FINANCIAL STATEMENTS

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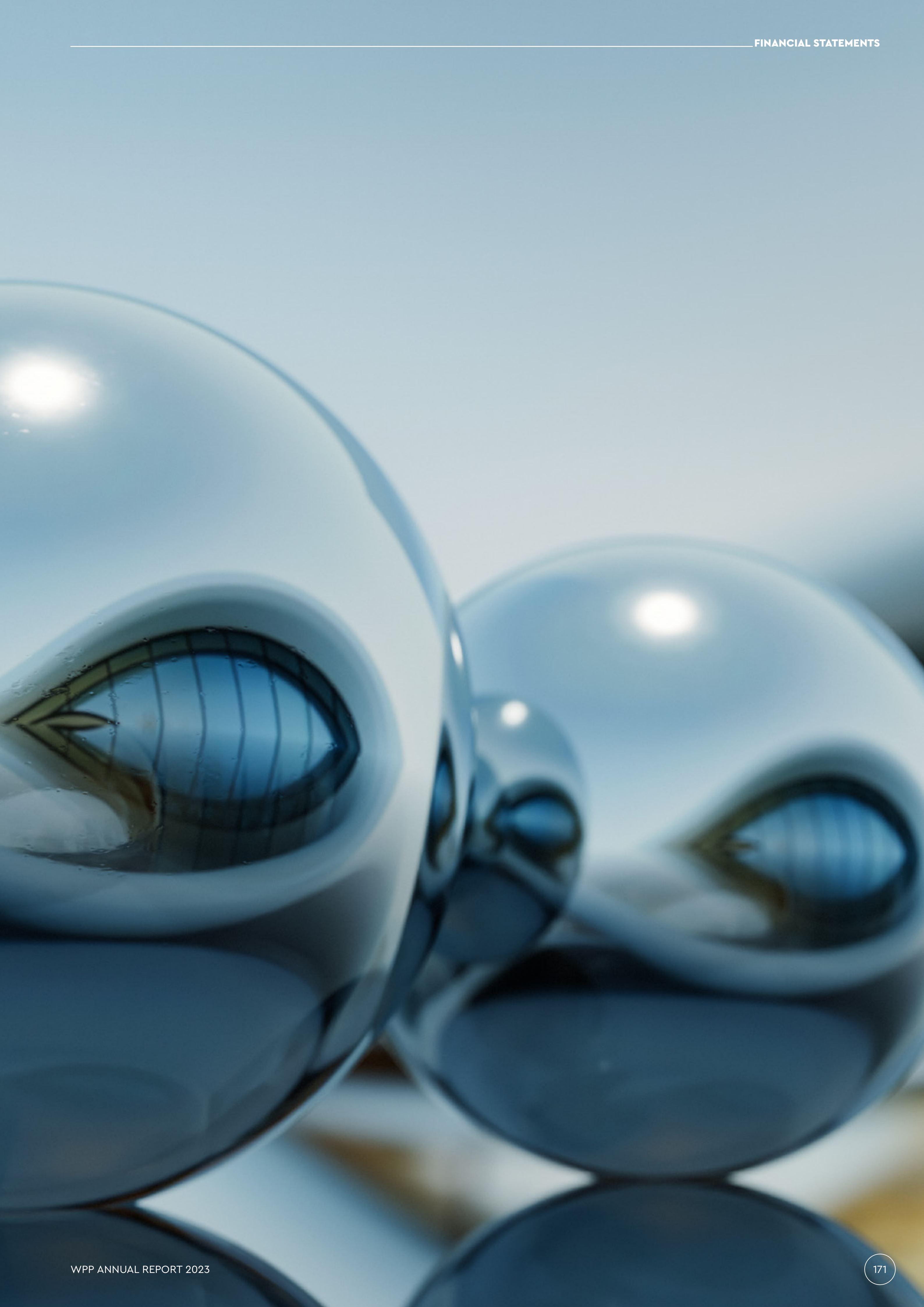


ACCOUNTING POLICIES

The consolidated financial statements of WPP plc and its subsidiaries (the Group) for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as they apply to the financial statements of the Group for the year ended 31 December 2023.

The separate financial statements of WPP plc (the Company), a company registered in Jersey, for the year ending 31 December 2023 are filed with the Company's registrar in Jersey.

BASIS OF PREPARATION

The Group consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments. In performing its going concern assessment, management's forecasts and projections, taking account of (i) reasonably possible declines in revenue less pass-through costs and (ii) remotely possible declines in revenue less pass-through costs for stress-testing purposes compared to 2023, considering the Group's liquidity headroom taking into account the suspension of share buybacks, dividends and acquisitions, and cost-mitigation actions which could be implemented, show that the Company and the Group would be able to operate with appropriate liquidity and be able to meet its liabilities as they fall due, considering that the Group was in a £2.3 billion net current liability position as at 31 December 2023. The Company modelled a range of revenue less pass-through cost declines up to 31% compared with the year ended 31 December 2023. The Directors therefore have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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. Subsidiary undertakings are those entities controlled by the Group. Control exists where the Group is exposed to, or has the rights to variable returns from its involvement with, the investee and has the ability to use its power over the investee to affect its returns. 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. Non-controlling interests represent the share of earnings or equity in subsidiaries that is not attributable, directly or indirectly, to shareholders of the Group.

NEW IFRS ACCOUNTING PRONOUNCEMENTS

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on or after 1 January 2023:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

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

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

GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

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

CONTINGENT CONSIDERATION

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

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

Subsequent adjustments to the fair value are recorded in the consolidated income statement within revaluation and retranslation of financial instruments. The effect of any revisions to fair value adjustments that had been determined provisionally at the immediately preceding balance sheet date are accounted for as revisions to goodwill, as permitted by IFRS 3 Business Combinations.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment with the exception of freehold land which is not depreciated. The Group assesses the carrying value of its property, plant and equipment to determine if any impairment indicators exist. Where this indicates that an asset may be impaired, the Group applies the requirements of IAS 36 Impairment of Assets in assessing the carrying amount of the asset. This process includes comparing its recoverable amount with its carrying value, where the recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Property, plant and equipment impairment charges also form part of the property-related restructuring costs described in note 3; and are derived applying the method described in the Leases accounting policy. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life, as follows:

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

INTERESTS IN ASSOCIATES AND JOINT VENTURES

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

The Group's share of the profits less losses of associate undertakings net of tax, interest and non-controlling interests is included in the consolidated income statement and the Group's share of net assets is shown within interests in associates and joint ventures in the consolidated balance sheet. The Group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the Group. The Group discontinues recognising its share of net assets or its share of net results from an associate if the value of the investment has reduced to nil. Any additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports a positive equity, the Group resumes recognising its share of net assets, net result and other comprehensive income.

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

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

OTHER INVESTMENTS

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

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

ACCRUED AND DEFERRED INCOME

Accrued income is a receivable within the scope of IFRS 9 Financial Instruments, and is recognised when a performance obligation has been satisfied but has not yet been billed. Accrued income is transferred to trade receivables once the right to consideration is 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 UNBILLED COSTS

Trade receivables are stated net of expected credit loss.

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

EXPECTED CREDIT LOSSES

The Group has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9 Financial Instruments. This has been applied to trade receivables, contract assets and lease receivables. Under this approach, the Group utilises a provision matrix based on the age of the trade receivables and historical loss rates to determine the expected credit losses. The Group also considers forward-looking information. Therefore, the Group does not track changes in credit risk, but recognises a loss allowance based on the financial asset's lifetime expected credit loss. For all other assets, the general approach has been applied and a loss allowance for 12-month expected credit losses is recognised.

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

The Group considers that the credit risk increased significantly since initial recognition when the credit rating changes adversely, the debtor has significant financial difficulty or if there was a breach of contract.

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

Further details on expected credit losses are provided in note 17.

FOREIGN CURRENCY AND INTEREST RATE HEDGING

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

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

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

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

Note 25 contains details of the fair values of the derivative instruments used for hedging purposes.

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

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

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

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

LIABILITIES IN RESPECT OF OPTION AGREEMENTS

Option agreements that allow the Group's equity partners to require the Group to purchase a non-controlling interest are recorded in the consolidated balance sheet initially at the present value of the redemption amount in accordance with IAS 32 Financial Instruments: Presentation and subsequently, the financial liability is measured at amortised cost in accordance with IFRS 9 Financial Instruments. On initial recognition, the corresponding amount is recognised against the equity reserve, which is subsequently reversed on derecognition, either through exercise or non-exercise of the option agreement. Changes in the measurement of the financial liability due to the unwinding of the discount or changes in the amount that the Group could be required to pay are recognised in profit or loss within revaluation and retranslation of financial instruments in the consolidated income statement.

DERECOGNITION OF FINANCIAL LIABILITIES

In accordance with IFRS 9 Financial Instruments, a financial liability of the Group is only removed from the statement of financial position when the underlying legal obligation is extinguished.

DEBT

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value, including bank deposits and money market funds. For Cash Flow Statement presentation purposes, the Group's overdrafts are included in cash and cash equivalents where they are repayable on demand, are components of the Group's centralised treasury strategy employed across the Group and form an integral part of the Group's cash management, in accordance with IAS 7 Statement of Cash Flows.

BORROWING COSTS

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

REVENUE RECOGNITION

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

The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days. Revenue comprises commissions and fees earned in respect of amounts billed and is stated exclusive of VAT, sales taxes and trade discounts. Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients. This includes media costs 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 are recorded as Group revenue. As the contracts are generally short-term in nature, the Group has applied the practical expedient permitted by IFRS 15 to expense costs to obtain a contract as incurred, where applicable.

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

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

REVENUE RECOGNITION CONTINUED

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

The amount of revenue recognised depends on whether we act as an agent or as a principal. Certain arrangements with our clients are such that our responsibility is to arrange for a third party to provide a specified good or service to the client. In these cases we are acting as an agent as we do not control the relevant good or service before it is transferred to the client. When we act as an agent, the revenue recorded is the net amount retained. Costs incurred with external suppliers (such as production costs and media suppliers) are excluded from revenue and recorded as unbilled costs 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 once the related uncertainty is resolved. The Group recognises incentive revenue as the related performance obligation or obligations are satisfied depending on the specific contractual terms.

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.

TAXATION

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

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

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

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

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

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

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

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

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

RETIREMENT BENEFIT COSTS

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

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

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

Actuarial gains and losses are recognised immediately in other comprehensive income.

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

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

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount using either the most likely or expected value, depending on which method best estimates the uncertainty. These include provisions for other property-related liabilities such as onerous contracts and dilapidations. The timing of utilisation or release of such provisions are typically dependent on the term of the underlying lease. The eventual settling of such property-related provisions will be dependent on negotiations with the relevant landlord. Also included are other provisions, primarily long-term employee benefits such as deferred compensation plans, and legal claims, where the likelihood of settlement is considered probable. The timing of release and utilisation of the deferred compensation plans are dependent on applicable plan rules while the timing of settlement of legal claims are dependent on the status of any relevant legal proceedings. While we have factored in all known facts and circumstances, it is likely certain legal settlements will vary from the provisioned amount.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the group, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed, if material, unless the possibility of an outflow of economic resources is considered remote.

LEASES

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

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

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

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

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

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

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

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

TRANSLATION OF FOREIGN CURRENCIES

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

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

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

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

HYPERINFLATION IN ARGENTINA AND TURKEY

During 2023, 2022 and 2021, Argentina was designated as a hyperinflationary economy. During 2023 and 2022, Turkey was designated as a hyperinflationary economy. The financial statements of the Group's subsidiaries in Argentina and Turkey have been adjusted for the effects of inflation in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies.

IAS 29 requires that the income statement is adjusted for inflation in the period and translated at the year-end foreign exchange rate and that non-monetary assets and liabilities on the balance sheet are restated to reflect the change in purchasing power caused by inflation from the date of initial recognition. 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 note 22.

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

GOVERNMENT SUPPORT

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

NON-CONTROLLING INTERESTS

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

CLIMATE CHANGE CONSIDERATIONS

In preparing these consolidated financial statements, the potential impacts of climate change risks, particularly in the context of the TCFD Statement on pages 62-68 and the Strategic Report on pages 53-71, have been considered. This primarily focused on the impairment assessments for goodwill and intangible assets with indefinite useful lives; the carrying value and estimated useful life of intangible assets, property, plant and equipment and right-of-use assets; the measurement of deferred tax assets and provisions, including post-employment benefits; and the going concern period and viability of the Group over the next three years. There has been no material impact on the financial statements for the years ending 31 December 2023 and 2022. The potential implications of climate change risks on the financial statements will continue to be monitored and assessed in future periods.

CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY IN APPLYING ACCOUNTING POLICIES

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

The most significant area of estimation uncertainty is:

- **Goodwill:** the discounted cash flow methodology applied by the Group when testing for goodwill impairment requires key estimates regarding operating margins and discount rates. Further details of the methodology and key estimates used in relation to the goodwill impairment assessment, and the approach to sensitivities to these estimates, are set out in note 13.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023 £m**	2022 £m	2021 £m
Revenue	2	**14,844.8**	14,428.7	12,801.1
Costs of services	3	**(12,325.8)**	(11,890.1)	(10,597.5)
Gross profit		**2,519.0**	2,538.6	2,203.6
General and administrative costs	3	**(1,988.0)**	(1,180.4)	(974.6)
Operating profit		**531.0**	1,358.2	1,229.0
Earnings/(loss) from associates – after interest and tax	4	**70.2**	(60.4)	23.8
Profit before interest and taxation		**601.2**	1,297.8	1,252.8
Finance and investment income	6	**127.3**	145.4	69.4
Finance costs	6	**(389.0)**	(359.4)	(283.6)
Revaluation and retranslation of financial instruments	6	**6.8**	76.0	(87.8)
Profit before taxation		**346.3**	1,159.8	950.8
Taxation	7	**(149.1)**	(384.4)	(230.1)
Profit for the year		**197.2**	775.4	720.7
Attributable to:				
Equity holders of the parent		**110.4**	682.7	637.7
Non-controlling interests		**86.8**	92.7	83.0
		197.2	775.4	720.7
Earnings per share:				
Basic earnings per ordinary share	9	**10.3p**	62.2p	53.4p
Diluted earnings per ordinary share	9	**10.1p**	61.2p	52.5p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £m	2022 £m	2021 £m
Profit for the year	**197.2**	775.4	720.7
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences on translation of foreign operations	**(427.1)**	424.2	(143.0)
Gain/(loss) on net investment hedges	**108.2**	(141.5)	45.5
Cash flow hedges:			
Fair value (loss)/gain arising on hedging instruments	**(43.3)**	38.5	(38.0)
Less: gain/(loss) reclassified to profit or loss	**44.2**	(38.5)	38.0
Share of other comprehensive (loss)/income of associate undertakings	**(0.9)**	51.2	13.5
	(318.9)	333.9	(84.0)
Items that will not be reclassified subsequently to profit or loss			
Movements on equity investments held at fair value through other comprehensive income	**(3.0)**	(22.3)	(35.5)
Actuarial (loss)/gain on defined benefit pension plans	**(9.1)**	16.6	14.3
Deferred tax on defined benefit pension plans	**1.7**	(7.4)	(3.0)
	(10.4)	(13.1)	(24.2)
Other comprehensive (loss)/income for the year	**(329.3)**	320.8	(108.2)
Total comprehensive (loss)/income for the year	**(132.1)**	1,096.2	612.5

Attributable to:			
Equity holders of the parent	**(195.8)**	988.3	539.8
Non-controlling interests	**63.7**	107.9	72.7
	(132.1)	1,096.2	612.5

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 2023

	Notes	**2023 £m**	2022 £m	2021 £m
Net cash inflow from operating activities[1]	11	**1,238.2**	700.9	2,029.0
Investing activities				
Acquisitions[1]	11	**(266.8)**	(236.2)	(382.3)
Disposal of investments and subsidiaries	11	**98.8**	37.7	28.3
Purchases of property, plant and equipment		**(177.2)**	(208.4)	(263.2)
Purchases of other intangible assets (including capitalised computer software)		**(40.0)**	(14.9)	(29.9)
Proceeds on disposal of property, plant and equipment		**4.8**	12.9	8.7
Net cash outflow from investing activities		**(380.4)**	(408.9)	(638.4)
Financing activities				
Repayment of lease liabilities		**(258.7)**	(309.6)	(320.7)
Share option proceeds		**0.7**	1.2	4.4
Cash consideration received from non-controlling interests	11	**46.1**	–	39.5
Cash consideration for purchase of non-controlling interests	11	**(16.4)**	(84.2)	(135.0)
Share repurchases and buybacks	11	**(53.9)**	(862.7)	(818.5)
Proceeds from issue of bonds	11	**1,052.6**	–	–
Repayment of borrowings	11	**(1,147.5)**	(220.6)	(397.1)
Financing and share issue costs		**(3.5)**	(0.2)	(0.4)
Equity dividends paid		**(422.8)**	(365.4)	(314.7)
Dividends paid to non-controlling interests in subsidiary undertakings		**(101.3)**	(69.5)	(114.5)
Net cash outflow from financing activities		**(904.7)**	(1,911.0)	(2,057.0)
Net decrease in cash and cash equivalents		**(46.9)**	(1,619.0)	(666.4)
Translation of cash and cash equivalents		**(79.6)**	64.2	(130.1)
Cash and cash equivalents at beginning of year		**1,985.8**	3,540.6	4,337.1
Cash and cash equivalents at end of year	11	**1,859.3**	1,985.8	3,540.6

Notes

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

[1] Earnout payments in excess of the amount determined at acquisition are recorded as operating activities

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Intangible assets:			
Goodwill	13	**8,388.9**	8,453.4
Other	13	**849.9**	1,451.9
Property, plant and equipment	14	**828.5**	1,000.7
Right-of-use assets	12	**1,382.2**	1,528.5
Interests in associates	15	**286.5**	305.1
Other investments	15	**332.7**	369.8
Deferred tax assets	16	**324.4**	322.1
Corporate income tax recoverable		**76.5**	74.1
Trade and other receivables	17	**209.2**	218.6
		12,678.8	13,724.2
Current assets			
Corporate income tax recoverable		**114.9**	107.1
Trade and other receivables	17	**8,460.6**	9,031.4
Accrued income[1]	17	**3,150.6**	3,468.3
Cash and short-term deposits	11	**2,217.5**	2,491.5
		13,943.6	15,098.3
Current liabilities			
Trade and other payables	18	**(13,323.1)**	(14,235.9)
Deferred income[1]		**(1,318.9)**	(1,599.0)
Corporate income tax payable		**(370.2)**	(422.0)
Short-term lease liabilities	12	**(292.3)**	(282.4)
Bank overdrafts and bonds	20	**(946.3)**	(1,169.0)
		(16,250.8)	(17,708.3)
Net current liabilities		**(2,307.2)**	(2,610.0)
Non-current liabilities			
Bonds	20	**(3,775.0)**	(3,801.8)
Trade and other payables	19	**(282.8)**	(490.9)
Deferred tax liabilities	16	**(178.5)**	(350.8)
Employee benefit obligations	23	**(135.9)**	(137.5)
Provisions for liabilities and charges	21	**(304.5)**	(244.6)
Long-term lease liabilities	12	**(1,862.2)**	(1,928.2)
		(6,538.9)	(6,953.8)
Net assets		**3,832.7**	4,160.4
Equity			
Called-up share capital	26	**114.1**	114.1
Share premium account		**576.6**	575.9
Other reserves	27	**186.6**	285.2
Own shares		**(990.1)**	(1,054.1)
Retained earnings		**3,488.4**	3,759.7
Equity shareholders' funds		**3,375.6**	3,680.8
Non-controlling interests		**457.1**	479.6
Total equity		**3,832.7**	4,160.4

Notes
The accompanying notes form an integral part of this consolidated balance sheet
[1] Accrued income and Deferred income were previously presented in Trade and other receivables and Trade and other payables respectively

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2024.

