FINANCIAL STATEMENTS

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ACCOUNTING POLICIES

The consolidated financial statements of WPP plc and its subsidiaries (the Group) for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2019.

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

BASIS OF PREPARATION

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

BASIS OF CONSOLIDATION

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

NEW IFRS ACCOUNTING PRONOUNCEMENTS

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

- IFRS 16 Leases; and
- IFRIC 23 Uncertainty over Income Tax Treatments.

IMPACT OF THE ADOPTION OF IFRS 16 LEASES

IFRS 16 is effective from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees are required to recognise a right-of-use asset and related lease liability for their operating leases and show depreciation of leased assets and interest on lease liabilities separately in the income statement. IFRS 16 requires the Group to recognise substantially all of its operating leases on the balance sheet.

The Group adopted IFRS 16 effective 1 January 2019 on a modified retrospective basis and applied the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to retained earnings. Accordingly, prior year financial information has not been restated and will continue to be reported under IAS 17 Leases. The right-of-use asset and lease liability have initially been measured at the present value of the remaining lease payments, with the right-of-use asset being subject to certain adjustments. For certain leases the right-of-use asset was measured as if the standard had been applied from the lease commencement date and for others the right-of-use asset was set equal to the lease liability.

When applying IFRS 16, the Group has applied the following practical expedients on transition date:

- Reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;
- Reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- The use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The right-of-use asset and lease liability recorded on the consolidated balance sheet as of 1 January 2019 were £1,895.1 million and £2,326.2 million, respectively. There was a reduction in other creditors of £233.5 million and property provisions of £68.7 million with regard to amounts related to property leases, including deferred rent and tenant improvement allowances, which are now recognised in the right-of-use asset. These movements resulted in a decrease to retained earnings of £128.9 million and the recognition of a deferred tax asset of £27.8 million on this movement.

For the year ended 31 December 2019, depreciation of the right-of-use asset and recognition of interest on the lease liability in the consolidated income statement replaced amounts recognised as rent expense under IAS 17. The implementation of IFRS 16 on 1 January 2019 resulted in an increase to reported and headline operating profit (as defined in note 32) of £61.0 million and a subsequent increase to operating profit margin of 0.6 margin points along with increased interest and a decrease to all earnings per share measures of 1.8p.

The following table reconciles the opening balance for the lease liabilities as at 1 January 2019 based upon the operating lease obligations as at 31 December 2018:

£m	
Operating lease commitments at 31 December 2018	3,628.2
Short-term and low-value leases not included in lease liabilities	(73.8)
Extension options reasonably certain to be exercised	115.1
Signed leases not yet commenced	(598.1)
Gross lease liabilities at 1 January 2019	3,071.4
Effect of discounting	(745.2)
Lease liabilities at 1 January 2019	2,326.2

The weighted average discount rate was 5.4% at 1 January 2019.

IMPACT OF THE ADOPTION OF IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

IFRIC 23 clarifies the accounting for uncertainties in income tax and is effective from 1 January 2019. There has been no impact to our financial statements as a result of the adoption of IFRIC 23.

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

- Impact of Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

IMPACT OF INTEREST RATE BENCHMARK REFORM

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

GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

- Brand names (with finite lives) – 10-20 years.
- Customer-related intangibles – 3-10 years.
- Other proprietary tools – 3-10 years.
- Other (including capitalised computer software) – 3-5 years.

CONTINGENT CONSIDERATION

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

- Freehold buildings – 50 years.
- Leasehold land and buildings – over the term of the lease or life of the asset, if shorter.
- Fixtures, fittings and equipment – 3-10 years.
- Computer equipment – 3-5 years.

INTERESTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

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

OTHER INVESTMENTS

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

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

ACCRUED AND DEFERRED INCOME

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

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

TRADE RECEIVABLES AND WORK IN PROGRESS

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

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

EXPECTED CREDIT LOSSES

The Group has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9. Therefore the Group does not track changes in credit risk, but recognises a loss allowance based on the financial asset's lifetime expected credit loss.

Under IFRS 9 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. 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 assessment of expected credit losses includes provisions for specific clients and receivables where the contractual cash flow is deemed at risk. Additional provisions are made based on the assessment of recoverability of aged receivables, where the following criteria are met:

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

Estimated future cash flows represent expectations as at 31 December 2019 and do not consider the impact of the emergence and spread of the Covid-19 virus.

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

FOREIGN CURRENCY AND INTEREST RATE HEDGING

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

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

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

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

Note 27 contains details of the fair values of the derivative instruments used for hedging purposes.

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

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

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

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

LIABILITIES IN RESPECT OF OPTION AGREEMENTS

Option agreements that allow the Group's equity partners to require the Group to purchase a non-controlling interest are treated as derivatives over equity instruments and are recorded in the consolidated balance sheet initially at the present value of the redemption amount in accordance with IAS 32 Financial Instruments: Presentation and subsequently measured at fair value in accordance with IFRS 9 Financial Instruments. The movement in the fair value is recognised as income or expense within revaluation of financial instruments in the consolidated income statement.

DERECOGNITION OF FINANCIAL LIABILITIES

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

DEBT

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

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 and data collection costs. Costs to obtain a contract are typically expensed as incurred as the contracts are generally short-term in nature.

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

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

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

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

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

Further details on revenue recognition are detailed by sector below:

GLOBAL INTEGRATED AGENCIES

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

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

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

PUBLIC RELATIONS AND SPECIALIST AGENCIES

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

DISCONTINUED OPERATIONS (DATA INVESTMENT MANAGEMENT)

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

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

TAXATION

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

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

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences unless specifically excepted by IAS 12 Income Taxes. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, which can require the use of accounting estimation and the exercise of judgement. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or other assets and liabilities (other than in a business combination) in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on enacted or substantively enacted legislation.

RETIREMENT BENEFIT COSTS

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

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

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

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

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

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

PROVISIONS FOR LIABILITIES AND CHARGES

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

LEASES

The Group has adopted IFRS 16 Leases from 1 January 2019. 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 lease term 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. Right-of-use assets are reviewed for indicators of impairment.

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 on a straight-line basis over the lease term.

In 2018 and 2017 leases were accounted for per IAS 17 Leases. The following policies were applicable:

FINANCE LEASES

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

OPERATING LEASES

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

TRANSLATION OF FOREIGN CURRENCIES

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

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

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

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

HYPERINFLATION IN ARGENTINA

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

IAS 29 requires that the income statement is adjusted for inflation in the period and translated at the year-end foreign exchange rate and that non-monetary assets and liabilities on the balance sheet are restated to reflect the change in purchasing power caused by inflation from the date of initial recognition. In 2019, this resulted in an increase in goodwill of £41.0 million (2018: £105.8 million) and an increase in other intangibles of £7.1 million (2018: £19.5 million). 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 28.

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

CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY IN APPLYING ACCOUNTING POLICIES

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

The most significant areas of estimation uncertainty include:

- Goodwill: the discounted cash flow methodology employed by the Group when testing for goodwill impairment requires estimates regarding revenue growth, operating margins, discount rates and working capital requirements. Further details of the methodology, discount rates, long-term growth rates and estimates used in relation to the goodwill impairment are set out in note 14.
- Payments due to vendors (earnout agreements) and liabilities in respect of put options: estimates are required regarding growth rates in deriving future financial performance and discount rates to be applied when measuring the liabilities for earnouts and put options. Further details on growth rates and discount rates and the sensitivity to these estimates are set out in note 27.
- Provision for post-employment benefits: estimates are required in the accounting for defined benefit pension plans, including establishing discount rates, rates of increase in salaries and pensions in payment, inflation and mortality assumptions. These estimates are made by management based on the advice of qualified advisors. Details of the assumptions used and the sensitivity of the benefit obligation to these assumptions are set out in note 24.
- Deferred consideration on the Kantar disposal: as per the terms of the Kantar disposal, deferred consideration consisted of amounts expected to be received in future periods on satisfaction of certain conditions and the deferral of consideration against services to be provided to Kantar in the future, as detailed in note 12. Estimates are required in determining amounts to be received and the value of services to be provided, taking into account uncertainty in the ultimate timing and resolution of each of these. The sensitivity to these estimates is specific to each individual circumstance and no individual estimate is expected to result in a material change to the amount recognised.
- Taxation: Estimates are required in determining whether a provision is required and, the amount of taxes that will be due, particularly given the many countries in which the Group operates. Where the final tax outcome is different from the amounts recorded then such differences may expose the Group to additional tax liabilities or impact the carrying value of deferred tax assets, which would affect the future tax charge. Further details on the tax charge, corporate income tax payable and deferred tax balances are set out in the income statement, balance sheet and notes 7 and 17.

The most significant areas of judgements include:

- Revenue recognition: judgement is required regarding the timing of recognition, particularly in relation to media volume income with regards to whether it is required to be passed back to the client and in assessing progress on performance obligations where revenue is recognised over time. Further details are set out in the accounting policy.
- Non-current assets held for sale and discontinued operations: judgement is required in determining the timing of classification of the Group's Kantar business as held for sale, particularly with the timing of the held for sale classification. Further details are set out in note 12.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991.

Mark Read
Chief Executive Officer
29 April 2020

Paul Richardson
Group Finance Director

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £m	2018[1] £m	2017[1] £m
Continuing operations				
Billings[2]		**53,059.0**	53,219.7	52,915.4
Revenue	2	**13,234.1**	13,046.7	13,146.4
Costs of services	3	**(10,825.1)**	(10,559.1)	(10,481.6)
Gross profit		**2,409.0**	2,487.6	2,664.8
General and administrative costs	3	**(1,113.1)**	(1,249.7)	(1,086.9)
Operating profit		**1,295.9**	1,237.9	1,577.9
Share of results of associates	4	**14.7**	30.5	98.0
Profit before interest and taxation		**1,310.6**	1,268.4	1,675.9
Finance and investment income	6	**99.0**	98.9	89.0
Finance costs	6	**(359.1)**	(279.1)	(261.9)
Revaluation of financial instruments	6	**(68.4)**	169.4	243.9
Profit before taxation		**982.1**	1,257.6	1,746.9
Taxation	7	**(275.0)**	(256.0)	(83.0)
Profit for the year from continuing operations		**707.1**	1,001.6	1,663.9
Discontinued operations				
Profit for the year from discontinued operations	12	**10.8**	137.8	248.4
Profit for the year		**717.9**	1,139.4	1,912.3
Attributable to				
Equity holders of the parent:				
Continuing operations		**627.9**	936.5	1,579.5
Discontinued operations		**(3.8)**	126.4	237.1
		624.1	1,062.9	1,816.6
Non-controlling interests:				
Continuing operations		**79.2**	65.1	84.4
Discontinued operations		**14.6**	11.4	11.3
		93.8	76.5	95.7
		717.9	1,139.4	1,912.3
Earnings per share from continuing and discontinued operations				
Basic earnings per ordinary share	9	**49.9p**	85.2p	144.0p
Diluted earnings per ordinary share	9	**49.5p**	84.3p	142.4p
Earnings per share from continuing operations				
Basic earnings per ordinary share	9	**50.2p**	75.1p	125.2p
Diluted earnings per ordinary share	9	**49.8p**	74.3p	123.8p
Continuing operations				
Revenue less pass-through costs	2, 32	**10,846.5**	10,875.7	11,143.9
Headline operating profit	2, 32	**1,560.6**	1,651.2	1,793.1
Headline operating profit margin	2, 32	**14.4%**	15.2%	16.1%
Headline PBT	32	**1,363.0**	1,543.0	1,717.6

Notes

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

1 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

2 Billings is defined on page 204.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £m	2018 £m	2017 £m
Profit for the year	**717.9**	1,139.4	1,912.3
Items that may be reclassified subsequently to profit or loss			
Exchange adjustments on foreign currency net investments	**(379.4)**	78.9	(465.2)
Exchange adjustments recycled to the income statement on disposal of discontinued operations	**(284.0)**	–	–
Gain on revaluation of available for sale investments	**–**	–	32.1
	(663.4)	78.9	(433.1)
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on defined benefit pension plans	**(36.6)**	8.9	17.0
Deferred tax on defined benefit pension plans	**6.4**	(0.7)	(24.6)
Movements on equity investments held at fair value through other comprehensive income	**(141.4)**	(247.9)	–
	(171.6)	(239.7)	(7.6)
Other comprehensive loss for the year	**(835.0)**	(160.8)	(440.7)
Total comprehensive (loss)/income for the year	**(117.1)**	978.6	1,471.6
Attributable to			
Equity holders of the parent:			
Continuing operations	**193.5**	730.9	1,252.9
Discontinued operations	**(386.4)**	162.2	142.7
	(192.9)	893.1	1,395.6
Non-controlling interests:			
Continuing operations	**61.9**	73.8	65.2
Discontinued operations	**13.9**	11.7	10.8
	75.8	85.5	76.0
	(117.1)	978.6	1,471.6

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £m	2018 £m	2017 £m
Net cash inflow from operating activities	11	**1,850.5**	1,693.8	1,408.1
Investing activities				
Acquisitions	11	**(161.3)**	(283.7)	(477.5)
Disposal of investments and subsidiaries	11	**2,141.0**	833.9	296.0
Purchases of property, plant and equipment		**(339.3)**	(314.8)	(288.9)
Purchases of other intangible assets (including capitalised computer software)		**(54.8)**	(60.4)	(37.3)
Proceeds on disposal of property, plant and equipment		**174.0**	9.5	8.0
Net cash inflow/(outflow) from investing activities		**1,759.6**	184.5	(499.7)
Financing activities				
Repayment of lease liabilities		**(249.8)**	–	–
Share option proceeds		**0.6**	1.2	6.4
Cash consideration for non-controlling interests	11	**(62.7)**	(109.9)	(47.3)
Share repurchases and buybacks	11	**(43.8)**	(207.1)	(504.2)
Net (decrease)/increase in borrowings	11	**(1,713.2)**	(440.6)	599.6
Financing and share issue costs		**(6.4)**	(3.8)	(0.8)
Equity dividends paid		**(750.5)**	(747.4)	(751.5)
Dividends paid to non-controlling interests in subsidiary undertakings		**(96.2)**	(106.2)	(87.8)
Net cash outflow from financing activities		**(2,922.0)**	(1,613.8)	(785.6)
Net increase in cash and cash equivalents		**688.1**	264.5	122.8
Translation of cash and cash equivalents		**(89.7)**	(61.5)	(27.2)
Cash and cash equivalents at beginning of year		**2,201.2**	1,998.2	1,902.6
Cash and cash equivalents including cash held in disposal group at end of year		**2,799.6**	2,201.2	1,998.2
Cash and cash equivalents held in disposal group presented as held for sale		**(66.3)**	–	–
Cash and cash equivalents at end of year	11	**2,733.3**	2,201.2	1,998.2

	Notes	2019 £m	2018 £m	2017 £m
Reconciliation of net cash flow to movement in net debt				
Net increase in cash and cash equivalents		**688.1**	264.5	122.8
Cash outflow/(inflow) from decrease/(increase) in debt financing		**1,719.6**	444.4	(598.8)
Other movements		**(32.5)**	(1.4)	(1.9)
Translation differences		**168.2**	(241.1)	125.3
Movement of net debt in the year		**2,543.4**	466.4	(352.6)
Net debt at beginning of year		**(4,016.7)**	(4,483.1)	(4,130.5)
Net debt including net debt in disposal group at end of year		**(1,473.3)**	(4,016.7)	(4,483.1)
Net debt in disposal group		**(66.3)**	–	–
Net debt at end of year	10	**(1,539.6)**	(4,016.7)	(4,483.1)

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

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Intangible assets:			
Goodwill	14	**10,170.7**	13,202.8
Other	14	**1,468.8**	1,842.0
Property, plant and equipment	15	**876.0**	1,083.0
Right-of-use assets	13	**1,734.5**	–
Interests in associates and joint ventures	16	**813.0**	796.8
Other investments	16	**498.3**	666.7
Deferred tax assets	17	**187.9**	153.0
Trade and other receivables	18	**137.6**	180.0
		15,886.8	17,924.3
Current assets			
Corporate income tax recoverable		**165.4**	198.7
Trade and other receivables	18	**11,822.3**	13,101.5
Cash and short-term deposits		**2,969.0**	2,643.2
		14,956.7	15,943.4
Assets classified as held for sale	12	**485.3**	–
		15,442.0	15,943.4
Current liabilities			
Trade and other payables	19	**(14,186.8)**	(15,038.4)
Corporate income tax payable		**(499.9)**	(545.9)
Short-term lease liabilities	13	**(302.2)**	–
Bank overdrafts, bonds and bank loans	21	**(461.3)**	(1,025.1)
		(15,450.2)	(16,609.4)
Liabilities associated with assets classified as held for sale	12	**(170.4)**	–
		(15,620.6)	(16,609.4)
Net current liabilities		**(178.6)**	(666.0)
Total assets less current liabilities		**15,708.2**	17,258.3
Non-current liabilities			
Bonds and bank loans	21	**(4,047.3)**	(5,634.8)
Trade and other payables	20	**(483.3)**	(841.4)
Deferred tax liabilities	17	**(379.8)**	(479.5)
Provision for post-employment benefits	24	**(159.0)**	(184.3)
Provisions for liabilities and charges	22	**(247.8)**	(311.7)
Long-term lease liabilities	13	**(1,947.5)**	–
		(7,264.7)	(7,451.7)
Net assets		**8,443.5**	9,806.6
Equity			
Called-up share capital	28	**132.8**	133.3
Share premium account		**570.3**	569.7
Other reserves	29	**(501.2)**	393.5
Own shares		**(1,178.7)**	(1,255.7)
Retained earnings		**9,048.9**	9,541.4
Equity shareholders' funds		**8,072.1**	9,382.2
Non-controlling interests		**371.4**	424.4
Total equity		**8,443.5**	9,806.6

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 29 April 2020.

