.8	(1.4)	894.7
Headline PBIT	6,19	637.0	570.0	11.8	9.6	1,531.0
Headline PBIT margin	6,19	12.0%	11.5%			14.8%
Headline PBT	19	523.7	466.8	12.2	9.7	1,317.1
Earnings per share[2]						
Basic earnings per ordinary share	9	22.3p	22.3p	-	(4.8)	66.2p
Diluted earnings per ordinary share	9	21.5p	21.6p	(0.5)	(4.7)	62.8p

[1] The basis for calculating the constant currency percentage changes shown above and in the notes to this appendix are described in the glossary attached to this appendix.
[2] The calculations of the Group's earnings per share and headline earnings per share are set out in note 9.

Unaudited condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2013

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Profit for the period	315.4	306.8	894.7
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments on foreign currency net investments	296.9	(165.8)	(305.2)
Gain/(loss) on revaluation of available for sale investments	5.5	25.7	(3.5)
	302.4	(140.1)	(308.7)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension plans	-	-	(83.9)
Deferred tax on defined benefit pension plans	-	-	7.3
	-	-	(76.6)
Other comprehensive income/(loss) relating to the period	302.4	(140.1)	(385.3)
Total comprehensive income relating to the period	617.8	166.7	509.4
Attributable to:			
Equity holders of the parent	578.9	139.7	444.2
Non-controlling interests	38.9	27.0	65.2
	617.8	166.7	509.4

Unaudited condensed consolidated interim cash flow statement for the six months ended 30 June 2013

£ million	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Net cash inflow/(outflow) from operating activities	10	175.2	(136.5)	908.3
Investing activities				
Acquisitions and disposals	10	(93.8)	(136.9)	(566.5)
Purchase of property, plant and equipment		(128.4)	(97.2)	(290.3)
Purchase of other intangible assets (including capitalised computer software)		(22.2)	(19.0)	(39.8)
Proceeds on disposal of property, plant and equipment		3.5	5.3	123.5
Net cash outflow from investing activities		(240.9)	(247.8)	(773.1)
Financing activities				
Share option proceeds		16.7	37.4	56.0
Cash consideration for non-controlling interests	10	(4.7)	(3.3)	(20.1)
Share repurchases and buybacks	10	(133.1)	(66.2)	(134.5)
Net increase in borrowings	10	-	7.6	380.5
Financing and share issue costs		(1.2)	(0.4)	(8.2)
Equity dividends paid		-	-	(306.6)
Dividends paid to non-controlling interests in subsidiary undertakings		(24.4)	(24.8)	(51.9)
Net cash outflow from financing activities		(146.7)	(49.7)	(84.8)
Net (decrease)/increase in cash and cash equivalents		(212.4)	(434.0)	50.4
Translation differences		111.7	(22.5)	(119.3)
Cash and cash equivalents at beginning of period		1,359.3	1,428.2	1,428.2
Cash and cash equivalents at end of period	10	1,258.6	971.7	1,359.3

Reconciliation of net cash flow to movement in net debt:				
Net (decrease)/increase in cash and cash equivalents		(212.4)	(434.0)	50.4
Cash outflow/(inflow) from decrease/(increase) in debt financing		1.2	(7.3)	(372.5)
Debt acquired		-	-	(20.0)
Conversion of bond to equity		390.0	-	-
Other movements		5.6	(0.1)	3.4
Translation differences		(80.3)	44.9	(17.7)
Movement of net debt in the period		104.1	(396.5)	(356.4)
Net debt at beginning of period		(2,821.2)	(2,464.8)	(2,464.8)
Net debt at end of period	11	(2,717.1)	(2,861.3)	(2,821.2)

Unaudited condensed consolidated interim balance sheet as at 30 June 2013

£ million	Notes	30 June 2013	30 June 2012	31 December 2012
Non-current assets				
Intangible assets:				
Goodwill	12	9,938.2	9,385.8	9,457.2
Other	13	1,843.9	1,767.5	1,827.4
Property, plant and equipment		821.0	717.2	768.3
Interests in associates and joint ventures		886.6	838.7	887.2
Other investments		209.8	212.8	176.5
Deferred tax assets		91.3	84.9	91.2
Trade and other receivables	14	210.9	331.9	245.1
		14,001.7	13,338.8	13,452.9
Current assets				
Inventory and work in progress		336.9	410.4	348.2
Corporate income tax recoverable		128.8	82.0	124.2
Trade and other receivables	14	9,495.1	8,533.7	9,007.0
Cash and short-term deposits		1,425.3	1,350.6	1,945.3
		11,386.1	10,376.7	11,424.7
Current liabilities				
Trade and other payables	15	(11,001.0)	(10,265.6)	(10,907.8)
Corporate income tax payable		(64.4)	(66.2)	(102.9)
Bank overdrafts and loans		(994.2)	(397.8)	(1,085.9)
		(12,059.6)	(10,729.6)	(12,096.6)
Net current liabilities		(673.5)	(352.9)	(671.9)
Total assets less current liabilities		13,328.2	12,985.9	12,781.0
Non-current liabilities				
Bonds and bank loans		(3,148.2)	(3,814.1)	(3,680.6)
Trade and other payables	16	(553.5)	(638.4)	(512.0)
Corporate income tax payable		(402.3)	(383.2)	(375.3)
Deferred tax liabilities		(709.3)	(671.3)	(680.3)
Provisions for post-employment benefits		(354.1)	(277.4)	(335.6)
Provisions for liabilities and charges		(151.0)	(144.8)	(136.6)
		(5,318.4)	(5,929.2)	(5,720.4)
Net assets		8,009.8	7,056.7	7,060.6
Equity				
Called-up share capital	17	133.4	126.7	126.5
Share premium account		399.7	142.4	175.9
Shares to be issued		1.7	2.2	1.8
Other reserves		898.8	(4,336.1)	(4,513.0)
Own shares		(215.7)	(173.1)	(166.5)
Retained earnings		6,525.6	11,058.8	11,186.3
Equity share owners' funds		7,743.5	6,820.9	6,811.0
Non-controlling interests		266.3	235.8	249.6
Total equity		8,009.8	7,056.7	7,060.6

Unaudited condensed consolidated interim statement of changes in equity for the six months ended 30 June 2013