Signed on behalf of the Board:

Mark Read
Chief Executive Officer

Joanne Wilson
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called-up share capital £m	Share premium account £m	Other reserves £m	Own shares £m	Retained earnings[1] £m	Total equity shareholders' funds £m	Non-controlling interests £m	Total £m
Balance at 1 January 2022	122.4	574.7	(335.9)	(1,112.1)	4,367.3	3,616.4	452.6	4,069.0
Ordinary shares issued	–	1.2	–	–	–	1.2	–	1.2
Share cancellations	(8.3)	–	8.3	–	(807.4)	(807.4)	–	(807.4)
Treasury shares used for share option schemes	–	–	–	–	–	–	–	–
Profit for the year	–	–	–	–	682.7	682.7	92.7	775.4
Foreign exchange differences on translation of foreign operations	–	–	409.0	–	–	409.0	15.2	424.2
Loss on net investment hedges	–	–	(141.5)	–	–	(141.5)	–	(141.5)
Cash flow hedges:								
Fair value gain arising on hedging instruments	–	–	38.5	–	–	38.5	–	38.5
Less: loss reclassified to profit or loss	–	–	(38.5)	–	–	(38.5)	–	(38.5)
Share of other comprehensive income of associate undertakings	–	–	31.9	–	19.3	51.2	–	51.2
Movements on equity investments held at fair value through other comprehensive income	–	–	–	–	(22.3)	(22.3)	–	(22.3)
Actuarial gain on defined benefit pension plans	–	–	–	–	16.6	16.6	–	16.6
Deferred tax on defined benefit pension plans	–	–	–	–	(7.4)	(7.4)	–	(7.4)
Other comprehensive income	–	–	299.4	–	6.2	305.6	15.2	320.8
Total comprehensive income	–	–	299.4	–	688.9	988.3	107.9	1,096.2
Dividends paid	–	–	–	–	(365.4)	(365.4)	(69.5)	(434.9)
Non-cash share-based incentive plans (including share options)	–	–	–	–	122.0	122.0	–	122.0
Tax adjustment on share-based payments	–	–	–	–	(9.2)	(9.2)	–	(9.2)
Net movement in own shares held by ESOP Trusts	–	–	–	58.0	(113.3)	(55.3)	–	(55.3)
Recognition/derecognition of liabilities in respect of put options	–	–	101.7	–	(40.3)	61.4	–	61.4
Share purchases – close period commitments[2]	–	–	211.7	–	–	211.7	–	211.7
Net movement in non-controlling interests[3]	–	–	–	–	(82.9)	(82.9)	(11.4)	(94.3)
Balance at 31 December 2022	**114.1**	**575.9**	**285.2**	**(1,054.1)**	**3,759.7**	**3,680.8**	**479.6**	**4,160.4**
Ordinary shares issued	–	0.7	–	–	–	0.7	–	0.7
Share cancellations	–	–	–	–	–	–	–	–
Treasury shares used for share option schemes	–	–	–	55.2	(55.2)	–	–	–
Profit for the year	–	–	–	–	110.4	110.4	86.8	197.2
Foreign exchange differences on translation of foreign operations	–	–	(404.0)	–	–	(404.0)	(23.1)	(427.1)
Gain on net investment hedges	–	–	108.2	–	–	108.2	–	108.2
Cash flow hedges:								
Fair value loss arising on hedging instruments	–	–	(43.3)	–	–	(43.3)	–	(43.3)
Less: gain reclassified to profit or loss	–	–	44.2	–	–	44.2	–	44.2
Share of other comprehensive loss of associate undertakings	–	–	(0.9)	–	–	(0.9)	–	(0.9)
Movements on equity investments held at fair value through other comprehensive income	–	–	–	–	(3.0)	(3.0)	–	(3.0)
Actuarial loss on defined benefit pension plans	–	–	–	–	(9.1)	(9.1)	–	(9.1)
Deferred tax on defined benefit pension plans	–	–	–	–	1.7	1.7	–	1.7
Other comprehensive loss	–	–	(295.8)	–	(10.4)	(306.2)	(23.1)	(329.3)
Total comprehensive (loss)/income	–	–	(295.8)	–	100.0	(195.8)	63.7	(132.1)
Dividends paid	–	–	–	–	(422.8)	(422.8)	(101.3)	(524.1)
Non-cash share-based incentive plans (including share options)	–	–	–	–	140.1	140.1	–	140.1
Tax adjustment on share-based payments	–	–	–	–	1.9	1.9	–	1.9
Net movement in own shares held by ESOP Trusts	–	–	–	8.8	(62.7)	(53.9)	–	(53.9)
Recognition/derecognition of liabilities in respect of put options[4]	–	–	197.2	–	30.5	227.7	–	227.7
Share purchases – close period commitments	–	–	–	–	–	–	–	–
Net movement in non-controlling interests[3]	–	–	–	–	(3.1)	(3.1)	15.1	12.0
Balance at 31 December 2023	**114.1**	**576.6**	**186.6**	**(990.1)**	**3,488.4**	**3,375.6**	**457.1**	**3,832.7**

Notes

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

1 Accumulated losses on existing equity investments held at fair value through other comprehensive income are £346.5 million at 31 December 2023 (2022: £343.7 million)

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

3 Net movement in non-controlling interests 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

4 During 2023, WPP sold a portion of its ownership of FGS to KKR. As part of this transaction, the previous put option granted to management shareholders was derecognised

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

WPP plc is a company incorporated in Jersey. The address of the registered office is 22 Grenville Street, St Helier, Jersey, JE4 8PX and the address of the principal executive office is Sea Containers, 18 Upper Ground, London, United Kingdom, SE1 9GL. The nature of the Group's operations and its principal activities are set out in note 2. These consolidated financial statements are presented in pounds sterling.

2. SEGMENT INFORMATION

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

Reportable segments

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

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

Reported contributions were as follows:

Income statement	Revenue[2] £m	Revenue less pass-through costs[3] £m	Headline operating profit[4] £m
2023			
Global Integrated Agencies	**12,594.9**	**9,808.2**	**1,474.3**
Public Relations	**1,262.2**	**1,180.0**	**191.1**
Specialist Agencies	**987.7**	**871.5**	**84.8**
	14,844.8	**11,859.7**	**1,750.2**
2022[1]			
Global Integrated Agencies	12,191.9	9,743.6	1,433.4
Public Relations	1,232.4	1,161.2	191.9
Specialist Agencies	1,004.4	894.5	116.5
	14,428.7	11,799.3	1,741.8
2021[1]			
Global Integrated Agencies	10,887.6	8,680.4	1,221.2
Public Relations	963.5	914.2	144.6
Specialist Agencies	950.0	802.6	127.7
	12,801.1	10,397.2	1,493.5

Notes

1 Prior year figures have been re-presented to reflect the reallocation of a number of businesses between Global Integrated Agencies, Specialist Agencies and Public Relations

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

3 Revenue less pass-through costs is defined on page 233

4 A reconciliation from profit before taxation to headline operating profit is provided on page 223

2. SEGMENT INFORMATION CONTINUED

Other information	Share-based payments £m	Capital additions[2] £m	Depreciation and amortisation[3] £m	Goodwill impairment £m	Earnings/(loss) from associates £m	Interests in associates and joint ventures £m
2023						
Global Integrated Agencies	**118.9**	**180.4**	**362.8**	**40.3**	**56.4**	**93.1**
Public Relations	**14.3**	**15.4**	**40.0**	**–**	**0.2**	**–**
Specialist Agencies	**6.9**	**21.4**	**43.9**	**23.3**	**13.6**	**193.4**
	140.1	**217.2**	**446.7**	**63.6**	**70.2**	**286.5**
2022[1]						
Global Integrated Agencies	100.7	193.8	373.0	–	10.8	80.1
Public Relations	14.4	11.1	36.7	3.7	0.5	0.1
Specialist Agencies	6.9	18.4	41.3	34.2	(71.7)	224.9
	122.0	223.3	451.0	37.9	(60.4)	305.1
2021[1]						
Global Integrated Agencies	92.5	253.1	374.7	–	22.7	115.2
Public Relations	4.8	18.0	28.2	–	1.7	8.0
Specialist Agencies	2.3	22.0	41.1	1.8	(0.6)	289.7
	99.6	293.1	444.0	1.8	23.8	412.9

Notes

1 Prior year figures have been re-presented to reflect the reallocation of a number of businesses between Global Integrated Agencies, Specialist Agencies and Public Relations
2 Capital additions include purchases of property, plant and equipment and other intangible assets (including capitalised computer software)
3 Depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of other intangible assets

Contributions by geographical area were as follows:

	2023 £m	2022 £m	2021 £m
Revenue[1]			
North America[2]	**5,527.6**	5,549.5	4,494.2
United Kingdom	**2,155.4**	2,003.8	1,866.9
Western Continental Europe	**3,037.2**	2,876.2	2,786.3
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**4,124.6**	3,999.2	3,653.7
	14,844.8	14,428.7	12,801.1
Revenue less pass-through costs[3]			
North America[2]	**4,556.3**	4,688.1	3,849.2
United Kingdom	**1,626.3**	1,537.2	1,414.3
Western Continental Europe	**2,410.5**	2,318.5	2,225.4
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,266.6**	3,255.5	2,908.3
	11,859.7	11,799.3	10,397.2
Headline operating profit[4]			
North America[2]	**834.3**	770.4	655.7
United Kingdom	**214.5**	187.1	180.9
Western Continental Europe	**258.4**	301.3	288.6
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**443.0**	483.0	368.3
	1,750.2	1,741.8	1,493.5

Notes

1 Intersegment sales have not been separately disclosed as they are not material
2 North America includes the US with revenue of £5,187.1 million (2022: £5,230.9 million, 2021: £4,220.8 million), revenue less pass-through costs of £4,270.6 million (2022: £4,402.0 million, 2021: £3,597.4 million) and headline operating profit of £785.4 million (2022: £727.6 million, 2021: £615.2 million)
3 Revenue less pass-through costs and headline operating profit are defined on page 233
4 A reconciliation from reported profit before tax to headline operating profit is provided on page 223

	2023 £m	2022 £m
Non-current assets[1]		
North America[2]	**5,217.6**	5,896.4
United Kingdom	**1,669.7**	1,556.2
Western Continental Europe	**2,695.5**	2,797.9
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**2,739.3**	3,151.0
	12,322.1	13,401.5

Notes

1 Non-current assets excluding financial instruments and deferred tax
2 North America includes the US with non-current assets of £5,113.9 million (2022: £5,379.5 million)

3. COSTS OF SERVICES AND GENERAL AND ADMINISTRATIVE COSTS

	2023 £m	2022 £m	2021 £m
Costs of services	**12,325.8**	11,890.1	10,597.5
General and administrative costs	**1,988.0**	1,180.4	974.6
	14,313.8	13,070.5	11,572.1

Costs of services and general and administrative costs include:

	2023 £m	2022 £m	2021 £m
Staff costs (note 5)	**8,137.6**	8,165.8	7,166.7
Establishment costs	**515.8**	536.0	529.0
Media pass-through costs	**2,173.6**	1,905.7	1,865.3
Other costs of services and general and administrative costs[1]	**3,486.8**	2,463.0	2,011.1
	14,313.8	13,070.5	11,572.1

Note

1 Other costs of services and general and administrative costs include £811.5 million (2022: £723.7 million, 2021: £538.6 million) of other pass-through costs

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

	2023 £m	2022 £m	2021 £m
Goodwill impairment (note 13)	**63.6**	37.9	1.8
Amortisation and impairment of acquired intangible assets	**727.9**	62.1	97.8
Investment and other impairment charges/(reversals)	**17.8**	77.0	(42.4)
Restructuring and transformation costs	**195.5**	218.8	175.4
Property-related restructuring costs	**232.5**	18.0	–
(Gains)/losses on disposal of investments and subsidiaries	**(7.1)**	36.3	10.6
Gains on remeasurement of equity interests arising from a change in scope of ownership	**–**	(66.5)	–
Litigation settlement	**(11.0)**	–	21.3
Amortisation of other intangible assets	**24.8**	21.9	19.9
Depreciation of property, plant and equipment	**165.1**	166.9	151.2
Depreciation of right-of-use assets	**256.8**	262.2	272.9
Losses/(gains) on sale of property, plant and equipment	**0.4**	(6.4)	(1.3)
Net foreign exchange (gains)/losses	**(14.5)**	(8.7)	4.4
Short-term lease expense	**22.2**	20.2	18.0
Low-value lease expense	**2.8**	1.9	2.3

In 2023, operating profit includes credits totalling £16.9 million (2022: £29.3 million, 2021: £19.3 million) relating to the release of provisions and other balances established in respect of acquisitions completed prior to 2022. Further details of the Group's approach to acquisition provisions, as required by IFRS 3 Business Combinations, are given in note 28.

The goodwill impairment charge of £63.6 million in 2023 (2022: £37.9 million, 2021: £1.8 million) relates to businesses in the Group that have closed or where the impact of current macroeconomic conditions and trading circumstances indicate impairment to the carrying value.

Amortisation and impairment of acquired intangible assets of £727.9 million (2022: £62.1 million including £0.2 million relating to associates, 2021: £97.8 million) includes a charge of £650.1 million (2022: £1.4 million, 2021: £47.9 million) predominantly in relation to certain brands that no longer have any useful life. This includes accelerated amortisation charges of £430.8 million and £202.3 million for Wunderman Thompson and Y&R brands respectively, due to the creation of VML in the fourth quarter of 2023.

The investment and other impairment charges/(reversals) of £17.8 million (2022: £77.0 million, 2021: reversal of £42.4 million) relate to the same macroeconomic factors noted above. The 2022 charge of £77.0 million consisted of £48.0 million related to impairments due also to macroeconomic factors and a £29.0 million impairment of capitalised configuration and customisation costs related to software development projects.

Restructuring and transformation costs of £195.5 million (2022: £218.8 million, 2021: £175.4 million) include £113.4 million (2022: £134.5 million, 2021: £94.2 million) in relation to the Group's IT-transformation programme. These IT costs include costs of £52.3 million (2022: £96.8 million, 2021: £62.2 million) in relation to the rollout of new ERP systems in order to drive efficiency and collaboration throughout the Group; and £38.3 million (2022: nil, 2021: nil) related to an IT-transition programme to move to a multi-vendor environment.

Also included within restructuring and transformation costs is £9.8 million (2022: £15.1 million, 2021: £29.9 million) of ongoing property costs, related to impairments the Group recognised in prior years in response to the Covid-19 pandemic. The remaining restructuring and transformation costs of £72.3 million (2022: £69.2 million, 2021: £51.3 million) relates to the continuing restructuring plan, including the creation of VML and simplification of GroupM. This includes restructuring actions at under-performing businesses, aiming to reduce ongoing costs and simplify operational structures.

Property-related restructuring costs of £232.5 million (2022: £18.0 million, 2021: nil) have been incurred related to a review of the Group's property requirements in 2023, following the stabilisation of return-to-work practices post the Covid-19 pandemic and campus strategy. This identified a number of properties that are surplus to requirements and opportunities to further consolidate Agencies within the existing Campus portfolio. The impairment charges included within property-related restructuring costs include £128.8 million (2022: £18.0 million, 2021: nil) in relation to right-of-use assets and £55.8 million (2022: nil, 2021: nil) of related property, plant and equipment.

Gains on disposal of investments and subsidiaries of £7.1 million in 2023 includes a gain of £18.1 million related to net receipts from the prior disposal of Kantar, offset primarily by losses on disposals of £11.0 million including disposal of the Group's investment in Astus Australia. Losses on disposal of investments and subsidiaries of £36.3 million in 2022 primarily included a loss of £63.1 million on the divestment of the Group's Russian interests which completed in May 2022. This was partially offset by gains on other disposals during the period including Res Publica for £17.7 million and Mutual Mobile for £9.4 million with the remaining gains/losses due to individually insignificant transactions. Losses on disposal of investments and subsidiaries of £10.6 million in 2021 included a loss of £4.9 million on the disposal of XMKT in China, which completed in September 2021.

There were no remeasurements of equity interests in 2023. In 2022, gains on remeasurement of equity interests arising from a change in scope of ownership of £66.5 million (2021: nil) comprises a gain in relation to the reclassification of the Group's interest in Imagina in Spain from interests in associates to other investments.

In 2023, £11.0 million (2022: nil) has been received by the Group (net of legal costs) related to a previous litigation matter that settled in 2023.

Auditors' remuneration:

	2023 £m	2022 £m	2021 £m
Fees payable to the Company's auditors for the audit of the Company and Group's annual accounts	**10.0**	8.4	7.1
Fees payable for the audit of the Company's subsidiaries	**29.9**	28.5	24.8
Fees payable to the auditors pursuant to legislation[1]	**39.9**	36.9	31.9
Audit-related services[2]	**0.5**	0.4	0.4
Other services[3]	**1.7**	0.6	1.4
Tax compliance services	**–**	0.1	–
Total other fees	**2.2**	1.1	1.8
Total fees	**42.1**	38.0	33.7

Notes

1 Includes fees in respect of the audit of internal control over financial reporting

2 Audit-related assurance services are in respect of the review of the interim financial information

3 Other services include audits for earnout purposes, non-statutory audits and other agreed upon procedures

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

Earnings/(loss) from associates – after interest and tax was earnings of £70.2 million in 2023, a loss of £60.4 million in 2022 and earnings of £23.8 million in 2021. In 2023 this included £45.1 million of non-refundable distributions received from Kantar, which are recorded in the income statement (non headline) given the Group's balance sheet investment in Kantar is nil (2022: nil, 2021: £61.2 million). The loss in 2022 included £75.8 million (2021: £38.8 million) of amortisation and impairment of acquired intangible assets as well as restructuring and one-off transaction costs of £54.8 million (2021: £18.8 million) within Kantar.

5. OUR PEOPLE

Our staff numbers averaged 114,732 for the year ended 31 December 2023 against 114,129 in 2022 and 104,808 in 2021. Their geographical distribution was as follows:

	2023	2022	2021
North America	**23,562**	23,740	21,764
United Kingdom	**12,457**	12,490	10,995
Western Continental Europe	**23,580**	22,717	21,514
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**55,133**	55,182	50,535
	114,732	114,129	104,808

Their reportable segment distribution was as follows:

	2023	2022	2021
Global Integrated Agencies	**97,838**	97,288	89,701
Public Relations	**8,377**	8,125	7,121
Specialist Agencies	**8,517**	8,716	7,986
	114,732	114,129	104,808

At the end of 2023, staff numbers were 114,173 (2022: 115,473, 2021: 109,382).

Staff costs include:

	2023 £m	2022 £m	2021 £m
Wages and salaries	**5,878.8**	5,721.0	4,797.2
Cash-based incentive plans	**232.9**	292.6	455.2
Share-based incentive plans (note 22)	**140.1**	122.0	99.6
Social security costs	**715.1**	689.4	630.1
Pension costs (note 23)	**213.1**	204.8	177.7
Severance	**78.2**	44.2	41.8
Other staff costs[1]	**879.4**	1,091.8	965.1
	8,137.6	8,165.8	7,166.7

Note

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

Compensation for key management personnel includes:

	2023 £m	2022 £m	2021 £m
Short-term employee benefits	**28.1**	29.7	28.0
Pensions and other post-retirement benefits	**1.3**	1.1	0.9
Share-based payments	**30.1**	29.8	14.6
	59.5	60.6	43.5

Key management personnel comprises the Board and the Executive Committee. Further details of compensation for the Board are disclosed on pages 139 to 168.

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

Finance and investment income includes:

	2023 £m	2022 £m	2021 £m
Income from equity investments	**12.9**	24.5	17.9
Interest income	**114.4**	120.9	51.5
	127.3	145.4	69.4

Finance costs include:

	2023 £m	2022 £m	2021 £m
Net interest expense on pension plans	**4.3**	2.2	1.8
Interest on other long-term employee benefits	**6.0**	3.7	2.4
Interest expense and similar charges[1]	**272.4**	257.8	188.5
Interest expense related to lease liabilities	**106.3**	95.7	90.9
	389.0	359.4	283.6

Note

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

Revaluation and retranslation of financial instruments include:

	2023 £m	2022 £m	2021 £m
Movements in fair value of treasury instruments	**(3.1)**	0.5	9.1
Premium on the early repayment of bonds	**–**	–	(13.0)
Revaluation of investments and other assets held at fair value through profit or loss	**(20.9)**	23.1	(7.5)
Remeasurement of put options over non-controlling interests	**(1.5)**	27.9	(40.6)
Revaluation of payments due to vendors (earnout agreements)	**50.8**	26.2	(58.7)
Retranslation of financial instruments	**(18.5)**	(1.7)	22.9
	6.8	76.0	(87.8)

The majority of the Group's long-term debt is represented by $1,063 million of US dollar bonds at an average interest rate of 4.26%, €3,350 million of Eurobonds at an average interest rate of 2.46% and £650 million of Sterling bonds at an average interest rate of 3.21%.