Signed on behalf of the Board:

Mark Read
Chief Executive Officer

Paul Richardson
Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called-up share capital £m	Share premium account £m	Other reserves[1] £m	Own shares £m	Retained earnings £m	Total equity shareholders' funds £m	Non-controlling interests £m	Total £m
Balance at 1 January 2018	**133.3**	**568.5**	**354.3**	**(1,171.1)**	**9,602.3**	**9,487.3**	**468.8**	**9,956.1**
Ordinary shares issued	–	1.2	–	–	–	1.2	–	1.2
Treasury share additions	–	–	–	(104.3)	–	(104.3)	–	(104.3)
Treasury share allocations	–	–	–	1.5	(1.5)	–	–	–
Profit for the year	–	–	–	–	1,062.9	1,062.9	76.5	1,139.4
Exchange adjustments on foreign currency net investments	–	–	69.9	–	–	69.9	9.0	78.9
Movements on equity investments held at fair value through other comprehensive income	–	–	–	–	(247.9)	(247.9)	–	(247.9)
Actuarial gain on defined benefit pension plans	–	–	–	–	8.9	8.9	–	8.9
Deferred tax on defined benefit pension plans	–	–	–	–	(0.7)	(0.7)	–	(0.7)
Other comprehensive income/(loss)	–	–	69.9	–	(239.7)	(169.8)	9.0	(160.8)
Total comprehensive income	–	–	69.9	–	823.2	893.1	85.5	978.6
Dividends paid	–	–	–	–	(747.4)	(747.4)	(106.2)	(853.6)
Non-cash share-based incentive plans (including share options)	–	–	–	–	84.8	84.8	–	84.8
Tax adjustment on share-based payments	–	–	–	–	(1.2)	(1.2)	–	(1.2)
Net movement in own shares held by ESOP Trusts	–	–	–	18.2	(121.0)	(102.8)	–	(102.8)
Recognition/remeasurement of financial instruments	–	–	(30.7)	–	10.3	(20.4)	–	(20.4)
Acquisition of subsidiaries[2]	–	–	–	–	(108.1)	(108.1)	(23.7)	(131.8)
Balance at 31 December 2018	**133.3**	**569.7**	**393.5**	**(1,255.7)**	**9,541.4**	**9,382.2**	**424.4**	**9,806.6**
Accounting policy change (IFRS 16)[3]	–	–	–	–	(128.9)	(128.9)	–	(128.9)
Deferred tax on accounting policy change (IFRS 16)[3]	–	–	–	–	27.8	27.8	–	27.8
Revised balance at 1 January 2019	**133.3**	**569.7**	**393.5**	**(1,255.7)**	**9,440.3**	**9,281.1**	**424.4**	**9,705.5**
Ordinary shares issued	–	0.6	–	–	–	0.6	–	0.6
Share cancellations	(0.5)	–	0.5	–	(47.7)	(47.7)	–	(47.7)
Treasury share allocations	–	–	–	1.0	(1.0)	–	–	–
Profit for the year	–	–	–	–	624.1	624.1	93.8	717.9
Exchange adjustments on foreign currency net investments	–	–	(361.4)	–	–	(361.4)	(18.0)	(379.4)
Exchange adjustments recycled to the income statement on disposal of discontinued operations	–	–	(284.0)	–	–	(284.0)	–	(284.0)
Movements on equity investments held at fair value through other comprehensive income	–	–	–	–	(141.4)	(141.4)	–	(141.4)
Actuarial loss on defined benefit pension plans	–	–	–	–	(36.6)	(36.6)	–	(36.6)
Deferred tax on defined benefit pension plans	–	–	–	–	6.4	6.4	–	6.4
Other comprehensive loss	–	–	(645.4)	–	(171.6)	(817.0)	(18.0)	(835.0)
Total comprehensive (loss)/income	–	–	(645.4)	–	452.5	(192.9)	75.8	(117.1)
Dividends paid	–	–	–	–	(750.5)	(750.5)	(96.2)	(846.7)
Non-cash share-based incentive plans (including share options)	–	–	–	–	71.4	71.4	–	71.4
Tax adjustment on share-based payments	–	–	–	–	3.1	3.1	–	3.1
Net movement in own shares held by ESOP Trusts	–	–	–	76.0	(76.0)	–	–	–
Recognition/remeasurement of financial instruments	–	–	2.5	–	13.1	15.6	–	15.6
Share purchases – close period commitments[4]	–	–	(252.3)	–	–	(252.3)	–	(252.3)
Acquisition of subsidiaries[2]	–	–	–	–	(56.3)	(56.3)	(32.6)	(88.9)
Balance at 31 December 2019	**132.8**	**570.3**	**(501.2)**	**(1,178.7)**	**9,048.9**	**8,072.1**	**371.4**	**8,443.5**

Notes

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

1 Other reserves are analysed in note 29.

2 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.

3 The impact of the adoption of IFRS 16 Leases from 1 January 2019 is described in the accounting policies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

WPP plc is a company incorporated in Jersey. The address of the registered office is Queensway House, Hilgrove 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.

Recent restructuring actions, including the mergers of VMLY&R and Wunderman Thompson, the One Ogilvy strategy and the reorganisation of our specialist healthcare agencies, mean that certain units have been reclassified between the previously reported sectors. In order to take account of these changes, the internal reporting of the Group used by the Chief Executive Officer (the Chief Operating Decision Maker) to review performance and allocate resources has also changed. The Group has therefore reassessed its segment information under IFRS 8 Operating Segments. In assessing the Group's reportable segments, the Directors have considered the similar economic characteristics of certain operating segments, their shared client base and the similar nature of their products or services, amongst other factors. As a result, the Group is now organised into three reportable segments – Global Integrated Agencies; Public Relations; and Specialist Agencies. The Data Investment Management segment is now excluded from the segment analysis as it is classified as discontinued operations. Comparatives have been restated.

Reportable segments

Reported contributions were as follows:

Continuing operations – Income statement	Revenue[1] £m	Revenue less pass-through costs[2] £m	Headline operating profit[3] £m	Headline operating profit margin[4]
2019				
Global Integrated Agencies[5]	**10,205.2**	**8,108.1**	**1,219.5**	**15.0%**
Public Relations[6]	**956.5**	**898.0**	**140.6**	**15.7%**
Specialist Agencies[7]	**2,072.4**	**1,840.4**	**200.5**	**10.9%**
	13,234.1	**10,846.5**	**1,560.6**	**14.4%**
2018[8]				
Global Integrated Agencies[5]	9,930.7	8,070.8	1,228.2	15.2%
Public Relations[6]	931.7	879.9	139.2	15.8%
Specialist Agencies[7]	2,184.3	1,925.0	283.8	14.7%
	13,046.7	10,875.7	1,651.2	15.2%
2017[8]				
Global Integrated Agencies[5]	10,028.6	8,315.3	1,321.3	15.9%
Public Relations[6]	915.0	864.3	123.5	14.3%
Specialist Agencies[7]	2,202.8	1,964.3	348.3	17.7%
	13,146.4	11,143.9	1,793.1	16.1%

Notes

1 Intersegment sales have not been separately disclosed as they are not material.
2 Revenue less pass-through costs is defined in note 32.
3 A reconciliation from reported operating profit to headline operating profit is provided in note 32.
4 Headline operating profit margin is defined in note 32.
5 Global Integrated Agencies includes all of Grey, GroupM, Hogarth, Ogilvy, VMLY&R and Wunderman Thompson.
6 Public Relations represents the Group's specialists in this area and remains as previously reported but excludes Ogilvy PR which now sits within Global Integrated Agencies as part of Ogilvy.
7 Specialist Agencies represent the Group's other agencies that specialise in certain areas, whether by region or range of services.
8 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies. As a result Data Investment Management is now excluded from the segment analysis.

Continuing operations – Other information	Share-based payments £m	Capital additions[1] £m	Depreciation and amortisation[2] £m	Goodwill impairment £m	Share of results of associates £m	Interests in associates and joint ventures £m
2019						
Global Integrated Agencies	**54.3**	**265.6**	**392.8**	**4.8**	**17.0**	**164.2**
Public Relations	**4.6**	**17.5**	**31.5**	**–**	**(0.3)**	**5.5**
Specialist Agencies[3]	**7.1**	**46.7**	**84.0**	**42.9**	**(2.0)**	**643.3**
	66.0	**329.8**	**508.3**	**47.7**	**14.7**	**813.0**
2018[4]						
Global Integrated Agencies	59.5	255.6	159.1	148.0	25.4	175.1
Public Relations	7.1	12.5	10.8	–	1.3	6.2
Specialist Agencies[3]	11.7	45.9	39.4	35.9	3.8	615.5
	78.3	314.0	209.3	183.9	30.5	796.8
2017[4]						
Global Integrated Agencies	77.8	214.3	157.1	–	16.2	179.9
Public Relations	7.2	9.5	9.8	7.5	0.9	5.6
Specialist Agencies[3]	13.3	47.2	42.2	19.6	80.9	879.7
	98.3	271.0	209.1	27.1	98.0	1,065.2

Notes
1 Capital additions include purchases of property, plant and equipment and other intangible assets (including capitalised computer software).
2 Depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of other intangible assets.
3 Specialist Agencies includes the Kantar associate and amounts previously reported under the Data Investment Management segment.
4 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

Contributions by geographical area were as follows:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Revenue[2]			
North America[3]	**4,854.7**	4,851.7	5,083.5
United Kingdom	**1,797.1**	1,785.6	1,737.4
Western Continental Europe	**2,628.8**	2,589.6	2,455.7
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,953.5**	3,819.8	3,869.8
	13,234.1	13,046.7	13,146.4
Revenue less pass-through costs[4]			
North America[3]	**4,034.3**	4,059.7	4,335.2
United Kingdom	**1,390.1**	1,393.8	1,390.0
Western Continental Europe	**2,176.4**	2,182.9	2,063.7
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,245.7**	3,239.3	3,355.0
	10,846.5	10,875.7	11,143.9
Headline operating profit[4]			
North America[3]	**662.0**	710.6	816.3
United Kingdom	**188.5**	179.6	218.1
Western Continental Europe	**261.5**	289.4	249.8
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**448.6**	471.6	508.9
	1,560.6	1,651.2	1,793.1

Notes
1 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.
2 Intersegment sales have not been separately disclosed as they are not material.
3 North America includes the United States with revenue of £4,576.5 million (2018: £4,576.1 million, 2017: £4,782.0 million), revenue less pass-through costs of £3,806.3 million (2018: £3,836.0 million, 2017: £4,089.9 million) and headline operating profit of £620.6 million (2018: £674.4 million, 2017: £773.5 million).
4 Revenue less pass-through costs, headline operating profit and headline operating profit margin are defined in note 32.

Continuing operations	2019 Margin	2018[1] Margin	2017[1] Margin
Headline operating profit margin[2]			
North America	**16.4%**	17.5%	18.8%
United Kingdom	**13.6%**	12.9%	15.7%
Western Continental Europe	**12.0%**	13.3%	12.1%
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**13.8%**	14.6%	15.2%

Notes
1 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.
2 Headline operating profit margin is defined in note 32.

Continuing operations	2019 £m	2018 £m
Non-current assets[1]		
North America[2]	**6,833.1**	7,269.7
United Kingdom	**1,754.6**	2,079.2
Western Continental Europe	**3,429.8**	4,385.6
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,681.4**	4,028.4
	15,698.9	17,762.9

Notes
1 Non-current assets excluding financial instruments and deferred tax.
2 North America includes the United States with non-current assets of £6,373.9 million (2018: £6,791.9 million).

3. COSTS OF SERVICES AND GENERAL AND ADMINISTRATIVE COSTS

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Costs of services	**10,825.1**	10,559.1	10,481.6
General and administrative costs	**1,113.1**	1,249.7	1,086.9
	11,938.2	11,808.8	11,568.5

Costs of services and general and administrative costs include:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Staff costs (note 5)	**7,090.6**	6,950.6	7,065.1
Establishment costs	**672.9**	756.6	769.5
Media pass-through costs	**1,656.2**	1,458.0	1,429.4
Other costs of services and general and administrative costs[2]	**2,518.5**	2,643.6	2,304.5
	11,938.2	11,808.8	11,568.5

Other costs of services and general and administrative costs include:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Goodwill impairment (note 14)	**47.7**	183.9	27.1
Investment write-downs	**7.5**	2.0	91.7
Restructuring and transformation costs	**153.5**	265.5	56.8
Litigation settlement	**(16.8)**	–	–
Gain on sale of freehold property in New York	**(7.9)**	–	–
Amortisation and impairment of acquired intangible assets	**121.5**	201.8	138.0
Amortisation of other intangible assets	**21.2**	20.7	20.1
Depreciation of property, plant and equipment	**185.5**	188.6	189.0
Depreciation of right-of-use assets	**301.6**	–	–
Losses on sale of property, plant and equipment	**3.2**	0.6	1.2
Gains on disposal of investments and subsidiaries	**(40.4)**	(237.9)	(98.7)
(Gains)/losses on remeasurement of equity interests arising from a change in scope of ownership	**(0.4)**	(2.0)	0.3
Net foreign exchange losses/(gains)	**6.1**	(13.0)	8.0
Short-term lease expense	**83.8**	–	–
Low-value lease expense	**2.9**	–	–

Notes

1 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

2 Other costs of services and general and administrative costs include £731.4 million (2018: £713.0 million, 2017: £573.1 million) of other pass-through costs.

In 2019, operating profit includes credits totalling £26.9 million (2018: £25.6 million, 2017: £40.9 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2018. Further details of the Group's approach to acquisition reserves, as required by IFRS 3 Business Combinations, are given in note 30.

Amortisation and impairment of acquired intangibles in 2019 includes an impairment charge in the year of £26.5 million (2018: £89.1 million, 2017: £6.0 million) in regard to certain brand names that are no longer in use and customer relationships where the underlying clients have been lost.

In 2019, the goodwill impairment charge of £47.7 million (2018: £183.9 million, 2017: £27.1 million) relates to a number of under-performing businesses in the Group. In certain markets, the impact of current local economic conditions and trading circumstances on these businesses is sufficiently severe to indicate impairment to the carrying value of goodwill. In 2018, the goodwill impairment charge primarily relates to a charge of £148.0 million on VMLY&R.

Investment write-downs of £91.7 million in 2017 include £53.1 million in relation to comScore Inc., which had not released any financial statements in relation to its 2015, 2016 or 2017 results due to an internal investigation by their Audit Committee. In 2017, the market value of comScore Inc. fell below the Group's carrying value. Other investment write-downs relate to certain non-core minority investments in the United States where forecast financial performance and/or liquidity issues indicate a permanent decline in the recoverability of the Group's investment.

Gains on disposal of investments and subsidiaries of £40.4 million in 2019 include a gain of £28.6 million on the disposal of the Group's interest in Chime. Gains on disposal of investments and subsidiaries of £237.9 million in 2018 include a gain of £185.3 million on the disposal of the Group's interest in Globant S.A. Gains in 2017 of £98.7 million include £92.3 million on the sale of the Group's interest in Asatsu-DK Inc following its acquisition by Bain Capital.

In 2019, restructuring and transformation costs of £153.5 million comprise £116.3 million of restructuring costs and £37.2 million transformation costs with respect to strategic initiatives including co-locations in major cities, IT transformation and shared services. Restructuring and transformation costs of £121.1 million are in relation to the continuing restructuring plan, first outlined at the Investor Day in December 2018. As part of that plan, restructuring actions have been taken to right-size under-performing businesses, address high cost severance markets and simplify operational structures. Further restructuring and transformation costs will be incurred in 2020 and 2021. The remaining £32.4 million primarily comprises transformation costs in relation to the continuing global IT transformation programme.

In 2018, restructuring and transformation costs of £265.5 million comprise £179.7 million of restructuring costs and £85.8 million transformation costs with respect to strategic initiatives including co-locations in major cities, IT transformation and shared services. In the fourth quarter of 2018, £212.3 million of restructuring and transformation costs were incurred in relation to the strategic review of the Group's operations. The remaining £53.2 million primarily relates to restructuring costs recorded in the first half of 2018 and transformation costs in relation to the IT transformation programme.

In 2017, restructuring and transformation costs of £56.8 million predominantly comprise £33.7 million of severance costs arising from a structural assessment of certain of the Group's operations, primarily in the mature markets; and £12.8 million of costs resulting from the project to transform and rationalise the Group's IT services and infrastructure including costs relating to the cyber attack in June 2017.

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

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

Auditors' remuneration:

	2019 £m	2018 £m	2017 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**1.5**	1.4	1.4
The audit of the Company's subsidiaries pursuant to legislation	**28.0**	25.2[1]	20.7
Other services pursuant to legislation	**5.0**	4.2	4.0
Fees payable to the auditors pursuant to legislation	**34.5**	30.8	26.1
Tax advisory services	**–**	–	0.1
Tax compliance services	**–**	0.1	0.1
Other services[2]	**8.2**	4.7	4.6
Total non-audit fees	**8.2**	4.8	4.8
Total fees	**42.7**	35.6	30.9

Note

1 Includes a true-up of £3.5 million.

2 Other services include audits for earnout purposes.

4. SHARE OF RESULTS OF ASSOCIATES

Share of results of associates include:

Continuing operations	2019[1] £m	2018[2] £m	2017[2] £m
Share of profit before interest and taxation	**99.2**	110.8	129.7
Share of exceptional (losses)/gains	**(47.8)**	(41.5)	0.6
Share of interest and non-controlling interests	**(19.4)**	(15.1)	(12.6)
Share of taxation	**(17.3)**	(23.7)	(19.7)
	14.7	30.5	98.0

Notes

1 From 5 December 2019 approximately 90% of the Kantar business is treated as a 40% associate following the completion of the transaction outlined in note 12.

2 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

5. OUR PEOPLE

Our staff numbers, including the Kantar disposal group, averaged 132,823 for the year ended 31 December 2019 against 133,903 in 2018 and 134,428 in 2017. Their geographical distribution was as follows:

	2019	2018	2017
North America	**25,008**	25,990	27,399
United Kingdom	**14,192**	14,331	14,197
Western Continental Europe	**26,973**	26,825	25,700
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**66,650**	66,757	67,132
	132,823	133,903	134,428

Their reportable segment distribution was as follows:

	2019	2018	2017
Global Integrated Agencies	**82,295**	83,015	81,537
Data Investment Management	**26,325**	27,813	28,014
Public Relations	**6,890**	6,891	6,899
Specialist Agencies	**17,313**	16,184	17,978
	132,823	133,903	134,428

At the end of 2019, staff numbers were 106,786 (2018: 134,281, 2017: 134,413).

Staff costs include:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Wages and salaries	**4,946.2**	4,828.0	4,937.5
Cash-based incentive plans	**227.6**	233.0	196.5
Share-based incentive plans	**66.0**	78.3	98.3
Social security costs	**591.7**	579.0	580.8
Pension costs	**169.7**	160.9	161.3
Severance	**42.6**	30.0	36.8
Other staff costs[2]	**1,046.8**	1,041.4	1,053.9
	7,090.6	6,950.6	7,065.1
Staff cost to revenue less pass-through costs[3] ratio	**65.4%**	63.9%	63.4%

Notes

1 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

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

3 Revenue less pass-through costs is defined in note 32.

Included above are charges of £2.0 million, excluding revision to prior year awards, (2018: £2.0 million, 2017: £12.3 million) for share-based incentive plans in respect of key management personnel (who comprise the Directors of the Group). Further details of compensation for key management personnel are disclosed on pages 114-137.

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

Finance and investment income includes:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Income from equity investments	**18.3**	15.2	16.7
Interest income	**80.7**	83.7	72.3
	99.0	98.9	89.0

Finance costs include:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Net interest expense on pension plans	**3.5**	3.6	5.4
Interest on other long-term employee benefits	**3.9**	3.5	3.3
Interest expense and similar charges[2]	**252.0**	272.0	253.2
Interest expense related to lease liabilities	**99.7**	–	–
	359.1	279.1	261.9

Revaluation of financial instruments include:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Movements in fair value of treasury instruments	**0.4**	(11.0)	0.4
Premium on the early repayment of bonds	**(63.4)**	–	–
Revaluation of investments held at fair value through profit or loss	**9.1**	67.8	–
Revaluation of put options over non-controlling interests	**(13.5)**	34.4	51.4
Revaluation of payments due to vendors (earnout agreements)	**(1.0)**	78.2	192.1
	(68.4)	169.4	243.9

Notes

1 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

2 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 $1,563 million of US dollar bonds at an average interest rate of 4.06%, €3,100 million of Eurobonds at an average interest rate of 1.82% and £400 million of Sterling bonds at an average interest rate of 2.88%.

Average borrowings under the US Dollar Revolving Credit Facilities (note 10) amounted to the equivalent of $72 million at an average interest rate of 1.11% (2018: $125 million at an average interest rate of 0.96%).