£ million	Called-up share capital	Share premium account	Shares to be issued	Other reserves	Own shares	Retained earnings	Total equity share owners' funds	Non-controlling interests	Total
Balance at 1 January 2013	**126.5**	**175.9**	**1.8**	**(4,513.0)**	**(166.5)**	**11,186.3**	**6,811.0**	**249.6**	**7,060.6**
Reclassification due to Group reconstruction[1]	-	(176.0)	-	5,133.7	-	(4,957.7)	-	-	-
Ordinary shares issued	0.3	16.4	(0.1)	0.1	-	-	16.7	-	16.7
Shares issued on conversion of bond	6.6	383.4	-	-	-	-	390.0	-	390.0
Reclassification of convertible bond	-	-	-	(38.6)	-	31.0	(7.6)	-	(7.6)
Treasury share additions	-	-	-	-	(17.6)	-	(17.6)	-	(17.6)
Treasury share allocations	-	-	-	-	3.2	(3.2)	-	-	-
Exchange adjustments on foreign currency net investments	-	-	-	292.5	-	-	292.5	4.4	296.9
Net profit for the period	-	-	-	-	-	280.9	280.9	34.5	315.4
Dividends paid	-	-	-	-	-	-	-	(24.4)	(24.4)
Non-cash share-based incentive plans (including stock options)	-	-	-	-	-	50.1	50.1	-	50.1
Tax adjustment on share-based payments	-	-	-	-	-	23.5	23.5	-	23.5
Net movement in own shares held by ESOP Trusts	-	-	-	-	(34.8)	(80.7)	(115.5)	-	(115.5)
Gain on revaluation of available for sale investments	-	-	-	5.5	-	-	5.5	-	5.5
Recognition/remeasurement of financial instruments	-	-	-	0.3	-	(2.5)	(2.2)	-	(2.2)
Share purchases - close period commitments	-	-	-	18.3	-	-	18.3	-	18.3
Acquisition of subsidiaries[2]	-	-	-	-	-	(2.1)	(2.1)	2.2	0.1
Balance at 30 June 2013	**133.4**	**399.7**	**1.7**	**898.8**	**(215.7)**	**6,525.6**	**7,743.5**	**266.3**	**8,009.8**

Total comprehensive income relating to the period ended 30 June 2013 was £617.8 million (period ended 30 June 2012: £166.7 million; year ended 31 December 2012: £509.4 million).

[1] On 2 January 2013, pursuant to a scheme of arrangement under Article 125 of the Companies (Jersey) Law 1991, a new parent company was introduced. Upon implementation, the Group's share premium account and merger reserve (included in other reserves) have been transferred to retained earnings.

[2] Acquisition of subsidiaries represents movements in retained earnings and non-controlling interests arising from increases in ownership of existing subsidiaries and recognition of non-controlling interests on new acquisitions.

Unaudited condensed consolidated interim statement of changes in equity for the six months ended 30 June 2013 (continued)

£ million	Called-up share capital	Share premium account	Shares to be issued	Other reserves	Own shares	Retained earnings	Total equity share owners' funds	Non-controlling interests	Total
Balance at 1 January 2012	**126.6**	**105.7**	**2.4**	**(4,197.3)**	**(177.6)**	**10,803.5**	**6,663.3**	**231.0**	**6,894.3**
Ordinary shares issued	0.7	36.7	(0.2)	0.1	-	-	37.3	-	37.3
Share cancellations	(0.6)	-	-	0.6	-	(45.9)	(45.9)	-	(45.9)
Treasury share allocations	-	-	-	-	1.0	(1.0)	-	-	-
Exchange adjustments on foreign currency net investments	-	-	-	(163.8)	-	-	(163.8)	(2.0)	(165.8)
Net profit for the period	-	-	-	-	-	277.8	277.8	29.0	306.8
Dividends paid	-	-	-	-	-	-	-	(24.8)	(24.8)
Non-cash share-based incentive plans (including stock options)	-	-	-	-	-	43.5	43.5	-	43.5
Tax adjustment on share-based payments	-	-	-	-	-	8.9	8.9	-	8.9
Net movement in own shares held by ESOP Trusts	-	-	-	-	3.5	(23.8)	(20.3)	-	(20.3)
Gain on revaluation of available for sale investments	-	-	-	25.7	-	-	25.7	-	25.7
Recognition/remeasurement of financial instruments	-	-	-	(1.4)	-	(1.5)	(2.9)	-	(2.9)
Acquisition of subsidiaries[1]	-	-	-	-	-	(2.7)	(2.7)	2.6	(0.1)
Balance at 30 June 2012	**126.7**	**142.4**	**2.2**	**(4,336.1)**	**(173.1)**	**11,058.8**	**6,820.9**	**235.8**	**7,056.7**
Ordinary shares issued	0.3	18.3	(0.4)	0.4	-	-	18.6	-	18.6
Share issue/cancellation costs	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
Share cancellations	(0.1)	-	-	0.1	-	(9.2)	(9.2)	-	(9.2)
Treasury share additions	-	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Treasury share allocations	-	-	-	-	(0.1)	0.1	-	-	-
Treasury share cancellations	(0.6)	-	-	0.6	37.2	(37.2)	-	-	-
Exchange adjustments on foreign currency net investments	-	-	-	(134.6)	-	-	(134.6)	(4.8)	(139.4)
Net profit for the period	-	-	-	-	-	544.9	544.9	43.0	587.9
Dividends paid	-	-	-	-	-	(306.6)	(306.6)	(27.1)	(333.7)
Scrip dividend	0.2	15.4	-	-	-	(15.6)	-	-	-
Non-cash share-based incentive plans (including stock options)	-	-	-	-	-	49.3	49.3	-	49.3
Tax adjustment on share-based payments	-	-	-	-	-	9.4	9.4	-	9.4
Net movement in own shares held by ESOP Trusts	-	-	-	-	(29.9)	(28.6)	(58.5)	-	(58.5)
Actuarial loss on defined benefit pension plans	-	-	-	-	-	(83.9)	(83.9)	-	(83.9)
Deferred tax on defined benefit pension plans	-	-	-	-	-	7.3	7.3	-	7.3
Loss on revaluation of available for sale investments	-	-	-	(29.2)	-	-	(29.2)	-	(29.2)
Recognition/remeasurement of financial instruments	-	-	-	4.1	-	16.3	20.4	-	20.4
Share purchases – close period commitments	-	-	-	(18.3)	-	-	(18.3)	-	(18.3)
Acquisition of subsidiaries[1]	-	-	-	-	-	(18.7)	(18.7)	2.7	(16.0)
Balance at 31 December 2012	**126.5**	**175.9**	**1.8**	**(4,513.0)**	**(166.5)**	**11,186.3**	**6,811.0**	**249.6**	**7,060.6**

[1] Acquisition of subsidiaries represents movements in retained earnings and non-controlling interests arising from increases in ownership of existing subsidiaries and recognition of non-controlling interests on new acquisitions.

Notes to the unaudited condensed consolidated interim financial statements

1. Basis of accounting

The unaudited condensed consolidated interim financial statements are prepared under the historical cost convention, except for the revaluation of certain financial instruments as disclosed in our accounting policies.

2. Accounting policies

The unaudited condensed consolidated interim financial statements comply with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the International Accounting Standards Board (IASB), IAS 34 Interim Financial Reporting and with the accounting policies of the Group which were set out on pages 171 to 179 of the 2012 Annual Report and Accounts.

During the period the Group adopted IAS 19 (amended): Employee Benefits. As a result the interest cost on pension plan liabilities and expected return on plan assets reported in previous years have been replaced with a net interest amount. The Group has amended the presentation of prior year comparative amounts to reflect these requirements. There is no material impact of adopting IAS 19 (amended) on the profit for any of the periods presented. No other Standards that have been adopted during the period have had a significant impact on the financial statements of the Group except for additional disclosures. No other changes have been made to the Group's accounting policies in the period ended 30 June 2013.

