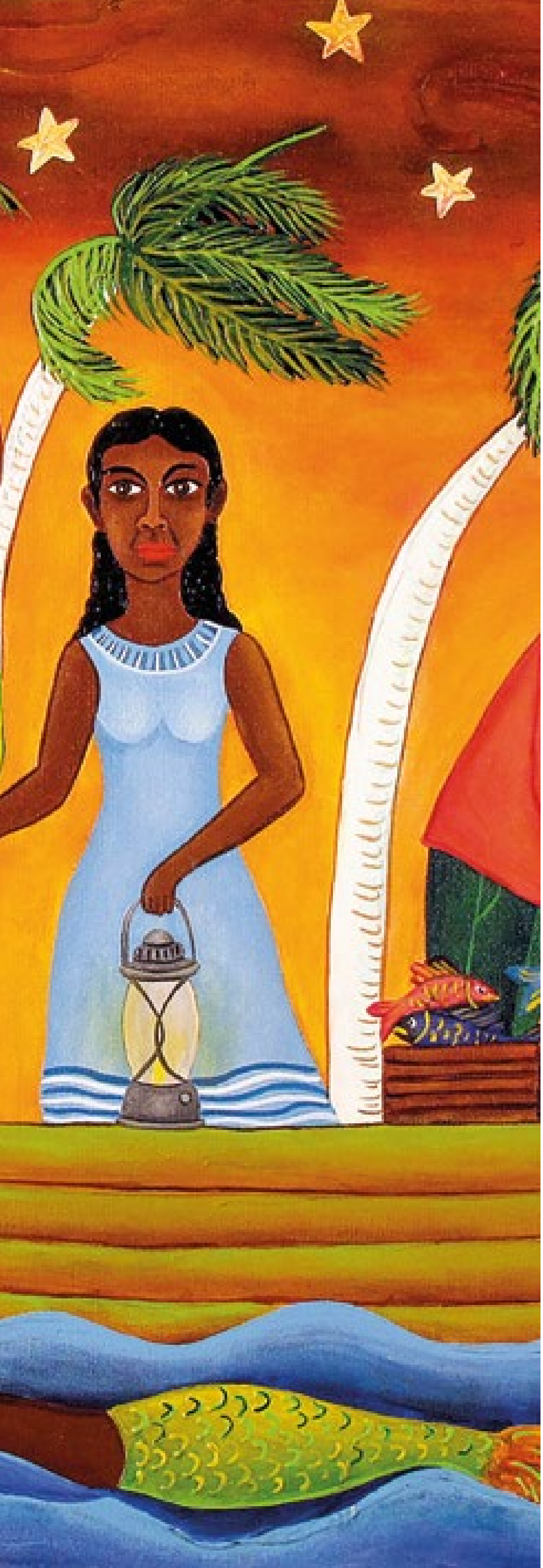


Our 2015 financial statements

Accounting policies

The consolidated financial statements of WPP plc and its subsidiaries (the Group) for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2015.

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

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The principal accounting policies are set out below.

Basis of consolidation

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

Goodwill and other intangible assets

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

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

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

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

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

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

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

Contingent consideration

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

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

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

Property, plant and equipment

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

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

Interests in associates and joint ventures

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

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

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

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

Other investments

Other investments are designated as 'available for sale' and are shown at fair value with any movements in fair value taken to equity.

On disposal the cumulative gain or loss previously recognised in equity is included in the profit or loss for the year.

Inventory and work in progress

Work in progress is valued at cost, which includes outlays incurred on behalf of clients and an appropriate proportion of directly attributable costs and overheads on incomplete assignments. Provision is made for irrecoverable costs where appropriate. Inventory is stated at the lower of cost and net realisable value.

Trade receivables

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

Foreign currency and interest rate hedging

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

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

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

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

Note 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 item that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow or net investment hedges is 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, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

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

Liabilities in respect of option agreements

Option agreements that allow the Group's equity partners to require the Group to purchase a non-controlling interest are treated as derivatives over equity instruments and are recorded in the consolidated balance sheet initially at the present value of the redemption amount in accordance with IAS 32 Financial Instruments: Presentation and subsequently measured at fair value in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The movement in the fair value is recognised as income or expense within revaluation of financial instruments in the consolidated income statement.

Derecognition of financial liabilities

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, a financial liability of the Group is only released to the consolidated income statement when the underlying legal obligation is extinguished.

Convertible debt

Convertible debt is assessed according to the substance of the contractual arrangements and is classified into liability and equity elements on the basis of the initial fair value of the liability element. The difference between this figure and the cash received is classified as equity.

The consolidated income statement charge for the finance cost is spread evenly over the term of the convertible debt so that at redemption the liability equals the redemption value.

Other debt

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

Borrowing costs

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

Revenue recognition

Revenue comprises commission and fees earned in respect of amounts billed. Direct costs include fees paid to external suppliers where they are retained to perform part or all of a specific project for a client and the resulting expenditure is directly attributable to the revenue earned. Revenue is stated exclusive of VAT, sales taxes and trade discounts.

Advertising and Media Investment Management

Revenue is typically derived from commissions on media placements and fees for advertising 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 is recognised when the service is performed, in accordance with the terms of the contractual arrangement. The amount of revenue recognised depends on whether we act as an agent or as a principal in an arrangement with a client. Where we act as an agent, the revenue recorded is the net amount retained when the fee or commission is earned. Although the Group may bear credit risk in respect of these activities, the arrangements with our clients are such that we consider that we are acting as an agent on their behalf. In such cases, costs incurred with external suppliers (such as media suppliers) are excluded from our revenue. Where the Group acts as a principal and contracts directly with suppliers for media payments and production costs, the revenue recorded is the gross amount billed.