Average borrowings in 2023 under the US Dollar Revolving Credit Facilities (note 10) amounted to $41 million at an average interest rate of 4.54% (2022: nil).

Average borrowings under the US Commercial Paper Programme for 2023 amounted to $433 million at an average interest rate of 5.45% inclusive of margin (2022: $195 million at an average interest rate of 2.56% inclusive of margin).

Average borrowings under the Euro Commercial Paper Programme for 2023 amounted to £45 million at an average interest rate of 4.90% inclusive of currency swaps (2022: £34 million at an average interest rate of 1.95% inclusive of currency swaps).

7. TAXATION

In 2023, the effective tax rate on reported profit before taxation was 43.1% (2022: 33.1%, 2021: 24.2%).

The tax charge comprises:

	2023 £m	2022 £m	2021 £m
Corporation tax			
Current year	**432.8**	425.8	404.0
Prior years	**(85.6)**	(55.5)	(41.4)
	347.2	370.3	362.6
Deferred tax			
Current year	**(197.1)**	9.4	(131.0)
Prior years	**(1.0)**	4.7	(1.5)
	(198.1)	14.1	(132.5)
Tax charge	**149.1**	384.4	230.1

The corporation tax credit for prior years in 2023, 2022 and 2021 primarily comprises the release of a number of provisions following the resolution of tax matters in various countries.

The current year deferred tax credit of £197.1 million (2022: debit of £9.4 million, 2021: credit of £131.0 million) reflects the tax impact of accelerated amortisation of intangible assets as a result of the creation of VML.

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

	2023 £m	2022 £m	2021 £m
Profit before taxation	**346.3**	1,159.8	950.8
Tax at the corporation tax rate of 23.5%[1]	**81.4**	220.4	180.7
Tax effect of (earnings)/losses from associates	**(15.0)**	17.4	(13.3)
Irrecoverable withholding taxes	**34.8**	25.9	52.3
Tax effect of items that are not deductible in determining taxable profits	**39.0**	66.7	29.3
Tax effect of non-deductible goodwill impairment	**16.2**	7.2	0.6
Effect of different tax rates in subsidiaries operating in other jurisdictions	**41.8**	94.3	81.2
Origination and reversal of unrecognised temporary differences	**8.8**	(1.1)	(36.3)
Tax losses not recognised or utilised in the year	**44.0**	9.8	7.4
Utilisation of tax losses not previously recognised	**(15.3)**	(5.4)	(5.1)
Net release of prior year provisions in relation to acquired businesses	**(3.9)**	(2.8)	(1.1)
Other prior year adjustments	**(82.7)**	(48.0)	(41.8)
Impact of deferred tax rate change	**–**	–	(23.8)
Tax charge	**149.1**	384.4	230.1
Effective tax rate on profit before tax	**43.1%**	33.1%	24.2%

Note

1 As the Group is subject to the tax rates of more than one country, it has chosen to present its reconciliation of the tax charge using the UK corporation tax rate of 23.5% (2022: 19.0%, 2021: 19.0%)

FACTORS AFFECTING THE TAX CHARGE IN FUTURE YEARS

The tax charge may be affected by the impact of acquisitions, disposals and other corporate restructurings, the resolution of open tax issues, and the ability to use brought forward tax losses. Changes in local or international tax rules, and changes arising from the application of existing rules, new demands and assessments or challenges by tax authorities, may expose the Group to additional tax liabilities or impact the carrying value of deferred tax assets, which could affect the future tax charge.

Legislation in respect of the UK adoption of OECD Pillar Two Multinational top-up tax was substantively enacted in the UK in 2023 and is to apply for periods commencing 1 January 2024. The Group is currently monitoring the potential impact, which is expected to be insignificant on the Group's tax charge, including assessing the applicability of legislative safe harbours. The IAS 12 exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

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

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

TAX RISK MANAGEMENT

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

8. ORDINARY DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

	2023	2022	2021	2023	2022	2021
Per share	Pence per share			**£m**	£m	£m
Final dividend in respect of the prior year (2022)	**24.40p**	18.70p	14.00p	**261.8**	203.5	167.7
Interim dividend in respect of the current year (2023)	**15.00p**	15.00p	12.50p	**161.0**	161.9	147.0
	39.40p	33.70p	26.50p	**422.8**	365.4	314.7

	2023	2022	2021	2023	2022	2021
Per ADR[1]	Cents per ADR			**$m**	$m	$m
Final dividend in respect of the prior year (2022)	**150.83¢**	128.63¢	89.85¢	**323.7**	280.0	215.3
Interim dividend in respect of the current year (2023)	**93.29¢**	92.72¢	85.98¢	**200.3**	200.1	202.2
	244.12¢	221.35¢	175.83¢	**524.0**	480.1	417.5

Proposed final dividend for the year ended 31 December 2023:

	2023	2022	2021
Per share	Pence per share		
Final dividend	**24.40p**	24.40p	18.70p

	2023	2022	2021
Per ADR[1]	Cents per share		
Final dividend	**151.74¢**	150.83¢	128.63¢

Note

1 These figures have been translated for convenience purposes only, using the approximate average rate for the year of US$1.2438 (2022: US$1.2363, 2021: US$1.3757). This conversion should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated

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

Final dividends are paid in the subsequent year to which they relate.

At 31 December 2023 the WPP plc (the parent Company) distributable reserves amounted to £4,797.7 million (2022: £5,465.0 million) which, under the Companies (Jersey) Law 1991, is total reserves excluding share capital and capital redemption reserve. Further details of the Company's share capital are shown in note 26.

9. EARNINGS PER SHARE

BASIC EPS

The calculation of basic EPS is as follows:

	2023	2022	2021
Earnings[1] (£m)	**110.4**	682.7	637.7
Weighted average shares used in basic EPS calculation (m)	**1,072.1**	1,097.9	1,194.1
EPS	**10.3p**	62.2p	53.4p

Note

1 Earnings is equivalent to profit for the year attributable to equity holders of the parent

DILUTED EPS

The calculation of diluted EPS is as follows:

	2023	2022	2021
Earnings[1] (£m)	**110.4**	682.7	637.7
Weighted average shares used in reported diluted EPS calculation (m)	**1,094.0**	1,116.4	1,215.3
Diluted EPS	**10.1p**	61.2p	52.5p

Note

1 Earnings is equivalent to profit for the year attributable to equity holders of the parent

Diluted EPS has been calculated based on the earnings amounts above. At 31 December 2023, options to purchase 25.2 million ordinary shares (2022: 19.7 million, 2021: 7.2 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:

	2023 m	2022 m	2021 m
Weighted average shares used in basic EPS calculation	**1,072.1**	1,097.9	1,194.1
Dilutive share options outstanding	**0.6**	0.7	1.3
Other potentially issuable shares	**21.3**	17.8	19.9
Weighted average shares used in diluted EPS calculation	**1,094.0**	1,116.4	1,215.3

At 31 December 2023 there were 1,141,513,196 (2022: 1,141,427,296, 2021: 1,224,459,550) ordinary shares in issue, including 66,675,497 treasury shares (2022: 70,489,953, 2021: 70,489,953).

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	**2023 £m**	2022 £m	2021 £m	**2023 £m**	2022 £m	2021 £m
Beginning of year	**690.0**	697.1	699.9	**4,465.1**	4,441.7	5,032.7
Ordinary shares issued	**0.7**	1.2	4.4	**–**	–	–
Share cancellations	**–**	(8.3)	(7.2)	**–**	–	–
Net decrease in drawings on bank loans and bonds	**–**	–	–	**(48.9)**	(220.6)	(397.1)
Amortisation of financing costs included in debt	**–**	–	–	**0.2**	7.0	8.1
Acquisition of subsidiaries	**–**	–	–	**48.9**	–	–
Changes in fair value due to hedging arrangements	**–**	–	–	**–**	–	(2.5)
Other movements	**–**	–	–	**(3.5)**	(0.2)	(0.4)
Exchange adjustments	**–**	–	–	**(98.7)**	237.2	(199.1)
End of year	**690.7**	690.0	697.1	**4,363.1**	4,465.1	4,441.7

The table above excludes bank overdrafts which fall within cash and cash equivalents for the purposes of the consolidated cash flow statement. Other liabilities from financing activities, including lease liabilities and derivatives used for hedging debts, are disclosed in note 12 and note 25, respectively.

SHARES

At 31 December 2023, the Company's share base was entirely composed of ordinary equity share capital and share premium of £690.7 million (2022: £690.0 million, 2021: £697.1 million), further details of which are disclosed in note 26.

DEBT AS AT 31 DECEMBER 2023

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

Eurobonds During the year, the Group issued €750 million of 4.125% bonds due May 2028. The Group also had in issue €500 million of 1.375% bonds due March 2025, €750 million of 2.25% bonds due September 2026, €750 million of 2.375% bonds due May 2027, and €600 million of 1.625% bonds due March 2030. In November 2023, €750 million of 3.0% bonds were repaid.

Sterling bonds The Group had in issue £250 million of 3.750% bonds due May 2032 and £400 million of 2.875% bonds due September 2046.

Revolving Credit Facility The Group had a five-year Revolving Credit Facility of $2.5 billion due March 2026, signed in November 2021. The Group's borrowings under these facilities, which are drawn down predominantly in pounds sterling, averaged $41 million in 2023 (2022: nil, 2021: nil).

In May 2021, the Group's subsidiary, WPP AUNZ, repaid in full its A$150 million Revolving Credit Facility due August 2021, and its A$270 million Revolving Credit Facility due August 2023. The Group's borrowings under the Australian dollar facilities, which were drawn down in Australian dollars and New Zealand dollars, averaged the equivalent of nil in 2023 (2022: nil, 2021: A$52 million).

The Group had available undrawn committed credit facilities of £1,963.7 million at 31 December 2023 (2022: £2,069.0 million, 2021: £1,847.5 million).

Borrowings under the $2.5 billion Revolving Credit Facility were governed by certain financial covenants based on the results and financial position of the Group. During 2023, and until 20 February 2024 when the Revolving Credit Facility was refinanced with no financial covenants (see note 30 for further details), all covenants have been complied with.

The $2.5 billion Revolving Credit Facility, due March 2026, included terms which required the consent of the majority of the lenders if a proposed merger or consolidation of the Company would alter its legal personality or identity.

COMMERCIAL PAPER PROGRAMMES

The Group operates commercial paper programmes using its Revolving Credit Facility as a backstop. The average US commercial paper in issue in 2023 was $433 million (2022: $195 million, 2021: nil). The average Euro commercial paper in issue in 2023 was £45 million (2022: £34 million, 2021: nil) inclusive of the effect of currency swaps, where applicable. There was no US or Euro commercial paper outstanding at 31 December 2023.

10. SOURCES OF FINANCE CONTINUED

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:

	2023 £m	2022 £m	2021 £m
Within one year	**(711.3)**	(791.6)	(326.8)
Between one and two years	**(534.6)**	(724.3)	(745.4)
Between two and three years	**(746.2)**	(524.2)	(646.5)
Between three and four years	**(726.2)**	(740.3)	(492.8)
Between four and five years	**(704.1)**	(719.9)	(698.0)
Over five years	**(1,858.8)**	(1,963.7)	(2,546.3)
Debt financing (including interest) under the Revolving Credit Facility and in relation to unsecured loan notes	**(5,281.2)**	(5,464.0)	(5,455.8)
Short-term overdrafts – within one year	**(358.2)**	(505.7)	(342.3)
Future anticipated cash flows	**(5,639.4)**	(5,969.7)	(5,798.1)
Effect of discounting/financing rates	**918.1**	998.9	1,014.1
Debt financing	**(4,721.3)**	(4,970.8)	(4,784.0)
Cash and short-term deposits	**2,217.5**	2,491.5	3,882.9
Adjusted net debt	**(2,503.8)**	(2,479.3)	(901.1)

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

2023		£m	Fixed rate[1]	Floating basis	Period profit[1]
Currency					
$	– fixed	1,471.7	4.62	n/a	66
£	– fixed	1,094.1	2.97	n/a	130
€	– fixed	1,820.5	2.12	n/a	48
	– floating	–	n/a	EURIBOR	–
Other		(23.2)	n/a	n/a	n/a
		4,363.1			

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

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

Note
1 Weighted average

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

	Financial liabilities		Financial assets	
2023	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	682.2	681.3	335.3	310.7
Between one and two years	15.9	15.7	487.4	479.6
Between two and three years	15.0	14.6	37.5	32.3
Between three and four years	14.7	14.2	37.1	32.5
Between four and five years	3.7	3.5	646.6	714.8
	731.5	**729.3**	**1,543.9**	**1,569.9**

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

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

10. SOURCES OF FINANCE CONTINUED

ANALYSIS OF CHANGE IN FINANCING ACTIVITIES (INCLUSIVE OF LEASES)

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

2023	Opening balance £m	Cash flow £m	Acquisition of subsidiaries £m	Foreign exchange £m	Interest and other £m	Closing balance £m
Borrowings (excluding lease liabilities) (note 11, 20 and 25)[1]	4,465.1	(48.9)	48.9	(98.7)	(3.3)	4,363.1
Derivatives (note 11, 17, 18 and 19)	52.3	(46.0)	–	(50.8)	13.6	(30.9)
Lease liabilities (note 12)[2]	2,210.6	(361.6)	1.9	(75.6)	379.2	2,154.5
Liabilities from financing activities	**6,728.0**	**(456.5)**	**50.8**	**(225.1)**	**389.5**	**6,486.7**
Cash and short-term deposits (note 11 and 25)	(2,491.5)	216.9	(22.5)	79.6	–	(2,217.5)
Bank overdrafts	505.7	(147.5)	–	–	–	358.2
	4,742.2	**(387.1)**	**28.3**	**(145.5)**	**389.5**	**4,627.4**

2022	Opening balance £m	Cash flow £m	Acquisition of subsidiaries £m	Foreign exchange £m	Interest and other £m	Closing balance £m
Borrowings (excluding lease liabilities) (note 11, 20 and 25)[1]	4,441.7	(220.6)	–	237.2	6.8	4,465.1
Derivatives (note 11, 17, 18 and 19)	50.6	–	–	6.4	(4.7)	52.3
Lease liabilities (note 12)[2]	2,041.8	(402.0)	0.1	145.8	424.9	2,210.6
Share repurchase commitments	211.7	(211.7)	–	–	–	–
Liabilities from financing activities	6,745.8	(834.3)	0.1	389.4	427.0	6,728.0
Cash and short-term deposits (note 11 and 25)	(3,882.9)	1,494.4	(38.8)	(64.2)	–	(2,491.5)
Bank overdrafts	342.3	163.4	–	–	–	505.7
	3,205.2	823.5	(38.7)	325.2	427.0	4,742.2

Notes

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

2 Repayment of lease liabilities includes £102.9 million (2022: £92.4 million) of interest paid on lease liabilities recognised within net cash inflow from operating activities (note 11). Interest and other within lease liabilities comprises interest on leases as well as the lease liability additions and disposals as disclosed in note 12

11. ANALYSIS OF CASH FLOWS

The following tables analyse the items included within the main cash flow headings on page 180.

Net cash from operating activities:

	2023 £m	2022 £m	2021 £m
Profit for the year	**197.2**	775.4	720.7
Taxation	**149.1**	384.4	230.1
Revaluation and retranslation of financial instruments	**(6.8)**	(76.0)	87.8
Finance costs	**389.0**	359.4	283.6
Finance and investment income	**(127.3)**	(145.4)	(69.4)
(Earnings)/loss from associates – after interest and tax	**(70.2)**	60.4	(23.8)
Operating profit of continuing and discontinued operations	**531.0**	1,358.2	1,229.0
Adjustments for			
Non-cash share-based incentive plans (including share options)	**140.1**	122.0	99.6
Depreciation of property, plant and equipment	**165.1**	166.9	151.2
Depreciation of right-of-use assets	**256.8**	262.2	272.9
Impairment charges included within restructuring costs[1]	**184.6**	43.3	39.2
Goodwill impairment	**63.6**	37.9	1.8
Amortisation and impairment of acquired intangible assets	**727.9**	62.1	97.8
Amortisation of other intangible assets	**24.8**	21.9	19.9
Investment and other impairment charges/(reversals)	**17.8**	77.0	(42.4)
(Gains)/losses on disposal of investments and subsidiaries	**(7.1)**	36.3	10.6
Gains on remeasurement of equity interests arising from a change in scope of ownership	**–**	(66.5)	–
Losses/(gains) on sale of property, plant and equipment	**0.4**	(6.4)	(1.3)
Operating cash flow before movements in working capital and provisions	**2,105.0**	2,114.9	1,878.3
Decrease/(increase) in trade receivables and accrued income	**231.8**	(498.6)	(458.9)
(Decrease)/increase in trade payables and deferred income	**(238.0)**	170.6	777.8
Decrease/(increase) in other receivables	**125.0**	(154.1)	(120.0)
(Decrease)/increase in other payables – short-term	**(563.5)**	(259.6)	547.0
Increase/(decrease) in other payables – long-term	**118.8**	(67.0)	(11.0)
Increase/(decrease) in provisions	**65.7**	(38.0)	(32.9)
Cash generated by operations	**1,844.8**	1,268.2	2,580.3
Corporation and overseas tax paid	**(395.3)**	(390.9)	(391.1)
Payment on early settlement of bonds	**–**	–	(13.0)
Interest paid on lease liabilities	**(102.9)**	(92.4)	(88.4)
Other interest and similar charges paid	**(274.5)**	(210.2)	(173.7)
Interest received	**115.8**	88.9	47.5
Investment income	**12.9**	24.5	17.8
Dividends from associates	**43.4**	37.6	53.4
Earnout payments recognised in operating activities[2]	**(6.0)**	(24.8)	(3.8)
Net cash inflow from operating activities	**1,238.2**	700.9	2,029.0

Notes

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

2 Earnout payments in excess of the amount determined at acquisition are recorded as operating activities

Acquisitions and disposals:

	2023 £m	2022 £m	2021 £m
Initial cash consideration	**(227.0)**	(218.3)	(227.6)
Cash and cash equivalents acquired	**22.5**	38.8	(2.3)
Earnout payments recognised in investing activities[1]	**(52.5)**	(46.6)	(53.2)
Purchase of other investments (including associates)	**(9.8)**	(10.1)	(99.2)
Acquisitions	**(266.8)**	(236.2)	(382.3)
Proceeds on disposal of investments and subsidiaries[2]	**99.5**	50.1	51.9
Cash and cash equivalents disposed	**(0.7)**	(12.4)	(23.6)
Disposals of investments and subsidiaries	**98.8**	37.7	28.3
Cash consideration received from non-controlling interests	**46.1**	–	39.5
Cash consideration for purchase of non-controlling interests	**(16.4)**	(84.2)	(135.0)
Cash consideration for non-controlling interests	**29.7**	(84.2)	(95.5)
Net acquisition payments and disposal proceeds	**(138.3)**	(282.7)	(449.5)

Notes

1 Earnout payments in excess of the amount determined at acquisition are recorded as operating activities

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

Share repurchases and buybacks:

	2023 £m	2022 £m	2021 £m
Purchase of own shares by ESOP Trusts	**(53.9)**	(55.3)	(89.2)
Shares purchased into treasury for cancellation	**–**	(807.4)	(729.3)
Net cash outflow	**(53.9)**	(862.7)	(818.5)

Proceeds from issue of bonds:

	2023 £m	2022 £m	2021 £m
Proceeds from issue of €750 million bonds	**652.6**	–	–
Drawdown of revolving credit facility	**400.0**	–	–
Net cash inflow	**1,052.6**	–	–