Statutory Information and Independent Review

The unaudited condensed consolidated interim financial statements for the six months to 30 June 2013 and 30 June 2012 do not constitute statutory accounts. On 2 January 2013, pursuant to a scheme of arrangement under Article 125 of the Companies (Jersey) Law 1991, a new parent company was introduced which is now called WPP plc. The previous parent company has been renamed and re-registered as WPP 2012 Limited. The financial information for the year ended 31 December 2012 does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2012 have been delivered to the Jersey Registrar and received an unqualified auditors' report. The interim financial statements are unaudited but have been reviewed by the auditors and their report is set out on page 42.

The announcement of the interim results was approved by the board of directors on 29 August 2013.

3. Currency conversion

The reporting currency of the Group is pound sterling and the unaudited condensed consolidated interim financial statements have been prepared on this basis.

The 2013 unaudited condensed consolidated interim income statement is prepared using, among other currencies, average exchange rates of US$1.5441 to the pound (period ended 30 June 2012: US$1.5774; year ended 31 December 2012: US$1.5852) and €1.1753 to the pound (period ended 30 June 2012: €1.2156; year ended 31 December 2012: €1.2336). The unaudited condensed consolidated balance sheet as at 30 June 2013 has been prepared using the exchange rates on that day of US$1.5185 to the pound (30 June 2012: US$1.5682; 31 December 2012: US$1.6242) and €1.1675 to the pound (30 June 2012: €1.2396; 31 December 2012: €1.2307).

Notes to the unaudited condensed consolidated interim financial statements (continued)

3. Currency conversion (continued)

The basis for calculating the constant currency percentage changes, shown on the face of the unaudited preliminary consolidated income statement, is described in the glossary attached to this appendix.

4. Operating costs and share of results of associates

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Staff costs	3,246.4	3,039.4	6,106.1
Establishment costs	368.6	342.7	690.6
Other operating costs	755.5	730.3	1,477.0
Total operating costs	4,370.5	4,112.4	8,273.7

Staff costs include:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Wages and salaries	2,239.7	2,124.5	4,289.7
Cash-based incentive plans	77.8	83.9	198.1
Share-based incentive plans	50.1	43.5	92.8
Social security costs	302.5	272.9	524.7
Pension costs	76.7	73.1	148.7
Severance	18.1	22.0	50.8
Other staff costs	481.5	419.5	801.3
	3,246.4	3,039.4	6,106.1
Staff cost to revenue ratio	60.9%	61.1%	58.9%

Other operating costs include:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Amortisation and impairment of acquired intangible assets	94.2	82.3	171.9
Goodwill impairment	-	-	32.0
(Gains)/losses on disposal of investments	(0.3)	3.3	(26.8)
Gains on re-measurement of equity interest on acquisition of controlling interest	-	(3.5)	(5.3)
Investment write-downs	-	4.6	19.6
Gain on sale of freehold property in New York	-	-	(71.4)
Cost of changes to corporate structure	-	-	4.1
Restructuring costs	-	-	93.4

Notes to the unaudited condensed consolidated interim financial statements (continued)

4. Operating costs and share of results of associates (continued)

Share of results of associates include:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Share of profit before interest and taxation	44.1	42.8	105.1
Share of exceptional (losses)/gains	(1.7)	0.1	(3.0)
Share of interest and non-controlling interests	(2.2)	(0.9)	(1.6)
Share of taxation	(12.6)	(14.0)	(31.1)
	27.6	28.0	69.4

5. Finance income, finance costs and revaluation of financial instruments

Finance income includes:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Income from available for sale investments	-	0.1	1.2
Interest income	25.0	27.8	54.7
	25.0	27.9	55.9

Finance costs include:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year Ended 31 December 2012
Net interest expense on pension plans[1]	5.4	5.3	11.3
Interest on other long-term employee benefits	0.8	0.9	1.7
Interest payable and similar charges	132.1	124.9	256.8
	138.3	131.1	269.8

Revaluation of financial instruments include:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Movements in fair value of treasury instruments	(0.8)	(11.4)	(14.8)
Revaluation of put options over non-controlling interests	(7.4)	(6.1)	(5.1)
Revaluation of payments due to vendors (earnout agreements)	7.2	(5.0)	15.2
	(1.0)	(22.5)	(4.7)

[1] Comparative figures have been restated to reflect the requirements of IAS 19 (amended): Employee Benefits (as outlined in note 2).

Notes to the unaudited condensed consolidated interim financial statements (continued)

6. Segmental analysis

Reported contributions by operating sector were as follows:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Revenue			
Advertising and Media Investment Management	2,192.4	2,044.2	4,273.2
Data Investment Management[1]	1,238.3	1,191.3	2,460.2
Public Relations & Public Affairs	457.8	458.6	917.1
Branding & Identity, Healthcare and Specialist Communications	1,438.2	1,277.5	2,722.6
	5,326.7	4,971.6	10,373.1
Headline PBIT[2]			
Advertising and Media Investment Management	315.1	283.3	754.5
Data Investment Management[1]	93.3	83.8	246.9
Public Relations & Public Affairs	59.4	62.0	136.4
Branding & Identity, Healthcare and Specialist Communications	169.2	140.9	393.2
	637.0	570.0	1,531.0
Headline PBIT margin			
Advertising and Media Investment Management	14.4%	13.9%	17.7%
Data Investment Management[1]	7.5%	7.0%	10.0%
Public Relations & Public Affairs	13.0%	13.5%	14.9%
Branding & Identity, Healthcare and Specialist Communications	11.8%	11.0%	14.4%
	12.0%	11.5%	14.8%
Total assets			
Advertising and Media Investment Management	12,381.4	11,619.6	12,013.9
Data Investment Management[1]	3,453.9	3,442.3	3,371.4
Public Relations & Public Affairs	1,855.4	1,822.3	1,724.2
Branding & Identity, Healthcare and Specialist Communications	6,051.7	5,313.8	5,607.4
Segment assets	23,742.4	22,198.0	22,716.9
Unallocated corporate assets[3]	1,645.4	1,517.5	2,160.7
	25,387.8	23,715.5	24,877.6

[1] Data Investment Management was previously reported as Consumer Insight.
[2] Headline PBIT is defined in note 19.
[3] Unallocated corporate assets are corporate income tax recoverable, deferred tax assets and cash and short term deposits.