Average borrowings under the Australian Dollar Revolving Credit Facilities, amounted to A$310 million at an average rate of 2.95% (2018: A$439 million at an average rate of 3.27%).

Average borrowings under the US Commercial Paper Programme for 2019 amounted to $41 million at an average interest rate of 2.46% inclusive of margin (2018: $540 million at an average interest rate of 2.28% inclusive of margin).

Average borrowings under the Euro Commercial Paper Programme for 2019 amounted to £255 million at an average interest rate of 1.16% inclusive of currency swaps (2018: £nil).

7. TAXATION

The tax rate on reported PBT was 28.0% (2018: 20.4%, 2017: 4.8%). The headline tax rate was 22.0% (2018: 20.7%, 2017: 18.5%).

The tax charge comprises:

Continuing operations	**2019 £m**	2018[1] £m	2017[1] £m
Corporation tax			
Current year	**423.0**	404.2	383.0
Prior years	**(63.4)**	(108.1)	(97.2)
	359.6	296.1	285.8
Deferred tax			
Current year	**(78.3)**	(41.5)	(207.4)
Prior years	**(6.3)**	1.4	4.6
	(84.6)	(40.1)	(202.8)
Tax charge	**275.0**	256.0	83.0

The corporation tax credit for prior years in 2019, 2018 and 2017, mainly comprises the release of a number of provisions following the resolution of tax matters in various countries.

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

Continuing operations	**2019 £m**	2018[1] £m	2017[1] £m
Profit before taxation	**982.1**	1,257.6	1,746.9
Tax at the corporation tax rate of 19.0%[2]	**186.6**	238.9	336.3
Tax effect of share of results of associates	**(2.7)**	(5.8)	(18.8)
Irrecoverable withholding taxes	**44.7**	48.9	31.6
Items that are not deductible/(taxable) in determining taxable profit	**96.0**	22.0	(10.7)
Effect of different tax rates in subsidiaries operating in other jurisdictions	**77.1**	71.2	95.2
US Transition Tax related to unremitted foreign earnings	**–**	(4.6)	20.1
Effect of change in US tax rate on deferred tax balances	**–**	–	(211.6)
Origination and reversal on unrecognised temporary differences	**(3.4)**	5.1	(18.9)
Tax losses not recognised or utilised in the year	**13.2**	19.9	32.5
Utilisation of tax losses not previously recognised	**(42.7)**	(25.5)	(10.4)
Recognition of temporary differences not previously recognised	**(24.1)**	(7.4)	(69.7)
Net release of prior year provisions in relation to acquired businesses	**(19.9)**	(20.4)	(15.0)
Other prior year adjustments	**(49.8)**	(86.3)	(77.6)
Tax charge	**275.0**	256.0	83.0
Effective tax rate on profit before tax	**28.0%**	20.4%	4.8%

Notes

[1] Prior year figures have been re-presented in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

[2] As the Group is subject to the tax rates of more than one country, it has chosen to present its reconciliation of the tax charge using the UK corporation tax rate of 19.0% (2018: 19.0%, 2017: 19.25%).

The headline tax charge excludes the impact of items that are excluded from headline PBT and excludes the deferred tax impact of the amortisation of acquired intangible assets and other goodwill items as these will only reverse in the event of future disposals of those assets, in which case any accounting gain or loss would be excluded from headline profits.

The calculation of the headline tax rate is as follows:

Continuing operations	**2019 £m**	2018[1] £m	2017[1] £m
Headline PBT[2]	**1,363.0**	1,543.0	1,717.6
Tax charge	**275.0**	256.0	83.0
Tax (charge)/credit relating to gains on disposal of investments and subsidiaries	**(6.9)**	(0.8)	2.1
Tax credit relating to gain on sale of freehold property in New York	**0.5**	–	–
Tax charge relating to litigation settlement	**(4.2)**	–	–
Deferred tax impact of the amortisation of acquired intangible assets and other goodwill items	**13.3**	12.9	31.8
Tax credit relating to restructuring and transformation costs	**29.2**	41.1	10.0
Tax impact of US tax reform	**–**	11.6	191.5
Deferred tax relating to gains on disposal of investments and subsidiaries	**(7.3)**	(0.7)	0.2
Headline tax charge	**299.6**	320.1	318.6
Headline tax rate	**22.0%**	20.7%	18.5%

Notes

[1] Prior year figures have been re-presented in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

[2] Headline PBT is defined in note 32.

FACTORS AFFECTING THE TAX CHARGE IN FUTURE YEARS

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

The tax charge may also be affected by the impact of acquisitions, disposals and other corporate restructurings, the resolution of open tax issues, and the ability to use brought forward tax losses. Changes in local or international tax rules, for example, as a consequence of the financial support programmes being implemented by governments during the Covid-19 crisis, changes arising from the application of existing rules, or challenges by tax or competition authorities, for example, the European Commission's State Aid decision into the Group Financing Exemption in the UK CFC rules, may expose us to significant additional tax liabilities or impact the carrying value of our deferred tax assets, which would affect the future tax charge.

The Group does not currently expect any material additional charges, or credits, to arise in respect of these matters, beyond the amounts already provided. Liabilities relating to these open and judgemental matters are based upon estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts which were initially recorded then such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

TAX RISK MANAGEMENT

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

8. ORDINARY DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

Per share	2019	2018	2017	2019	2018	2017
	Pence per share			£m	£m	£m
2018 Final dividend	**37.30p**	37.30p	37.05p	**466.4**	464.6	467.2
2019 Interim dividend	**22.70p**	22.70p	22.70p	**284.1**	282.8	284.3
	60.00p	60.00p	59.75p	**750.5**	747.4	751.5

Per ADR[1]	2019	2018	2017	2019	2018	2017
	Cents per ADR			$m	$m	$m
2018 Final dividend	**249.00¢**	240.34¢	250.96¢	**622.8**	598.7	632.9
2019 Interim dividend	**144.88¢**	151.53¢	146.27¢	**362.6**	377.6	366.4
	393.88¢	391.87¢	397.23¢	**985.4**	976.3	999.3

Note

1 These figures have been translated for convenience purposes only, using the approximate average rate for the year of US$1.2765 (2018: US$1.3351, 2017: US$1.2887). 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.

Given the significant uncertainty over the coming months, we are taking prudent action now to maintain our liquidity and ensure that we emerge from this global crisis strong, secure, and ready to meet the continuing needs of our clients, shareholders and other stakeholders. Therefore, the Board is suspending the 2019 final dividend of 37.3 pence per share, which was due to be proposed at the 2020 AGM.

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

9. EARNINGS PER SHARE

BASIC EPS

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

Continuing operations	2019	2018	2017
Reported earnings[1] (£m)	**627.9**	936.5	1,579.5
Headline earnings (£m) (note 32)	**984.2**	1,153.1	1,314.6
Weighted average shares used in basic EPS calculation (m)	**1,250.0**	1,247.8	1,261.1
Reported EPS	**50.2p**	75.1p	125.2p
Headline EPS	**78.7p**	92.4p	104.2p

Discontinued operations	2019	2018	2017
Reported earnings[1] (£m)	**(3.8)**	126.4	237.1
Headline earnings (£m) (note 12)	**184.5**	209.6	221.9
Weighted average shares used in basic EPS calculation (m)	**1,250.0**	1,247.8	1,261.1
Reported EPS	**(0.3p)**	10.1p	18.8p
Headline EPS	**14.8p**	16.8p	17.6p

Continued and discontinued operations	2019	2018	2017
Reported earnings[1] (£m)	**624.1**	1,062.9	1,816.6
Headline earnings (£m)	**1,168.7**	1,362.7	1,536.5
Weighted average shares used in basic EPS calculation (m)	**1,250.0**	1,247.8	1,261.1
Reported EPS	**49.9p**	85.2p	144.0p
Headline EPS	**93.5p**	109.2p	121.8p

Note

1 Reported earnings is equivalent to profit for the year attributable to equity holders of the parent.

DILUTED EPS

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

Continuing operations	2019	2018	2017
Diluted reported earnings (£m)	**627.9**	936.5	1,579.5
Diluted headline earnings (£m)	**984.2**	1,153.1	1,314.6
Weighted average shares used in diluted EPS calculation (m)	**1,260.6**	1,261.2	1,275.8
Diluted reported EPS	**49.8p**	74.3p	123.8p
Diluted headline EPS	**78.1p**	91.4p	103.0p

Discontinued operations	2019	2018	2017
Diluted reported earnings (£m)	**(3.8)**	126.4	237.1
Diluted headline earnings (£m)	**184.5**	209.6	221.9
Weighted average shares used in diluted EPS calculation (m)	**1,260.6**	1,261.2	1,275.8
Diluted reported EPS	**(0.3p)**	10.0p	18.6p
Diluted headline EPS	**14.6p**	16.6p	17.4p

Continued and discontinued operations	2019	2018	2017
Diluted reported earnings (£m)	**624.1**	1,062.9	1,816.6
Diluted headline earnings (£m)	**1,168.7**	1,362.7	1,536.5
Weighted average shares used in diluted EPS calculation (m)	**1,260.6**	1,261.2	1,275.8
Diluted reported EPS	**49.5p**	84.3p	142.4p
Diluted headline EPS	**92.7p**	108.0p	120.4p

Diluted EPS has been calculated based on the diluted reported and diluted headline earnings amounts above. At 31 December 2019, options to purchase 19.3 million ordinary shares (2018: 16.9 million, 2017: 8.2 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:

	2019 m	2018 m	2017 m
Average shares used in basic EPS calculation	**1,250.0**	1,247.8	1,261.1
Dilutive share options outstanding	**0.3**	1.6	1.8
Other potentially issuable shares	**10.3**	11.8	12.9
Shares used in diluted EPS calculation	**1,260.6**	1,261.2	1,275.8

At 31 December 2019 there were 1,328,167,813 (2018: 1,332,678,227, 2017: 1,332,511,552) ordinary shares in issue, including 70,787,730 treasury shares (2018: 70,854,553, 2017: 62,578,938).

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	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Beginning of year	**703.0**	701.8	**6,217.9**	6,481.3
Ordinary shares issued	**0.6**	1.2	**–**	–
Share cancellations	**(0.5)**	–	**–**	–
Net decrease in drawings on bank loans and corporate bonds	**–**	–	**(1,713.2)**	(440.6)
Amortisation of financing costs included in debt	**–**	–	**10.3**	7.7
Changes in fair value due to hedging arrangements	**–**	–	**14.3**	(9.9)
Other movements	**–**	–	**1.5**	(0.2)
Exchange adjustments	**–**	–	**(257.9)**	179.6
End of year	**703.1**	703.0	**4,272.9**	6,217.9

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

SHARES

At 31 December 2019, the Company's share base was entirely composed of ordinary equity share capital and share premium of £703.1 million (2018: £703.0 million), further details of which are disclosed in note 28.

DEBT

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

Eurobonds The Group has in issue €750 million of 3.00% bonds due November 2023, €500 million of 1.375% bonds due March 2025, €750 million of 2.25% bonds due September 2026, €600 million of 1.625% bonds due March 2030, €250 million of Floating Rate Notes carrying a coupon of 3m EURIBOR + 0.32% due May 2020 and €250 million of Floating Rate Notes carrying a coupon of 3m EURIBOR +0.45% due March 2022.

Sterling bonds The Group has in issue £400 million of 2.875% bonds due September 2046.

Revolving Credit Facility The Group has a five-year Revolving Credit Facility of $2.5 billion due March 2024, signed in March 2019. The Group's borrowing under these facilities, which are drawn down predominantly in pounds sterling, averaged the equivalent of $72 million in 2019. In June 2018, the Group's subsidiary, WPP AUNZ entered into a A$150 million Revolving Credit Facility due June 2019 and a A$370 million Revolving Credit Facility due June 2021. In May 2019, the A$150 million Revolving Credit Facility was extended to June 2020. In December 2019, the A$370 million Revolving Credit Facility was reduced to A$270 million due June 2021. The Group's borrowings under the Australian dollar facilities which were drawn down in Australian dollars and New Zealand dollars, averaged the equivalent of A$310 million in 2019. The Group had available undrawn committed credit facilities of £2,005.6 million at 31 December 2019 (2018: £2,074.7 million).

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

The $2.5 billion Revolving Credit Facility, due March 2024, 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. On 14 February 2020, the lending banks approved an extension of the term of the Revolving Credit Facility to March 2025.

COMMERCIAL PAPER PROGRAMMES

The Group operates commercial paper programmes using its Revolving Credit Facility as a backstop. The average US commercial paper outstanding in 2019 was $41 million (2018: $540 million). The average Euro commercial paper outstanding in 2019 was $255 million (2018: £nil) inclusive of the effect of currency swaps. There was no US or Euro Commercial Paper outstanding at 31 December 2019.

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:

	2019 £m	2018 £m
Within one year	**(324.8)**	(748.4)
Between one and two years	**(204.0)**	(596.8)
Between two and three years	**(692.1)**	(937.1)
Between three and four years	**(726.3)**	(742.5)
Between four and five years	**(634.2)**	(786.8)
Over five years	**(2,761.9)**	(4,199.7)
Debt financing (including interest) under the Revolving Credit Facility and in relation to unsecured loan notes	**(5,343.3)**	(8,011.3)
Short-term overdrafts – within one year	**(235.7)**	(442.0)
Future anticipated cash flows	**(5,579.0)**	(8,453.3)
Effect of discounting/financing rates	**1,070.4**	1,793.4
Debt financing	**(4,508.6)**	(6,659.9)
Cash and short-term deposits	**2,969.0**	2,643.2
Net debt	**(1,539.6)**	(4,016.7)

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

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

2018		£m	Fixed rate[1]	Floating basis	Period (months)[1]
Currency					
$	– fixed	1,154.8	4.58	n/a	181
	– floating	1,029.6	n/a	LIBOR	n/a
£	– fixed	1,044.1	3.43	n/a	232
€	– fixed	2,425.9	1.99	n/a	75
	– floating	449.2	n/a	EURIBOR	n/a
Other		114.3	n/a	n/a	n/a
		6,217.9			

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

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

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

	Financial liabilities		Financial assets	
2018	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	229.3	221.9	124.6	120.6
Between one and two years	50.0	45.3	11.8	6.5
Between two and three years	688.4	685.3	11.5	6.4
Between three and four years	408.5	406.6	11.6	6.5
Between four and five years	–	–	11.6	6.6
Over five years	–	–	461.4	498.2
	1,376.2	1,359.1	632.5	644.8

11. ANALYSIS OF CASH FLOWS

The following tables analyse the items included within the main cash flow headings on page 149.

Net cash from operating activities:

	2019 £m	2018 £m	2017 £m
Profit for the year	**717.9**	1,139.4	1,912.3
Taxation	**353.8**	323.9	197.0
Revaluation of financial instruments	**77.8**	(172.9)	(262.2)
Finance costs	**376.4**	289.3	269.8
Finance and investment income	**(102.6)**	(104.8)	(95.2)
Share of results of associates	**(21.2)**	(43.5)	(113.5)
Goodwill impairment on classification as held for sale	**94.5**	–	–
Gain on sale of discontinued operations	**(73.8)**	–	–
Attributable tax expense on sale of discontinued operations	**157.4**	–	–
Operating profit of continuing and discontinued operations	**1,580.2**	1,431.4	1,908.2
Adjustments for			
Non-cash share-based incentive plans (including share options)	**71.4**	84.8	105.0
Depreciation of property, plant and equipment	**203.2**	225.1	230.7
Depreciation of right-of-use assets	**317.9**	–	–
Impairment of goodwill	**47.7**	183.9	27.1
Amortisation and impairment of acquired intangible assets	**135.6**	280.0	195.1
Amortisation of other intangible assets	**29.6**	38.7	36.3
Investment write-downs	**7.5**	2.0	95.9
Gains on disposal of investments and subsidiaries	**(45.1)**	(235.5)	(129.0)
(Gains)/losses on remeasurement of equity interests arising from a change in scope of ownership	**(0.4)**	(2.0)	0.3
Gain on sale of freehold property in New York	**(7.9)**	–	–
Losses on sale of property, plant and equipment	**3.2**	0.6	1.1
Operating cash flow before movements in working capital and provisions	**2,342.9**	2,009.0	2,470.7
Decrease/(increase) in trade receivables and accrued income	**159.0**	(298.9)	(90.4)
Increase/(decrease) in trade payables and deferred income	**394.7**	500.9	(170.8)
Increase in other receivables	**(263.8)**	(52.9)	(110.6)
Decrease in other payables – short-term	**(16.4)**	(31.8)	(122.8)
Increase in other payables – long-term	**53.7**	0.4	20.1
Increase/(decrease) in provisions	**23.1**	48.0	(57.3)
Cash generated by operations	**2,693.2**	2,174.7	1,938.9
Corporation and overseas tax paid	**(536.0)**	(383.6)	(424.7)
Payment on early settlement of bonds	**(63.4)**	–	–
Interest and similar charges paid	**(270.6)**	(252.8)	(246.6)
Interest paid on lease liabilities	**(105.1)**	–	–
Interest received	**80.8**	90.4	76.9
Investment income	**18.3**	15.4	16.8
Dividends from associates	**33.3**	49.7	46.8
Net cash inflow from operating activities	**1,850.5**	1,693.8	1,408.1

Acquisitions and disposals:

	2019 £m	2018 £m	2017 £m
Initial cash consideration	**(3.9)**	(126.7)	(214.8)
Cash and cash equivalents acquired	**–**	11.3	28.9
Earnout payments	**(130.2)**	(120.2)	(199.1)
Purchase of other investments (including associates)	**(27.2)**	(48.1)	(92.5)
Acquisitions	**(161.3)**	(283.7)	(477.5)
Proceeds on disposal of investments and subsidiaries[1]	**2,468.5**	849.0	296.0
Cash and cash equivalents disposed	**(327.5)**	(15.1)	–
Disposals of investments and subsidiaries	**2,141.0**	833.9	296.0
Cash consideration for non-controlling interests	**(62.7)**	(109.9)	(47.3)
Net acquisition payments and disposal proceeds	**1,917.0**	440.3	(228.8)

Note

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

Share repurchases and buybacks:

	2019 £m	2018 £m	2017 £m
Purchase of own shares by ESOP Trusts	**–**	(102.8)	(214.6)
Shares purchased into treasury	**(43.8)**	(104.3)	(289.6)
Net cash outflow	**(43.8)**	(207.1)	(504.2)

Net (decrease)/increase in borrowings:

	2019 £m	2018 £m	2017 £m
(Decrease)/increase in drawings on bank loans	**(70.6)**	(819.3)	785.6
Repayment of €600 million bonds	**(512.7)**	–	–
Repayment of $812 million bonds	**(618.8)**	–	–
Partial repayment of $272 million bonds	**(135.4)**	(20.8)	–
Partial repayment of $450 million bonds	**(176.2)**	(37.3)	–
Repayment of £200 million bonds	**(199.5)**	–	–
Proceeds from issue of €250 million bonds	**–**	218.8	214.0
Proceeds from issue of €500 million bonds	**–**	438.0	–
Repayment of €252 million bonds	**–**	(220.0)	–
Repayment of £400 million bonds	**–**	–	(400.0)
Net cash (outflow)/inflow	**(1,713.2)**	(440.6)	599.6

Cash and cash equivalents:

	2019 £m	2018 £m	2017 £m
Cash at bank and in hand	**2,105.4**	2,010.8	2,049.6
Short-term bank deposits	**863.6**	632.4	341.8
Overdrafts[1]	**(235.7)**	(442.0)	(393.2)
	2,733.3	2,201.2	1,998.2

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. The remaining stages of the transaction are expected to complete in 2020 with further consideration expected to be approximately £200 million after tax and disposal costs.