Repayment of borrowings:

	2023 £m	2022 £m	2021 £m
Decrease in drawings on bank loans	**–**	(11.3)	(36.3)
Repayment of borrowing-related derivatives	**(46.0)**	–	–
Repayment of revolving credit facility	**(400.0)**	–	–
Net repayment of debt assumed on acquisition	**(48.9)**	–	–
Repayment of €750 million bonds	**(652.6)**	–	–
Repayment of $500 million bonds	**–**	–	(360.8)
Repayment of €250 million bonds	**–**	(209.3)	–
Net cash outflow	**(1,147.5)**	(220.6)	(397.1)

Cash and cash equivalents:

	2023 £m	2022 £m	2021 £m
Cash at bank and in hand	**2,036.8**	2,271.6	2,776.6
Short-term bank deposits	**180.7**	219.9	1,106.3
Overdrafts[1]	**(358.2)**	(505.7)	(342.3)
	1,859.3	1,985.8	3,540.6

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. LEASES

The movements in 2023 and 2022 were as follows:

Right-of-use assets	Land and buildings[1] £m	Plant and machinery £m	Total £m
1 January 2022	1,357.0	38.1	1,395.1
Additions	363.8	23.8	387.6
Transfers to net investment in subleases	(7.0)	–	(7.0)
Disposals	(42.2)	(0.8)	(43.0)
Depreciation of right-of-use assets	(245.3)	(16.9)	(262.2)
Impairment charges included within restructuring costs	(33.3)	(0.2)	(33.5)
Exchange adjustments	89.2	2.3	91.5
31 December 2022	1,482.2	46.3	1,528.5
Additions	255.0	49.6	304.6
Transfers to net investment in subleases	(4.6)	–	(4.6)
Disposals	(9.2)	(1.1)	(10.3)
Depreciation of right-of-use assets	(235.9)	(20.9)	(256.8)
Impairment charges included within restructuring costs	(128.8)	–	(128.8)
Exchange adjustments	(49.1)	(1.3)	(50.4)
31 December 2023	**1,309.6**	**72.6**	**1,382.2**

Note

[1] For the year ended 31 December 2023, the Company has £20.8 million (2022: £18.5 million) of right-of-use assets that are classified as investment property

Lease liabilities	Land and buildings £m	Plant and machinery £m	Total £m
1 January 2022	2,002.5	39.3	2,041.8
Additions	353.6	23.7	377.3
Interest expense related to lease liabilities	94.2	1.5	95.7
Disposals	(46.1)	(1.9)	(48.0)
Repayment of lease liabilities (including interest)	(385.6)	(16.4)	(402.0)
Exchange adjustments	143.6	2.2	145.8
31 December 2022	2,162.2	48.4	2,210.6
Additions	237.7	50.2	287.9
Interest expense related to lease liabilities	103.4	2.9	106.3
Disposals	(11.4)	(1.7)	(13.1)
Repayment of lease liabilities (including interest)	(340.0)	(21.6)	(361.6)
Exchange adjustments	(74.1)	(1.5)	(75.6)
31 December 2023	**2,077.8**	**76.7**	**2,154.5**

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

	2023 £m	2022 £m	2021 £m
Depreciation of right-of-use assets:			
Land and buildings	**(235.9)**	(245.3)	(254.7)
Plant and machinery	**(20.9)**	(16.9)	(18.2)
Impairment charges	**(128.8)**	(33.5)	(12.5)
Short-term lease expense	**(22.2)**	(20.2)	(18.0)
Low-value lease expense	**(2.8)**	(1.9)	(2.3)
Variable lease expense	**(45.5)**	(57.3)	(56.2)
Sublease income	**17.3**	18.6	17.3
Charge to operating profit	**(438.8)**	(356.5)	(344.6)
Interest expense related to lease liabilities	**(106.3)**	(95.7)	(90.9)
Charge to profit before taxation for leases	**(545.1)**	(452.2)	(435.5)

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

The maturity of lease liabilities at 31 December 2023 and 2022 were as follows:

	2023 £m	2022 £m
Within one year	**405.9**	379.1
Between one and two years	**326.9**	337.7
Between two and three years	**282.1**	293.0
Between three and four years	**261.0**	252.3
Between four and five years	**231.1**	234.8
Over five years	**1,265.2**	1,328.5
	2,772.2	2,825.4
Effect of discounting	**(617.7)**	(614.8)
Lease liability at end of year	**2,154.5**	2,210.6
Short-term lease liability	**292.3**	282.4
Long-term lease liability	**1,862.2**	1,928.2

The total committed future cash flows for leases not yet commenced at 31 December 2023 is £280.0 million (2022: £440.0 million).

The Group does not face a significant liquidity risk with regard to its lease liabilities. Refer to note 24 for management of liquidity risk.

13. INTANGIBLE ASSETS

GOODWILL

The movements in 2023 and 2022 were as follows:

	£m
Cost	
1 January 2022	10,991.0
Additions[1]	262.6
Disposals	–
Exchange adjustments	891.0
31 December 2022	12,144.6
Additions[1]	319.1
Disposals	–
Exchange adjustments	(484.5)
31 December 2023	**11,979.2**

Accumulated impairment losses and write-downs	
1 January 2022	3,378.7
Impairment losses for the year	37.9
Exchange adjustments	274.6
31 December 2022	3,691.2
Impairment losses for the year	63.6
Exchange adjustments	(164.5)
31 December 2023	**3,590.3**

Net book value	
31 December 2023	**8,388.9**
31 December 2022	8,453.4
1 January 2022	7,612.3

Note

1 Additions represent goodwill arising on the acquisition of subsidiary undertakings including the effect of any revisions to fair value adjustments that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations. The effect of such revisions was not material in either year presented

OTHER INTANGIBLE ASSETS

The movements in 2023 and 2022 were as follows:

	Brands with an indefinite useful life £m	Acquired intangibles £m	Other £m	Total £m
Cost				
1 January 2022[1]	1,067.3	921.4	288.1	2,276.8
Additions	–	–	14.9	14.9
Disposals and derecognition[1]	–	(33.8)	(59.2)	(93.0)
New acquisitions	–	46.5	1.2	47.7
Other movements[2]	–	9.3	0.8	10.1
Exchange adjustments[1]	98.7	129.8	34.7	263.2
31 December 2022[1]	1,166.0	1,073.2	280.5	2,519.7
Additions	–	–	40.0	40.0
Disposals and derecognition	–	(15.1)	(51.8)	(66.9)
Reclassifications	(665.4)	665.4	–	–
New acquisitions	–	138.5	2.9	141.4
Other movements[2]	–	–	17.0	17.0
Exchange adjustments	(28.4)	(47.5)	(9.4)	(85.3)
31 December 2023	**472.2**	**1,814.5**	**279.2**	**2,565.9**

	Brands with an indefinite useful life £m	Acquired intangibles £m	Other £m	Total £m
Amortisation and impairment				
1 January 2022[1]	56.8	648.0	212.5	917.3
Charge for the year	–	61.9	21.9	83.8
Impairment charges included within restructuring costs[3]	–	–	29.0	29.0
Disposals and derecognition[1]	–	(33.6)	(59.4)	(93.0)
Exchange adjustments[1]	5.8	108.2	16.7	130.7
31 December 2022[1]	62.6	784.5	220.7	1,067.8
Charge for the year	–	727.9	24.8	752.7
Other movements[2]	–	–	(0.7)	(0.7)
Disposals and derecognition	–	(15.1)	(51.5)	(66.6)
Exchange adjustments	(2.8)	(27.0)	(7.4)	(37.2)
31 December 2023	**59.8**	**1,470.3**	**185.9**	**1,716.0**
Net book value				
31 December 2023	**412.4**	**344.2**	**93.3**	**849.9**
31 December 2022	1,103.4	288.7	59.8	1,451.9
1 January 2022	1,010.5	273.4	75.6	1,359.5

Notes

1 The acquired intangibles balances within these line items have been re-presented to reflect the derecognition of previously fully amortised assets that had no future economic benefit in prior periods

2 Other movements in acquired intangibles include reclassifications of items previously recorded in trade and other receivables; and 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

3 Refer to note 3 for further explanation in relation to the impairment charges included within restructuring costs

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

	Goodwill		Brands with an indefinite useful life	
	2023 £m	2022 £m	**2023 £m**	2022 £m
GroupM	**3,254.9**	3,178.3	**–**	–
Wunderman Thompson	**1,165.0**	1,210.8	**–**	442.0
VMLY&R	**814.6**	776.0	**–**	207.6
Ogilvy	**809.3**	849.8	**213.2**	222.8
BCW	**618.8**	646.0	**112.7**	140.5
AKQA Group	**600.1**	628.7	**–**	–
FGS Global	**452.1**	451.8	**–**	–
Hill & Knowlton	**141.7**	145.7	**33.2**	34.8
Landor Group	**115.0**	106.5	**53.3**	55.7
Other	**417.4**	459.8	**–**	–
	8,388.9	8,453.4	**412.4**	1,103.4

13. INTANGIBLE ASSETS CONTINUED

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

Acquired intangible assets at net book value at 31 December 2023 include brand names of £134.6 million (2022: £142.3 million), customer-related intangibles of £108.2 million (2022: £120.3 million) and other assets (including proprietary tools) of £101.4 million (2022: £26.1 million).

AMORTISATION AND IMPAIRMENT

The total amortisation and impairment of acquired intangible assets of £727.9 million (2022: £61.9 million) includes a charge of £650.1 million (2022: £1.4 million) predominantly in regard to certain brands that no longer have any useful life. This includes accelerated amortisation charges of £430.8 million and £202.3 million for Wunderman Thompson and Y&R brands respectively, due to the creation of VML in the fourth quarter of 2023.

In accordance with the Group's accounting policy, the carrying values of goodwill and intangible assets with indefinite useful lives are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment review is undertaken annually on 30 September. The goodwill impairment charge of £63.6 million (2022: £37.9 million) recognised during the year relates to businesses in the Group that have closed or where the impact of current macroeconomic conditions and trading circumstances indicate impairment to the carrying value. This year, £40.3 million of the impairment charge related to the Global Integrated Agencies segment and £23.3 million related to the Specialist Agencies segment.

IMPAIRMENT ASSESSMENT PROCESS

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

RECOVERABLE AMOUNT ASSESSMENT

Due to the significant number of CGUs, the impairment test was performed in two steps. In the first step, the recoverable amount was calculated for each CGU using the latest available forecasts for 2023 and/or 2024, nil growth rate thereafter (2022: nil) and a conservative pre-tax discount rate of 14.7% (2022: 15.5%). The pre-tax discount rate of 14.7% was above the rate calculated for the global networks of 13.7% (2022: 14.5%). For smaller CGUs that operate primarily in a particular region subject to higher risk, the higher of 14.7% or 100 basis points above the regional discount rate was used in the first step.

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

In the second step, these CGUs were retested for impairment using more refined assumptions. This included using a CGU-specific pre-tax discount rate and management forecasts for a projection period of up to five years, followed by an assumed long-term growth rate of 2.0% (2022: 2.0%). If the recoverable amount using the more specific assumptions did not exceed the carrying value of a CGU, an impairment charge was recorded.

The long-term growth rate is derived from management's best estimate of the likely long-term trading performance with reference to external industry reports and other relevant market trends. As at 31 December 2023, we have assessed long-term industry trends based on recent historical data and assumed a long-term growth rate of 2.0% (2022: 2.0%). Management has made the judgement that the long-term growth rate does not exceed the long-term average growth rate for the industry.

DISCOUNT RATES

The discount rate uses the capital asset pricing model (CAPM) to derive the cost of equity along with an estimated cost of debt that is weighted by an appropriate capital structure to derive an indication of a weighted average cost of capital, which is then adjusted for relevant market and asset-specific risk where they are not already adjusted for within the underlying cash flow estimates. The cost of equity is calculated based on long-term government bond yield, an estimate of the required premium for investment in equity relative to government securities and further considers the volatility associated with peer public companies relative to the market. The cost of debt reflects an estimated market yield for long-term debt financing after taking into account the credit profile of public peer companies in the industry. The capital structure used to weight the cost of equity and cost of debt has been derived from the observed capital structure of public peer companies.

The pre-tax discount rate applied to the cash flow projections for the CGUs that operate globally was 13.7% (2022: 14.5%). We developed a global discount rate that takes into account the diverse nature of the operations, as these CGUs operate with a diverse range of clients in a range of industries throughout the world, hence are subject to similar levels of market risks. The pre-tax discount rates applied to the CGUs that have more regional specific operations ranged from 12.6% (2022: 14.0%) to 28.4% (2022: 22.6%).

DISCOUNTED CASH FLOW ASSESSMENT

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

These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of CGU identified for impairment testing and the criteria used to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss. Changes in our business activities or structure may also result in additional changes to the level of testing in future periods. Further, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired.

Historically, the Group's impairment losses have resulted from a specific event, condition or circumstance in one or more of our companies, such as the impact of Covid-19 or the loss of a significant client. As a result, changes in the assumptions used in our impairment model have generally not had a significant effect on the impairment charges recognised. Following the £650.1 million amortisation charge recorded in the fourth quarter of 2023, described further above and in note 3, for certain brands that no longer have any useful life, as at 31 December 2023 there are no CGUs for which a reasonably possible change in key assumptions would 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.

14. PROPERTY, PLANT AND EQUIPMENT

The movements in 2023 and 2022 were as follows:

	Land £m	Freehold buildings £m	Leasehold buildings £m	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
Cost						
1 January 2022	43.2	61.4	1,075.0	149.5	391.8	1,720.9
Additions	13.8	0.1	75.8	32.1	86.6	208.4
New acquisitions	–	–	0.5	0.2	0.6	1.3
Disposals	(0.1)	(8.3)	(62.1)	(40.0)	(72.1)	(182.6)
Exchange adjustments	(16.9)	39.3	89.7	23.0	39.8	174.9
31 December 2022	40.0	92.5	1,178.9	164.8	446.7	1,922.9
Additions	3.5	3.3	88.3	17.1	65.0	177.2
New acquisitions	–	–	0.8	–	–	0.8
Disposals	–	–	(155.9)	(51.0)	(95.6)	(302.5)
Exchange adjustments	(31.6)	(61.5)	(51.0)	(11.5)	(26.3)	(181.9)
31 December 2023	**11.9**	**34.3**	**1,061.1**	**119.4**	**389.8**	**1,616.5**
Depreciation and impairment						
1 January 2022	–	2.7	469.6	71.9	280.3	824.5
Charge for the year	–	0.7	74.0	26.5	65.7	166.9
Impairment charges included within restructuring costs	–	–	9.1	0.6	0.1	9.8
Disposals	–	(1.7)	(63.5)	(36.7)	(71.1)	(173.0)
Exchange adjustments	–	0.3	43.2	17.5	33.0	94.0
31 December 2022	–	2.0	532.4	79.8	308.0	922.2
Charge for the year	–	1.0	70.5	24.9	68.7	165.1
Impairment charges included within restructuring costs	–	–	52.2	2.7	0.9	55.8
Disposals	–	(0.2)	(144.9)	(48.4)	(94.1)	(287.6)
Exchange adjustments	–	(0.2)	(29.0)	(14.2)	(24.1)	(67.5)
31 December 2023	**–**	**2.6**	**481.2**	**44.8**	**259.4**	**788.0**
Net book value						
31 December 2023	**11.9**	**31.7**	**579.9**	**74.6**	**130.4**	**828.5**
31 December 2022	40.0	90.5	646.5	85.0	138.7	1,000.7
1 January 2022	43.2	58.7	605.4	77.6	111.5	896.4

At 31 December 2023, capital commitments contracted, but not provided for in respect of property, plant and equipment, were £38.4 million (2022: £128.2 million).

15. INTERESTS IN ASSOCIATES AND OTHER INVESTMENTS

The movements in 2023 and 2022 were as follows:

	Interests in associates £m	Other investments £m
1 January 2022	412.9	318.3
Additions	4.4	5.1
Loss from associates – after interest and tax	(60.4)	–
Share of other comprehensive income of associate undertakings	51.2	–
Dividends	(37.6)	–
Other movements	2.9	–
Exchange adjustments	17.1	–
Disposals	(9.6)	(16.0)
Reclassification from subsidiaries	(5.9)	–
Reclassification from associates to other investments	(22.5)	61.6
Revaluation of other investments through profit or loss	–	23.1
Revaluation of other investments through other comprehensive income	–	(22.3)
Amortisation of other intangible assets	(0.2)	–
Impairment charges	(47.2)	–
31 December 2022	305.1	369.8
Additions	39.4	2.5
Gain from associates – after interest and tax	25.1	–
Share of other comprehensive loss of associate undertakings	(0.9)	–
Dividends	(30.4)	–
Other movements	(12.5)	-
Exchange adjustments	(19.3)	-
Disposals	(5.4)	(10.4)
Reclassification to subsidiaries	–	–
Reclassification from associates to other investments	–	–
Revaluation of other investments through profit or loss	–	(26.2)
Revaluation of other investments through other comprehensive income	–	(3.0)
Amortisation of other intangible assets	–	–
Impairment charges	(14.6)	–
31 December 2023	**286.5**	**332.7**

Interests in joint ventures are immaterial and none of the Group's associates are individually material at 31 December 2023.

The investments included above as 'Other investments' represent investments in equity securities that present the Group with the 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 at the balance sheet date. For unlisted securities, where market value is not available, the Group has estimated relevant fair values on the basis of information from outside sources at the balance sheet date.

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

15. INTERESTS IN ASSOCIATES AND OTHER INVESTMENTS

CONTINUED

AGGREGATE INFORMATION OF ASSOCIATES THAT ARE NOT INDIVIDUALLY MATERIAL

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

	2023 £m	2022 £m	2021 £m
Earnings/(loss) from associates – after interest and tax (note 4)	**70.2**	(60.4)	23.8
Share of other comprehensive (loss)/earnings of associate undertakings	**(0.9)**	51.2	13.5
Share of total comprehensive earnings/(loss) of associate undertakings	**69.3**	(9.2)	37.3

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

As at 31 December 2023, share of losses of £30.1 million (2022: £29.5 million) for the US and £137.9 million (2022: £33.8 million) for the Rest of World have not been recognised in relation to Kantar as the investment was previously reduced to zero.

As at 31 December 2021, the cumulative share of unrecognised losses in relation to Imagina, an associate in Spain with the investment carrying value reduced to zero, were £23.0 million. In 2022, the Group partially disposed of its investment in Imagina in Spain resulting in its reclassification from interests in associates to other investments (within the scope of IFRS 9) designated as fair value through other comprehensive income. Refer to note 25 for further details on financial instruments held at fair value though other comprehensive income.

At 31 December 2023, capital commitments contracted, but not provided for, in respect of interests in associates and other investments were £2.2 million (2022: £3.2 million).