Notes to the unaudited condensed consolidated interim financial statements (continued)

6. Segmental analysis (continued)

Reported contributions by geographical area were as follows:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Revenue			
North America[2]	1,839.6	1,747.8	3,546.5
United Kingdom	668.7	591.4	1,275.2
Western Continental Europe	1,258.1	1,186.4	2,439.2
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	1,560.3	1,446.0	3,112.2
	5,326.7	4,971.6	10,373.1
Headline PBIT[1]			
North America[2]	254.6	239.3	578.6
United Kingdom	85.0	72.7	173.3
Western Continental Europe	99.8	95.5	252.9
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	197.6	162.5	526.2
	637.0	570.0	1,531.0
Headline PBIT margin			
North America[2]	13.8%	13.7%	16.3%
United Kingdom	12.7%	12.3%	13.6%
Western Continental Europe	7.9%	8.0%	10.4%
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	12.7%	11.2%	16.9%
	12.0%	11.5%	14.8%

[1] Headline PBIT is defined in note 19.
[2] North America includes the US with revenue of £1,716.3 million (period ended 30 June 2012: £1,631.3 million; year ended 31 December 2012: £3,309.4 million) and headline PBIT of £239.0 million (period ended 30 June 2012: £227.3 million; year ended 31 December 2012: £547.8 million).

Notes to the unaudited condensed consolidated interim financial statements (continued)

7. Taxation

The headline tax rate was 21.8% (30 June 2012: 22.0%; 31 December 2012: 21.2%). The tax rate on reported PBT was 26.2% (30 June 2012: 14.2%; 31 December 2012: 18.1%).

The tax charge comprises:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Corporation tax			
Current year	118.6	112.2	335.5
Prior years	(5.1)	(5.0)	(41.7)
Tax credit relating to restructuring costs	-	-	(15.7)
	113.5	107.2	278.1
Deferred tax			
Current year	0.6	(4.3)	(14.4)
Net credit in relation to the amortisation of acquired intangible assets and other goodwill items	(2.4)	(52.0)	(86.0)
Deferred tax on gain on sale of freehold property in New York	-	-	20.0
	(1.8)	(56.3)	(80.4)
Prior years	-	-	(0.5)
	(1.8)	(56.3)	(80.9)
Tax charge	111.7	50.9	197.2

The calculation of the headline tax rate is as follows:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Headline PBT[1]	523.7	466.8	1,317.1
Tax charge	111.7	50.9	197.2
Deferred tax on gain on sale of freehold property in New York	-	-	(20.0)
Tax credit relating to restructuring costs	-	-	15.7
Net credit in relation to the amortisation of acquired intangible assets and other goodwill items	2.4	52.0	86.0
Headline tax charge	114.1	102.9	278.9
Headline tax rate	21.8%	22.0%	21.2%

8. Ordinary dividends

The Board has recommended an interim dividend of 10.56p (2012: 8.80p) per ordinary share. This is expected to be paid on 11 November 2013 to share owners on the register at 11 October 2013.

The Board recommended a final dividend of 19.71p per ordinary share in respect of 2012. This was paid on 8 July 2013.

[1] Headline PBT is defined in note 19.

Notes to the unaudited condensed consolidated interim financial statements (continued)

9. Earnings per share

Basic EPS

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

	Six months ended 30 June 2013	Six months ended 30 June 2012	+/(-)%	Constant Currency +/(-)%	Year ended 31 December 2012
Reported earnings[1] (£ million)	280.9	277.8			822.7
Headline earnings (£ million) (note 19)	375.1	334.9			966.2
Average shares used in basic EPS calculation (million)	1,260.5	1,243.4			1,243.4
Reported EPS	22.3p	22.3p	-	(4.8)	66.2p
Headline EPS	29.8p	26.9p	10.8	6.9	77.7p

Diluted EPS

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

	Six months ended 30 June 2013	Six months ended 30 June 2012	+/(-)%	Constant Currency +/(-)%	Year ended 31 December 2012
Diluted reported earnings (£ million)	291.5	290.7			848.8
Diluted headline earnings (£ million)	385.7	347.8			992.3
Shares used in diluted EPS calculation (million)	1,355.9	1,347.4			1,352.6
Diluted reported EPS	21.5p	21.6p	(0.5)	(4.7)	62.8p
Diluted headline EPS	28.4p	25.8p	10.1	6.7	73.4p

Diluted EPS has been calculated based on the reported and headline earnings amounts above. On 19 May 2009 the Group issued £450 million 5.75% convertible bonds due in 2014. During the six months ended 30 June 2013, £390 million of these bonds were converted into 66.3 million shares. For the six months ended 30 June 2013 these convertible bonds were dilutive and earnings were consequently increased by £10.6 million (period ended 30 June 2012: £12.9 million; year ended 31 December 2012: £26.1 million) for the purpose of the calculation of diluted earnings.

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

million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Average shares used in basic EPS calculation	1,260.5	1,243.4	1,243.4
Dilutive share options outstanding	6.2	5.1	4.9
Other potentially issuable shares	28.4	22.4	27.8
£450 million 5.75% convertible bonds	60.8	76.5	76.5
Shares used in diluted EPS calculation	1,355.9	1,347.4	1,352.6

At 30 June 2013 there were 1,334,313,304 ordinary shares in issue.

[1] Reported earnings is equivalent to profit for the period attributable to equity holders of the parent.

Notes to the unaudited condensed consolidated interim financial statements (continued)

10. Analysis of cash flows

The following tables analyse the items included within the main cash flow headings on page 17:

Net cash inflow/(outflow) from operating activities:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Profit for the period	315.4	306.8	894.7
Taxation	111.7	50.9	197.2
Revaluation of financial instruments	1.0	22.5	4.7
Finance costs	138.3	131.1	269.8
Finance income	(25.0)	(27.9)	(55.9)
Share of results of associates	(27.6)	(28.0)	(69.4)
Operating profit	513.8	455.4	1,241.1
Adjustments for:			
Non-cash share-based incentive plans (including share options)	50.1	43.5	92.8
Depreciation of property, plant and equipment	100.5	93.1	191.0
Goodwill impairment	-	-	32.0
Amortisation and impairment of acquired intangible assets	94.2	82.3	171.9
Amortisation of other intangible assets	16.0	18.4	33.7
Investment write-downs	-	4.6	19.6
(Gains)/losses on disposal of investments	(0.3)	3.3	(26.8)
Gains on re-measurement of equity interest on acquisition of controlling interest	-	(3.5)	(5.3)
Gain on sale of freehold property in New York	-	-	(71.4)
Losses on sale of property, plant and equipment	0.4	0.3	0.7
Operating cash flow before movements in working capital and provisions	774.7	697.4	1,679.3
Movements in working capital and provisions[1]	(371.8)	(609.7)	(388.2)
Cash generated by operations	402.9	87.7	1,291.1
Corporation and overseas tax paid	(129.8)	(143.0)	(257.0)
Interest and similar charges paid	(145.4)	(137.1)	(228.3)
Interest received	24.5	30.5	56.6
Investment income	-	0.1	1.2
Dividends received from associates	23.0	25.3	44.7
	175.2	(136.5)	908.3

Acquisitions and disposals:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Initial cash consideration	(69.1)	(65.2)	(462.0)
Cash and cash equivalents acquired (net)	5.3	1.9	46.6
Earnout payments	(7.1)	(48.8)	(85.7)
Loan note redemptions	-	(1.0)	(1.0)
Purchase of other investments (including associates)	(22.9)	(35.9)	(111.4)
Proceeds on disposal of investments	-	12.1	47.0
Acquisitions and disposals	(93.8)	(136.9)	(566.5)
Cash consideration for non-controlling interests	(4.7)	(3.3)	(20.1)
Net acquisition payments and investments	(98.5)	(140.2)	(586.6)

[1] The Group typically experiences an outflow of working capital in the first half of the financial year and an inflow in the second half. This is primarily due to the seasonal nature of working capital flows associated with its media buying activities on behalf of clients.