As outlined in the accounting policies, the criterion of a highly probable sale was met on 9 July 2019, following Board approval of the disposal of Kantar to Bain Capital, representing the date at which the appropriate level of management was committed to a plan to sell the disposal group. The Kantar disposal group therefore became held for sale on this date.

The Kantar group (both the portion that has been disposed of by year end and the portion that is expected to be disposed of in 2020) is classified as a discontinued operation under IFRS 5 as it forms a separate major line of business and there was a single co-ordinated plan to dispose of it. Kantar represents materially all of the Data Investment Management segment of the Group.

As at 31 December 2019 the remaining portion of the company not yet sold is disclosed as held for sale.

12. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

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

	2019 £m	2018 £m	2017 £m
Revenue	**2,387.5**	2,555.7	2,657.8
Costs of services	**(1,951.5)**	(2,104.4)	(2,147.4)
Gross profit	**436.0**	451.3	510.4
General and administrative costs	**(151.7)**	(257.8)	(180.1)
Operating profit	**284.3**	193.5	330.3
Share of results of associates	**6.5**	13.0	15.5
Profit before interest and taxation	**290.8**	206.5	345.8
Finance income	**3.6**	5.4	6.2
Finance costs	**(17.3)**	(9.7)	(7.9)
Revaluation of financial instruments	**(9.4)**	3.5	18.3
Profit before taxation	**267.7**	205.7	362.4
Attributable tax expense	**(78.8)**	(67.9)	(114.0)
Profit after taxation	**188.9**	137.8	248.4
Goodwill impairment on classification as held for sale[1]	**(94.5)**	–	–
Gain on sale of discontinued operations	**73.8**	–	–
Attributable tax expense on sale of discontinued operations	**(157.4)**	–	–
Net gain attributable to discontinued operations	**10.8**	137.8	248.4
Attributable to			
Equity holders of the parent	**(3.8)**	126.4	237.1
Non-controlling interests	**14.6**	11.4	11.3
	10.8	137.8	248.4

Note

[1] Goodwill impairment of £94.5 million arose from the assessment of fair value less costs to sell under IFRS 5.

For the year ended 31 December 2019, the Kantar group contributed £322.9 million (2018: £292.5 million, 2017: £378.4 million) to the Group's net operating cash flows, paid £53.2 million (2018: £59.5 million, 2017: £67.8 million) in respect of investing activities and paid £27.2 million (2018: £7.9 million, 2017: £9.1 million) in respect of financing activities.

Reconciliation of revenue to revenue less pass-through costs:

	2019 £m	2018 £m	2017 £m
Revenue	**2,387.5**	2,555.7	2,657.8
Data collection pass-through costs	**(580.9)**	(604.8)	(632.1)
Revenue less pass-through costs	**1,806.6**	1,950.9	2,025.7

Reconciliation of operating profit to headline operating profit:

	2019 £m	2018 £m	2017 £m
Operating profit	**284.3**	193.5	330.3
Amortisation and impairment of acquired intangible assets[1]	**14.1**	78.2	57.1
(Gains)/losses on disposal of investments and subsidiaries	**(4.7)**	2.4	(30.3)
Investment write downs	**–**	–	4.2
Restructuring and transformation costs	**14.0**	36.8	–
Headline operating profit	**307.7**	310.9	361.3

Note

[1] Under IFRS 5, non-current assets are not amortised whilst classified as held for sale. This means that there is no amortisation recognised for the Kantar group from 9 July 2019.

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

£m	Margin	2019	Margin	2018	Margin	2017
Revenue less pass-through costs		**1,806.6**		1,950.9		2,025.7
Headline operating profit	**17.0%**	**307.7**	15.9%	310.9	17.8%	361.3
Share of results of associates (excluding exceptional gains/losses)[1]		**6.2**		13.2		15.3
Headline PBIT	**17.4%**	**313.9**	16.6%	324.1	18.6%	376.6

Note

[1] Under IFRS 5, when an associate is classified as held for sale, equity accounting will cease. This means that there is no share of results of associates recognised for the Kantar group from 9 July 2019.

Calculation of headline EBITDA:

	2019 £m	2018 £m	2017 £m
Headline PBIT (as above)	**313.9**	324.1	376.6
Depreciation of property, plant and equipment[1]	**17.7**	36.5	41.7
Amortisation of other intangible assets[1]	**8.4**	18.0	16.2
Headline EBITDA (including depreciation of right-of-use assets)	**340.0**	378.6	434.5
Depreciation of right-of-use assets[1]	**16.3**	–	–
Headline EBITDA	**356.3**	378.6	434.5

Note

[1] Under IFRS 5, non-current assets are not depreciated or amortised whilst classified as held for sale. This means that there is no depreciation or amortisation recognised for the Kantar group from 9 July 2019.

Reconciliation of profit before taxation to headline PBT and headline earnings:

	2019 £m	2018 £m	2017 £m
Profit before taxation	**267.7**	205.7	362.4
Amortisation and impairment of acquired intangible assets[1]	**14.1**	78.2	57.1
(Gains)/losses on disposal of investments and subsidiaries	**(4.7)**	2.4	(30.3)
Investment write downs	**–**	–	4.2
Restructuring and transformation costs	**14.0**	36.8	–
Share of exceptional (gains)/losses of associates[1]	**(0.3)**	0.2	(0.2)
Revaluation of financial instruments	**9.4**	(3.5)	(18.3)
Headline PBT	**300.2**	319.8	374.9
Headline tax charge[2]	**(101.1)**	(98.8)	(141.7)
Headline non-controlling interests	**(14.6)**	(11.4)	(11.3)
Headline earnings	**184.5**	209.6	221.9

Notes

[1] Under IFRS 5, non-current assets are not amortised whilst classified as held for sale. In addition, when an associate is classified as held for sale, equity accounting will cease. This means that there is no amortisation or share of results of associates recognised for the Kantar group from 9 July 2019.

[2] Headline tax consists of the attributable tax expense of £78.8 million (2018: £67.9 million, 2017: £114.0 million) excluding £22.1 million (2018: £17.2 million, 2017: £13.2 million) tax credit in relation to the amortisation of acquired intangible assets, £1.9 million (2018: £11.0 million, 2017: £nil) tax credit relating to restructuring and transformation costs, £1.7 million (2018: £nil, 2017: £nil) deferred tax charge relating to interests in associates and joint ventures and in prior years, a tax credit in relation to the impact of the US tax reform (2018: £2.7 million, 2017: £14.5 million).

Further details of these alternative measures of performance can be found in note 32.

The gain on sale of discontinued operations disposed by 31 December 2019 is calculated as follows:

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

Notes

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

[2] Deferred consideration 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 4 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.

The major classes of assets and liabilities comprising the operations classified as held for sale at 31 December 2019 are as follows:

	2019 £m
Non-current assets	
Intangible assets:	
Goodwill	155.4
Other	5.9
Property, plant and equipment	12.8
Right-of-use assets	25.7
Interests in associates and joint ventures	4.6
Other investments	0.6
Deferred tax assets	5.9
Trade and other receivables	2.6
	213.5
Current assets	
Corporate income tax recoverable	15.9
Trade and other receivables	189.4
Cash and short-term deposits	66.5
	271.8
Total assets classified as held for sale	**485.3**
Current liabilities	
Trade and other payables	(130.4)
Corporate income tax payable	(3.8)
Bank overdrafts	(0.2)
Short-term lease liabilities	(3.9)
	(138.3)
Non-current liabilities	
Trade and other payables	(1.3)
Deferred tax liabilities	(1.2)
Provisions for post-employment benefits	(8.5)
Provisions for liabilities and charges	(0.6)
Long-term lease liabilities	(20.5)
	(32.1)
Total liabilities associated with assets classified as held for sale	**(170.4)**
Net assets of disposal group	**314.9**

On 27 February 2020, the second stage of the Kantar transaction completed, consisting of approximately 4% of the Kantar Group, with cash consideration received of £136.7 million. The remaining stages of the transaction are expected to complete in 2020.

13. LEASES

The movements in the year ended 31 December 2019 were as follows:

Right-of-use assets	Land and buildings £m	Plant and machinery £m	Total £m
1 January 2019	1,862.5	32.6	1,895.1
Additions	348.1	16.5	364.6
Transfers to net investment in subleases[1]	(37.6)	–	(37.6)
Disposals	(31.0)	(0.6)	(31.6)
Depreciation of right-of-use assets	(301.5)	(16.4)	(317.9)
Transfer to disposal group classified as held for sale	(134.4)	(3.7)	(138.1)
31 December 2019	**1,706.1**	**28.4**	**1,734.5**

Note

[1] The sublease of certain office space is classified as a finance lease and relates primarily to Kantar business units that were sold. The Company de-recognised the right-of-use asset (to the extent that it is subject to the sublease) and recognised the net investment in subleases, which is included within trade and other receivables. No other disclosures are deemed necessary as it is not material.

Lease liabilities	Land and buildings £m	Plant and machinery £m	Total £m
1 January 2019	2,294.4	31.8	2,326.2
Additions	325.9	12.3	338.2
Interest expense related to lease liabilities	101.5	1.2	102.7
Disposals	(27.5)	(0.2)	(27.7)
Repayment of lease liabilities (including interest)	(326.2)	(14.9)	(341.1)
Transfer to disposal group classified as held for sale	(144.7)	(3.9)	(148.6)
31 December 2019	**2,223.4**	**26.3**	**2,249.7**

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

Continuing operations	2019 £m
Depreciation of right-of-use assets:	
Land and buildings	**(286.5)**
Plant and machinery	**(15.1)**
Short-term lease expense	**(83.8)**
Low-value lease expense	**(2.9)**
Variable lease expense	**(74.2)**
Sublease income	**17.5**
Charge to operating profit	**(445.0)**
Interest expense related to lease liabilities	**(99.7)**
Charge to profit before taxation for leases	**(544.7)**

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

The maturity of lease liabilities at 31 December 2019 were as follows:

	2019 £m
Period ending 31 December	
2020	**385.9**
2021	**384.0**
2022	**335.4**
2023	**283.0**
2024	**220.5**
Later years	**1,393.7**
	3,002.5
Effect of discounting	**(752.8)**
Lease liability at 31 December 2019	**2,249.7**
Short-term lease liability	**302.2**
Long-term lease liability	**1,947.5**

The total committed future cash flows for leases not yet commenced at 31 December 2019 is £558.0 million.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Refer to note 26 for management of liquidity risk.

14. INTANGIBLE ASSETS

GOODWILL

The movements in 2019 and 2018 were as follows:

	£m
Cost	
1 January 2018	13,675.3
Additions[1]	154.4
Revision of earnout estimates	(68.3)
Exchange adjustments	368.1
31 December 2018	14,129.5
Additions[1]	8.5
Revision of earnout estimates	(14.3)
Disposals	(18.6)
Transfer to disposal group classified as held for sale	(2,729.1)
Exchange adjustments	(419.9)
31 December 2019	**10,956.1**
Accumulated impairment losses and write-downs	
1 January 2018	722.4
Impairment losses for the year	183.9
Exchange adjustments	20.4
31 December 2018	926.7
Impairment on classification as held for sale[2]	70.9
Impairment losses for the year	47.7
Transfer to disposal group classified as held for sale	(230.6)
Exchange adjustments	(29.3)
31 December 2019	**785.4**
Net book value	
31 December 2019	**10,170.7**
31 December 2018	13,202.8
1 January 2017	12,952.9

Notes

[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.

[2] Goodwill impairment of £70.9 million arose from the assessment of fair value less costs to sell of the Kantar group on classification as held for sale under IFRS 5.

OTHER INTANGIBLE ASSETS

The movements in 2019 and 2018 were as follows:

	Brands with an indefinite useful life £m	Acquired intangibles £m	Other £m	Total £m
Cost				
1 January 2018	1,081.3	2,547.8	411.5	4,040.6
Additions	–	–	60.4	60.4
Disposals	–	(0.9)	(37.3)	(38.2)
New acquisitions	–	40.3	–	40.3
Other movements[1]	–	2.9	(7.4)	(4.5)
Exchange adjustments	51.5	19.9	10.1	81.5
31 December 2018	1,132.8	2,610.0	437.3	4,180.1
Additions	–	–	43.2	43.2
Disposals	–	(3.4)	(41.0)	(44.4)
New acquisitions	–	3.5	–	3.5
Other movements		–	(1.4)	(1.4)
Exchange adjustments	(41.4)	(28.2)	(9.9)	(79.5)
Transfer to disposal group classified as held for sale	–	(979.0)	(115.9)	(1,094.9)
31 December 2019	**1,091.4**	**1,602.9**	**312.3**	**3,006.6**
Amortisation and impairment				
1 January 2018	–	1,718.7	303.5	2,022.2
Charge for the year	–	275.8	38.7	314.5
Disposals	–	(0.7)	(27.3)	(28.0)
Other movements	–	–	(1.9)	(1.9)
Exchange adjustments	–	21.4	9.9	31.3
31 December 2018	–	2,015.2	322.9	2,338.1
Charge for the year	13.2	116.8	29.6	159.6
Disposals	–	(1.6)	(37.7)	(39.3)
Other movements	–	–	2.6	2.6
Exchange adjustments	–	(15.2)	(9.1)	(24.3)
Transfer to disposal group classified as held for sale	–	(835.9)	(63.0)	(898.9)
31 December 2019	**13.2**	**1,279.3**	**245.3**	**1,537.8**
Net book value				
31 December 2019	**1,078.2**	**323.6**	**67.0**	**1,468.8**
31 December 2018	1,132.8	594.8	114.4	1,842.0
1 January 2018	1,081.3	829.1	108.0	2,018.4

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 with significant goodwill and brands with an indefinite useful life as at 31 December are:

	Goodwill		Brands with an indefinite useful life	
	2019 £m	2018 £m	**2019 £m**	2018 £m
GroupM	**2,936.0**	2,942.9	**–**	–
Kantar	**–**	2,522.9	**–**	–
Wunderman Thompson	**2,138.9**	2,118.8	**409.7**	424.8
VMLY&R	**901.0**	930.4	**199.1**	206.6
Ogilvy	**762.9**	618.7	**211.1**	219.1
Burson Cohn & Wolfe	**741.4**	714.0	**130.2**	135.4
Other	**2,690.5**	3,355.1	**128.1**	146.9
Total goodwill	**10,170.7**	13,202.8	**1,078.2**	1,132.8

Other goodwill represents goodwill on a large number of cash-generating units, none of which is individually significant in comparison to the total carrying value of goodwill.

Separately identifiable brands with an indefinite life are carried at historical cost in accordance with the Group's accounting policy for intangible assets. The carrying values of the other brands with an indefinite useful life are not individually significant in comparison with the total carrying value of brands with an indefinite useful life.

Acquired intangible assets at net book value at 31 December 2019 include brand names of £218.6 million (2018: £361.2 million), customer-related intangibles of £100.6 million (2018: £220.6 million), and other assets (including proprietary tools) of £4.4 million (2018: £13.0 million).

The total amortisation and impairment of acquired intangible assets of £121.5 million (2018: £201.8 million) includes an impairment charge of £26.5 million (2018: £89.1 million) comprising £21.4 million in regard to certain brand names that are no longer in use, including £13.2 million for brands with an indefinite life and £5.1 million in regard to customer relationships where the underlying clients have been lost. £13.2 million of the impairment charge relates to the Public Relations segment, £13.0 million of the impairment charge relates to the Global Integrated Agencies segment, and £0.3 million relates to the Specialist Agencies segment. In addition, the total amortisation and impairment of acquired intangible assets includes £5.6 million (2018: £3.7 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.

14. INTANGIBLE ASSETS CONTINUED

The impairment review is undertaken annually on 30 September. The goodwill impairment charge of £47.7 million (2018: £183.9 million) relates to a number of under-performing businesses in the Group. 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. In 2018, the goodwill impairment charge primarily relates to a charge of £148.0 million on VMLY&R with the remaining £35.9 million relating to a number of under-performing businesses in the Group.

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

Due to a significant number of cash-generating units, the impairment test was performed in two steps. In the first step, the recoverable amount was calculated for each cash generating unit using a conservative pre-tax discount rate of 8.5% (2018: 9.0%), and assumed a long-term growth rate of 3.0% (2018: 3.0%). The pre-tax discount rate of 8.5% was above the range of rates calculated for each of the global networks and for smaller cash-generating units that operate primarily in a particular region where we calculated a discount rate to be higher than 8.5%, that higher discount rate was used in the impairment test. Management have made the judgement that the long-term growth rate does not exceed the long-term average growth rate for the industry.

The recoverable amount was then compared to the carrying amount. Cash-generating units where the recoverable amount exceeded the carrying amount by a considerable margin were not considered to be impaired. Those cash-generating units where the recoverable amount did not exceed the carrying amount or where the recoverable amount exceeded the carrying amount by less than 25% were then further reviewed in the second step.

In the second step, the cash-generating units were retested for impairment using more specific assumptions. This included using a cash-generating unit 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 3.0% (2018: 3.0%). If the recoverable amount using the more specific assumptions did not exceed the carrying value of a cash-generating unit, an impairment charge was recorded.

Pre-tax discount rates were calculated for the geographic regions in which the cash-generating units operate based on market assessments of the weighted average cost of capital. These assessments considered the time-value of money and risks specific to the asset for which the future cash flow estimates had not been adjusted, giving a range of pre-tax discount rates from 4.1% to 13.6% (2018: 6.2% to 16.3%).

Discount rates for each of the cash generating units that operate globally were based on a weighting of the regional rates by its geographic distribution of cash flows, ranging from 6.3% to 7.4% (2018: 8.0% to 8.7%). The cash-generating units were initially tested for impairment in the first step using a conservative discount rate of 8.5% (2018: 9.0%).

Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue 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 growth and operating margin. The key assumptions take account of the businesses' expectations for the projection period. These expectations consider the macroeconomic environment, industry and market conditions, the unit'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 cash-generating unit 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. The recoverable amount of goodwill represents valuations as at 31 December 2019 and does not consider the impact of the emergence and spread of the Covid-19 virus. Given the adverse impact of the Covid-19 pandemic on the global economy and the likely revenue declines that are expected as a result, there is an increased likelihood of impairments to goodwill and other indefinite lived intangible assets in future reporting periods. At the current time, given the level of uncertainty, such impact has not been quantified and any resulting impairment loss could have a material impact on the Group's financial condition and results of operations.

Historically our impairment losses have resulted from a specific event, condition or circumstance in one of our companies, such as the loss of a significant client. As a result, changes in the assumptions used in our impairment model have not had a significant effect on the impairment charges recognised and a reasonably possible change in assumptions would not lead to a significant impairment. 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.