16. DEFERRED TAX

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

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

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

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

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

The following is the analysis of the deferred tax balances for financial reporting purposes:

	Gross 2023 £m	Offset of balances arising from a single transaction[1] 2023 £m	Gross balances before offset within countries 2023 £m	Offset within countries 2023 £m	**As reported 2023 £m**
Deferred tax assets	684.9	(94.0)	590.9	(266.5)	**324.4**
Deferred tax liabilities	(539.0)	94.0	(445.0)	266.5	**(178.5)**
	145.9	–	145.9	–	**145.9**

	Gross 2022 £m	Offset of balances arising from a single transaction[1] 2022 £m	Gross balances before offset within countries 2022 £m	Offset within countries 2022 £m	As reported 2022 £m
Deferred tax assets	734.2	(145.4)	588.8	(266.7)	322.1
Deferred tax liabilities	(762.9)	145.4	(617.5)	266.7	(350.8)
	(28.7)	–	(28.7)	–	(28.7)

Note

[1] The Group has applied Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). Transactions which give rise to the recognition of an asset and a liability on the Group's balance sheet, including leases for which the Group recognises a right-of-use asset and a lease liability, lead to taxable and deductible temporary differences in certain jurisdictions. The resulting deferred tax assets and deferred tax liabilities arising from these temporary differences have been offset and reported net on the Group's balance sheet

16. DEFERRED TAX CONTINUED

The following are the major gross deferred tax assets before offset within countries recognised by the Group and movements thereon in 2023 and 2022:

	Deferred compensation £m	Accounting provisions and accruals £m	Retirement benefit obligations £m	Plant and equipment £m	Property £m	Tax losses and credits £m	Share-based payments £m	Restructuring provisions £m	Other temporary differences £m	Total £m
1 January 2022	108.5	106.2	53.4	15.0	53.0	110.5	43.5	61.1	13.8	565.0
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1.1	1.1
(Charge)/credit to income	(38.7)	3.3	(2.9)	(1.0)	(9.0)	5.0	1.3	21.2	(14.2)	(35.0)
Charge to other comprehensive income	–	–	(7.0)	–	–	–	–	–	–	(7.0)
Charge to equity	–	–	–	–	–	–	(15.5)	–	–	(15.5)
Exchange differences and other movements	4.5	10.6	4.5	33.9	9.7	7.0	3.0	2.3	4.7	80.2
31 December 2022	74.3	120.1	48.0	47.9	53.7	122.5	32.3	84.6	5.4	588.8
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–
(Charge)/credit to income	(6.0)	13.8	2.8	(11.8)	(5.7)	(11.5)	3.7	38.7	1.8	25.8
Credit to other comprehensive income	–	–	1.5	–	–	–	–	–	–	1.5
Charge to equity	–	–	–	–	–	–	(0.3)	–	–	(0.3)
Exchange differences and other movements	(3.2)	(2.2)	(2.6)	(0.3)	8.4	(6.8)	(0.7)	(15.7)	(1.8)	(24.9)
31 December 2023	**65.1**	**131.7**	**49.7**	**35.8**	**56.4**	**104.2**	**35.0**	**107.6**	**5.4**	**590.9**

Other temporary differences comprise a number of items, none of which is individually significant to the Group's consolidated balance sheet. At 31 December 2023 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 before offset within countries and movements thereon in 2023 and 2022:

	Brands and other intangibles £m	Associate earnings £m	Goodwill £m	Plant and equipment £m	Other temporary differences £m	Total £m
1 January 2022	325.1	36.8	133.2	–	40.9	536.0
Acquisition of subsidiaries	15.1	–	–	–	–	15.1
(Credit)/charge to income	(12.4)	(3.5)	19.7	(14.2)	(10.5)	(20.9)
Charge to other comprehensive income	–	–	–	–	0.4	0.4
Exchange differences and other movements	24.8	3.2	20.5	37.2	1.2	86.9
31 December 2022	352.6	36.5	173.4	23.0	32.0	617.5
Acquisition of subsidiaries	35.0	–	–	–	–	35.0
(Credit)/charge to income	(173.7)	(15.6)	18.4	0.3	(1.7)	(172.3)
Credit to other comprehensive income	–	–	–	–	(0.2)	(0.2)
Exchange differences and other movements	(21.2)	(1.1)	(10.8)	(1.1)	(0.8)	(35.0)
31 December 2023	**192.7**	**19.8**	**181.0**	**22.2**	**29.3**	**445.0**

Other temporary differences comprise a number of items none of which is individually significant to the Group's consolidated balance sheet. At 31 December 2023 the balance related to temporary differences in relation to unremitted earnings of subsidiaries and other temporary differences.

At the balance sheet date, the Group has gross tax losses and other temporary differences of £10,321.0 million (2022: £7,667.4 million) available for offset against future profits. Deferred tax assets have been recognised in respect of the tax benefit of £2,399.4 million (2022: £2,259.7 million) of such tax losses and other temporary differences. No deferred tax asset has been recognised in respect of the remaining £7,921.6 million (2022: £5,407.7 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 £92.0 million (2022: £60.3 million) that will expire within one to ten years, and £7,712.8 million (2022: £5,138.1 million) of losses that may be carried forward indefinitely. The increase in losses primarily arose in Luxembourg as a result of steps that were part of the Group's continuing structural simplification programme.

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £1,355.1 million (2022: £1,346.1 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.

17. TRADE AND OTHER RECEIVABLES

The following are included in trade and other receivables[1]:

	2023 £m	2022 £m
Amounts to be realised within one year		
Trade receivables (net of loss allowance)	**7,055.0**	7,403.9
Unbilled costs[2]	**273.6**	352.4
VAT and sales taxes recoverable	**370.7**	448.1
Prepayments	**239.0**	236.6
Fair value of derivatives	**1.6**	5.1
Other debtors[3]	**520.7**	585.3
	8,460.6	9,031.4

Notes

1 Accrued income was previously presented in Trade and other receivables

2 Previously named 'Work in progress'

3 This balance includes campus related enhancement prepayments and other individually not material items

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

2023	Carrying amount at 31 December 2023 £m	Not past due £m	Days past due: 0-30 days £m	31-90 days £m	91-180 days £m	181 days-1 year £m	Greater than 1 year £m
Gross trade receivables	7,098.9	6,173.0	612.7	183.0	52.7	30.6	46.9
Expected credit losses	(43.9)	(1.4)	(1.1)	(0.9)	(2.6)	(10.3)	(27.6)
	7,055.0	6,171.6	611.6	182.1	50.1	20.3	19.3
Expected credit loss rate	0.6%	0.0%	0.2%	0.5%	4.9%	33.7%	58.8%
Gross accrued income	3,165.6	2,022.1	548.3	336.7	244.5	14.0	–
Expected credit losses	(15.0)	(0.3)	(0.5)	(1.3)	(12.8)	(0.1)	–
	3,150.6	2,021.8	547.8	335.4	231.7	13.9	–
Expected credit loss rate	0.5%	0.0%	0.1%	0.4%	5.2%	0.7%	n/a
Other financial assets	514.1	413.2	33.8	14.4	6.4	17.2	29.1
	10,719.7	**8,606.6**	**1,193.2**	**531.9**	**288.2**	**51.4**	**48.4**

2022	Carrying amount at 31 December 2022 £m	Not past due £m	Days past due: 0-30 days £m	31-90 days £m	91-180 days £m	181 days-1 year £m	Greater than 1 year £m
Gross trade receivables	7,475.4	6,386.5	706.4	247.1	66.8	23.5	45.1
Expected credit losses	(71.5)	(1.6)	(5.8)	(6.6)	(6.6)	(13.3)	(37.6)
	7,403.9	6,384.9	700.6	240.5	60.2	10.2	7.5
Expected credit loss rate	1.0%	0.0%	0.8%	2.7%	9.9%	56.6%	83.4%
Gross accrued income	3,485.6	2,027.0	603.8	450.5	376.8	27.5	–
Expected credit losses	(17.3)	(0.1)	(0.2)	(0.1)	(16.9)	–	–
Expected credit loss rate	0.5%	0.0%	0.0%	0.0%	4.5%	0.0%	n/a
Expected credit loss rate	3,468.3	2,026.9	603.6	450.4	359.9	27.5	–
Other financial assets	612.0	538.8	31.2	6.1	1.0	6.2	28.7
	11,484.2	8,950.6	1,335.4	697.0	421.1	43.9	36.2

Other financial assets are included in other debtors.

	2023 £m	2022 £m
Amounts to be realised after more than one year		
Prepayments	**2.0**	3.9
Fair value of derivatives	**32.3**	0.6
Other debtors	**174.9**	214.1
	209.2	218.6

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

Other debtors falling due after more than one year at 31 December 2023 includes £13.7 million in relation to pension plans in surplus (2022: £15.4 million).

	2023 £m	2022 £m
Expected credit losses		
At beginning of year	**71.5**	70.5
New acquisitions	**0.6**	–
Charged to the income statement	**14.9**	29.1
Released to the income statement	**(22.2)**	(8.4)
Exchange adjustments	**(5.3)**	5.1
Utilisations and other movements	**(15.6)**	(24.8)
At end of year	**43.9**	71.5

The expected credit loss is equivalent to 0.6% (2022: 1.0%) of gross trade receivables.

Expected credit losses on unbilled costs, and other debtors were immaterial for the years presented.

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

EXPECTED CREDIT LOSSES

Given the short-term nature of the Group's trade receivables, unbilled costs, and accrued income, which are mainly due from large national or multinational companies, the Group's assessment of expected credit losses includes provisions for specific clients and receivables where the contractual cash flow is deemed at risk. Considerations include the current economic environment, and the level of credit insurance the Group has along with historical loss rates for each category of customers adjusted for forward-looking information. Additional provisions are made based on the assessment of recoverability of aged receivables over one year where sufficient evidence of recoverability is not evident.

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

The following are included in trade and other payables falling due within one year[1]:

	2023 £m	2022 £m
Trade payables	**10,825.7**	11,182.3
Payments due to vendors (earnout agreements)	**73.3**	62.0
Liabilities in respect of put option agreements with vendors	**13.6**	18.8
Fair value of derivatives	**1.8**	58.0
Other creditors and accruals[2]	**2,408.7**	2,914.8
	13,323.1	14,235.9

Note

1 Deferred income was previously presented in Trade and other payables

2 This balance includes staff costs, indirect taxes payable and other individually not material items

The Group considers that the carrying amount of trade and other payables approximates their fair value, except for liabilities in respect of put option agreements with vendors for which the fair value is £12.3 million (this is level 3 fair value that is derived using a discounted cash flow approach).

In all material respects, deferred income at 31 December 2022 was recognised as revenue during the year. Other than business-as-usual movements, and deferred income acquired on the acquisition of subsidiaries, there were no other significant changes in contract liability balances during the year.

19. 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:

	2023 £m	2022 £m
Payments due to vendors (earnout agreements)	**125.4**	98.1
Liabilities in respect of put option agreements with vendors	**90.0**	323.3
Fair value of derivatives	**1.2**	–
Other creditors and accruals	**66.2**	69.5
	282.8	490.9

The Group considers that the carrying amount of trade and other payables approximates their fair value, except for liabilities in respect of put option agreements with vendors for which the fair value is approximately £82.4 million (this is level 3 fair value that is derived using a discounted cash flow approach).

Liabilities in respect of put option agreements with vendors are initially recorded at the present value of the redemption amount in accordance with IAS 32 and subsequently measured at amortised cost in accordance with IFRS 9. The cash flows of put options, which are discounted using the original effective interest rate, are dependent on future earnings and are remeasured each reporting period via the income statement.

The Group's approach to payments due to vendors (earnouts) is further described in note 25. The following table sets out payments due to vendors (earnouts), comprising contingent consideration and the Directors' best estimates of future earnout-related obligations:

	2023 £m	2022 £m
Within one year	**73.3**	62.0
Between one and two years	**54.1**	19.5
Between two and three years	**70.9**	27.6
Between three and four years	**0.4**	28.6
Between four and five years	**–**	22.4
	198.7	160.1

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

	2023 £m	2022 £m
Within one year	**13.6**	18.8
Between one and two years	**24.0**	5.2
Between two and three years	**38.6**	76.6
Between three and four years	**9.8**	99.2
Between four and five years	**6.2**	74.8
Over five years	**11.4**	67.5
	103.6	342.1

20. BANK OVERDRAFTS AND BONDS

Amounts falling due within one year:

	2023 £m	2022 £m
Bank overdrafts	**358.2**	505.7
Bonds	**588.1**	663.3
	946.3	1,169.0

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

Amounts falling due after more than one year:

	2023 £m	2022 £m
Bonds	**3,775.0**	3,801.8

The Group estimates that the fair value of bonds is £4,119.5 million at 31 December 2023 (2022: £4,049.1 million). The fair values of the bonds are based on quoted market prices and are within Level 1 of the fair value hierarchy.

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

	2023 £m	2022 £m
Within one year	**946.3**	1,169.0
Between one and two years	**432.9**	618.0
Between two and three years	**647.2**	441.5
Between three and four years	**648.0**	658.8
Between four and five years	**647.5**	661.1
Over five years	**1,399.4**	1,422.4
	4,721.3	4,970.8

21. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in 2023 and 2022 were as follows:

	Employee benefits £m	Property £m	Other £m	Total £m
1 January 2022	140.3	70.6	57.6	268.5
Charged to the income statement	4.3	8.1	2.1	14.5
Acquisitions[1]	–	–	1.3	1.3
Utilised	(32.5)	(12.8)	(4.7)	(50.0)
Released to the income statement	–	(3.2)	(22.2)	(25.4)
Other movements	14.6	(4.8)	3.2	13.0
Exchange adjustments	16.4	4.9	1.4	22.7
31 December 2022	143.1	62.8	38.7	244.6
Charged to the income statement	3.1	64.2	24.9	92.2
Acquisitions[1]	–	–	0.6	0.6
Utilised	(21.8)	(18.7)	(0.7)	(41.2)
Released to the income statement	(2.3)	(4.0)	(8.5)	(14.8)
Other movements	38.1	(2.9)	(0.2)	35.0
Exchange adjustments	(7.4)	(2.7)	(1.8)	(11.9)
31 December 2023	**152.8**	**98.7**	**53.0**	**304.5**

Note

[1] Acquisitions include £0.6 million (2022: £1.3 million) of provisions arising from fair value adjustments related to the acquisition of subsidiary undertakings as required by IFRS 3 Business Combinations

Employee benefits relate to statutory or contractual employee entitlements where there is uncertainty over the timing or amount of the settlement. The majority of this provision relates to various employee defined contribution and deferred compensation plans in the USA. It is anticipated that these costs will be incurred when employees choose to take their benefits or depart from the Company.

The property provision balance relates primarily to onerous property contracts and decommissioning where the Group has the obligation to make-good its leased properties. Where the Group has made a decision to exit a leased property, onerous property contract provisions do not include rent in accordance with IFRS 16 Leases, however, do include unavoidable costs related to the lease such as ongoing service charges. Utilisation of the recognised provisions is expected to be incurred in conjunction with the profile of the leases to which they relate.

Other provisions primarily relate to legal provisions as well as various items that do not fall within the Group's categories of provisions above. 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.

CONTINGENT LIABILITIES

The Group operates in a large number of markets with complex tax and legislative regimes that are open to subjective interpretation, and for which tax audits can take several years to resolve. The Group has received a number of demands and assessments from different states in India that have been or will be appealed to the courts, none of which are individually material. However, as permitted by IAS 37, the provision of any further information within this disclosure is expected to seriously prejudice the Group's position in the dispute, given that appeals are ongoing. The Group believes that we will be successful in our appeals, however any appeal process is intrinsically uncertain.

22. SHARE-BASED PAYMENTS

Charges for share-based incentive plans were as follows:

	2023 £m	2022 £m	2021 £m
Share-based payments	**140.1**	122.0	99.6

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

As of 31 December 2023, there was £179.9 million (2022: £200.7 million) of total unrecognised compensation cost related to the Group's restricted stock plans.

RESTRICTED STOCK PLANS

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

EXECUTIVE PERFORMANCE SHARE PLAN (EPSP)

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

The 2020, 2021, 2022 and 2023 EPSP awards are subject to three equally weighted performance conditions: three-year average Return on Invested Capital (ROIC), cumulative Adjusted Free Cash Flow (AFCF), and relative Total Shareholder Return (TSR). Achieving the threshold performance requirement will result in a vesting opportunity of 20% for that element. The vesting opportunity will increase on a straight-line basis to 100% of the award for maximum performance. The Compensation Committee has an overriding discretion to determine the extent to which the award will vest.

PERFORMANCE SHARE AWARDS (PSA)

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

LEADERSHIP SHARE AWARDS

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

VALUATION METHODOLOGY

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

MARKET/NON-MARKET CONDITIONS

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

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

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

22. SHARE-BASED PAYMENTS CONTINUED

Movement on ordinary shares granted for significant restricted stock plans:

	Non-vested 1 January 2023 number m	Granted number m	Forfeited number m	Vested number m	**Non-vested 31 December 2023 number m**
Executive Performance Share Plan (EPSP)	20.4	7.8	(1.4)	(3.9)	**22.9**
Performance Share Awards (PSA)	4.1	2.3	(0.5)	(0.4)	**5.5**
Leadership Share Awards	11.3	5.9	(1.0)	(3.8)	**12.4**
Weighted average fair value (pence per share)					
Executive Performance Share Plan (EPSP)	924p	919p	947p	752p	**950p**
Performance Share Awards (PSA)	952p	857p	939p	926p	**915p**
Leadership Share Awards	899p	654p	934p	673p	**848p**

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

The total fair value of shares vested for all the Group's restricted stock plans during the year ended 31 December 2023 was £81.6 million (2022: £65.4 million, 2021: £64.1 million).

SHARE OPTIONS

TERMS OF SHARE OPTION PLANS

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

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

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

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

WPP WORLDWIDE SHARE OWNERSHIP PROGRAMME (WWOP)

As at 31 December 2023, unexercised options over ordinary shares of 650,825 and unexercised options over ADRs of 72,695 have been granted under the WPP Worldwide Share Ownership Programme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
647,575	13.145	2017-2024
3,250	13.145	2018-2024

Number of ADRs under option	Exercise price per share (£)	Exercise dates
72,695	102.670	2017-2024

WPP SHARE OPTION PLAN 2015 (WSOP)

As at 31 December 2023, unexercised options over ordinary shares of 15,369,025 and unexercised options over ADRs of 1,772,400 have been granted under the WPP Share Option Plan as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
3,524,700	7.064	2025-2032
1,806,625	7.344	2023-2030
9,500	7.344	2023-2027
849,350	8.372	2021-2028
7,000	8.372	2021-2025
125,125	8.684	2025-2029
2,682,975	8.684	2025-2032
1,466,100	9.600	2022-2029
8,875	9.600	2022-2026
2,237,900	11.065	2023-2030
1,040,350	13.085	2020-2027
7,625	13.085	2020-2024
4,000	15.150	2019-2025
739,850	15.150	2018-2025
859,050	17.055	2019-2026

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
409,115	44.120	2025-2032
198,380	48.950	2023-2030
318,125	52.600	2025-2032
120,995	53.140	2021-2028
169,790	62.590	2022-2029
255,510	73.780	2023-2030
117,650	88.260	2020-2027
100,960	105.490	2020-2026
81,875	115.940	2018-2025

22. SHARE-BASED PAYMENTS CONTINUED

The aggregate status of the WPP Share Option Plans during 2023 was as follows:

MOVEMENTS ON OPTIONS GRANTED (REPRESENTED IN ORDINARY SHARES)

	1 January 2023	Granted	Exercised	Forfeited	**Outstanding 31 December 2023**	Exercisable 31 December 2023
WPP	–	–	–	–	**–**	-
WWOP	1,639,025	–	–	(624,725)	**1,014,300**	-
WSOP	21,299,025	5,586,650	(85,900)	(2,568,750)	**24,231,025**	7,386,400
	22,938,050	5,586,650	(85,900)	(3,193,475)	**25,245,325**	7,386,400

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

WEIGHTED AVERAGE EXERCISE PRICE FOR OPTIONS OVER

	1 January 2023	Granted	Exercised	Forfeited	**Outstanding 31 December 2023**	Exercisable 31 December 2023
Ordinary shares (£)						
WPP	–	–	–	–	**–**	**–**
WWOP	13.224	–	–	13.432	**13.145**	**–**
WSOP	10.356	–	8.350	9.959	**9.652**	**–**
ADRs ($)						
WWOP	106.379	–	–	109.949	**102.670**	**–**
WSOP	67.910	–	48.950	66.181	**62.587**	44.120

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

22. SHARE-BASED PAYMENTS CONTINUED

OPTIONS OVER ORDINARY SHARES

Outstanding	Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
	7.344-17.055	10.455	70

OPTIONS OVER ADRs

Outstanding	Range of exercise prices $	Weighted average exercise price $	Weighted average contractual life Months
	44.120-115.940	64.166	80

As at 31 December 2023 there was £10.1 million (2022: £11.1 million) of total unrecognised compensation costs related to share options. The cost is expected to be recognised over a weighted average period of 19 months (2022: 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:

Outstanding	**2023**	2022	2021
Fair value of UK options (shares)	131.0p	177.0p	220.0p
Fair value of US options (ADRs)	$8.59	$11.48	$14.89
Weighted average assumptions			
UK risk-free interest rate	4.00%	2.92%	0.63%
US risk-free interest rate	4.53%	4.09%	1.16%
Expected life (months)	48	48	48
Expected volatility	33%	32%	34%
Dividend yield	5.6%	3.9%	3.4%

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 2023 was £8.41 (2022: £9.13, 2021: £9.64) and the average ADR price for the same period was $52.31 (2022: $56.80, 2021: $66.44). The average share price of the Group for year ended 31 December 2023 approximates the weighted average share price during the periods of exercise throughout the year.