Notes to the unaudited condensed consolidated interim financial statements (continued)

10. Analysis of cash flows (continued)

Share repurchases and buybacks:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Purchase of own shares by ESOP Trusts	(115.5)	(20.3)	(78.8)
Share cancellations	-	(45.9)	(55.1)
Shares purchased into treasury	(17.6)	-	(0.6)
	(133.1)	(66.2)	(134.5)

Net increase in borrowings:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Increase/(decrease) in drawings on bank loans	-	7.6	(79.7)
Repayment of debt acquired	-	-	(20.0)
Repayment of $30 million TNS private placements	-	-	(19.2)
Proceeds from issue of $300 million bonds	-	-	187.3
Proceeds from issue of $500 million bonds	-	-	312.1
	-	7.6	380.5

Cash and cash equivalents:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Cash at bank and in hand	1,327.7	1,248.8	1,721.4
Short-term bank deposits	97.6	101.8	223.9
Overdrafts[1]	(166.7)	(378.9)	(586.0)
	1,258.6	971.7	1,359.3

11. Net debt

£ million	30 June 2013	30 June 2012	31 December 2012
Cash and short-term deposits	1,425.3	1,350.6	1,945.3
Bank overdrafts and loans due within one year	(994.2)	(397.8)	(1,085.9)
Bonds and bank loans due after one year	(3,148.2)	(3,814.1)	(3,680.6)
	(2,717.1)	(2,861.3)	(2,821.2)

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

11. Net debt (continued)

The Group estimates that the fair value of convertible and corporate bonds is £4,260.6 million at 30 June 2013 (30 June 2012: £4,243.3 million; 31 December 2012: £4,759.7 million). The Group considers that the carrying amount of bank loans approximates their fair value.

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 carrying value:

£ million	30 June 2013	30 June 2012	31 December 2012
Within one year	(1,027.3)	(236.3)	(721.4)
Between one and two years	(987.7)	(1,373.3)	(1,244.8)
Between two and three years	(765.6)	(925.3)	(529.6)
Between three and four years	(480.2)	(705.0)	(707.4)
Between four and five years	(60.2)	(536.8)	(465.1)
Over five years	(1,675.8)	(870.3)	(1,610.3)
Debt financing (including interest) under the Revolving Credit Facility and in relation to unsecured loan notes	(4,996.8)	(4,647.0)	(5,278.6)
Short-term overdrafts – within one year	(166.7)	(378.9)	(586.0)
Future anticipated cash flows	(5,163.5)	(5,025.9)	(5,864.6)
Effect of discounting/financing rates	1,021.1	814.0	1,098.1
Debt financing	(4,142.4)	(4,211.9)	(4,766.5)
Cash and short-term deposits	1,425.3	1,350.6	1,945.3
Net debt	(2,717.1)	(2,861.3)	(2,821.2)

12. Goodwill and acquisitions

Goodwill in relation to subsidiary undertakings increased by £481.0 million (30 June 2012: decreased by £45.0 million) in the period. This movement includes both goodwill arising on acquisitions completed in the period and adjustments to goodwill relating to acquisitions completed in prior years, net of the effect of currency translation. Goodwill in relation to associate undertakings decreased by £3.6 million (30 June 2012: £1.1 million) in the period.

The contribution to revenue and operating profit of acquisitions completed in the period was not material. There were no material acquisitions completed during the period. There were no other material acquisitions completed between 30 June 2013 and the date the interim financial statements were approved.

Notes to the unaudited condensed consolidated interim financial statements (continued)

13. Other intangible assets

The following are included in other intangibles:

£ million	30 June 2013	30 June 2012	31 December 2012
Brands with an indefinite useful life	1,035.3	1,017.0	993.1
Acquired intangibles	711.3	668.1	746.0
Other (including capitalised computer software)	97.3	82.4	88.3
	1,843.9	1,767.5	1,827.4

14. Trade and other receivables

Amounts falling due within one year:

£ million	30 June 2013	30 June 2012	31 December 2012
Trade receivables	6,115.4	5,586.0	6,204.2
VAT and sales taxes recoverable	91.1	63.6	75.6
Prepayments and accrued income	2,738.2	2,363.8	2,232.2
Fair value of derivatives	58.9	2.5	28.5
Other debtors	491.5	517.8	466.5
	9,495.1	8,533.7	9,007.0

Amounts falling due after more than one year:

£ million	30 June 2013	30 June 2012	31 December 2012
Prepayments and accrued income[1]	38.7	69.9	29.5
Other debtors[1]	88.1	86.6	73.9
Fair value of derivatives	84.1	175.4	141.7
	210.9	331.9	245.1

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

[1] Comparative figures for 30 June 2012 have been restated to be consistent with current year presentation.

Notes to the unaudited condensed consolidated interim financial statements (continued)

15. Trade and other payables: amounts falling due within one year

£ million	30 June 2013	30 June 2012	31 December 2012
Trade payables	7,306.1	6,777.7	7,227.5
Deferred income	1,027.3	968.1	880.2
Payments due to vendors (earnout agreements)	48.2	56.4	33.4
Liabilities in respect of put option agreements with vendors	62.3	78.4	64.3
Fair value of derivatives	31.9	-	31.6
Share purchases - close period commitments	-	-	18.2
Other creditors and accruals	2,525.2	2,385.0	2,652.6
	11,001.0	10,265.6	10,907.8

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

16. Trade and other payables: amounts falling due after more than one year

£ million	30 June 2013	30 June 2012	31 December 2012
Payments due to vendors (earnout agreements)	157.4	220.4	160.6
Liabilities in respect of put option agreements with vendors	94.5	90.6	80.0
Fair value of derivatives	103.6	150.0	79.7
Other creditors and accruals	198.0	177.4	191.7
	553.5	638.4	512.0

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 deferred consideration and the directors' best estimates of future earnout-related obligations:

£ million	30 June 2013	30 June 2012	31 December 2012
Within one year	48.2	56.4	33.4
Between 1 and 2 years	34.8	37.9	35.7
Between 2 and 3 years	34.2	39.8	28.7
Between 3 and 4 years	48.8	35.2	30.4
Between 4 and 5 years	32.5	61.3	63.8
Over 5 years	7.1	46.2	2.0
	205.6	276.8	194.0

The Group's approach to payments due to vendors is outlined in note 21.

Notes to the unaudited condensed consolidated interim financial statements (continued)

16. Trade and other payables: amounts falling due after more than one year (continued)

The following table sets out the movements of deferred and earnout related obligations during the period:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
At the beginning of the period	194.0	234.1	234.1
Earnouts paid	(7.1)	(48.8)	(85.7)
New acquisitions	22.9	75.5	61.5
Revision of estimates taken to goodwill	(7.5)	15.5	8.6
Revaluation of payments due to vendors (note 5)	(7.2)	5.0	(15.2)
Exchange adjustments	10.5	(4.5)	(9.3)
At the end of the period	205.6	276.8	194.0

The Group does not consider there to be any material contingent liabilities as at 30 June 2013.