15. PROPERTY, PLANT AND EQUIPMENT

The movements in 2019 and 2018 were as follows:

	Land £m	Freehold buildings £m	Leasehold buildings £m	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
Cost						
1 January 2018	37.1	118.8	1,081.8	377.2	703.0	2,317.9
Additions	–	17.7	161.4	49.9	85.8	314.8
New acquisitions	–	0.1	0.9	1.2	0.9	3.1
Disposals	–	–	(83.5)	(62.9)	(109.3)	(255.7)
Exchange adjustments	–	(1.1)	41.8	9.9	10.0	60.6
31 December 2018	37.1	135.5	1,202.4	375.3	690.4	2,440.7
Additions	–	33.7	158.5	35.0	67.7	294.9
New acquisitions	–	–	–	0.1	–	0.1
Disposals	–	(109.0)	(167.3)	(68.3)	(76.3)	(420.9)
Transfer to disposal group classified as held for sale	(2.8)	(17.1)	(98.1)	(115.2)	(231.5)	(464.7)
Exchange adjustments	–	(16.9)	(46.7)	(14.5)	(26.4)	(104.5)
31 December 2019	**34.3**	**26.2**	**1,048.8**	**212.4**	**423.9**	**1,745.6**
Depreciation						
1 January 2018	–	28.5	526.1	236.9	546.9	1,338.4
Charge for the year	–	3.1	91.5	44.4	86.1	225.1
Disposals	–	–	(74.6)	(58.0)	(107.9)	(240.5)
Exchange adjustments	–	(4.5)	24.3	6.4	8.5	34.7
31 December 2018	–	27.1	567.3	229.7	533.6	1,357.7
Charge for the year	–	1.5	79.9	36.3	67.8	185.5
Disposals	–	(7.2)	(129.9)	(59.9)	(74.5)	(271.5)
Transfer to disposal group classified as held for sale	–	(15.6)	(56.1)	(81.7)	(192.6)	(346.0)
Exchange adjustments	–	(1.6)	(17.9)	(13.2)	(23.4)	(56.1)
31 December 2019	–	**4.2**	**443.3**	**111.2**	**310.9**	**869.6**
Net book value						
31 December 2019	**34.3**	**22.0**	**605.5**	**101.2**	**113.0**	**876.0**
31 December 2018	37.1	108.4	635.1	145.6	156.8	1,083.0
1 January 2018	37.1	90.3	555.7	140.3	156.1	979.5

At 31 December 2019, capital commitments contracted, but not provided for in respect of property, plant and equipment, were £165.0 million (2018: £28.4 million). The increase is due to a number of significant property developments in North America, UK and Western Continental Europe.

16. INTERESTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

The movements in 2019 and 2018 were as follows:

	Interests in associates and joint ventures £m	Other investments £m
1 January 2018	1,065.2	1,153.5
Additions	16.7	35.0
Share of results of associate undertakings	43.5	–
Dividends	(49.7)	–
Other movements	1.2	–
Reclassification from other investments to associates	0.3	(0.3)
Exchange adjustments	12.9	–
Disposals	(304.0)	(341.7)
Reclassification to subsidiaries	16.9	–
Revaluation of other investments through profit or loss	–	68.1
Revaluation of other investments through other comprehensive income	–	(247.9)
Amortisation of other intangible assets	(4.2)	–
Write-downs	(2.0)	–
31 December 2018	796.8	666.7
Additions	236.6	18.3
Share of results of associate undertakings	21.2	–
Dividends	(33.3)	–
Other movements	1.2	–
Exchange adjustments	(35.5)	–
Disposals	(51.5)	(42.3)
Reclassification to subsidiaries	(0.3)	–
Revaluation of other investments through profit or loss	–	9.1
Revaluation of other investments through other comprehensive income	–	(141.4)
Amortisation of other intangible assets	(5.6)	–
Transfer to disposal group classified as held for sale	(109.1)	(12.1)
Write-downs	(7.5)	–
31 December 2019	**813.0**	**498.3**

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 publicly available information from outside sources.

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

The fair value of other investments represents valuations as at 31 December 2019 and does not consider the impact of the emergence and spread of the Covid-19 virus.

The Group's principal associates and joint ventures at 31 December 2019 included:

	% owned	Country of incorporation
Barrows Design and Manufacturing (Pty) Limited	35.0	South Africa
Dat Viet VAC Media Corporation	30.0	Vietnam
GIIR Inc.	30.0	Korea
Haworth Marketing & Media Company	49.0	USA
High Co SA	34.1	France
Joye Media SL[1]	22.5	Spain
Nanjing Yindu Ogilvy Advertising Co. Ltd	49.0	China
Smollan Holdings (Pty) Ltd	24.8	South Africa
Summer (BC) JVCo S.à r.l.[2]	40.0	Luxembourg
Summer (BC) US JVCo SCSp[2]	40.0	Luxembourg

Notes
1 Representing the Group's interest in Imagina.
2 Representing the Group's interest in Kantar split between the United States and rest of world.

The market value of the Group's shares in its principal listed associate undertakings at 31 December 2019 was as follows: GIIR Inc: £21.2 million, and High Co SA: £39.4 million (2018: GIIR Inc: £26.3 million and High Co SA: £30.3 million). The carrying value (including goodwill and other intangibles) of these equity interests in the Group's consolidated balance sheet at 31 December 2019 was as follows: GIIR Inc: £37.7 million and High Co SA: £35.4 million (2018: GIIR Inc: £46.8 million and High Co SA: £37.1 million).

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

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

SUMMARISED FINANCIAL INFORMATION

The following tables present a summary of the aggregate financial performance and net asset position of the Group's associate undertakings and joint ventures. These have been estimated and converted, where appropriate, to an IFRS presentation based on information provided by the relevant companies at 31 December 2019.

	2019 £m	2018 £m	2017 £m
Income statement			
Revenue	**3,619.1**	3,685.8	3,800.8
Operating profit	**365.6**	378.4	440.4
Profit before taxation	**(385.9)**	194.7	381.9
Profit for the year	**(429.6)**	118.1	312.5
Balance sheet			
Assets	**8,855.1**	2,940.9	3,192.9
Liabilities	**(6,765.7)**	(1,570.6)	(1,633.7)
Net assets	**2,089.4**	1,370.3	1,559.2

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.

At 31 December 2019, capital commitments contracted, but not provided for, in respect of interests in associates and other investments were £21.8 million (2018: £31.4 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; and
- the nature of the income that can be used to realise the deferred tax asset.

If it is probable that some portion of these assets will not be realised, then 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 2019 £m	Offset 2019 £m	**As reported 2019 £m**	Gross 2018 £m	Offset 2018 £m	As reported 2018 £m
Deferred tax assets	430.9	(243.0)	**187.9**	412.0	(259.0)	153.0
Deferred tax liabilities	(622.8)	243.0	**(379.8)**	(738.5)	259.0	(479.5)
	(191.9)	–	**(191.9)**	(326.5)	–	(326.5)

The following are the major gross deferred tax assets recognised by the Group and movements thereon in 2019 and 2018:

	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 2018	53.5	84.9	75.6	68.4	72.7	33.0	5.8	17.9	411.8
Acquisition of subsidiaries	–	–	–	–	–	–	–	2.0	2.0
Credit/(charge) to income	4.7	13.0	(11.2)	(20.6)	(8.9)	(15.3)	10.7	11.0	(16.6)
Charge to other comprehensive income	–	–	(0.2)	–	–	–	–	–	(0.2)
Charge to equity	–	–	–	–	–	(1.6)	–	–	(1.6)
Exchange differences	3.4	3.5	4.3	0.1	3.3	0.7	0.8	0.5	16.6
31 December 2018	61.6	101.4	68.5	47.9	67.1	16.8	17.3	31.4	412.0
(Charge)/credit to income	(1.7)	10.2	6.7	19.4	24.2	2.9	12.5	(16.6)	57.6
Charge to other comprehensive income	–	–	(3.2)	–	–	–	–	–	(3.2)
Credit to equity	–	–	–	27.8	–	3.1	–	–	30.9
Transfer to disposal group classified as held for sale	(4.2)	(19.2)	(12.3)	(13.6)	(3.0)	(0.7)	(3.4)	0.1	(56.3)
Exchange differences	(2.2)	(5.0)	(2.2)	3.2	(2.0)	(0.6)	(0.6)	(0.7)	(10.1)
31 December 2019	**53.5**	**87.4**	**57.5**	**84.7**	**86.3**	**21.5**	**25.8**	**14.2**	**430.9**

Other temporary differences comprise a number of items including tax deductible goodwill, none of which is individually significant to the Group's consolidated balance sheet. At 31 December 2019 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 2019 and 2018:

	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 2018	489.2	21.6	140.4	21.2	36.2	56.6	765.2
Acquisition of subsidiaries	10.7	–	–	–	–	–	10.7
(Credit)/charge to income	(68.8)	(3.9)	31.8	(0.3)	(0.9)	(20.7)	(62.8)
Charge to other comprehensive income	–	–	–	–	–	0.5	0.5
Exchange differences	7.5	(0.1)	10.1	1.3	4.6	1.5	24.9
31 December 2018	438.6	17.6	182.3	22.2	39.9	37.9	738.5
Acquisition of subsidiaries	0.8	–	–	–	–	–	0.8
(Credit)/charge to income	(31.2)	68.6	10.3	(22.2)	(0.7)	(6.7)	18.1
Credit to other comprehensive income	–	–	–	–	–	(9.6)	(9.6)
Transfer to disposal group classified as held for sale	(46.6)	(7.9)	(51.7)	–	–	0.6	(105.6)
Exchange differences	(9.3)	(1.8)	(5.5)	–	(2.3)	(0.5)	(19.4)
31 December 2019	**352.3**	**76.5**	**135.4**	**–**	**36.9**	**21.7**	**622.8**

At the balance sheet date, the Group has gross tax losses and other temporary differences of £6,475.6 million (2018: £6,638.6 million) available for offset against future profits. Deferred tax assets have been recognised in respect of the tax benefit of £1,856.6 million (2018: £1,763.4 million) of such tax losses and other temporary differences. No deferred tax asset has been recognised in respect of the remaining £4,619.0 million (2018: £4,875.2 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 £60.7 million (2018: £46.4 million) that will expire within 1-10 years, and £4,437.6 million (2018: £4,572.6 million) of losses that may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £2,165.3 million (2018: £1,768.5 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:

	2019 £m	2018 £m
Amounts falling due within one year		
Trade receivables (net of bad debt provision)	**7,007.6**	8,062.2
Work in progress	**349.5**	366.5
VAT and sales taxes recoverable	**212.7**	264.2
Prepayments	**287.1**	287.3
Accrued income	**3,292.7**	3,541.2
Fair value of derivatives	**1.4**	1.3
Other debtors	**671.3**	578.8
	11,822.3	13,101.5

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

			Days past due				
2019	Carrying amount at 31 December 2019 £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
Trade receivables	7,007.6	5,553.3	934.9	341.0	92.1	22.4	63.9
Other financial assets	582.5	357.6	129.9	48.3	16.2	5.2	25.3
	7,590.1	**5,910.9**	**1,064.8**	**389.3**	**108.3**	**27.6**	**89.2**

			Days past due				
2018	Carrying amount at 31 December 2018 £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
Trade receivables	8,062.2	5,873.7	1,370.7	549.1	128.3	75.6	64.8
Other financial assets	551.7	424.9	61.3	14.2	8.6	7.7	35.0
	8,613.9	6,298.6	1,432.0	563.3	136.9	83.3	99.8

Other financial assets are included in other debtors.

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

	2019 £m	2018 £m
Amounts falling due after more than one year		
Prepayments	**2.2**	3.0
Accrued income	**–**	16.5
Fair value of derivatives	**–**	8.4
Other debtors	**135.4**	152.1
	137.6	180.0

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.

	2019 £m	2018 £m
Bad debt provisions		
At beginning of year	**116.6**	91.3
New acquisitions	**5.0**	1.5
Charged to the income statement	**45.4**	66.7
Released to the income statement	**(19.0)**	(11.6)
Exchange adjustments	**(4.1)**	2.1
Transfer to disposal group classified as held for sale	**(8.9)**	–
Utilisations and other movements	**(23.3)**	(33.4)
At end of year	**111.7**	116.6

The allowance for bad and doubtful debts is equivalent to 1.6% (2018: 1.4%) of gross trade accounts receivables.

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

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

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:

	2019 £m	2018 £m
Trade payables	**10,112.1**	10,524.3
Deferred income	**1,024.6**	1,253.6
Payments due to vendors (earnout agreements)	**142.4**	148.2
Liabilities in respect of put option agreements with vendors	**75.4**	36.8
Fair value of derivatives	**1.5**	2.6
Share repurchases – close period commitments[1]	**252.3**	–
Other creditors and accruals	**2,578.5**	3,072.9
	14,186.8	15,038.4

Note

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

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

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

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

	2019 £m	2018 £m
Payments due to vendors (earnout agreements)	**111.4**	266.5
Liabilities in respect of put option agreements with vendors	**151.4**	205.2
Fair value of derivatives	**21.2**	14.2
Other creditors and accruals	**199.3**	355.5
	483.3	841.4

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

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

	2019 £m	2018 £m
Within one year	**142.4**	148.2
Between one and two years	**36.9**	140.2
Between two and three years	**37.5**	38.5
Between three and four years	**14.8**	50.3
Between four and five years	**9.7**	20.4
Over five years	**12.5**	17.1
	253.8	414.7

	2019 £m	2018 £m
At beginning of year	**414.7**	630.7
Earnouts paid	**(130.0)**	(120.2)
New acquisitions	**9.6**	48.6
Revision of estimates taken to goodwill (note 14)	**(14.3)**	(68.3)
Revaluation of payments due to vendors	**1.1**	(82.6)
Transfer to disposal group classified as held for sale	**(11.5)**	–
Exchange adjustments	**(15.8)**	6.5
At end of year	**253.8**	414.7

As of 31 December 2019, 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 £14 million (2018: £nil to £179 million) and £nil to £1,110 million (2018: £nil to £1,960 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, disposal related to the Kantar sale and exchange adjustments, partially offset by earnout arrangements related to new acquisitions.

21. BANK OVERDRAFTS, BONDS AND BANK LOANS

Amounts falling due within one year:

	2019 £m	2018 £m
Bank overdrafts	**235.7**	442.0
Corporate bonds and bank loans	**225.6**	583.1
	461.3	1,025.1

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

Amounts falling due after more than one year:

	2019 £m	2018 £m
Corporate bonds and bank loans	**4,047.3**	5,634.8

The Group estimates that the fair value of corporate bonds is £4,439.8 million at 31 December 2019 (2018: £5,965.7 million). The fair values of the corporate bonds are based on quoted market prices.

The Group considers that the carrying amount of bank loans of £110.4 million (2018: £186.8 million) approximates their fair value.

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

	2019 £m	2018 £m
Within one year	**461.3**	1,025.1
Between one and two years	**96.4**	423.8
Between two and three years	**590.4**	761.0
Between three and four years	**632.1**	609.8
Between four and five years	**554.3**	670.1
Over five years	**2,174.1**	3,170.1
	4,508.6	6,659.9

22. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in 2019 and 2018 were as follows:

	Property £m	Other £m	Total £m
1 January 2018	52.6	176.4	229.0
Charged to the income statement[1]	72.1	13.9	86.0
Acquisitions[2]	0.5	8.3	8.8
Utilised	(5.7)	(20.1)	(25.8)
Released to the income statement	(5.7)	(4.6)	(10.3)
Other movements	2.0	10.9	12.9
Exchange adjustments	2.9	8.2	11.1
31 December 2018	118.7	193.0	311.7
Charged to the income statement	39.5	7.6	47.1
Acquisitions[2]	–	0.7	0.7
Utilised	(1.2)	(12.2)	(13.4)
Released to the income statement	(10.3)	(6.9)	(17.2)
Other movements[3]	(58.4)	9.2	(49.2)
Transfer to disposal group classified as held for sale	(6.2)	(18.4)	(24.6)
Exchange adjustments	(0.6)	(6.7)	(7.3)
31 December 2019	**81.5**	**166.3**	**247.8**

Notes

1 Amounts charged to the income statement in 2018 include £50.6 million in regard to transformation costs with respect to the strategic initiative of co-locations in major cities.

2 Acquisitions include £0.7 million (2018: £8.4 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.

3 Other movements include transfers of property provisions related to property leases which are now recognised in right-of-use assets, increases of certain property-related liabilities and certain long-term employee benefits.

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

23. SHARE-BASED PAYMENTS

Charges for share-based incentive plans were as follows:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Share-based payments	**66.0**	78.3	98.3

Note

[1] Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

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

As of 31 December 2019, there was £140.7 million (2018: £146.0 million) of total unrecognised compensation cost related to the Group's restricted stock plans. That cost is expected to be recognised over an average period of one to two years.

Further information on stock options is provided in note 28.

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 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 five-year performance period. Vesting is conditional on continued employment throughout the vesting period.

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

For EPSP awards granted between 2013 and 2018 there are three performance criteria, each constituting one-third of the vesting value, and each measured over this five-year period:

(i) TSR against a comparator group of companies. Threshold performance (equating to ranking in the 50th percentile of the comparator group) will result in 20% vesting of the part of the award dependent on TSR. The maximum vest of 100% will arise if performance ranks in the 90th percentile, with a sliding scale of vesting for performance between threshold and maximum.

(ii) Headline diluted earnings per share. Threshold performance (7% compound annual growth) will again result in a 20% vest. Maximum performance of 14% compound annual growth will give rise to a 100% vest, with a sliding vesting scale for performance between threshold and maximum.

(iii) Return on equity (ROE). Average annual ROE defined as headline diluted EPS divided by the balance sheet value per share of shareholders' equity. Threshold performance ranges between 10-14% average annual ROE and maximum performance ranges between 14-18%, with a sliding scale in between. Threshold again gives rise to a 20% vest, 100% for maximum, with a sliding scale in between.

PERFORMANCE SHARE AWARDS (PSA)

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

LEADERS, PARTNERS AND HIGH POTENTIAL GROUP

This scheme makes annual conditional stock awards to approximately 1,500 key executives of the Group. Vesting is conditional on continued employment over the three-year vesting period.

VALUATION METHODOLOGY

For all of these schemes, the valuation methodology is based upon fair value on grant date, which is determined by the market price on that date or the application of a Black-Scholes model, depending upon the characteristics of the scheme concerned. The assumptions underlying the Black-Scholes model are detailed in note 28, 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 accrual 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 2019 number m	Granted number m	Lapsed number m	Vested number m	Non-vested 31 December 2019 number m
Executive Performance Share Plan (EPSP)	6.7	4.2	(1.3)	(0.8)	**8.8**
Performance Share Awards (PSA)	2.3	1.7	(0.4)	(1.0)	**2.6**
Leaders, Partners and High Potential Group	9.1	4.1	(1.9)	(2.0)	**9.3**
Weighted average fair value (pence per share)					
Executive Performance Share Plan (EPSP)	1,363p	989p	1,334p	1,265p	**1,198p**
Performance Share Awards (PSA)	1,437p	926p	1,210p	1,572p	**1,081p**
Leaders, Partners and High Potential Group	1,154p	909p	1,076p	1,551p	**974p**

The total fair value of shares vested for all the Group's restricted stock plans during the year ended 31 December 2019 was £90.8 million (2018: £107.2 million, 2017: £114.8 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:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Defined contribution plans	**154.9**	146.7	149.5
Defined benefit plans charge to operating profit	**14.8**	14.2	11.8
Pension costs (note 5)	**169.7**	160.9	161.3
Net interest expense on pension plans (note 6)	**3.5**	3.6	5.4
	173.2	164.5	166.7

Note

[1] Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

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 2019. Valuations are as at 31 December 2019 and do not consider the impact of the emergence and spread of the Covid-19 virus.