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

Expected life is based on a review of historical exercise behaviour in the context of the contractual terms of the options, as described in more detail on page 201.

23. EMPLOYEE BENEFIT OBLIGATIONS

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:

	2023 £m	2022 £m	2021 £m
Defined contribution plans	**198.1**	191.3	162.8
Defined benefit plans charge to operating profit	**15.0**	13.5	14.9
Pension costs (note 5)	**213.1**	204.8	177.7
Net interest expense on pension plans (note 6)	**4.3**	2.2	1.8
	217.4	207.0	179.5

DEFINED BENEFIT PLANS

The pension costs are assessed in accordance with the advice of local independent qualified actuaries. The latest full actuarial valuations for the various pension plans were carried out at various dates in the last three years. These valuations have been updated by the local actuaries to 31 December 2023.

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

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

Contributions to funded plans are determined in line with local conditions and practices. Contributions in respect of unfunded plans are paid as they fall due. The total contributions (for funded plans) and benefit payments (for unfunded plans) paid for 2023 amounted to £19.8 million (2022: £24.0 million, 2021: £16.7 million). Employer contributions and benefit payments in 2024 are expected to be approximately £17.0 million.

23. EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

(A) 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:

	2023 £m	**%**	2022 £m	%	2021 £m	%
Equities	**24.2**	**9.3**	26.7	6.2	31.8	5.8
Bonds	**170.2**	**65.7**	208.8	48.5	259.7	47.0
Insured annuities	**3.0**	**1.2**	149.2	34.7	222.5	40.3
Property	**1.3**	**0.5**	1.4	0.3	1.0	0.2
Cash	**18.3**	**7.1**	18.1	4.2	15.3	2.8
Other	**42.0**	**16.2**	26.3	6.1	21.8	3.9
Total fair value of assets	**259.0**	**100.0**	430.5	100.0	552.1	100.0
Present value of liabilities	**(381.2)**		(552.6)		(688.5)	
Deficit in the plans	**(122.2)**		(122.1)		(136.4)	
Irrecoverable surplus	**–**		–		(0.2)	
Net liability[1]	**(122.2)**		(122.1)		(136.6)	
Plans in surplus[2]	**13.7**		15.4		30.1	
Plans in deficit	**(135.9)**		(137.5)		(166.7)	

Notes

1 The related deferred tax asset is discussed in note 16

2 The net asset related to plans in surplus of £13.7 million for 31 December 2023 (2022: £15.4 million) is recorded in the consolidated balance sheet within other debtors. The corresponding figures for 31 December 2021 are recorded in provision for post-employment benefits

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

Surplus/(deficit) in plans by region	**2023 £m**	2022 £m	2021 £m
UK	**0.7**	2.3	0.4
North America	**(29.7)**	(37.1)	(28.1)
Western Continental Europe	**(60.1)**	(52.6)	(74.0)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(33.1)**	(34.7)	(34.7)
Deficit in the plans	**(122.2)**	(122.1)	(136.4)

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.

	2023 Surplus/ (deficit) £m	**2023 Present value of liabilities £m**	2022 Surplus/ (deficit) £m	2022 Present value of liabilities £m	2021 Surplus/ (deficit) £m	2021 Present value of liabilities £m
Funded plans by region						
UK	**0.7**	**(9.2)**	2.3	(155.5)	0.4	(231.9)
North America	**7.4**	**(182.9)**	4.1	(208.5)	20.1	(237.9)
Western Continental Europe	**(34.1)**	**(70.6)**	(29.1)	(67.9)	(45.1)	(87.6)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(5.4)**	**(27.6)**	(4.1)	(25.4)	(6.4)	(25.7)
Deficit/ liabilities in the funded plans	**(31.4)**	**(290.3)**	(26.8)	(457.3)	(31.0)	(583.1)
Unfunded plans by region						
North America	**(37.1)**	**(37.1)**	(41.2)	(41.2)	(48.2)	(48.2)
Western Continental Europe	**(26.0)**	**(26.0)**	(23.5)	(23.5)	(28.9)	(28.9)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(27.7)**	**(27.8)**	(30.6)	(30.6)	(28.3)	(28.3)
Deficit/ liabilities in the unfunded plans	**(90.8)**	**(90.9)**	(95.3)	(95.3)	(105.4)	(105.4)
Deficit/ liabilities in the plans	**(122.2)**	**(381.2)**	(122.1)	(552.6)	(136.4)	(688.5)

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

23. EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

(B) 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:

	2023 % pa	2022 % pa	2021 % pa	2020 % pa
UK				
Discount rate[1]	**4.7**	5.1	1.8	1.3
Rate of increase in pensions in payment	**2.5**	4.4	4.5	4.4
Inflation	**3.1**	3.0	3.2	2.8
North America				
Discount rate[1]	**4.9**	5.2	2.6	2.0
Rate of increase in salaries[2]	**n/a**	n/a	n/a	3.0
Western Continental Europe				
Discount rate[1]	**3.4**	4.1	1.2	0.9
Rate of increase in salaries	**2.5**	2.5	2.3	2.2
Rate of increase in pensions in payment	**2.0**	2.0	1.8	1.8
Inflation	**2.0**	2.0	1.7	1.7
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe				
Discount rate[1]	**6.5**	6.4	5.3	4.2
Rate of increase in salaries	**6.2**	5.7	5.6	5.2
Inflation	**3.4**	3.4	3.7	3.7

Notes

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

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

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

Management considers the types of investment classes in which the pension plan assets are invested. The types of investment classes are determined by economic and market conditions and in consideration of specific asset-class risk. The investment strategy of the Group varies by country, albeit there was a general directive by the Group in recent years to de-risk the larger funded plans (mainly in the US and UK) and move towards a liability driven investment strategy.

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.

23. EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

At 31 December 2023, 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 plan	North America	UK	Western Continental Europe	Other[1]
Current pensioners (at age 65) – male	21.8	22.0	23.4	21.1	20.3
Current pensioners (at age 65) – female	23.6	23.4	24.9	24.2	25.1
Future pensioners (current age 45) – male	23.5	23.4	25.4	23.4	20.3
Future pensioners (current age 45) – female	25.2	24.8	27.0	26.0	25.1

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

The life expectancies after age 65 at 31 December 2022 were 22.3 years and 24.0 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 ten years. The duration corresponds to the weighted average length of the underlying cash flows.

	All plan	North America	UK	Western Continental Europe	Other[1]
Weighted average duration of the defined benefit obligation (years)	8.0	7.4	6.3	10.2	5.9
Expected benefit payments over the next ten years (£m)					
Within 12 months	30.2	18.5	0.7	6.0	5.0
In 2025	28.3	18.1	0.6	6.0	3.6
In 2026	29.2	17.8	0.6	6.2	4.6
In 2027	29.0	18.7	0.5	6.2	3.6
In 2028	27.6	15.7	0.5	7.0	4.4
In the next five years	144.4	83.7	1.6	33.2	25.9

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

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

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

Sensitivity analysis of significant actuarial assumptions	(Decrease)/increase in benefit obligation 2023 £m	2022 £m
Discount rate		
Increase by 25 basis points:		
UK	**(0.1)**	(3.6)
North America	**(3.8)**	(4.4)
Western Continental Europe	**(2.3)**	(2.0)
Other[1]	**(0.5)**	(0.5)
Decrease by 25 basis points:		
UK	**0.2**	3.8
North America	**3.9**	4.6
Western Continental Europe	**2.4**	2.1
Other[1]	**0.5**	0.6
Rate of increase in salaries		
Increase by 25 basis points:		
Western Continental Europe	**0.6**	0.5
Other[1]	**0.4**	0.5
Decrease by 25 basis points:		
Western Continental Europe	**(0.6)**	(0.5)
Other[1]	**(0.5)**	(0.5)
Rate of increase in pensions in payment		
Increase by 25 basis points:		
UK	**0.2**	0.7
Western Continental Europe	**1.2**	1.1
Decrease by 25 basis points:		
UK	**–**	(0.6)
Western Continental Europe	**(1.2)**	(1.0)
Life expectancy		
Increase in longevity by one additional year:		
UK	**0.7**	6.8
North America	**3.3**	4.2
Western Continental Europe	**3.0**	2.6

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

(C) PENSION EXPENSE

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

	2023 £m	2022 £m	2021 £m
Service cost[1]	**12.2**	10.4	12.6
Administrative expenses	**2.8**	3.1	2.3
Charge to operating profit	**15.0**	13.5	14.9
Net interest expense on pension plans	**4.3**	2.2	1.8
Charge to profit before taxation for defined benefit plans	**19.3**	15.7	16.7

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

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

	2023 £m	2022 £m	2021 £m
Return on plan assets (excluding interest income)	**6.5**	(127.6)	(29.3)
Changes in demographic assumptions underlying the present value of the plan liabilities	**(0.5)**	0.6	(3.6)
Changes in financial assumptions underlying the present value of the plan liabilities	**(13.8)**	143.5	31.1
Experience (loss)/gain arising on the plan liabilities	**(1.3)**	(0.1)	15.7
Change in irrecoverable surplus	**–**	0.2	0.4
Actuarial (loss)/gain recognised in OCI	**(9.1)**	16.6	14.3

23. EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

(D) MOVEMENT IN PLAN LIABILITIES

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

	2023 £m	2022 £m	2021 £m
Plan liabilities at beginning of year	**552.6**	688.5	772.7
Service cost[1]	**12.2**	10.4	12.6
Interest cost	**20.5**	15.5	12.0
Actuarial loss/(gain):			
Effect of changes in demographic assumptions	**0.5**	(0.6)	3.6
Effect of changes in financial assumptions	**13.8**	(143.5)	(31.1)
Effect of experience adjustments	**1.3**	0.1	(15.7)
Benefits paid	**(37.5)**	(52.0)	(59.5)
(Gain)/loss due to exchange rate movements	**(16.7)**	40.4	(6.1)
Settlement payments[2]	**(163.2)**	(8.7)	(0.3)
Other[3]	**(2.3)**	2.5	0.3
Plan liabilities at end of year	**381.2**	552.6	688.5

Notes

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

2 During the year ended 31 December 2023, the Group completed the winding-up of two defined benefit pension plans: The Ogilvy & Mather Group Pension and Life Assurance Plan and the JWT Pension and Life Assurance Scheme, constituting settlements under IAS 19. The settlements led to the full elimination of associated plan assets and plan liabilities of £145.0 million, the fair value of plan assets equalled the underlying liabilities upon settlement such that there is no impact on 2023 net assets or the income statement

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

(E) MOVEMENT IN PLAN ASSETS

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

	2023 £m	2022 £m	2021 £m
Fair value of plan assets at beginning of year	**430.5**	552.1	616.6
Interest income on plan assets	**16.2**	13.3	10.2
Return on plan assets (excluding interest income)	**6.5**	(127.6)	(29.3)
Employer contributions	**19.8**	24.0	16.7
Benefits paid	**(37.5)**	(52.0)	(59.5)
(Loss)/gain due to exchange rate movements	**(12.4)**	31.5	(0.6)
Settlement payments[1]	**(163.2)**	(8.7)	(0.3)
Administrative expenses	**(2.8)**	(3.1)	(1.8)
Other[2]	**1.9**	1.0	0.1
Fair value of plan assets at end of year	**259.0**	430.5	552.1
Actual return/(loss) on plan assets	**22.7**	(114.3)	(19.1)

Notes

1 During the year ended 31 December 2023, the Group completed the winding-up of two defined benefit pension plans: The Ogilvy & Mather Group Pension and Life Assurance Plan and the JWT Pension and Life Assurance Scheme, constituting settlements under IAS 19. The settlements led to the full elimination of associated plan assets and plan liabilities of £145.0 million, the fair value of plan assets equaled the underlying liabilities upon settlement such that there is no impact on 2023 net assets or the income statement

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

24. RISK MANAGEMENT POLICIES

FOREIGN CURRENCY RISK

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

The Group effects these currency net asset hedges by borrowing in the same currencies as the operating (or "functional") currencies of its main operating units. The majority of the Group's debt is therefore denominated in US dollars, pounds sterling and euros. The Group's borrowings (including cross currency swaps) at 31 December 2023 were primarily made up of $1,874 million, £1,094 million and €2,100 million (2022: $1,667 million, £1,094 million and €2,350 million). The Group's average gross debt during the course of 2023 was $2,511 million, £1,173 million and €2,321 million (2022: $1,667 million, £1,094 million and €2,404 million).

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

INTEREST RATE RISK

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

Including the effect of interest rate and cross-currency swaps, 100% of the year-end US dollar debt is at fixed rates averaging 4.62% for an average period of 66 months; 100% of the sterling debt is at a fixed rate of 2.97% for an average period of 130 months; and 100% of the euro debt is at fixed rates averaging 2.12% for an average period of 48 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 modelled a range of revenue less pass-through costs compared with the year ended 31 December 2023 and a number of mitigating cost actions that are available to the Company. Considering the Group's liquidity headroom and cost mitigation actions which could be implemented, the Group would be able to operate with appropriate liquidity and be able to meet its liabilities as they fall due. The Company modelled a range of revenue less pass-through cost declines up to 31% compared with the year ended 31 December 2023. The likelihood of such a decline is considered remote as compared to Company expectations and external benchmarks. The modelling in this extreme scenario includes cost mitigations of 70% of the decline in revenue less pass-through costs and the suspension of the share buyback programme and dividend. Further measures that were not included in the modelling, should the Company face such an extreme scenario, include the reduction of capital expenditure and acquisitions. Based on the outcome of the above assessments, the Directors have concluded that it is reasonable to expect that the Group will be able to operate within its current facilities for the period of assessment and are therefore comfortable that the Company will be a going concern for at least 12 months from the date of signing the Group's consolidated financial statements. As such, it is appropriate to prepare the financial statements of the Group on a going concern basis.

24. RISK MANAGEMENT POLICIES CONTINUED

At 31 December 2023, the Group has access to £6.4 billion of committed facilities with maturity dates spread over the years 2024 to 2046 as illustrated below:

		2024 £m	2025 £m	2026 £m	2027 £m	2028+ £m
£ bonds £400m (2.875% 2046)	**400.0**					400.0
US bond $220m (5.625% 2043)	**172.7**					172.7
US bond $93m (5.125% 2042)	**72.9**					72.9
£ bonds £250m (3.75% 2032)	**250.0**					250.0
Eurobonds €600m (1.625% 2030)	**520.2**					520.2
Eurobonds €750m (4.125% 2028)	**650.2**					650.2
Eurobonds €750m (2.375% 2027)	**650.2**				650.2	
Eurobonds €750m (2.25% 2026)	**650.2**			650.2		
Bank revolver ($2,500m 2026)	**1,963.7**			1,963.7		
Eurobonds €500m (1.375% 2025)	**433.5**		433.5			
US bond $750m (3.75% 2024)	**589.1**	589.1				
Total committed facilities available	**6,352.7**	**589.1**	**433.5**	**2,613.9**	**650.2**	**2,066.0**
Drawn down facilities at 31 December 2023	**4,389.0**	589.1	433.5	650.2	650.2	2,066.0
Undrawn committed credit facilities	**1,963.7**					
Drawn down facilities at 31 December 2023	**4,389.0**					
Net cash at 31 December 2023	**(1,859.3)**					
Other adjustments	**(25.9)**					
Adjusted net debt at 31 December 2023	**2,503.8**					

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

TREASURY ACTIVITIES

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

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

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

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 10, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity and in notes 26 and 27.

CREDIT RISK

The Group's principal financial assets are cash and short-term deposits, trade and other receivables and other investments, the carrying values of which represent the Group's maximum exposure to credit risk in relation to financial assets, as shown in note 25.

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 expected credit losses, estimated by the Group's management based on expected losses, prior experience and their assessment of the current economic environment. A relatively small number of clients make up a significant percentage of the Group's debtors, but no single client represents more than 6% of total trade receivables as at 31 December 2023 or 31 December 2022.

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

EFFECTS OF HEDGE ACCOUNTING ON THE FINANCIAL POSITION AND PERFORMANCE

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

	2023	2022
(i) Cash flow hedges of foreign currency risk[1]		
Carrying amount of derivative hedging instruments[2]	**(£16.5m)**	(£6.6m)
Notional amount of hedged items	**€1,250.0m**	€1,000.0m
Notional amount of hedging instruments	**€1,250.0m**	€1,000.0m
Maturity date	**2025-2028**	2023-2025
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness for outstanding hedging instruments	**(£32.4m)**	£38.5m
Change in value of hedging instrument used to determine hedge effectiveness for outstanding hedging instruments	**£29.6m**	(£41.4m)
Hedge ineffectiveness (revaluation and retranslation of financial instruments)	**£2.7m**	£2.9m
Weighted average hedged rate for outstanding hedging instruments	**4.4%**	3.2%
(ii) Net investment hedges of foreign currency risk		
Carrying amount of derivative hedging instruments[2]	**£48.2m**	(£46.9m)
Carrying amount of non-derivative hedging instruments (bonds and bank loans)	**(£835.0m)**	(£879.5m)
Notional amount of hedging instruments	**$1,873.9m**	$1,666.8m
Notional amount of hedged net assets	**$1,873.9m**	$1,666.8m
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness	**£108.2m**	(£141.5m)
Change in value of hedging instrument used to determine effectiveness	**(£110.1m)**	£141.5m
Hedge ineffectiveness (revaluation and retranslation of financial instruments)	**£1.9m**	–
Weighted average hedged rate for the year (USD/GBP)	**1.2731**	1.2083

Notes

1 Relates to cross currency swaps designated as cash flow hedges

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

24. RISK MANAGEMENT POLICIES CONTINUED

SENSITIVITY ANALYSIS

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

CURRENCY RISK

A 10% weakening of sterling against the Group's major currencies would result in the following impacts on the income statement and equity, which would arise on the retranslation of foreign currency-denominated monetary items. A 10% strengthening of sterling would have an equal and opposite effect.

	Impact on income statement		Impact on equity	
	2023 £m	2022 £m	**2023 £m**	2022 £m
US dollar	**(41.0)**	(179.6)	**(18.0)**	34.6
Euro	**(185.8)**	78.9	**–**	(11.3)

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 2023 would increase profit before tax by approximately £18.6 million (2022: £19.9 million). A one percentage point decrease in market interest rates would have an equal and opposite effect. This has been calculated by applying the interest rate change to the Group's variable rate cash and borrowings. Note that in practice, the Group has a cyclical cash profile throughout the year.

25. FINANCIAL INSTRUMENTS

CURRENCY DERIVATIVES

The Group utilises currency derivatives to hedge significant future transactions and cash flows and the exchange risk arising on translation of the Group's investments in foreign operations. The Group is a party to a variety of foreign currency derivatives in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets. The Group designates foreign currency-denominated debt as hedging instruments against the exposure to movements in the spot translation rates associated with the translation of its foreign operations.

The Group also designates certain cross currency swaps as hedging instruments in cash flow hedges to manage its exposure to foreign exchange risk and interest rate risk on its borrowings. During the year, the Group entered into cross currency swap contracts due in May 2028 with receipts of €750.0 million and payments of $810.9 million. In November 2023, the Group's contracts for receipts of €500.0 million and payments of $604.2 million matured. Contracts due in March 2025 have receipts of €500.0 million and payments of £444.1 million.

In March 2023, the Group designated £80.6 million of non-deliverable forward foreign exchange contracts as hedging instruments in cash flow hedges to manage its exposure to foreign exchange risk on highly probable forecast foreign currency transactions (primarily INR and USD). The contracts have maturity dates between 2024 and 2028.