17. Issued share capital – movement in the period

Number of equity ordinary shares (million)	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
At the beginning of the period	1,265.4	1,266.4	1,266.4
Conversion of bond to equity	66.3	-	-
Exercise of share options	2.6	6.5	10.0
Share cancellations	-	(5.6)	(6.7)
Scrip dividend	-	-	2.0
Treasury share cancellations	-	-	(6.3)
At the end of the period	1,334.3	1,267.3	1,265.4

18. Related party transactions

From time to time the Group enters into transactions with its associate undertakings. These transactions were not material for any of the periods presented.

19. Non-GAAP measures of performance

Reconciliation of profit before interest and taxation to headline PBIT for the six months ended 30 June 2013:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Profit before interest and taxation	541.4	483.4	1,310.5
Amortisation and impairment of acquired intangible assets	94.2	82.3	171.9
Goodwill impairment	-	-	32.0
(Gains)/losses on disposal of investments	(0.3)	3.3	(26.8)
Gains on re-measurement of equity interest on acquisition of controlling interest	-	(3.5)	(5.3)
Investment write-downs	-	4.6	19.6
Cost of changes to corporate structure	-	-	4.1
Gain on sale of freehold property in New York	-	-	(71.4)
Restructuring costs	-	-	93.4
Share of exceptional losses/(gains) of associates	1.7	(0.1)	3.0
Headline PBIT	637.0	570.0	1,531.0
Finance income	25.0	27.9	55.9
Finance costs	(138.3)	(131.1)	(269.8)
	(113.3)	(103.2)	(213.9)
Interest cover on headline PBIT	5.6 times	5.5 times	7.2 times

Calculation of headline EBITDA:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Headline PBIT (as above)	637.0	570.0	1,531.0
Depreciation of property, plant and equipment	100.5	93.1	191.0
Amortisation of other intangible assets	16.0	18.4	33.7
Headline EBITDA	753.5	681.5	1,755.7

Headline PBIT margins before and after share of results of associates:

£ million	Margin	Six months ended 30 June 2013	Margin	Six months ended 30 June 2012
Revenue		5,326.7		4,971.6
Headline PBIT	12.0%	637.0	11.5%	570.0
Share of results of associates (excluding exceptional gains/losses)		29.3		27.9
Headline PBIT excluding share of results of associates	11.4%	607.7	10.9%	542.1

Notes to the unaudited condensed consolidated interim financial statements (continued)

19. Non-GAAP measures of performance (continued)

Reconciliation of profit before taxation to headline PBT and headline earnings for the six months ended 30 June 2013:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Profit before taxation	427.1	357.7	1,091.9
Amortisation and impairment of acquired intangible assets	94.2	82.3	171.9
Goodwill impairment	-	-	32.0
(Gains)/losses on disposal of investments	(0.3)	3.3	(26.8)
Gains on re-measurement of equity interest on acquisition of controlling interest	-	(3.5)	(5.3)
Investment write-downs	-	4.6	19.6
Cost of changes to corporate structure	-	-	4.1
Gain on sale of freehold property in New York	-	-	(71.4)
Restructuring costs	-	-	93.4
Share of exceptional losses/(gains) of associates	1.7	(0.1)	3.0
Revaluation of financial instruments	1.0	22.5	4.7
Headline PBT	523.7	466.8	1,317.1
Headline tax charge (note 7)	(114.1)	(102.9)	(278.9)
Non-controlling interests	(34.5)	(29.0)	(72.0)
Headline earnings	375.1	334.9	966.2
Ordinary dividends[1]	140.9	109.4	322.2
Dividend cover on headline earnings	2.7 times	3.1 times	3.0 times

Profits attributable to share owners before and after net deferred tax credit:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Profits attributable to share owners	280.9	277.8	822.7
Net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items	(2.4)	(52.0)	(86.0)
Profits attributable to share owners excluding net deferred tax credit	278.5	225.8	736.7

[1] For the six months ended 30 June 2013, ordinary dividends represent an estimate of the 2013 interim dividend expected to be paid to share owners in November 2013, based on the number of shares in issue at 30 June 2013. The corresponding figure for the six months ended 30 June 2012 represents the 2012 interim dividend paid in November 2012.

Notes to the unaudited condensed consolidated interim financial statements (continued)

19. Non-GAAP measures of performance (continued)

Reconciliation of free cash flow for the six months ended 30 June 2013:

£ million	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Cash generated by operations	402.9	87.7	1,291.1
Plus:			
Interest received	24.5	30.5	56.6
Investment income	-	0.1	1.2
Dividends received from associates	23.0	25.3	44.7
Share option proceeds	16.7	37.4	56.0
Proceeds on disposal of property, plant and equipment	3.5	5.3	123.5
Movements in working capital and provisions	371.8	609.7	388.2
Less:			
Interest and similar charges paid	(145.4)	(137.1)	(228.3)
Purchase of property, plant and equipment	(128.4)	(97.2)	(290.3)
Purchase of other intangible assets (including capitalised computer software)	(22.2)	(19.0)	(39.8)
Corporation and overseas tax paid	(129.8)	(143.0)	(257.0)
Dividends paid to non-controlling interests in subsidiary undertakings	(24.4)	(24.8)	(51.9)
Free cash flow	392.2	374.9	1,094.0

20. Going concern and risk management policies

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 directors have concluded that the Group should 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.

At 30 June 2013, the Group has access to £5.2 billion of committed bank facilities with maturity dates spread over the years 2013 to 2042 as illustrated below:

£ million				**Maturity by year**			
		2013	**2014**	**2015**	**2016**	**2017**	**2018+**
US bond $300m (5.125% '42)	**197.6**						197.6
US bond $500m (3.625% '22)	**329.3**						329.3
US bond $812m (4.75% '21)	**535.0**						535.0
£ bonds £200m (6.375% '20)	**200.0**						200.0
£ bonds £400m (6.0% '17)	**400.0**					400.0	
Bank revolver ($1,200m and £475m)	**1,265.3**				1,265.3		
Eurobonds €750m (6.625% '16)	**642.4**				642.4		
Eurobonds €500m (5.25% '15)	**428.3**			428.3			
£450m convertible bonds (5.75% '14)	**60.0**		60.0				
US bond $600m (8.0% '14)	**395.1**		395.1				
US bond $369m (5.875% '14)	**242.8**		242.8				
TNS private placements $25m	**16.5**		16.5				
Eurobonds €600m (4.375% '13)	**513.9**	513.9					
Total committed facilities available	**5,226.2**	**513.9**	**714.4**	**428.3**	**1,907.7**	**400.0**	**1,261.9**
Drawn down facilities at 30 June 2013	3,960.9	513.9	714.4	428.3	642.4	400.0	1,261.9
Undrawn committed credit facilities	1,265.3						
Drawn down facilities at 30 June 2013	3,960.9						
Net cash at 30 June 2013	(1,258.6)						
Other adjustments	14.8						
Net debt at 30 June 2013	2,717.1						

The Group's borrowings are evenly distributed between fixed and floating rate debt. 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 management

The Group's treasury activities are principally concerned with monitoring of working capital, managing external and internal funding requirements and monitoring and managing financial market risks, in particular risks from movements in interest and foreign exchange rates.