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 2019 amounted to £37.1 million (2018: £44.9 million, 2017: £68.2 million). Employer contributions and benefit payments in 2020 are expected to be approximately £25 million.

(A) ASSUMPTIONS

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

	2019 % pa	2018 % pa	2017 % pa	2016 % pa
UK				
Discount rate[1]	**2.0**	2.8	2.4	2.5
Rate of increase in salaries[2]	**n/a**	n/a	n/a	3.5
Rate of increase in pensions in payment	**4.4**	4.3	4.1	4.1
Inflation	**2.6**	2.8	2.7	2.8
North America				
Discount rate[1]	**3.0**	4.1	3.5	3.8
Rate of increase in salaries	**3.0**	3.0	3.1	3.1
Inflation	**n/a**	n/a	4.0	4.0
Western Continental Europe				
Discount rate[1]	**1.2**	2.0	1.9	1.7
Rate of increase in salaries	**2.2**	2.3	1.9	2.0
Rate of increase in pensions in payment	**1.8**	1.2	1.2	1.3
Inflation	**1.7**	1.7	1.7	1.7
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe				
Discount rate[1]	**4.6**	5.0	4.2	4.2
Rate of increase in salaries	**6.1**	5.8	5.5	5.9
Inflation	**3.7**	3.6	4.0	4.0

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 UK as the plans were either frozen or bought out since 2017. 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 2019, 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	22.2	21.9	23.1	20.8	14.0
Current pensioners (at age 65) – female	23.7	23.3	24.1	23.9	17.4
Future pensioners (current age 45) – male	23.8	23.4	24.7	23.2	14.0
Future pensioners (current age 45) – female	25.4	24.9	25.9	26.0	17.4

Note

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

The life expectancies after age 65 at 31 December 2018 were 22.2 years and 23.9 years for male and female current pensioners (at age 65) respectively, and 24.0 years and 25.7 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 10 years. The duration corresponds to the weighted average length of the underlying cash flows.

	All plans	North America	UK	Western Continental Europe	Other[1]
Weighted average duration of the defined benefit obligation (years)	**11.2**	**9.1**	**13.8**	**12.7**	**8.5**
Expected benefit payments over the next 10 years (£m)					
Benefits expected to be paid within 12 months	51.4	25.1	15.8	5.8	4.7
Benefits expected to be paid in 2021	45.4	24.5	12.6	5.5	2.8
Benefits expected to be paid in 2022	46.9	26.0	12.7	5.8	2.4
Benefits expected to be paid in 2023	44.4	22.3	12.9	5.7	3.5
Benefits expected to be paid in 2024	42.3	20.9	13.0	5.6	2.8
Benefits expected to be paid in the next five years	216.1	94.7	67.1	32.6	21.7

Note

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

24. PROVISION FOR POST-EMPLOYMENT BENEFITS CONTINUED

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

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

Sensitivity analysis of significant actuarial assumptions	Increase/(decrease) in benefit obligation 2019 £m	2018 £m
Discount rate		
Increase by 25 basis points:		
UK	**(8.2)**	(9.8)
North America	**(7.5)**	(8.8)
Western Continental Europe	**(3.8)**	(8.7)
Other[1]	**(0.7)**	(0.7)
Decrease by 25 basis points:		
UK	**8.5**	10.3
North America	**7.7**	9.1
Western Continental Europe	**3.9**	9.3
Other[1]	**0.7**	0.7
Rate of increase in salaries		
Increase by 25 basis points:		
Western Continental Europe	**0.8**	1.3
Other[1]	**0.6**	0.7
Decrease by 25 basis points:		
Western Continental Europe	**(0.8)**	(1.2)
Other[1]	**(0.6)**	(0.6)
Rate of increase in pensions in payment		
Increase by 25 basis points:		
UK	**0.7**	1.3
Western Continental Europe	**1.9**	5.3
Decrease by 25 basis points:		
UK	**(0.6)**	(0.8)
Western Continental Europe	**(1.9)**	(5.0)
Life expectancy		
Increase in longevity by one additional year:		
UK	**11.7**	13.6
North America	**5.9**	5.7
Western Continental Europe	**4.3**	6.9

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

(B) ASSETS AND LIABILITIES

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

	2019 £m	%	2018 £m	%	2017 £m	%
Equities	**55.5**	**9.1**	76.5	9.1	124.6	13.4
Bonds	**272.5**	**44.8**	544.9	64.8	520.0	55.9
Insured annuities[1]	**239.1**	**39.3**	90.9	10.8	178.5	19.2
Property	**0.7**	**0.1**	0.9	0.1	1.3	0.1
Cash	**17.7**	**2.9**	31.1	3.7	9.9	1.1
Other	**23.0**	**3.8**	96.3	11.5	95.7	10.3
Total fair value of assets	**608.5**	**100.0**	840.6	100.0	930.0	100.0
Present value of liabilities	**(767.5)**		(1,024.0)		(1,135.4)	
Deficit in the plans	**(159.0)**		(183.4)		(205.4)	
Irrecoverable surplus	**–**		(0.9)		(0.9)	
Net liability[2]	**(159.0)**		(184.3)		(206.3)	
Plans in surplus	**20.6**		42.8		43.9	
Plans in deficit	**(179.6)**		(227.1)		(250.2)	

Notes
[1] The increase in 2019 from 2018 in the amount of assets held in insured annuities is attributable to the completion of buy-in transactions during 2019 for certain UK plans. The invested assets for these plans, as at 31 December 2018 consisted of a mixture of equities, bonds, cash and other assets, were transferred to an insurance company and, in accordance with IAS 19, all assets for these plans are now classified as insured annuities.
[2] The related deferred tax asset is discussed in note 17.

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

Surplus/(deficit) in plans by region	2019 £m	2018 £m	2017 £m
UK	**0.3**	33.7	31.5
North America	**(45.2)**	(68.7)	(89.2)
Western Continental Europe	**(79.4)**	(104.6)	(107.7)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(34.7)**	(43.8)	(40.0)
Deficit in the plans	**(159.0)**	(183.4)	(205.4)

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

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

	2019 Surplus/ (deficit) £m	2019 Present value of liabilities £m	2018 Surplus/ (deficit) £m	2018 Present value of liabilities £m	2017 Surplus/ (deficit) £m	2017 Present value of liabilities £m
Funded plans by region						
UK	**0.3**	**(247.6)**	33.7	(290.5)	31.5	(387.5)
North America	**12.8**	**(286.2)**	(4.6)	(375.3)	(21.4)	(385.4)
Western Continental Europe	**(33.3)**	**(77.6)**	(35.8)	(168.4)	(37.9)	(173.3)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(3.6)**	**(20.9)**	(6.6)	(19.7)	(4.2)	(15.8)
Deficit/liabilities in the funded plans	**(23.8)**	**(632.3)**	(13.3)	(853.9)	(32.0)	(962.0)
Unfunded plans by region						
North America	**(58.0)**	**(58.0)**	(64.1)	(64.1)	(67.8)	(67.8)
Western Continental Europe	**(46.1)**	**(46.1)**	(68.8)	(68.8)	(69.8)	(69.8)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(31.1)**	**(31.1)**	(37.2)	(37.2)	(35.8)	(35.8)
Deficit/liabilities in the unfunded plans	**(135.2)**	**(135.2)**	(170.1)	(170.1)	(173.4)	(173.4)
Deficit/liabilities in the plans	**(159.0)**	**(767.5)**	(183.4)	(1,024.0)	(205.4)	(1,135.4)

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

(C) PENSION EXPENSE

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

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Service cost[2]	**12.9**	12.0	9.4
Administrative expenses	**1.9**	2.2	2.4
Charge to operating profit	**14.8**	14.2	11.8
Net interest expense on pension plans	**3.5**	3.6	5.4
Charge to profit before taxation for defined benefit plans	**18.3**	17.8	17.2

Notes

1 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

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

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

	2019 £m	2018 £m	2017 £m
Return on plan assets (excluding interest income)	**16.7**	(43.9)	13.4
Changes in demographic assumptions underlying the present value of the plan liabilities	**5.9**	3.8	12.7
Changes in financial assumptions underlying the present value of the plan liabilities	**(64.3)**	45.2	(17.0)
Experience gain arising on the plan liabilities	**5.1**	3.8	7.9
Actuarial (loss)/gain recognised in OCI	**(36.6)**	8.9	17.0

(D) MOVEMENT IN PLAN LIABILITIES

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

	2019 £m	2018 £m	2017 £m
Plan liabilities at beginning of year	**1,024.0**	1,135.4	1,209.8
Service cost[1]	**14.9**	15.5	13.0
Interest cost	**26.2**	30.7	32.9
Actuarial (gain)/loss:			
Effect of changes in demographic assumptions	**(5.9)**	(3.8)	(12.7)
Effect of changes in financial assumptions	**64.3**	(45.2)	17.0
Effect of experience adjustments	**(5.1)**	(3.8)	(7.9)
Benefits paid[2]	**(140.8)**	(75.6)	(79.7)
(Gain)/loss due to exchange rate movements	**(22.7)**	30.0	(36.4)
Settlement payments[3]	**(47.4)**	(70.4)	(1.2)
Transfer to disposal group classified as held for sale	**(148.0)**	–	–
Other[4]	**8.0**	11.2	0.6
Plan liabilities at end of year	**767.5**	1,024.0	1,135.4

Notes

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

2 In 2019, there was an amendment to a US defined benefit plan that allowed certain participants to receive immediate lump sum pay-outs, which totalled £69.7 million.

3 In 2019 and 2018, the Group completed the transfer of the defined benefit obligations for certain UK plans to an insurer resulting in £47.1 million and £70.4 million, respectively, in settlement payments.

4 Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

(E) MOVEMENT IN PLAN ASSETS

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

	2019 £m	2018 £m	2017 £m
Fair value of plan assets at beginning of year	**840.6**	930.0	934.2
Interest income on plan assets	**22.4**	26.3	26.6
Return on plan assets (excluding interest income)	**16.7**	(43.9)	13.4
Employer contributions	**37.1**	44.9	68.2
Benefits paid[1]	**(140.8)**	(75.6)	(79.7)
(Loss)/gain due to exchange rate movements	**(15.7)**	23.0	(28.7)
Settlement payments[2]	**(47.4)**	(70.4)	(1.2)
Administrative expenses	**(2.1)**	(3.4)	(3.1)
Transfer to disposal group classified as held for sale	**(111.1)**	–	–
Other[3]	**8.8**	9.7	0.3
Fair value of plan assets at end of year	**608.5**	840.6	930.0
Actual return on plan assets	**39.1**	(17.6)	40.0

Notes

1 In 2019, there was an amendment to a US defined benefit plan that allowed certain participants to receive immediate lump sum pay-outs, which totalled £69.7 million.

2 In 2019 and 2018, the Group completed the transfer of the defined benefit obligations for certain UK plans to an insurer resulting in £47.1 million and £70.4 million, respectively, in settlement payments.

3 Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

25. EVENTS AFTER THE REPORTING PERIOD

In the period since 31 December 2019, the emergence and spread of Covid-19 has impacted the Group and its clients. The coronavirus pandemic is adversely affecting and is expected to continue to adversely affect our business, revenues, results of operations, financial condition and prospects.

The Group has approximately £2.0 billion of undrawn credit facilities at 31 December 2019 and has supported this by further action to maintain liquidity, including the suspension of share buybacks and the 2019 final dividend. On working capital, we are constantly reviewing cash outflows and receipts to monitor our position. We are continuing to work closely with our clients to ensure timely payment for the services we have provided in line with contractual commitments. Cost reduction and cash conservation measures have also been taken, including the freezing of new hires, 20% salary and fee sacrifice for the CEO, Board members, Executive committee members and employees earning above certain thresholds. Additionally, savings have been identified on property and IT capital expenditure.

Close to 95% of our people are remote working and maintaining services to our clients and using creativity to support clients to adjust their communications, and support governments and NGOs in mitigating the impact of Covid-19.

26. 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 hedge the currency element of its net assets using foreign currency borrowings, cross-currency swaps and forward foreign exchange contracts.

The Group effects these currency net asset hedges by borrowing in the same currencies as the operating (or "functional") currencies of its main operating units. The majority of the Group's debt is therefore denominated in US dollars, pounds sterling and euros. The Group's borrowings at 31 December 2019 were primarily made up of $1,563 million, £844 million and €2,600 million (2018: $2,784 million, £1,044 million and €3,200 million). The Group's average gross debt during the course of 2019 was $2,509 million, £947 million and €3,128 million (2018: $3,377 million, £1,039 million and €3,202 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.

26. RISK MANAGEMENT POLICIES CONTINUED

INTEREST RATE RISK

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

Including the effect of interest rate and cross-currency swaps, 100% of the year-end US dollar debt is at fixed rates averaging 4.06% for an average period of 95 months; 100% of the sterling debt is at a fixed rate of 2.73% for an average period of 188 months; 80.8% of the euro debt is at fixed rates averaging 2.34% for an average period of 82 months and 19.2% of the euro debt is at floating rates averaging 0.06% for an average of 16 months.

GOING CONCERN AND LIQUIDITY RISK

In considering going concern and liquidity risk, the Directors have reviewed the Group's future cash requirements and earnings projections. The Directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance. The Company's forecasts and projections, taking account of (i) reasonably possible declines in revenue less pass-through costs; (ii) remote declines in revenue less pass-through costs for stress-testing purposes as a consequence of the Covid-19 pandemic from April 2020 onwards compared to 2019; and considering the Group's bank covenant and liquidity headroom taking into account the suspension of share buybacks and the final dividend in 2019 and cost mitigation actions which are and which could be implemented, show that the Company and the Group would be able to operate with appropriate liquidity and within its banking covenants and be able to meet its liabilities as they fall due. The Company modelled a range of revenue less pass-through costs declines from 15% to over 35%. 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. The potential impact of Brexit has been considered and is not deemed to have a significant effect on this assessment.

At 31 December 2019, the Group has access to £6.3 billion of committed facilities with maturity dates spread over the years 2020 to 2046 as illustrated below:

		2020 £m	2021 £m	2022 £m	2023 £m	2024+ £m
£ bonds £400m (2.875% 2046)	**400.0**					400.0
US bond $220m (5.625% 2043)	**165.8**					165.8
US bond $93m (5.125% 2042)	**70.0**					70.0
Eurobonds €600m (1.625% 2030)	**507.9**					507.9
Eurobonds €750m (2.25% 2026)	**634.9**					634.9
Eurobonds €500m (1.375% 2025)	**423.3**					423.3
US bond $750m (3.75% 2024)	**565.5**					565.5
Bank revolver ($2,500m 2024)	**1,884.9**					1,884.9
Eurobonds €750m (3.0% 2023)	**634.9**				634.9	
US bond $500m (3.625% 2022)	**377.0**			377.0		
Eurobonds €250m (3m EURIBOR + 0.45% 2022)	**211.6**			211.6		
Bank revolver (A$150m '20, A$270m 2021)	**222.4**	79.4	143.0			
Eurobonds €250m (3m EURIBOR + 0.32% 2020)	**211.6**	211.6				
Total committed facilities available	**6,309.8**	**291.0**	**143.0**	**588.6**	**634.9**	**4,652.3**
Drawn down facilities at 31 December 2019	**4,304.2**	216.9	96.4	588.6	634.9	2,767.4
Undrawn committed credit facilities	**2,005.6**					
Drawn down facilities at 31 December 2019	**4,304.2**					
Net cash at 31 December 2019	**(2,733.3)**					
Other adjustments	**(31.3)**					
Net debt at 31 December 2019	**1,539.6**					

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

TREASURY ACTIVITIES

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

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

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

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 10, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity and in notes 28 and 29.

Given the significant uncertainty over the coming months generated by the emergence and spread of Covid-19, the Group continues to monitor its capital structure. Our bond portfolio at the 31 December 2019 had an average maturity of 8.2 years, with only a May 2020 €250 million Eurobond due in the next two years.

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 27.

The Group's credit risk is primarily attributable to its trade receivables. The majority of the Group's trade receivables are due from large national or multinational companies where the risk of default is considered low. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on expected losses, prior experience and their assessment of the current economic environment. A relatively small number of clients make up a significant percentage of the Group's debtors, but no single client represents more than 5% of total trade receivables as at 31 December 2019.

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

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

Following the emergence and spread of Covid-19 in 2020, the Group continues to work closely with our clients to ensure timely payment for the services we have provided in line with contractual commitments. The Group constantly reviewing cash outflows and receipts to monitor our position.

SENSITIVITY ANALYSIS

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

CURRENCY RISK

A 10% weakening of sterling against the Group's major currencies would result in the following losses, which would be posted directly to equity. These losses would arise on the retranslation of foreign currency denominated borrowings and derivatives designated as effective net investment hedges of overseas net assets. These losses would be partially offset in equity by a corresponding gain arising on the retranslation of the related hedged foreign currency net assets. A 10% strengthening of sterling would have an equal and opposite effect. There are no other material foreign exchange exposures which would create gains or losses to the functional reporting currencies of individual entities in the Group.

	2019 £m	2018 £m
US dollar	**125.2**	192.2
Euro	**162.5**	232.5

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 2019 would increase profit before tax by approximately £22.6 million (2018: £7.2 million). A one percentage decrease in market interest rates would have an equal and opposite effect. This has been calculated by applying the interest rate change to the Group's variable rate cash and borrowings.

27. 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 its foreign currency-denominated debt as hedging instruments against the currency risk 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 movements on its borrowings. Contracts due in March 2025 have receipts of €500.0 million and payments of £444.1 million.

At 31 December 2019, the fair value of the Group's currency derivatives is estimated to be a net liability of approximately £21.2 million (2018: net asset of £8.4 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £nil (2018: £8.4 million) assets included in trade and other receivables and £21.2 million (2018: £nil) liabilities included in trade and other payables. The amounts taken to and deferred in equity during the year for currency derivatives that are designated and effective hedges was a credit of £29.2 million (2018: charge of £17.9 million) for cash flow hedges.

Changes in the fair value relating to the ineffective portion of the currency derivatives amounted to a loss of £nil (2018: £11.1 million) which is included in the revaluation of financial instruments for the year.

At the balance sheet date, the total nominal amount of outstanding forward foreign exchange contracts not designated as hedges was £151.7 million (2018: £296.1 million). The Group estimates the fair value of these contracts to be a net liability of £0.1 million (2018: £1.3 million).

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

INTEREST RATE SWAPS

The Group uses interest rate swaps as hedging instruments in fair value hedges to manage its exposure to interest rate movements on its borrowing. During 2019 the Group terminated contracts that had a nominal value of $812 million which had fixed rate receipts of 4.75% and floating interest payments averaging LIBOR plus 2.34% until November 2021. The Group also terminated contracts in 2019 that had a nominal value of $500 million which had fixed rate receipts of 3.63% and floating interest payments averaging LIBOR plus 1.52% until September 2022.

The fair value of interest rate swaps entered into at 31 December 2019 is estimated to be a net liability of £nil (2018: £14.2 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £nil (2018: £14.2 million) liabilities included in trade and other payables.

Changes in the fair value relating to the ineffective portion of interest rate swaps amounted to a gain of £1.0 million (2018: £0.9 million) which is included in the revaluation of financial instruments for the year. This gain resulted from a £13.3 million loss on hedging instruments and a £14.3 million gain on hedged items.