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

At 31 December 2023, the fair value of the Group's currency derivatives in designated hedging relationships is estimated to be a net asset of approximately £31.7 million (2022: net liability of £52.7 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £31.7 million (2022: £0.6 million) assets included in trade and other receivables and nil (2022: £53.3 million) liabilities included in trade and other payables. The fair value of currency derivatives is based on the present value of contractual cash flows using foreign currency and interest rate forward market curves at the balance sheet date. The amounts taken to and deferred in equity during the year for currency derivatives that are designated as hedges and considered effective was a credit of £108.2 million (2022: debit of £141.5 million) for net investment hedges.

For cash flow hedge arrangements, amounts of a debit of £43.3 million (2022: credit of £38.5 million) representing the effective portion of the gain or loss on the hedging instrument were taken to equity, and £44.2 million was reclassified to profit or loss in the same period when the related foreign exchange impact on the associated hedged item affected profit or loss. During the year the hedges of the €750.0 million Eurobond were discontinued as the hedging item and hedging instrument matured which resulted in a debit of £11.8 million taken to equity and recycled to profit and loss.

Changes in the fair value relating to the ineffective portion of the currency derivatives that are designated hedges amounted to £5.0 million (2022: £2.7 million) which is included within revaluation and retranslation of financial instruments in the income statement. At the balance sheet date, the total nominal amount of outstanding forward foreign exchange contracts not designated as hedges was £955.2 million (2022: £1,004.8 million). The Group estimates the fair value of these contracts to be a net liability of £0.8 million (2022: net asset of £0.4 million).

As at 31 December 2023, the Group had designated its $93.0 million bond, $750.0 million bond, $220.0 million bond, and $810.9 million leg of its cross currency swap, as the hedging instruments in a net investment hedge relationship. The Group has designated the €500.0 million leg of its March 2025 cross currency swap and €750.0 million of its May 2028 cross currency swap as hedging instruments in cash flow hedges. £80.6 million of non-deliverable forward foreign exchange contracts has also been designated as the hedging instrument in a cash flow hedge. Possible sources of ineffectiveness include any impairments to the Group's net investment in US dollars. The hedges are documented and are assessed for effectiveness on an ongoing basis. All hedge relationships were effective during the year.

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

25. 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 £m	Amortised cost £m	Carrying value £m
2023					
Other investments	–	257.2	75.5	–	332.7
Cash and short-term deposits	–	180.7	–	2,036.8	2,217.5
Bank overdrafts and bonds: amounts falling due within one year	–	–	–	(946.3)	(946.3)
Bonds: amounts falling due after more than one year	–	–	–	(3,775.0)	(3,775.0)
Trade and other receivables: amounts falling due within one year	–	–	–	10,601.4	10,601.4
Trade and other receivables: amounts falling due after more than one year	–	–	–	118.3	118.3
Trade and other payables: amounts falling due within one year	–	–	–	(10,917.4)	(10,917.4)
Trade and other payables: amounts falling due after more than one year	–	–	–	(1.5)	(1.5)
Derivative assets	31.7	2.2	–	–	33.9
Derivative liabilities	–	(3.0)	–	–	(3.0)
Payments due to vendors (earnout agreements)	–	(198.7)	–	–	(198.7)
Liabilities in respect of put options	–	–	–	(103.6)	(103.6)
	31.7	**238.4**	**75.5**	**(2,987.3)**	**(2,641.7)**

	Derivatives in designated hedge relationships £m	Held at fair value through profit or loss £m	Held at fair value through other comprehensive income £m	Amortised cost £m	Carrying value £m
2022					
Other investments	–	255.7	114.1	–	369.8
Cash and short-term deposits[1]	–	219.9	–	2,271.6	2,491.5
Bank overdrafts and bonds: amounts falling due within one year	–	–	–	(1,169.0)	(1,169.0)
Bonds: amounts falling due after more than one year	–	–	–	(3,801.8)	(3,801.8)
Trade and other receivables: amounts falling due within one year	–	–	–	11,338.0	11,338.0
Trade and other receivables: amounts falling due after more than one year	–	–	–	146.2	146.2
Trade and other payables: amounts falling due within one year	–	–	–	(11,283.0)	(11,283.0)
Trade and other payables: amounts falling due after more than one year	–	–	–	(0.9)	(0.9)
Derivative assets	0.6	5.1	–	–	5.7
Derivative liabilities	(53.3)	(4.7)	–	–	(58.0)
Payments due to vendors (earnout agreements)	–	(160.1)	–	–	(160.1)
Liabilities in respect of put options[2]	–	–	–	(342.1)	(342.1)
	(52.7)	315.9	114.1	(2,841.0)	(2,463.7)

Notes

1 Certain money market funds included within cash and short-term deposits for the year ended 31 December 2022 have been re-presented given they are measured at held at fair value through profit or loss in accordance with IFRS 9. Prior year balances were presented as amortised cost

2 Liabilities in respect of put option balances for the year ended 31 December 2022 have been re-presented given they are measured at amortised cost in accordance with IFRS 9. Prior year balances were presented as held at fair value through profit or loss

25. FINANCIAL INSTRUMENTS CONTINUED

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

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

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

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

2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives in designated hedge relationships				
Derivative assets	–	31.7	–	31.7
Derivative liabilities	–	–	–	–
Held at fair value through profit or loss				
Other investments	0.6	–	256.6	257.2
Derivative assets	–	2.2	–	2.2
Derivative liabilities	–	(3.0)	–	(3.0)
Payments due to vendors (earnout agreements)	–	–	(198.7)	(198.7)
Held at fair value through other comprehensive income				
Other investments	7.4	–	68.1	75.5

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

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

Reconciliation of level 3 fair value measurements:

	Payments due to vendors (earnout agreements) £m	Other investments £m
1 January 2022	(196.7)	290.0
Gains recognised in the income statement	26.2	23.1
Losses recognised in other comprehensive income	–	(5.3)
Exchange adjustments	(14.3)	–
Additions	(46.7)	66.7
Disposals	–	(16.0)
Cancellations	–	–
Settlements	71.4	–
31 December 2022	(160.1)	358.5
Gains/(losses) recognised in the income statement	50.8	(26.7)
Gains recognised in other comprehensive income	–	0.7
Exchange adjustments	1.8	–
Additions	(149.7)	2.6
Disposals	–	(10.4)
Settlements	58.5	–
31 December 2023	**(198.7)**	**324.7**

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

25. FINANCIAL INSTRUMENTS CONTINUED

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

Future anticipated payments due to vendors in respect of contingent consideration (earnout agreements) are recorded at fair value, which is the present value of the expected cash outflows of the obligations. Liabilities in respect of put option agreements are initially recorded at the present value of the redemption amount in accordance with IAS 32 and subsequently measured at amortised cost in accordance with IFRS 9. Both types of obligations are dependent on the future financial performance of the entity and it is assumed that future profits are in line with Directors' estimates. The Directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition.

As of 31 December 2023, 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 £326 million (2022: nil to £226 million) and nil to £753 million (2022: nil to £695 million), respectively. The increase in the maximum potential undiscounted amount of future payments for all earnout agreements is due to current year acquisitions, which is partially offset by earnout arrangements that have been completed and paid.

At 31 December 2023, the weighted average growth rate in estimating future financial performance was 14.6% (2022: 12.4%). The weighted average of the risk-adjusted discount rate applied to these obligations at 31 December 2023 was 7.0% (2022: 7.6%).

A one percentage point increase or decrease in the growth rate in estimated future financial performance would increase or decrease the combined liabilities due to earnout agreements and put options by approximately £1.4 million (2022: £9.1 million) and £5.5 million (2022: £6.9 million), respectively.

A 0.5 percentage point increase or decrease in the risk adjusted discount rate would decrease or increase the combined liabilities by approximately £2.5 million (2022: £7.3 million) and £2.5 million (2022: £7.4 million), respectively. An increase in the liability would result in a loss in the revaluation of financial instruments, while a decrease would result in a gain.

OTHER INVESTMENTS

The fair value of other investments included in level 1 is based on quoted market prices. Other investments included in level 3 are unlisted securities, where market value is not readily available. The Group has estimated relevant fair values on the basis of information from outside sources using the most appropriate valuation technique, including all external funding rounds, revenue and EBITDA multiples, discounted cash flows and the share of fund net asset value. The sensitivity to changes in unobservable inputs is specific to each individual investment. A change to one or more of these unobservable inputs to reflect a reasonably possible alternative assumption would not result in a significant change to the fair value.

During 2022, Imagina stepped down from interests in associates to other investments and this investment was designated as fair value through other comprehensive income. There were no step downs to other investments which occurred in 2023.

26. AUTHORISED AND ISSUED SHARE CAPITAL

	Equity ordinary shares	Nominal value £m
Authorised		
1 January 2022	1,750,000,000	175.0
31 December 2022	1,750,000,000	175.0
31 December 2023	**1,750,000,000**	**175.0**
Issued and fully paid		
1 January 2022	1,224,459,550	122.4
Exercise of share options	125,700	–
Share cancellations	(83,157,954)	(8.3)
At 31 December 2022	1,141,427,296	114.1
Exercise of share options	85,900	–
Share cancellations	–	–
At 31 December 2023	**1,141,513,196**	**114.1**

COMPANY'S OWN SHARES

The Company's holdings of own shares are stated at cost and represent shares held in treasury and purchases by the Employee Share Ownership Plan (ESOP) trusts of shares in the Company for the purpose of funding certain of the Group's share-based incentive plans, details of which are disclosed in the Compensation Committee report on pages 139 to 168.

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 2023 was 490,646 (2022: 1,211,974) and £3.7 million (2022: £9.9 million) respectively. The number and market value of ordinary shares held in treasury at 31 December 2023 was 66,675,497 (2022: 70,489,953) and £502.1 million (2022: £578.2 million) respectively.

27. OTHER RESERVES

Other reserves comprise the following:

	Capital redemption reserve £m	Equity reserve £m	Hedging reserve £m	Translation reserve £m	Total other reserves £m
Balance at 1 January 2022	13.6	(576.7)	–	227.2	(335.9)
Foreign exchange differences on translation of foreign operations	–	–	–	409.0	409.0
Loss on net investment hedges	–	–	–	(141.5)	(141.5)
Cash flow hedges:					
Fair value gain arising on hedging instruments	–	–	38.5	–	38.5
Less: loss reclassified to profit or loss	–	–	(38.5)	–	(38.5)
Share of other comprehensive income of associate undertakings	–	–	–	31.9	31.9
Share cancellations	8.3	–	–	–	8.3
Recognition/derecognition of liabilities in respect of put options	–	101.7	–	–	101.7
Share purchases – close period commitments	–	211.7	–	–	211.7
Balance at 31 December 2022	21.9	(263.3)	–	526.6	285.2
Foreign exchange differences on translation of foreign operations	–	–	–	(404.0)	(404.0)
Gain on net investment hedges	–	–	–	108.2	108.2
Cash flow hedges:					
Fair value loss arising on hedging instruments	–	–	(43.3)	–	(43.3)
Less: gain reclassified to profit or loss	–	–	44.2	–	44.2
Share of other comprehensive loss of associate undertakings	–	–	–	(0.9)	(0.9)
Share cancellations	–	–	–	–	–
Recognition/derecognition of liabilities in respect of put options	–	197.2	–	–	197.2
Share purchases – close period commitments	–	–	–	–	–
Balance at 31 December 2023	**21.9**	**(66.1)**	**0.9**	**229.9**	**186.6**

The capital redemption reserve relates entirely to share cancellations.

The equity reserve primarily relates to the recognition/derecognition of liabilities in respect of put option agreements entered into by the Group as part of a business combination that allows non-controlling shareholders to sell their shares to the Group in the future. During 2023, the Company sold a portion of its ownership of FGS to KKR. As part of this transaction the previous put option granted to management shareholders was derecognised. During 2021, the Company entered into an agreement with a third party to conduct share buybacks on its behalf in the close period commencing on 16 December 2021 and ending on 18 February 2022, in accordance with UK listing rules. The commitment resulting from this agreement constituted a liability at 31 December 2021 and was also recognised as a movement in the equity reserve in the year ended 31 December 2021. After the close period ended on 18 February 2022, the liability was settled and the amount in other reserves was reclassified to retained earnings.

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

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

The translation reserve comprises:

	2023 £m	2022 £m
Balance relating to continuing net investment hedges	**(53.1)**	(143.8)
Balance relating to discontinued net investment hedges	**(67.5)**	(85.0)
Balance relating to foreign exchange differences on translation of foreign operations	**350.5**	755.4
	229.9	526.6

28. ACQUISITIONS

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

The Group acquired a number of subsidiaries in the year. Details of the purchase consideration, the assets and liabilities recognised as a result of the acquisition and the goodwill recognised has been outlined in the table below.

	Book value at acquisition £m	Fair value adjustments £m	Fair value to Group £m
Intangible assets	2.9	138.5	141.4
Right-of-use assets	2.4	–	2.4
Property, plant and equipment	0.8	–	0.8
Cash and cash equivalents	22.5	–	22.5
Trade receivables due within one year	12.6	–	12.6
Other current assets	4.9	–	4.9
Total assets	**46.1**	**138.5**	**184.6**
Short-term loans	(48.9)	–	(48.9)
Other current liabilities	(37.1)	–	(37.1)
Trade and other payables due after one year	(0.6)	(3.0)	(3.6)
Deferred tax liabilities	1.5	(35.0)	(33.5)
Long-term lease liabilities	(1.9)	–	(1.9)
Provisions	(0.4)	(0.2)	(0.6)
Total liabilities	**(87.4)**	**(38.2)**	**(125.6)**
Net assets	**(41.3)**	**100.3**	**59.0**
Non-controlling interests			(1.7)
Goodwill			297.8
Consideration			355.1
Consideration satisfied by:			
Cash			227.4
Payments due to vendors			127.7

Goodwill arising from acquisitions represents the value of synergies with our existing portfolio of businesses and skilled staff to deliver services to our clients. Goodwill that is expected to be deductible for tax purposes is £61.9 million.

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

The contribution to revenue and operating profit of acquisitions completed in the year was not material. There were no material acquisitions completed between 31 December 2023 and the date the financial statements have been authorised for issue.

29. RELATED PARTY TRANSACTIONS

The Group enters into transactions with its associate undertakings. The Group has continuing transactions with Kantar, including sales, purchases, the provision of IT services, subleases and property-related items.

In the year ended 31 December 2023, revenue of £233.0 million (2022: £159.7 million[1]) was reported in relation to Compas, an associate in the USA, and revenue of £20.9 million (2022: £42.7 million) was reported in relation to Kantar. All other transactions in the years presented were immaterial.

The following amounts were outstanding at 31 December:

	2023 £m	2022 £m
Amounts owed by related parties		
Kantar	**17.5**	26.1
Other	**56.0**	62.4
	73.5	88.5
Amounts owed to related parties		
Kantar	**(4.7)**	(10.5)
Other	**(70.4)**	(65.2)
	(75.1)	(75.7)

There are no material provisions for doubtful debts relating to these balances and no material expense has been recognised in the income statement in relation to bad or doubtful debts for 2023 or 2022.

Note

[1] Revenue in relation to Compas for the period ended 31 December 2022 was restated from £88.3 million to £159.7 million

30. EVENTS AFTER THE REPORTING PERIOD

On 20 February 2024, the Group refinanced its five-year Revolving Credit Facility of $2.5 billion maturing March 2026. The new $2.5 billion facility runs for five years with two one-year extension options maturing February 2029 (excluding options) and with no financial covenants.

On 12 March 2024, the Group refinanced its $750 million of 3.75% bonds due September 2024 and €500 million of 1.375% bonds due March 2025 as planned, issuing two bonds, €600 million of 3.625% bonds due September 2029 and €650 million of 4.0% bonds due September 2033.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WPP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion the financial statements of WPP plc and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been properly prepared in accordance with Companies (Jersey) Law, 1991

We have audited the financial statements which comprise:

- the accounting policies;
- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated cash flow statement;
- the consolidated balance sheet;
- the consolidated statement of changes in equity; and
- the related notes 1 to 30 of the consolidated financial statements

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as issued by the IASB.

2. BASIS FOR OPINION

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

We are independent of the group 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 for the year are disclosed in note 3 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group.

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

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matter	The key audit matter we identified in the current year was valuation of goodwill, consistent with the 2022 audit.
Materiality	Group materiality has been determined as £65m (2022: £60m). Our selected materiality represents 5.4% of pre-tax profit, normalised for property-related restructuring costs and accelerated amortisation of acquired intangible assets arising from the VML merger (see note 3).
Scoping	We identified 46 in scope operating units, only one of which is considered individually financially significant. We performed audit procedures over 69% of the group's consolidated revenue (2022: 68%), 81% of the group's total assets (2022: 80%) and 79% of the group's total liabilities (2022: 74%). Procedures were performed either by a component auditor at an operating unit level under the direction and supervision of the group auditor, or performed centrally by the group auditor.
Significant changes in our approach	*Change in materiality basis* We have determined group materiality on the basis of pre-tax profit normalised for property-related restructuring costs and accelerated amortisation of acquired intangible assets arising from the VML merger, also considering Headline EBITDA as a relevant metric. In 2022, we determined materiality based on pre-tax profit, considering Headline EBITDA and revenue as relevant metrics. *Identification of financially significant component* Following internal group reorganisation during the year, we assessed that one component, representing 13% of group consolidated revenues was individually financially significant (2022: 0).

4. CONCLUSIONS RELATING TO GOING CONCERN

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

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- testing controls over management's going concern model, including the review of the inputs and assumptions used in the model;
- identifying the key assumptions, including those relating to the current macroeconomic uncertainty, and evaluating the appropriateness of these assumptions and their consistency with management's presentations to the Board and Audit Committee;
- comparing the forecasts within the going concern model to recent historical financial information;
- testing the mechanical accuracy of the going concern model;
- testing the covenant compliance calculation and headroom thereof at the balance sheet date, both under the group's forecasts and in severe downside scenarios, notwithstanding the subsequent refinancing of the Group's Revolving Credit Facility in February 2024, which removed financial covenants;
- confirming the existence and availability of financing facilities;
- evaluating the appropriateness of management's sensitivity analysis modelled under their most severe scenario, including an evaluation of the mitigating actions available to management; and
- evaluating the disclosures on going concern

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

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

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

5. KEY AUDIT MATTERS

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

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

5.1. VALUATION OF GOODWILL (REFER TO THE ACCOUNTING POLICIES AND NOTE 13 (INTANGIBLE ASSETS) TO THE FINANCIAL STATEMENTS, AND THE AUDIT COMMITTEE REPORT)

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
VALUATION OF GOODWILL **(Refer to the Accounting Policies and Note 13 (Intangible assets) to the financial statements, and the Audit Committee Report)**		

The group's assessment of goodwill for impairment involves the comparison of the recoverable amount of goodwill, calculated as the higher of fair value less costs of disposal and value in use, to its carrying value at each measurement date. The group applied the value in use approach, which uses a discounted cash flow model to estimate the recoverable amount of each cash generating unit or group of cash generating units and requires management to make significant estimates and assumptions related to discount rates, profit margins and long-term growth rates. The net book value of goodwill was £8,389 million as at 31 December 2023 (31 December 2022: £8,453 million).
 	