The Group's risk management policies relating to foreign currency risk, interest rate risk, liquidity risk, capital risk and credit risk are presented in the notes to the consolidated financial statements of the 2012 Annual Report and Accounts and in the opinion of the Board remain relevant for the remaining six months of the year.

21. Financial instruments

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 publicly available information from outside sources or on the basis of discounted cash flow models where appropriate.

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 (i.e. as prices) or indirectly (i.e. 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).

£ million	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
Derivatives in designated hedge relationships				
Derivative assets	-	141.7	-	141.7
Derivative liabilities	-	(134.6)	-	(134.6)
Held for trading				
Derivative assets	-	1.3	-	1.3
Derivative liabilities	-	(0.9)	-	(0.9)
Payments due to vendors (earnout agreements) (note 16)	-	-	(205.6)	(205.6)
Liabilities in respect of put options	-	-	(156.8)	(156.8)
Available for sale				
Other investments	-	-	209.8	209.8
30 June 2013	-	7.5	(152.6)	(145.1)

Reconciliation of level 3 fair value measurements[1]:

£ million	**Liabilities in respect of put options**	**Other investments**	**Carrying value**
1 January 2013	(144.3)	176.5	32.2
Losses recognised in the income statement	(7.4)	-	(7.4)
Gains recognised in other comprehensive income	-	5.5	5.5
Exchange adjustments	(2.8)	11.2	8.4
Additions	(4.9)	16.6	11.7
Settlements	2.6	-	2.6
30 June 2013	(156.8)	209.8	53.0

[1] Payments due to vendors (earnout agreements) are reconciled in note 16.

21. Financial instruments (continued)

Payments due to vendors and liabilities in respect of put options

Future anticipated payments due to vendors in respect of contingent consideration (earnout agreements) and liabilities in respect of put option agreements are recorded at fair value, which is the present value of the expected cash outflows of the obligations. These obligations are dependent on the future financial performance of the entity and it is assumed that future profits are in line with directors' estimates. The directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition. At 30 June 2013, the weighted average growth rate in estimating future financial performance was 17.6%, which reflects the prevalence of recent acquisitions in the faster growing markets and new media sectors.

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 £7.1 million and £6.8 million, respectively. An increase in the liability would result in a further loss in the revaluation of financial instruments (note 5), while a decrease would result in a further gain.

Other investments

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 publicly available information from outside sources or on the basis of discounted cash flow models where appropriate. The sensitivity to changes in unobservable inputs is specific to each individual investment.

22. Principal risks and uncertainties

The directors have considered the principal risks and uncertainties affecting the Group for the second half of 2013 and determined that these are unchanged from those presented in the Group's published Annual Report and Accounts and Form 20-F for the year ended 31 December 2012. The Annual Report and Accounts and Form 20-F are published in the Investor Relations section of the Group website (www.wpp.com) and are available from the Group on request.

WPP plc has specific policies in place to ensure that risks are properly evaluated and managed at the appropriate level within the business. These are presented on pages 162 to 165 of the published 2012 Annual Report and Accounts. Pages 5 and 6 of the Group's Form 20-F for the year ended 31 December 2012 contain a detailed explanation of the risk factors identified by the Group and these are summarised below:

Clients

- The Group competes for clients in a highly competitive industry and client loss may have a material adverse effect on the Group's market share and its business, revenues, results of operations, financial condition or prospects.
- The Group receives a significant portion of its revenues from a limited number of large clients and the loss of these clients could have a material adverse effect on the Group's prospects, business, financial condition and results of operations.

22. Principal risks and uncertainties (continued)

Economic

- The Group's businesses are subject to recessionary economic cycles. Many of the economies in which the Group operates (including the Eurozone) currently have significant economic challenges.

Financial

- Currency exchange rate fluctuations could adversely impact the Group's consolidated results.
- The interest rates and fees payable by the Group in respect of certain of its borrowings are, in part, influenced by the credit ratings issued by the international debt rating agencies.
- The Group is subject to credit risk through the default of a client or other counterparty.

Mergers & Acquisitions

- The Group may be unsuccessful in evaluating material risks involved in completed and future acquisitions and may be unsuccessful in integrating any acquired operations with its existing businesses.
- Goodwill and other intangible assets recorded on the Group's balance sheet with respect to acquired companies may become impaired.

Operational

- The Group operates in 110 countries and is exposed to the risks of doing business internationally.

People

- The Group's performance could be adversely affected if it were unable to attract and retain key talent or had inadequate talent management and succession planning for key management roles.

Regulatory/Legal

- The Group may be subject to regulations restricting its activities or effecting changes in taxation.
- The Group may be exposed to liabilities from allegations that certain of its clients' advertising claims may be false or misleading or that its clients' products may be defective or harmful.
- The Group is subject to anti-corruption and anti-bribery legislation and enforcement in the countries in which it operates.
- The Group is subject to strict data protection and privacy legislation in the jurisdictions in which it operates and relies extensively on information technology systems. The Group operates on a largely decentralised basis with a large number of different agencies and operating entities and the resulting size and diversity of the operational systems increases the vulnerability of such systems to breakdown or malicious intrusion.
- Civil liabilities or judgements against the Company or its directors or officers based on United States federal or state securities laws may not be enforceable in the United States or in England and Wales or in Jersey.

Responsibility statement

We confirm that to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

b) the interim management report and note 22 includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) the interim management report and note 18 includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

Signed on behalf of the Board on 29 August 2013.

P W G Richardson

Group finance director

Independent review report to WPP plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the condensed consolidated interim income statement, statement of comprehensive income, cash flow statement, balance sheet, statement of changes in equity and related notes 1 to 21. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
London, UK
29 August 2013

Appendix 2: Interim results for the six months ended 30 June 2013 in reportable US Dollars[1]

Unaudited illustrative condensed consolidated interim income statement for the six months ended 30 June 2013