27. FINANCIAL INSTRUMENTS CONTINUED

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	Amortised cost £m	Carrying value £m
2019					
Other investments	–	255.7	242.6	–	498.3
Cash and short-term deposits	–	–	–	2,969.0	2,969.0
Bank overdrafts, bonds and bank loans	–	–	–	(461.3)	(461.3)
Bonds and bank loans	–	–	–	(4,047.3)	(4,047.3)
Trade and other receivables: amounts falling due within one year	–	–	–	7,530.8	7,530.8
Trade and other receivables: amounts falling due after more than one year	–	–	–	59.3	59.3
Trade and other payables: amounts falling due within one year	–	–	–	(10,191.6)	(10,191.6)
Trade and other payables: amounts falling due after more than one year	–	–	–	(2.6)	(2.6)
Derivative assets	–	1.4	–	–	1.4
Derivative liabilities	(21.2)	(1.5)	–	–	(22.7)
Payments due to vendors (earnout agreements) (note 20)	–	(253.8)	–	–	(253.8)
Liabilities in respect of put options	–	(226.8)	–	–	(226.8)
	(21.2)	**(225.0)**	**242.6**	**(4,143.7)**	**(4,147.3)**

	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
2018					
Other investments	–	319.6	347.1	–	666.7
Cash and short-term deposits	–	–	–	2,643.2	2,643.2
Bank overdrafts, bonds and bank loans	–	–	–	(1,025.1)	(1,025.1)
Bonds and bank loans	–	–	–	(5,634.8)	(5,634.8)
Trade and other receivables: amounts falling due within one year	–	–	–	8,545.6	8,545.6
Trade and other receivables: amounts falling due after more than one year	–	–	–	68.3	68.3
Trade and other payables: amounts falling due within one year	–	–	–	(10,637.3)	(10,637.3)
Trade and other payables: amounts falling due after more than one year	–	–	–	(8.4)	(8.4)
Derivative assets	8.4	1.3	–	–	9.7
Derivative liabilities	(14.2)	(2.6)	–	–	(16.8)
Payments due to vendors (earnout agreements) (note 20)	–	(414.7)	–	–	(414.7)
Liabilities in respect of put options	–	(242.0)	–	–	(242.0)
	(5.8)	(338.4)	347.1	(6,048.5)	(6,045.6)

The Group is party to certain cash pooling arrangements with its banks and has offset cash and short-term deposits and bank overdrafts where a legally enforceable right to set off exists. At 31 December 2019, £6,832.8 million (2018: £6,214.2 million) had been offset.

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).

2019	Level 1 £m	Level 2 £m	Level 3 £m
Derivatives in designated hedge relationships			
Derivative assets	–	–	–
Derivative liabilities	–	(21.2)	–
Held at fair value through profit or loss			
Other investments	–	–	255.7
Derivative assets	–	1.4	–
Derivative liabilities	–	(1.5)	–
Payments due to vendors (earnout agreements) (note 20)	–	–	(253.8)
Liabilities in respect of put options	–	–	(226.8)
Held at fair value through other comprehensive income			
Other investments	42.2	–	200.4

2018	Level 1 £m	Level 2 £m	Level 3 £m
Derivatives in designated hedge relationships			
Derivative assets	–	8.4	–
Derivative liabilities	–	(14.2)	–
Held at fair value through profit or loss			
Other investments	0.4	–	319.2
Derivative assets	–	1.3	–
Derivative liabilities	–	(2.6)	–
Payments due to vendors (earnout agreements) (note 20)	–	–	(414.7)
Liabilities in respect of put options	–	–	(242.0)
Held at fair value through other comprehensive income			
Other investments	128.1	–	219.0

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

Reconciliation of level 3 fair value measurements[1]:

	Liabilities in respect of put options £m	Other investments £m
1 January 2018	(258.1)	820.3
Gains recognised in the income statement	34.5	61.1
Losses recognised in other comprehensive income	–	(140.6)
Exchange adjustments	1.1	–
Additions	(43.5)	35.0
Disposals	–	(237.3)
Cancellations	2.2	–
Reclassifications from other investments to interests in associates	–	(0.3)
Settlements	21.8	–
31 December 2018	(242.0)	538.2
(Losses)/gains recognised in the income statement	(19.4)	9.1
Losses recognised in other comprehensive income	–	(55.4)
Exchange adjustments	11.7	–
Additions	(38.6)	18.2
Disposals	–	(53.4)
Cancellations	9.7	–
Transfer to disposal group classified as held for sale	31.0	(0.6)
Settlements	20.8	–
31 December 2019	**(226.8)**	**456.1**

Note

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

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. There have been no movements between level 3 and other levels.

PAYMENTS DUE TO VENDORS AND LIABILITIES IN RESPECT OF PUT OPTIONS

Future anticipated payments due to vendors in respect of contingent consideration (earnout agreements) are recorded at fair value, which is the present value of the expected cash outflows of the obligations. Liabilities in respect of put option agreements are initially recorded at the present value of the redemption amount in accordance with IAS 32. After recognition, the liability is remeasured in accordance with IFRS 9 and is subject to the estimation of future performance of the business acquired. Changes in the estimation result in re-measurement of the liability through the income statement. Both types of obligations are dependent on the future financial performance of the entity and it is assumed that future profits are in line with Directors' estimates. The Directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition. At 31 December 2019, the weighted average growth rate in estimating future financial performance was 19.5% (2018: 22.7%), which reflects the prevalence of recent acquisitions in the faster-growing markets and new media sectors. The risk adjusted discount rate applied to these obligations at 31 December 2019 was 1.4% (2018: 2.9%).

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 £4.6 million (2018: £6.8 million) and £7.7 million (2018: £10.4 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 £5.6 million (2018: £7.1 million) and £5.7 million (2018: £7.2 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 are 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 publicly available information from outside sources using the most appropriate valuation technique, including all external funding rounds, revenue and EBITDA multiples, the share of fund net asset value and discounted cash flows. Certain investments are valued using revenue multiples. An increase or decrease in this multiple of one times revenue would result in an increase or decrease in the value of investments of £53.6 million, which would result in a credit or charge to the income statement of £3.3 million and equity of £50.3 million. The sensitivity to changes in unobservable inputs is specific to each individual investment.

28. AUTHORISED AND ISSUED SHARE CAPITAL

	Equity ordinary shares	Nominal value £m
Authorised		
1 January 2018	1,750,000,000	175.0
31 December 2018	1,750,000,000	175.0
31 December 2019	**1,750,000,000**	**175.0**
Issued and fully paid		
At 1 January 2018	1,332,511,552	133.3
Exercise of share options	166,675	–
At 31 December 2018	1,332,678,227	133.3
Exercise of share options	75,625	–
Share cancellations	(4,586,039)	(0.5)
At 31 December 2019	**1,328,167,813**	**132.8**

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 WPP plc 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 114-137.

28. AUTHORISED AND ISSUED SHARE CAPITAL CONTINUED

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 2019 was 9,219,837 (2018: 14,820,994), and £98.3 million (2018: £125.5 million) respectively. The number and market value of ordinary shares held in treasury at 31 December 2019 was 70,787,730 (2018: 70,854,553) and £755.0 million (2018: £599.9 million) respectively.

SHARE OPTIONS

WPP EXECUTIVE SHARE OPTION SCHEME (WPP)

As at 31 December 2019, unexercised options over ordinary shares of 6,741 have been granted under the WPP Executive Share Option Scheme as follows:

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

WPP WORLDWIDE SHARE OWNERSHIP PROGRAMME (WWOP)

As at 31 December 2019, unexercised options over ordinary shares of 2,757,654 and unexercised options over ADRs of 388,854 have been granted under the WPP Worldwide Share Ownership Programme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
82,650	6.268	2014-2021
36,500	6.268	2015-2021
53,150	7.113	2013-2020
25,750	7.113	2014-2020
194,079	8.458	2015-2022
43,000	13.145	2017-2021
1,739,050	13.145	2017-2024
4,375	13.145	2018-2024
564,975	13.505	2016-2023
14,125	13.505	2017-2023

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
24,550	49.230	2014-2021
16,530	56.560	2013-2020
39,184	67.490	2015-2022
166,655	102.670	2017-2024
141,935	110.760	2016-2023

WPP SHARE OPTION PLAN 2015 (WSOP)

As at 31 December 2019, unexercised options over ordinary shares of 13,413,425 and unexercised options over ADRs of 1,396,745 have been granted under the WPP Worldwide Share Ownership Programme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
18,250	8.372	2021-2025
3,406,900	8.372	2021-2028
15,500	9.600	2022-2026
2,863,975	9.600	2022-2029
19,250	13.085	2020-2024
2,785,100	13.085	2020-2027
55,500	15.150	2018-2022
1,952,200	15.150	2018-2025
5,375	15.150	2019-2025
12,375	17.055	2019-2023
2,279,000	17.055	2019-2026

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
347,660	53.140	2021-2028
347,105	62.590	2022-2029
276,790	88.260	2020-2027
236,265	105.490	2020-2026
188,925	115.940	2018-2025

The aggregate status of the WPP Share Option Plans during 2019 was as follows:

	1 January 2019	Granted	Exercised	Lapsed	Outstanding 31 December 2019	Exercisable 31 December 2019
Movements on options granted (represented in ordinary shares)						
WPP	6,741	–	–	–	6,741	6,741
WWOP	5,520,774	–	(71,475)	(747,375)	4,701,924	4,701,924
WSOP	18,691,100	4,615,000	(4,150)	(2,904,800)	20,397,150	5,249,075
	24,218,615	4,615,000	(75,625)	(3,652,175)	25,105,815	9,957,740

	1 January 2019	Granted	Exercised	Lapsed	Outstanding 31 December 2019	Exercisable 31 December 2019
Weighted-average exercise price for options over						
Ordinary shares (£)						
WPP	9.355	–	–	–	9.355	9.355
WWOP	12.290	–	6.888	12.027	12.421	12.421
WSOP	12.753	9.600	8.372	12.405	12.121	16.164
ADRs ($)						
WWOP	95.453	–	47.388	91.622	96.744	96.744
WSOP	84.893	62.590	53.140	82.290	79.798	115.940

OPTIONS OVER ORDINARY SHARES

Outstanding	Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
	6.268-17.055	12.171	90

OPTIONS OVER ADRs

Outstanding	Range of exercise prices $	Weighted average exercise price $	Weighted average contractual life Months
	49.230-115.940	83.488	89

As at 31 December 2019 there was £7.3 million (2018: £8.5 million) of total unrecognised compensation costs related to share options. That cost is expected to be recognised over a weighted average period of 19 months (2018: 20 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:

	2019	2018	2017
Fair value of UK options (shares)	**117.0p**	107.0p	112.0p
Fair value of US options (ADRs)	**$8.49**	$8.09	$9.40
Weighted average assumptions			
UK Risk-free interest rate	**0.57%**	0.78%	0.57%
US Risk-free interest rate	**1.61%**	2.74%	2.05%
Expected life (months)	**48**	48	48
Expected volatility	**24%**	24%	17%
Dividend yield	**3.8%**	3.5%	2.9%

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 2019 was £9.39 (2018: £11.56, 2017: £15.86) and the average ADR price for the same period was $59.93 (2018: $77.31, 2017: $101.86).

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

Expected life is based on a review of historic 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, then the stock option will vest automatically.

The Group grants stock options with a life of 10 years, including the vesting period.

29. OTHER RESERVES

Other reserves comprise the following:

	Capital redemption reserve £m	Equity reserve £m	Revaluation reserve £m	Translation reserve £m	Total other reserves £m
1 January 2018	2.7	(257.2)	303.4	712.8	761.7
Exchange adjustments on foreign currency net investments	–	–	–	69.9	69.9
Accounting policy change (IFRS 9)[1]	–	–	(303.4)	(104.0)	(407.4)
Recognition and remeasurement of financial instruments	–	(30.7)	–	–	(30.7)
31 December 2018	2.7	(287.9)	–	678.7	393.5
Exchange adjustments on foreign currency net investments	–	–	–	(361.4)	(361.4)
Exchange adjustments recycled to the income statement on disposal of discontinued operations	–	–	–	(284.0)	(284.0)
Share cancellations	0.5	–	–	–	0.5
Recognition and remeasurement of financial instruments	–	2.5	–	–	2.5
Share purchases – close period commitments	–	(252.3)	–	–	(252.3)
31 December 2019	**3.2**	**(537.7)**	**–**	**33.3**	**(501.2)**

Note

1 Due to the adoption of IFRS 9, cumulative gains and losses on revaluation of available for sale investments have been transferred to retained earnings.

30. ACQUISITIONS

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

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

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

The contribution to revenue and operating profit of acquisitions completed in the year was not material. There were no material acquisitions completed in the year ended 31 December 2019 or between 31 December 2019 and the date the financial statements have been authorised for issue.

31. RELATED PARTY TRANSACTIONS

From time to time the Group enters into transactions with its associate undertakings. These transactions were not material for either year presented.

The Group has continuing transactions with Kantar, including sales, purchases, the provision of IT services, subleases and property related items. None of these were material in the period since 5 December 2019 when Kantar became a related party as an associate.

The following amounts were outstanding at 31 December 2019:

	2019 £m
Amounts owed by related parties	
Kantar	87.5
Other	87.5
	175.0
Amounts owed to related parties	
Kantar	(36.5)
Other	(49.6)
	(86.1)

32. RECONCILIATION TO NON-GAAP MEASURES OF PERFORMANCE

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

Reconciliation of revenue to revenue less pass-through costs:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Revenue	13,234.1	13,046.7	13,146.4
Media pass-through costs	(1,656.2)	(1,458.0)	(1,429.4)
Other pass-through costs	(731.4)	(713.0)	(573.1)
Revenue less pass-through costs	10,846.5	10,875.7	11,143.9

Note

[1] Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

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

Reconciliation of operating profit to headline operating profit:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Operating profit	1,295.9	1,237.9	1,577.9
Amortisation and impairment of acquired intangible assets	121.5	201.8	138.0
Goodwill impairment	47.7	183.9	27.1
Gains on disposal of investments and subsidiaries	(40.4)	(237.9)	(98.7)
(Gains)/losses on remeasurement of equity interests arising from a change in scope of ownership	(0.4)	(2.0)	0.3
Investment write-downs	7.5	2.0	91.7
Litigation settlement	(16.8)	–	–
Gain on sale of freehold property in New York	(7.9)	–	–
Restructuring and transformation costs	153.5	265.5	56.8
Headline operating profit	1,560.6	1,651.2	1,793.1
Finance and investment income	99.0	98.9	89.0
Finance costs (excluding interest expense related to lease liabilities)	(259.4)	(279.1)	(261.9)
	(160.4)	(180.2)	(172.9)
Interest cover[2] on headline operating profit	9.7 times	9.2 times	10.4 times

Notes

[1] Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

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

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

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

Continuing operations	Margin %	2019 £m	Margin[1] %	2018[1] £m	Margin[1] %	2017[1] £m
Revenue less pass-through costs		**10,846.5**		10,875.7		11,143.9
Headline operating profit	**14.4**	**1,560.6**	15.2	1,651.2	16.1	1,793.1
Share of results of associates (excluding exceptional gains/losses)		**62.5**		72.0		97.4
Headline PBIT	**15.0**	**1,623.1**	15.8	1,723.2	17.0	1,890.5

Note
1 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

Calculation of headline EBITDA:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Headline PBIT (as above)	**1,623.1**	1,723.2	1,890.5
Depreciation of property, plant and equipment	**185.5**	188.6	189.0
Amortisation of other intangible assets	**21.2**	20.7	20.1
Headline EBITDA (including depreciation of right-of-use assets)	**1,829.8**	1,932.5	2,099.6
Depreciation of right-of-use assets	**301.6**	–	–
Headline EBITDA	**2,131.4**	1,932.5	2,099.6

Note
1 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

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.

Calculation of headline non-controlling interests:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Non-controlling interests	**79.2**	65.1	84.4
Non-controlling interests relating to restructuring and transformation costs	**–**	4.7	–
Headline non-controlling interests	**79.2**	69.8	84.4

Note
1 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

Reconciliation of profit before taxation to headline PBT and headline earnings:

Continuing operations	2019 £m	2018[1] £m	2017[1] £m
Profit before taxation	**982.1**	1,257.6	1,746.9
Amortisation and impairment of acquired intangible assets	**121.5**	201.8	138.0
Goodwill impairment	**47.7**	183.9	27.1
Gains on disposal of investments and subsidiaries	**(40.4)**	(237.9)	(98.7)
(Gains)/losses on remeasurement of equity interests arising from a change in scope of ownership	**(0.4)**	(2.0)	0.3
Investment write-downs	**7.5**	2.0	91.7
Restructuring and transformation costs	**153.5**	265.5	56.8
Share of exceptional losses/(gains) of associates	**47.8**	41.5	(0.6)
Litigation settlement	**(16.8)**	–	–
Gain on sale of freehold property in New York	**(7.9)**	–	–
Revaluation of financial instruments	**68.4**	(169.4)	(243.9)
Headline PBT	**1,363.0**	1,543.0	1,717.6
Headline tax charge (note 7)	**(299.6)**	(320.1)	(318.6)
Headline non-controlling interests	**(79.2)**	(69.8)	(84.4)
Headline earnings	**984.2**	1,153.1	1,314.6

Note
1 Prior year figures have been re-presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as described in the accounting policies.

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

Reconciliation of free cash flow:

	2019 £m	2018[1] £m	2017[1] £m
Cash generated by continuing and discontinued operations (note 11)	**2,693.2**	2,174.7	1,938.9
Plus			
Interest received	**80.8**	90.4	76.9
Investment income	**18.3**	15.4	16.8
Dividends from associates	**33.3**	49.7	46.8
Share option proceeds	**0.6**	1.2	6.4
Less			
Earnout payments	**(130.2)**	(120.2)	(199.1)
Interest and similar charges paid	**(270.6)**	(252.8)	(246.6)
Purchases of property, plant and equipment	**(339.3)**	(314.8)	(288.9)
Purchase of other intangible assets (including capitalised computer software)	**(54.8)**	(60.4)	(37.3)
Repayment of lease liabilities	**(249.8)**	–	–
Interest paid on lease liabilities	**(105.1)**	–	–
Corporation and overseas tax paid	**(536.0)**	(383.6)	(424.7)
Dividends paid to non-controlling interests in subsidiary undertakings	**(96.2)**	(106.2)	(87.8)
Free cash flow	**1,044.2**	1,093.4	801.4

Note
1 Prior year free cash flow has been re-presented to exclude proceeds on disposal of property, plant and equipment.

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

PERFORMANCE MEASURES INCLUDING KANTAR

Like-for-like revenue less pass-through costs and headline operating margin including Kantar reflect the full year performance as if Kantar was owned by the Group throughout the entirety of 2019 adjusted to remove the effects of held for sale accounting.

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 204 and 205.