We identified goodwill valuation as a key audit matter because of the significant judgements made by management, which consider future impacts of the current economic uncertainty, to estimate the value-in-use of goodwill and the increased auditor judgement and level of audit effort required to obtain evidence to test these significant judgements, including the use of specialists. Estimates of future performance and market conditions used to arrive at the net present value of future cash flows at the relevant assessment date, which is used within the goodwill impairment analysis, are subjective in nature, with increased uncertainty due to inflationary pressures, rising interest rates and global economic uncertainty. Through our risk assessment procedures, we identified those inputs that were the most sensitive in determining the value in use, which enabled us to design our audit procedures to focus on those estimates that are either complex, including the discount rate calculations, or subjective in nature, including the profit margins and long-term growth rates.
	Our audit procedures focused on challenging and evaluating the discount rates, profit margins and long-term growth rates used in the discounted cash flow model to determine the value in use and included the following audit procedures, among others:
	
	– We tested the effectiveness of controls over management's estimations of the profit margins, discount rates and long-term growth rates used to determine the value in use
	– We assessed the appropriateness of forecasted profit margins and growth rates by considering both corroboratory and contradictory evidence. We performed procedures such as comparing to external economic data, including peers, market data and wider economic forecasts, specifically assessing the impact of inflationary pressures and rising interest rates on the forecasts
	– We evaluated management's ability to accurately forecast future profit margins and long-term growth rates by comparing actual results to management's historical forecasts
	– With the assistance of our valuation specialists, we assessed the mechanical accuracy of the impairment model and the methodology applied by management for consistency with the requirements of IAS 36 *Impairment of assets*
	– With the assistance of our valuation specialists, we evaluated the appropriateness of the discount rates and long-term growth rates used by:
	  – Testing the source information underlying the determination of the discount rates and the mathematical accuracy of the calculation;
	  – Assessing the methodology applied in the discount rates calculations against market practice valuation techniques; and
	  – Assessing the long-term growth rates against independent market data and an independently derived weighted average rate for each country, based on their GDP forecasts
	– We evaluated the group's disclosures on goodwill against the requirements of IFRS.
		Based on our procedures, we determined management's assumptions used in the valuation of goodwill to be reasonable.

6. OUR APPLICATION OF MATERIALITY

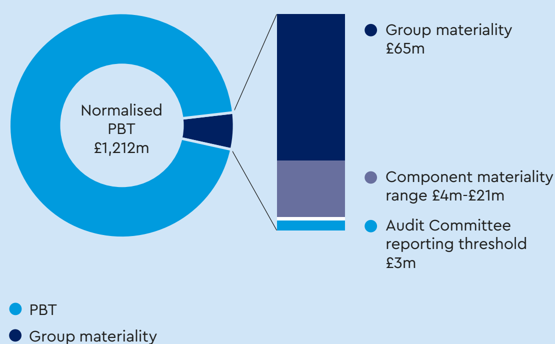
6.1. MATERIALITY

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

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

Group Materiality	£65 million (2022: £60 million)
Basis for determining materiality	We have considered a number of metrics when determining group materiality, including: pre-tax profit normalised for property-related restructuring costs and accelerated amortisation of acquired intangible assets arising from the VML merger (see note 3) and Headline EBITDA.[1] Materiality represents 5.4% of normalised pre-tax profit; and 2.9% of Headline EBITDA. In 2022, we determined materiality to be £60 million, which represented 5.2% of pre-tax profit, 0.4% of revenue and 2.7% of Headline EBITDA.
Rationale for the benchmark applied	We have determined that the primary benchmark for the group was pre-tax profit normalised for property-related restructuring costs and accelerated amortisation of acquired intangible assets arising from the VML merger (see note 3) because we consider this measure to be the primary focus of users of the financial statements. Pre-tax profit was normalised to remove the effects of non-recurring costs which would otherwise distort the earnings of the group when considering the performance of the underlying business. We also considered headline EBITDA as a relevant metric to the users of the financial statements.

1 The calculation of headline EBITDA is set out on page 223



6.2. PERFORMANCE MATERIALITY

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 65% of group materiality for the 2023 audit (2022: 65%). In determining performance materiality, we considered the following factors:

- our risk assessment and assessment of the group's overall control environment, financial processes and systems in the majority of areas of the audit; and
- our past experience of the audit, including the nature, volume and size of historic misstatements.

6.3. ERROR REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £3.0 million (2022: £2.5 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.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. IDENTIFICATION AND SCOPING OF COMPONENTS

As a result of the disaggregated structure and diversity of the group, a significant portion of our audit planning effort was ensuring that the scope of work is appropriate in addressing the identified risks of material misstatement.

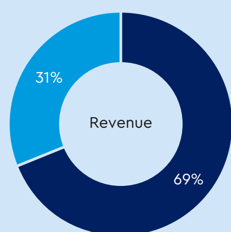
In selecting the components that are in scope each year, we refresh and update our understanding of the group and its environment, including obtaining an understanding of the group's system of internal controls, and assessing the risks of material misstatement at the group level, in order to ensure that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

We identified 46 operating units as in scope components in the current year (2022: 64 operating units). The reduction in number of operating units in scope is a result of internal reorganisation of operating units during the period. Operating units are defined as business locations operating under a common control environment. Following the reorganisation, we assessed that one operating unit, representing 13% of group consolidated revenues, was individually financially significant (2022: 0).

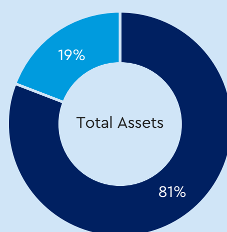
Audit procedures were performed over 69% of the group's consolidated revenue (2022: 68%), 81% of the group's total assets (2022: 80%) and 79% of the group's total liabilities (2022: 74%). Audit procedures included testing at a component level performed by a component auditor under the direction and supervision of the group auditor, and further testing, including substantive analytical procedures, performed centrally by the group auditor. The substantive analytical procedures were based on our current knowledge of the group, our historical experience and the wider market.

All our audit work on components is executed at levels of reduced materiality according to the size of the component; many of which are local statutory materiality levels which in all instances are no higher than 50% of group performance materiality.

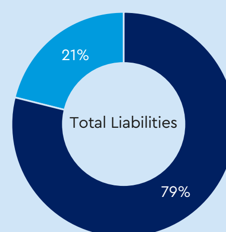
In order to support our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining operating units, we tested the consolidation process and performed further group level analytical procedures.



- Subject to audit procedures
- Analytical procedures at group level



- Subject to audit procedures
- Analytical procedures at group level



- Subject to audit procedures
- Analytical procedures at group level

7.2. OUR CONSIDERATION OF THE CONTROL ENVIRONMENT

Our audit plan is designed to understand key internal controls in our audit so that we can design effective procedures. We tested the effectiveness of internal controls, including the general IT controls, over financial reporting in all areas of the audit across all in-scope entities.

7.3. OUR CONSIDERATION OF CLIMATE-RELATED RISKS

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

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

Our procedures to address our identified risks involved considering the impact of the risks on the financial statements overall, including in the application of individual accounting standards and within the procedures to address our key audit matter, valuation of goodwill. Such considerations included the impact of the group's net zero carbon emission commitments, and changes in regulation and reporting standards. We further reconciled the disclosures made to underlying supporting evidence. With the assistance of internal specialists, we assessed the TCFD recommended disclosures within the Annual Report and considered whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We also assessed the disclosures made in respect of climate change within the accounting policies of the annual report and for consistency with our audit procedures performed. These areas include valuation of intangible assets, property, plant and equipment and leases, measurement of deferred tax assets, provisions, including employee benefit obligations, and going concern.

7.4. WORKING WITH OTHER AUDITORS

The group audit team exercises its oversight of component auditors using a carefully designed programme, which considers a variety of factors including the size and complexity of the entity. The group audit team directs, supervises and evaluates the audit work performed by component audit teams by:

- speaking regularly with teams about the status of their work;
- reviewing reporting and underlying workpapers where determined to be necessary; and
- attending key meetings including close meetings

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

- In years when the group engagement team elects to not visit a component, either physically or virtually, the group engagement team:
- includes the component audit partner in our team planning meeting;
- discusses the results of the group-led risk assessment; and
- reviews the documentation of the findings from their work and discusses with them as needed

These procedures are designed so that the Senior Statutory Auditor or a senior member of the group audit team can have oversight of the work of our component auditors on a regular basis. In addition, the group engagement team assesses the competence of each of our component auditors.

The group engagement team also holds quarterly meetings with management at a regional and global level in order to update our understanding of the group and its environment on an ongoing basis.

8. OTHER INFORMATION

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

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

In preparing the financial statements, the directors are responsible for assessing the group's 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 to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

11.1. IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

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

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

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override, including adjustments made in the financial reporting process outside of local operational reporting.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Securities and Exchange Commission rules, Securities Law in the UK and US, the UK Listing Rules, Companies (Jersey) Law, 1991 and tax legislation in the group's various jurisdictions.

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

11.2. AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY OUR ENGAGEMENT LETTER

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

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

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

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

13. CORPORATE GOVERNANCE STATEMENT

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

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

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 97
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 97;
- the directors' statement on fair, balanced and understandable set out on page 169;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 98-105;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 133; and
- the section describing the work of the audit committee set out on pages 130-136

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

14.1. ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

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

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

The parent company financial statements are not in agreement with the accounting records and returns

We have nothing to report in respect of these matters.

14.2 DIRECTORS' REMUNERATION

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

We have nothing to report in respect of these matters.

15. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

15.1. AUDITOR TENURE

Following the recommendation of the audit committee, we were appointed by the company at the Annual General Meeting on 20 May 2002 to audit the financial statements for the year ending 31 December 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 22 years, covering the years ending 31 December 2002 to 31 December 2023.

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

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

16. USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and those matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

We have reported separately on the parent company financial statements of WPP plc for the year ended 31 December 2023. That report includes details of the parent company key audit matters; how we applied the concept of materiality in planning and performing our audit of the parent company; and an overview of the scope of our audit of the parent company.

James A Bates

James Bates, FCA
For and on behalf of Deloitte LLP
London, United Kingdom
21 March 2024

RECONCILIATION TO NON-GAAP MEASURES OF PERFORMANCE

The Group presents alternative performance measures, including headline operating profit, headline operating profit margin, headline profit before interest and tax, headline profit before tax, headline earnings, headline EPS, diluted headline EPS, headline EBITDA, revenue less pass-through costs, adjusted net debt and adjusted free cash flow. They are used by management for internal performance analyses; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies; and these measures are useful in connection with discussions with the investment community.

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

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

Reconciliation of revenue to revenue less pass-through costs:

	2023 £m	2022 £m	2021 £m
Revenue	**14,844.8**	14,428.7	12,801.1
Media pass-through costs	**(2,173.6)**	(1,905.7)	(1,865.3)
Other pass-through costs	**(811.5)**	(723.7)	(538.6)
Revenue less pass-through costs	**11,859.7**	11,799.3	10,397.2

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

Reconciliation of profit before taxation to headline operating profit:

	2023 £m	2022 £m	2021 £m
Profit before taxation	**346.3**	1,159.8	950.8
Finance and investment income	**(127.3)**	(145.4)	(69.4)
Finance costs	**389.0**	359.4	283.6
Revaluation and retranslation of financial instruments	**(6.8)**	(76.0)	87.8
Profit before interest and taxation	**601.2**	1,297.8	1,252.8
(Earnings)/loss from associates – after interest and tax	**(70.2)**	60.4	(23.8)
Operating profit	**531.0**	1,358.2	1,229.0
Operating profit margin %	**4.5%**	11.5%	11.8%
Goodwill impairment	**63.6**	37.9	1.8
Amortisation and impairment of acquired intangible assets	**727.9**	62.1	97.8
Investment and other impairment charges/(reversals)	**17.8**	77.0	(42.4)
Restructuring and transformation costs	**195.5**	218.8	175.4
Property-related restructuring costs	**232.5**	18.0	–
(Gains)/losses on disposal of investments and subsidiaries	**(7.1)**	36.3	10.6
Gains on remeasurement of equity interests arising from a change in scope of ownership	**–**	(66.5)	–
Litigation settlement	**(11.0)**	–	21.3
Headline operating profit	**1,750.2**	1,741.8	1,493.5
Headline operating profit margin %	**14.8%**	14.8%	14.4%

	2023 £m	2022 £m	2021 £m
Headline operating profit	**1,750.2**	1,741.8	1,493.5
Finance and investment income	**127.3**	145.4	69.4
Finance costs (excluding interest expense related to lease liabilities)	**(282.7)**	(263.7)	(192.7)
	(155.4)	(118.3)	(123.3)
Non-lease interest cover[1] on headline operating profit	**11.3 times**	14.7 times	12.1 times

Note

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

Headline operating profit and headline operating margin are metrics that management uses to assess the performance of the business.

Headline operating profit margin before and after earnings from associates:

	Margin %	**2023 £m**	Margin %	2022 £m	Margin %	2021 £m
Revenue less pass-through costs		**11,859.7**		11,799.3		10,397.2
Headline operating profit	**14.8**	**1,750.2**	14.8	1,741.8	14.4	1,493.5
Earnings from associates (after interest and tax, excluding adjusting items)		**36.2**		73.9		86.1
Headline PBIT	**15.1**	**1,786.4**	15.4	1,815.7	15.2	1,579.6

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

Calculation of headline EBITDA:

	2023 £m	2022 £m	2021 £m
Headline PBIT (as above)	**1,786.4**	1,815.7	1,579.6
Depreciation of property, plant and equipment	**165.1**	166.9	151.2
Amortisation of other intangible assets	**24.8**	21.9	19.9
Headline EBITDA (including depreciation of right-of-use assets)	**1,976.3**	2,004.5	1,750.7
Depreciation of right-of-use assets	**256.8**	262.2	272.9
Headline EBITDA	**2,233.1**	2,266.7	2,023.6

Headline EBITDA is a key metric used 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 (average adjusted net debt/headline EBITDA within the range of 1.5x-1.75x by year end 2024).

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

	2023 £m	2022 £m	2021 £m
Profit before taxation	**346.3**	1,159.8	950.8
Goodwill impairment	**63.6**	37.9	1.8
Amortisation and impairment of acquired intangible assets	**727.9**	62.1	97.8
Investment and other impairment charges/(reversals)	**17.8**	77.0	(42.4)
Restructuring and transformation costs	**195.5**	218.8	175.4
Property-related restructuring costs	**232.5**	18.0	–
(Gains)/losses on disposal of investments and subsidiaries	**(7.1)**	36.3	10.6
Gains on remeasurement of equity interests arising from a change in scope of ownership	**–**	(66.5)	–
Litigation settlement	**(11.0)**	–	21.3
Share of adjusting and other items for associates	**(34.0)**	134.3	62.3
Revaluation and retranslation of financial instruments	**(6.8)**	(76.0)	87.8
Headline PBT	**1,524.7**	1,601.7	1,365.4
Headline tax charge	**(412.2)**	(408.8)	(327.9)
Headline non-controlling interests	**(86.8)**	(92.7)	(83.0)
Headline earnings	**1,025.7**	1,100.2	954.5

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

Calculation of headline taxation:

	2023 £m	2022 £m	2021 £m
Headline PBT	**1,524.7**	1,601.7	1,365.4
Tax charge	**149.1**	384.4	230.1
Tax (charge)/credit relating to gains on disposal of investments and subsidiaries	**(9.3)**	(9.0)	31.5
Tax credit relating to restructuring and transformation costs and property-related costs	**98.6**	46.5	45.7
Tax credit/(charge) relating to litigation settlement	**1.1**	–	(5.4)
Deferred tax impact of the amortisation of acquired intangible assets and other goodwill items	**157.4**	(15.4)	5.6
Deferred tax relating to gains on disposal of investments and subsidiaries	**15.3**	2.3	20.4
Headline tax charge	**412.2**	408.8	327.9
Headline tax rate	**27.0%**	25.5%	24.0%

The headline tax rate as a percentage of headline PBT (that includes the share of headline results of associates) is 27.0% (2022: 25.5%, 2021: 24.0%). Given the Group's geographic mix of profits and the changing international tax environment, the headline tax rate is expected to increase over the next few years.

Calculation of basic headline EPS is as follows:

	2023 £m	2022 £m	2021 £m
Headline earnings (£ million) (page 223)	**1,025.7**	1,100.2	954.5
Weighted average shares used in headline basic EPS calculation (million) (note 9)	**1,072.1**	1,097.9	1,194.1
Headline EPS	**95.7p**	100.2p	79.9p

Calculation of diluted headline EPS is as follows:

	2023 £m	2022 £m	2021 £m
Headline earnings (£ million) (page 223)	**1,025.7**	1,100.2	954.5
Weighted average shares used in headline diluted EPS calculation (million) (note 9)	**1,094.0**	1,116.4	1,215.3
Diluted headline EPS	**93.8p**	98.5p	78.5p

Reconciliation of adjusted operating cash flow and adjusted free cash flow:

	2023 £m	2022 £m	2021 £m
Cash generated by operations	**1,844.8**	1,268.2	2,580.3
Purchases of property, plant and equipment	**(177.2)**	(208.4)	(263.2)
Purchase of other intangible assets (including capitalised computer software)	**(40.0)**	(14.9)	(29.9)
Repayment of lease liabilities	**(258.7)**	(309.6)	(320.7)
Interest paid on lease liabilities	**(102.9)**	(92.4)	(88.4)
Investment income	**12.9**	24.5	17.8
Share option proceeds	**0.7**	1.2	4.4
Adjusted operating cash flow	**1,279.6**	668.6	1,900.3
Corporation and overseas tax paid	**(395.3)**	(390.9)	(391.1)
Interest and similar charges paid	**(274.5)**	(210.2)	(173.7)
Interest received	**115.8**	88.9	47.5
Dividends from associates	**43.4**	37.6	53.4
Earnout payments[1]	**(30.5)**	(71.4)	(57.0)
Dividends paid to non-controlling interests in subsidiary undertakings	**(101.3)**	(69.5)	(114.5)
Adjusted free cash flow	**637.2**	53.1	1,264.9

Note

1 Earnout payments in 2023 include a £28 million receipt connected with a previous earnout arrangement, that was settled within the year

The Group bases its internal cash flow objectives on adjusted operating cash flow and adjusted free cash flow. Management believes adjusted operating cash flow is a target that can be translated into targets for operating business units that do not have direct control of items which influence adjusted free cash flow, such as the Group effective tax rate and leverage; and is meaningful to investors as a measure of the degree to which headline operating profit is converted into cash after the cost of leased operating assets, investment in capital expenditure, and working capital.

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

ADJUSTED NET DEBT AND AVERAGE ADJUSTED NET DEBT

Management believes that adjusted net debt and average adjusted net debt are appropriate and meaningful measures of the debt levels within the Group.

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

Reconciliation of adjusted net debt:

	2023 £m	2022 £m	2021 £m
Cash and short-term deposits	**2,217.5**	2,491.5	3,882.9
Bank overdrafts, bonds and bank loans due within one year	**(946.3)**	(1,169.0)	(567.2)
Bonds and bank loans due after one year	**(3,775.0)**	(3,801.8)	(4,216.8)
Adjusted net debt	**(2,503.8)**	(2,479.3)	(901.1)

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

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

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

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

Further details of the constant currency and pro forma methods are given in the Glossary on pages 232 and 233.

Reconciliation of reported revenue to like-for-like revenue:

	£m	%
2021	12,801.1	6.7
Impact of exchange rate changes	725.4	5.7
Impact of acquisition	41.0	0.3
Like-for-like growth	861.2	6.7
2022	14,428.7	12.7
Impact of exchange rate changes	**(211.2)**	**(1.5)**
Impact of acquisition	**172.0**	**1.2**
Like-for-like growth	**455.3**	**3.2**
2023	**14,844.8**	**2.9**

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

	£m	%
2021	10,397.2	6.5
Impact of exchange rate changes	611.9	5.9
Impact of acquisition	72.8	0.7
Like-for-like growth	717.4	6.9
2022	11,799.3	13.5
Impact of exchange rate changes	**(150.8)**	**(1.3)**
Impact of acquisition	**101.4**	**0.9**
Like-for-like growth	**109.8**	**0.9**
2023	**11,859.7**	**0.5**

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

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

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

	2023 £m	2022 £m	2021 £m
Share of profit before interest and taxation	**181.2**	219.6	208.5
Share of adjusting and other items	**34.0**	(134.3)	(62.3)
Share of interest and non-controlling interests	**(112.5)**	(104.7)	(83.9)
Share of taxation	**(32.5)**	(41.0)	(38.5)
Earnings/(loss) from associates – after interest and tax	**70.2**	(60.4)	23.8

Share of adjusting and other items for associates was earnings of £34.0 million (2022: loss £134.3 million, 2021: loss £62.3 million). In 2023 this included £45.1 million of distributions received from Kantar, described in note 4. In 2022 this included £75.8 million (2021: £38.8 million) of amortisation and impairment of acquired intangible assets as well as restructuring and one-off transaction costs of £54.8 million (2021: £18.8 million) within Kantar.