$ million	Six months ended 30 June 2013	Six months ended 30 June 2012	+/(-)%	Year ended 31 December 2012
Billings	35,037.4	34,166.1	2.6	70,459.1
Revenue	8,210.8	7,843.6	4.7	16,459.3
Direct costs	(681.7)	(637.1)	(7.0)	(1,361.9)
Gross profit	7,529.1	7,206.5	4.5	15,097.4
Operating costs	(6,742.4)	(6,486.8)	(3.9)	(13,120.8)
Operating profit	786.7	719.7	9.3	1,976.6
Share of results of associates	42.6	44.2	(3.6)	110.3
Profit before interest and taxation	829.3	763.9	8.6	2,086.9
Finance income	38.6	43.9	(12.1)	88.7
Finance costs	(213.3)	(206.6)	(3.2)	(427.7)
Revaluation of financial instruments	(1.6)	(35.2)	-	(6.5)
Profit before taxation	653.0	566.0	15.4	1,741.4
Taxation	(172.3)	(81.3)	(111.9)	(315.4)
Profit for the period	480.7	484.7	(0.8)	1,426.0
Attributable to:				
Equity holders of the parent	427.6	438.8	(2.6)	1,311.5
Non-controlling interests	53.1	45.9	(15.7)	114.5
	480.7	484.7	(0.8)	1,426.0
Headline PBIT	976.8	900.4	8.5	2,439.3
Headline PBIT margin	11.9%	11.5%		14.8%
Headline PBT	802.1	737.7	8.7	2,100.3
Reported earnings per share[2]				
Basic earnings per ordinary share	33.9¢	35.3¢	(4.0)	105.5¢
Diluted earnings per ordinary share	32.7¢	34.1¢	(4.1)	100.0¢
Headline earnings per share[2]				
Basic earnings per ordinary share	45.5¢	42.5¢	7.1	123.9¢
Diluted earnings per ordinary share	43.5¢	40.7¢	6.9	117.0¢

[1] The unaudited consolidated income statement above is presented in reportable US Dollars for information purposes only and has been prepared assuming the US Dollar is the reporting currency of the Group, whereby local currency results are translated into US Dollars at actual monthly average exchange rates in the periods presented. Among other currencies, this includes an average exchange rate of US$1.5441 to the pound for the period ended 30 June 2013 (period ended 30 June 2012: US$1.5774; year ended 31 December 2012: US$1.5852).
[2] The basis of the calculations of the Group's earnings per share and headline earnings per share are set out in note 9 of Appendix 1.

Appendix 3: Interim results for the six months ended 30 June 2013 in reportable Euros[1]

Unaudited illustrative condensed consolidated interim income statement for the six months ended 30 June 2013

€ million	Six months ended 30 June 2013	Six months ended 30 June 2012	+/(-)%	Year ended 31 December 2012
Billings	26,699.8	26,340.7	1.4	54,765.7
Revenue	6,254.9	6,049.1	3.4	12,796.3
Direct costs	(519.5)	(491.8)	(5.6)	(1,059.5)
Gross profit	5,735.4	5,557.3	3.2	11,736.8
Operating costs	(5,133.7)	(5,000.1)	(2.7)	(10,200.9)
Operating profit	601.7	557.2	8.0	1,535.9
Share of results of associates	32.4	34.2	(5.3)	85.7
Profit before interest and taxation	634.1	591.4	7.2	1,621.6
Finance income	29.2	34.2	(14.6)	69.0
Finance costs	(162.3)	(159.6)	(1.7)	(332.6)
Revaluation of financial instruments	(1.1)	(28.0)	-	(6.1)
Profit before taxation	499.9	438.0	14.1	1,351.9
Taxation	(131.2)	(61.8)	(112.3)	(243.9)
Profit for the period	368.7	376.2	(2.0)	1,108.0
Attributable to:				
Equity holders of the parent	328.2	340.8	(3.7)	1,018.8
Non-controlling interests	40.5	35.4	(14.4)	89.2
	368.7	376.2	(2.0)	1,108.0
Headline PBIT	746.5	696.8	7.1	1,892.4
Headline PBIT margin	11.9%	11.5%		14.8%
Headline PBT	613.4	571.4	7.4	1,628.7
Reported earnings per share[2]				
Basic earnings per ordinary share	26.0¢	27.4¢	(5.1)	81.9¢
Diluted earnings per ordinary share	25.1¢	26.5¢	(5.3)	77.7¢
Headline earnings per share[2]				
Basic earnings per ordinary share	34.8¢	33.1¢	5.1	96.1¢
Diluted earnings per ordinary share	33.3¢	31.7¢	5.0	90.7¢

[1] The unaudited consolidated income statement above is presented in reportable Euros for information purposes only and has been prepared assuming the Euro is the reporting currency of the Group, whereby local currency results are translated into Euros at actual monthly average exchange rates in the periods presented. Among other currencies, this includes an average exchange rate of €1.1753 to the pound for the period ended 30 June 2013 (period ended 30 June 2012: €1.2156; year ended 31 December 2012: €1.2336).

[2] The basis of the calculations of the Group's earnings per share and headline earnings per share are set out in note 9 of Appendix 1.

Average net debt

Average net debt is calculated as the average daily net borrowings of the Group. Net debt at a period end is calculated as the sum of the net borrowings of the Group, derived from the cash ledgers and accounts in the balance sheet.

Billings and estimated net new billings

Billings comprise the gross amounts billed to clients in respect of commission-based/fee-based income together with the total of other fees earned. Net new billings represent the estimated annualised impact on billings of new business gained from both existing and new clients, net of existing client business lost. The estimated impact is based upon initial assessments of the clients' marketing budgets, which may not necessarily result in actual billings of the same amount.

Constant currency

The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying budgeted 2013 exchange rates to local currency reported results for the current and prior year. This gives a US dollar – denominated income statement which excludes any variances attributable to foreign exchange rate movements.

Free cash flow

Free cash flow is calculated as headline operating profit before non cash charges for share-based incentive plans, depreciation of property, plant and equipment and amortisation of other intangible assets, including dividends received from associates, interest received, investment income received, proceeds from the issue of shares, and proceeds from the disposal of property, plant and equipment, less corporation and overseas tax paid, interest and similar charges paid, dividends paid to non-controlling interests in subsidiary undertakings, purchases of property, plant and equipment and purchases of other intangible assets.

Gross margin/gross profit

The Group uses the terms gross margin and gross profit interchangeably. Headline gross margin margin is calculated as headline PBIT (defined below) as a percentage of gross profit.

Headline earnings

Headline PBT less taxation (excluding net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items, deferred tax on gain on sale of freehold property in New York and tax credit relating to restructuring costs) and non-controlling interests.

Headline operating profit/Headline PBIT

Profit before finance income/costs and revaluation of financial instruments, taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, share of exceptional gains/losses of associates and gains/losses on remeasurement of equity interest on acquisition of controlling interest; and, in 2012, the gain on sale of freehold property in New York, Group restructuring costs and costs incurred in changing the corporate structure of the Group.

Headline PBT

Profit before taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, share of exceptional gains/losses of associates, gains/losses arising from the revaluation of financial instruments, and gains/losses on remeasurement of equity interest on acquisition of controlling interest; and, in 2012, the gain on sale of freehold property in New York, Group restructuring costs and costs incurred in changing the corporate structure of the Group.

Operating margin

Headline operating profit as a percentage of revenue.

Pro forma ('like-for-like')

Pro forma comparisons are calculated as follows: current year, constant currency actual results (which include acquisitions from the relevant date of completion) are compared with prior year, constant currency actual results, adjusted to include the results of acquisitions for the commensurate period in the prior year. The Group uses the terms 'pro forma' and 'like-for-like' interchangeably.