COMPANY PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £m	2018 £m
Turnover		**–**	–
Operating income		**0.5**	10.8
Operating profit		**0.5**	10.8
Income from shares in Group undertakings		**–**	35.9
Interest receivable and similar income		**0.1**	–
Interest payable and similar charges	34	**(138.9)**	(127.1)
Loss on ordinary activities before taxation		**(138.3)**	(80.4)
Taxation on loss on ordinary activities	35	**–**	–
Loss for the year		**(138.3)**	(80.4)

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 2019

	Notes	2019 £m	2018 £m
Fixed assets			
Investments	36	**13,231.5**	13,160.1
		13,231.5	13,160.1
Current assets			
Debtors due within one year	37	**1,647.9**	1,676.2
Cash at bank and in hand		**216.8**	–
		1,864.7	1,676.2
Current liabilities			
Creditors: amounts falling due within one year	38	**(8,446.3)**	(6,368.1)
Net current liabilities		**(6,581.6)**	(4,691.9)
Total assets less current liabilities		**6,649.9**	8,468.2
Creditors: amounts falling due after more than one year	39	**(688.3)**	(1,389.8)
Net assets		**5,961.6**	7,078.4
Capital and reserves			
Called-up share capital		**132.8**	133.3
Share premium account		**570.3**	569.7
Other reserves	40	**(262.3)**	(10.0)
Capital redemption reserve		**3.2**	2.7
Own shares		**(1,045.9)**	(1,046.9)
Profit and loss account		**6,563.5**	7,429.6
Equity shareholders' funds		**5,961.6**	7,078.4

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 29 April 2020.

Mark Read
Chief Executive Officer

Paul Richardson
Group Finance Director

Registered Company Number: 111714

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	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 2018	133.3	568.5	(10.0)	2.7	(944.1)	8,174.1	7,924.5
Ordinary shares issued	–	1.2	–	–	–	–	1.2
Treasury share additions	–	–	–	–	(104.3)	–	(104.3)
Treasury share allocations	–	–	–	–	1.5	(1.5)	–
Loss for the year	–	–	–	–	–	(80.4)	(80.4)
Dividends paid	–	–	–	–	–	(747.4)	(747.4)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	84.8	84.8
Balance at 31 December 2018	133.3	569.7	(10.0)	2.7	(1,046.9)	7,429.6	7,078.4
Ordinary shares issued	–	0.6	–	–	–	–	0.6
Share cancellations	(0.5)	–	–	0.5	–	(47.7)	(47.7)
Treasury share allocations	–	–	–	–	1.0	(1.0)	–
Loss for the year	–	–	–	–	–	(138.3)	(138.3)
Dividends paid	–	–	–	–	–	(750.5)	(750.5)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	71.4	71.4
Share purchases – close period commitments	–	–	(252.3)	–	–	–	(252.3)
Balance at 31 December 2019	**132.8**	**570.3**	**(262.3)**	**3.2**	**(1,045.9)**	**6,563.5**	**5,961.6**

Notes

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

[1] Other reserves are analysed in note 40.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

33. 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. 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 Directors' report on page 84.

(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 2019, the recoverable amount was assessed based on the Group's market value and exceeded the carrying value at that date.

(D) TAXATION

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences unless specifically excepted by IAS 12 Income Taxes. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

(E) GROUP AND TREASURY SHARE TRANSACTIONS

Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, IFRS 2 (share-based payment) 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 the parent (WPP plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £71.4 million in 2019 (2018: £84.8 million), with a credit to equity for the same amount.

(F) EXPECTED CREDIT LOSSES

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

34. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £m	2018 £m
Bank and other interest payable	**26.9**	37.8
Interest payable to subsidiary undertakings	**112.0**	89.3
	138.9	127.1

35. 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% (2018: 19%). The differences are explained below:

	2019 £m	2018 £m
Loss on ordinary activities before tax	**(138.3)**	(80.4)
Tax at the rate of 19% (2018: 19%) thereon	**26.3**	15.3
Factors affecting tax charge for the year		
Group relief not paid for	**(26.3)**	(22.1)
Items that are not deductible/(taxable)	**–**	6.8
Tax charge for the year	**–**	–

36. FIXED ASSET INVESTMENTS

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

	Subsidiary undertakings £m
1 January 2019	**13,160.1**
Additions	71.4
31 December 2019	**13,231.5**

Fixed asset investments primarily represent 100% of the issued share capital of WPP Jubilee Limited, a company incorporated in Great Britain. Fixed asset investments were purchased in a share-for-share exchange. At 31 December 2019 cost and net book value were the same.

37. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

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

	2019 £m	2018 £m
Amounts owed by subsidiary undertakings	**1,646.8**	1,675.6
Other debtors	**1.1**	0.6
	1,647.9	1,676.2

There were no expected credit losses on debtors in the year ended 31 December 2019 (2018: nil).

38. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

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

	2019 £m	2018 £m
Bank overdrafts	**1,222.5**	1,174.1
Amounts due to subsidiary undertakings	**6,964.3**	5,190.3
Share purchases – close period commitments	**252.3**	–
Other creditors and accruals	**7.2**	3.7
	8,446.3	6,368.1

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

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

	2019 £m	2018 £m
Amounts due to subsidiary undertakings	**688.3**	1,389.8

Total borrowings are repayable as follows:

	2019 £m	2018 £m
Within one year	**8,446.3**	6,368.1
Between one and five years	**535.4**	1,010.9
Over five years	**152.9**	378.9
	9,134.6	7,757.9

40. EQUITY SHAREHOLDERS' FUNDS

Other reserves at 31 December 2019 comprise a translation reserve of £10.0 million (2018: £10.0 million) and an equity reserve of £252.3 million (2018: £nil).

At 31 December 2019 the Company's distributable reserves amounted to £5,825.6 million (2018: £6,942.4 million). Further details of the Company's share capital are shown in note 28.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WPP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 2019 and of the Group's profit and 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 adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Jersey Law 1991.

We have audited the financial statements which comprise:

- the accounting policies;
- the consolidated income statement, excluding the US dollar information;
- the consolidated statement of comprehensive income;
- the consolidated cash flow statement;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the Parent Company profit and loss account, balance sheet and statement of changes in equity; and
- the related notes 1 to 40.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. 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).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 3 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

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

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: – Goodwill – Taxation – Assets held for sale and discontinued operations – Going concern. Within this report, any new key audit matters are identified with ⌃ and any key audit matters which are the same as the prior year identified with ›.
Materiality	The materiality that we used for the Group financial statements was £55 million (2018: £80 million) which was determined on the basis of pre-tax profit from continuing operations (2018: pre-tax profit). The reduction in materiality compared to the prior year reflects the presentation of the Kantar businesses in discontinued operations.
Scoping	Those entities subject to audit represented 75% of the Group's consolidated revenue from continuing operations (2018: 76% of the Group's consolidated revenue) and 92% of the Group's consolidated operating profit from continuing operations (2018: 81% of the Group's consolidated operating profit); 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	We have revised our assessment of key audit matters as compared to the prior year as discussed below.

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

GOING CONCERN

We have reviewed the directors' statement in the Strategic Report and note 26 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and their identification of any material uncertainties to the Group's and Parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of external economic factors including the potential impact of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the Group's system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.
We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

PRINCIPAL RISKS AND VIABILITY STATEMENT

Based solely on reading the Strategic Report and considering whether the principal risks and viability statement were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 84-91 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 84 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 84 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the group to continue over the time horizon considered appropriate by the directors.
We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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 audit 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.

For the prior year audit we identified the recognition of revenue related to the Kantar network as a key audit matter due to the impact of Kantar's revenues in the prior year on the pricing of the Kantar disposal transaction. As the sale was agreed in the first half of the current year, we determined that Kantar revenue recognition is no longer a key audit matter. Furthermore, we determined that there is no longer a key audit matter related to the cut-off of restructuring and transformation costs due to the amount of restructuring costs expected to be incurred in the current year being significantly reduced compared to the prior year.

Key audit matter	How the scope of our audit responded to the key audit matter	Key observations

GOODWILL

(Refer to the Accounting Policies and Notes 3 and 14 to the financial statements, and the Audit Committee Report)

Key audit matter	How the scope of our audit responded to the key audit matter	Key observations

The net book value of goodwill was £10,171 million as at 31 December 2019 (2018: £13,203 million). The Group's assessment of goodwill for impairment involves the comparison of the recoverable amount of goodwill to its carrying value as at the 30 September measurement date. An impairment charge of £48 million was recorded in the current year (2018: £184 million) related to a number of under-performing businesses. The Group used the value in use approach which uses a discounted cash flow to estimate the recoverable amount of each group of cash generating units, using assumptions related to discount rates, short-term forecasts and long-term growth rates. The impact of COVID-19 was treated as a non-adjusting subsequent event and was not reflected within the goodwill impairment testing.
 	
We identified goodwill valuation and allocation as a key audit matter because of the significant judgements made by management to estimate the recoverable amount of goodwill. Estimates of future performance and market conditions used to arrive at the net present value of future cash flows at 30 September, which is used within the goodwill impairment analysis, are subjective in nature. Through our risk assessment procedures, we identified those inputs to the goodwill impairment analysis that were the most sensitive which enabled us to design our audit procedures to address the higher risk areas in our work, focusing on those estimates that are either complex, including the discount rate calculations, or subjective in nature, including the short-term forecast and long-term growth rates.
	Our audit procedures focused on challenging the inputs to the discounted cash flow model used to determine the recoverable amount of each group of cash generating units and included the following audit procedures, among others:
	– We tested the effectiveness of controls over management's selection of the discount rate, short-term forecasts and long-term growth rates used to determine the recoverable amount for each group of cash generating units.
	– We agreed the underlying cash flow projections to Board-approved forecasts and we tested 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 tested the appropriateness of the discount rates used for each group of cash generating units by:
	  – Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.
	  – Developing a range of independent estimates and comparing those to the discount rates selected by management.
	– We compared the long-term growth rates to independent market data.
	– We analysed the actual results between the date of the impairment test and the balance sheet date to determine if any additional indicators of impairment existed.
	– 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.
		
		As set out in the Audit Committee Report on page 110, a control weakness was identified with respect to management's review and selection of the appropriate discount rates for use in the impairment calculations.

TAXATION

(Refer to the Accounting Policies and Note 7 to the financial statements, and the Audit Committee Report)

Key audit matter	How the scope of our audit responded to the key audit matter	Key observations

The Group is subject to corporate taxes in a number of different jurisdictions with complex tax laws and regulations. Tax reserves are required to be recorded in relation to uncertain tax positions, which are based on management's identification of relevant jurisdictions, interpretation of tax law and understanding of the approach of the local tax authorities. In many cases, there is a range of potential outcomes which must be considered.
 	
We identified the valuation and allocation of reserves for taxes as a key audit matter because of the multiple jurisdictions in which the Group files its tax returns and the complexity of relevant tax laws and regulations. This required a high degree of auditor judgement and an increased extent of effort, including involvement of our tax specialists when performing audit procedures to challenge the appropriateness of management's estimates of tax reserves.
	Our audit procedures related to the valuation and allocation of taxation reserves included the following, among others:
	– We tested the effectiveness of controls over management's valuation of the reserves and over the monitoring of exposures related to tax audits.
	– We evaluated management's assessment of the impact of developments during the period in international tax rules on the Group.
	– We evaluated management's calculations of uncertain tax provisions arising from the risk of tax authority challenge of historical arrangements and tested the assumptions made in those calculations.
	– With the assistance of our tax specialists, we tested the estimates made by management in determining the reserves by:
	  – Evaluating the assumptions used in the Group's analysis of uncertain tax positions based on knowledge of the Group and relevant tax regimes.
	  – Reading the Group's correspondence with tax authorities in significant locations to determine whether any other tax exposure exists and whether the amounts provided for appear reasonable and the appropriate recognition criteria has been met.
	  – Reading the tax opinions provided by external legal counsel.
	  – Evaluating historical settlement amounts to determine whether management has been adequately provided in the past.
	– We also assessed the disclosure in the financial statements in relation to the requirements of IFRS.
		We determined the tax reserves to be appropriate based on our audit procedures.

Key audit matter	How the scope of our audit responded to the key audit matter	Key observations
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS **(Refer to the Accounting Policies and Note 12 to the financial statements, and the Audit Committee Report)**		
Following the Group's announcement of the proposed sale of the Kantar business to Bain Capital in July 2019, Kantar was classified as held for sale and reported as a discontinued operation under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. On 5 December 2019 the first stage of the transaction completed, which involved the sale of approximately 90% of the Kantar group. The gain recognised on the sale of the discontinued operations was £74 million. Particular complexities associated with the Kantar disposal were: – The agreement to provide certain post disposal services as part of the transition agreement within the overall disposal agreement required significant judgement in determining the appropriate accounting treatment. – The overall gain on disposal involved a number of judgements, particularly related to contingent consideration. Due to the complexity and inherent judgement associated with the Group's accounting treatment for consideration as defined within the transition service agreements and the determination of contingent consideration per the disposal agreement, we have identified the Kantar disposal as a key audit matter.	Our audit procedures related to the Kantar disposal were as follows, among others: – We tested the effectiveness of controls established to identify, authorise and approve, account for and disclose the disposal transaction in the financial statements. – We performed procedures to test the calculation of the gain recognised at the disposal date. – We assessed the appropriateness of the Group's treatment of variable elements of consideration. – We utilised technical accounting specialists to assess the transition service agreements in order to determine the appropriate accounting and subjected the estimates determined by management to our audit procedures. – We analysed the terms of the disposal agreement. – We read the minutes of the Board of Directors which evidenced authorization and approval of the transaction. – We performed procedures to test the effectiveness of internal controls specific to IFRS 5.	We determined the accounting for assets held for sale and discontinued operations to be appropriate based on our audit procedures.
GOING CONCERN **(Refer to the Accounting Policies and Note 26 to the financial statements, and the Audit Committee Report)**		

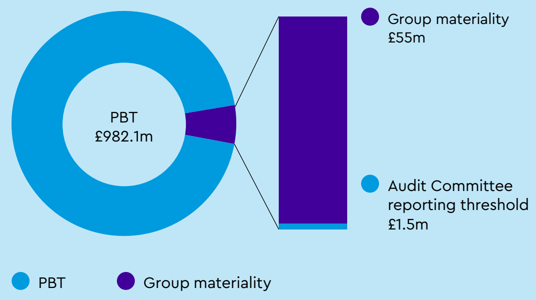
The Board of Directors has concluded that there are no material uncertainties that give rise to significant doubt over the Group's ability to continue as a going concern for at least twelve months from the date of the approval of the financial statements.
 	
Given the inherent uncertainty associated with COVID-19, it is currently difficult to determine a reasonable worst case scenario. Accordingly, management modelled a range of scenarios. These included a scenario which assumed a year-on-year decline of over 35% in revenue less pass through costs as defined in Note 2 Segment Information. The directors determined that the likelihood of the Group breaching its banking covenants as at 31 December 2020 and not having access to sufficient liquidity for at least twelve months from the date of signing the financial statements is remote considering the decline in revenue less pass through costs required and the mitigating actions available to management, including the suspension of share buy-backs and the final dividend.
 	
As a result of the uncertainty as to the impact of COVID-19 on the Group, we identified a key audit matter related to going concern due to the significant judgement required to conclude that there is not a material uncertainty related to going concern, in particular the judgement that the likelihood of the Group experiencing a decline in revenue less pass through costs that would result in a breach of its banking covenants at 31 December 2020 is remote.
	We performed the following audit procedures which consider the impact of the uncertainty of the COVID-19 pandemic, among others:
	– We tested the effectiveness of controls over management's going concern models, including the review of the inputs and assumptions used in those models, and the review of going concern disclosures.
	– We utilised our internal transaction specialists to assess the appropriateness of forecast assumptions by:
	  – Reading analyst reports, industry data and other external information to determine if it provided corroborative or contradictory evidence in relation to management's assumptions.
	  – Comparing forecasted sales to recent historical financial information.
	  – Enquiring of management regarding the mitigating actions to reduce costs and manage cash flows and assessing whether the mitigating actions were within the Company's control.
	– We tested the underlying data generated to prepare the forecast scenarios and determined whether there was adequate support for the assumptions underlying the forecast.
	– We read the terms of the revolving credit facility to obtain an understanding of the debt covenants.
	– We evaluated the Group's disclosures on going concern against the requirements of IAS 1 and ISA 570.
		Based on our procedures, we determined that the Board of Directors' conclusion that there are no material uncertainties that give rise to significant doubt over the Group and the Parent Company's ability to continue as a going concern to be appropriate.

OUR APPLICATION OF 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	£55 million (2018: £80 million)	£22 million (2018: £32 million)
Basis for determining materiality	5.6% of pre-tax profit from continuing operations (2018: 5.5% of pre-tax profit)	The basis for materiality is shareholder's equity. In our determination we use 40% of Group materiality as the maximum threshold. The materiality used is less than 1% of shareholder's equity (2018: less than 1% of shareholder's equity).
Rationale for the benchmark applied	We have determined that the critical benchmark for the Group was pre-tax profit from continuing operations because we consider this measure to be the primary focus of users of the financial statements. The reduction in materiality compared to the prior year reflects the presentation of the Kantar businesses in discontinued operations.	Due to the nature of the Company as a parent entity holding company, we consider shareholder's equity to be the most appropriate basis for materiality. Materiality is capped at 40% of Group materiality (2018: 40% of Group materiality).



We set performance materiality at £33 million (2018: £52 million) which is lower than Group materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 60% of Group materiality for the 2019 audit (2018: 65%). In determining performance materiality, we considered factors including:

- our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls financial processes and systems; and
- our past experience of the audit, which has indicated a low value of corrected and uncorrected misstatements identified in prior periods.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.5 million (2018: £1.5 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.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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 75% of the Group's consolidated revenue from continuing operations (2018: 76% of the Group's consolidated revenue) and 92% of the Group's consolidated operating profit from continuing operations (2018: 81% of the Group's consolidated operating profit); achieved through a combination of direct testing and specified audit procedures, including substantive analytical review procedures, performed by the Group auditor and component auditors across the world. Our audit work at the components is executed at levels of materiality appropriate for such components, many of which are local statutory materiality levels which in all instances are capped at 40% of Group materiality.

Due to the disruption caused by COVID-19, there were certain components within China which were removed from the scope of our audit procedures. 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.

As the Group files its financial statements in the US, the Group is required to comply with the US Sarbanes-Oxley Act. Accordingly we perform testing of the operating effectiveness of internal controls over financial reporting in all areas of the audit.

HOW WE WORK CLOSELY WITH COMPONENT AUDITORS

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

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

These are designed so that the Senior Statutory Auditor or a senior member of the Group audit team visits all key locations across the Group on a regular basis. In addition we assess the competence of each of our component auditors.

In years when we do not visit a key location we:

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

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.

OTHER INFORMATION

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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, our procedures included the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 12 December 2019;
- enquiring of management, the Group's general counsel, internal audit and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's 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 related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in management override of controls; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included Securities and Exchange Commission rules, Securities Law in the UK and US, the UK Listing Rules, European Union Law, Companies (Jersey) Law and tax legislation in the Group's various jurisdictions. In addition, compliance with the Group's regulatory solvency requirements, the US Foreign Corrupt Practices Act and the UK Bribery Act were fundamental to the Group's ability to continue as a going concern.

AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we identified goodwill as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 UK Companies Act 2006 as if that Act had applied to the Company.

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

- the information given in the Strategic Report and the Corporate Governance Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Corporate Governance Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Parent Company, or returns proper 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.

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.

OTHER MATTERS

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 18 years, covering the years ending 31 December 2002 to 31 December 2019.

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).

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/or those matters we have expressly agreed to report to them 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.

Robert Topley, FCA
For and on behalf of Deloitte LLP
Recognized auditor
London, United Kingdom
29 April 2020