Incentive-based revenue typically comprises both quantitative and qualitative elements; on the element related to quantitative targets, revenue is recognised when the quantitative targets have been achieved; on the element related to qualitative targets, revenue is recognised when the incentive is received or receivable.

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.

Data Investment Management

Revenue recognised in proportion to the level of service performed for market research contracts is based on proportional performance. In assessing contract performance, both input and output criteria are reviewed. Costs incurred are used as an objective input measure of performance. The primary input of all work performed under these arrangements is labour. As a result of the relationship between labour and cost, there is normally a direct relationship between costs incurred and the proportion of the contract performed to date. Costs incurred as a proportion of expected total costs is used as an initial proportional performance measure. This indicative proportional performance measure is subsequently validated against other more subjective criteria (i.e. relevant output measures) such as the percentage of interviews completed, percentage of reports delivered to a client and the achievement of any project milestones stipulated in the contract. In the event of divergence between the objective and more subjective measures, the more subjective measures take precedence since these are output measures.

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

Substantially all services are provided on a fixed price basis. Pricing may also include a provision for a surcharge where the actual labour hours incurred in completing a project are significantly above the labour hours quoted in the project proposal. In instances where this occurs, the surcharge will be included in the total revenue base on which to measure proportional performance when the actual threshold is reached provided that collectability is reasonably assured.

Public Relations & Public Affairs and Branding & Identity, Healthcare and Specialist Communications

Revenue is typically derived from retainer fees and services to be performed subject to specific agreement. Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement. Revenue is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the consolidated income statement revenue and related costs as contract activity progresses.

Taxation

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

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

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

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

The Group has revised its tax accounting policy to classify all income tax creditors as current liabilities. The Group believes this provides a more relevant presentation, whilst having no impact on the timing of expected cash flows. Accordingly, the consolidated balance sheets at 31 December 2014 and 31 December 2013 have been restated to reclassify £441.2 million and £362.6 million respectively of corporate income tax payable from non-current liabilities to current liabilities.

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

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

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

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

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

Retirement benefit costs

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

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

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

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

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

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

Finance leases

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

Operating leases

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

Translation of foreign currencies

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

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

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

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

Share-based payments

The Group issues equity-settled share-based payments (including share options) to certain employees and accounts for these awards in accordance with IFRS 2 Share-Based Payment. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. Details regarding the fair value of equity settled share-based transactions are set out in notes 22 and 26.

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.

New IFRS accounting pronouncements

At the date of authorisation of these financial statements, the following Standards, which have not been applied in these financial statements, were in issue but not yet effective:
- IFRS 9: Financial Instruments;
- IFRS 14: Regulatory Deferral Accounts;
- IFRS 15: Revenue from Contracts with Customers; and
- IFRS 16: Leases

With the exception of IFRS 15 and IFRS 16, the Group does not consider that these Standards will have a significant impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect.

The directors expect that the adoption of IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will impact the accounting for those leases currently classified as operating leases. It is not practicable to provide a reasonable estimate of the effect of IFRS 15 and IFRS 16 until a detailed review has been completed.

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. The most significant areas where such judgements and estimation uncertainty apply are revenue recognition, goodwill and other intangibles, payments due to vendors (earnout agreements), liabilities in respect of put option agreement with vendors, acquisition reserves, taxation and accounting for pension liabilities. 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.

Directors' responsibility statement

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

Sir Martin Sorrell
Group chief executive
15 April 2016

Paul Richardson
Group finance director

The numbers in full …

Consolidated income statement

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m	2013 £m	2015 $m[2]	2014 $m[2]	2013 $m[2]
Billings[1]		**47,631.9**	46,186.3	46,209.3	**72,766.7**	75,943.6	72,344.5
Revenue	2	**12,235.2**	11,528.9	11,019.4	**18,693.2**	18,956.0	17,251.5
Direct costs		**(1,710.9)**	(1,464.1)	(943.3)	**(2,614.3)**	(2,407.0)	(1,477.0)
Net sales	2	**10,524.3**	10,064.8	10,076.1	**16,078.9**	16,549.0	15,774.5
Operating costs	3	**(8,892.3)**	(8,557.5)	(8,665.8)	**(13,585.1)**	(14,097.4)	(13,547.9)
Operating profit		**1,632.0**	1,507.3	1,410.3	**2,493.8**	2,451.6	2,226.6
Share of results of associates	4	**47.0**	61.9	68.1	**71.2**	101.8	107.8
Profit before interest and taxation		**1,679.0**	1,569.2	1,478.4	**2,565.0**	2,553.4	2,334.4
Finance income	6	**72.4**	94.7	64.3	**110.9**	154.0	101.2
Finance costs	6	**(224.1)**	(262.7)	(267.9)	**(342.6)**	(430.9)	(418.7)
Revaluation of financial instruments	6	**(34.7)**	50.7	21.0	**(53.2)**	82.1	34.4
Profit before taxation		**1,492.6**	1,451.9	1,295.8	**2,280.1**	2,358.6	2,051.3
Taxation	7	**(247.5)**	(300.4)	(283.7)	**(378.4)**	(487.2)	(448.1)
Profit for the year		**1,245.1**	1,151.5	1,012.1	**1,901.7**	1,871.4	1,603.2
Attributable to:							
Equity holders of the parent		**1,160.2**	1,077.2	936.5	**1,771.6**	1,749.4	1,485.1
Non-controlling interests		**84.9**	74.3	75.6	**130.1**	122.0	118.1
		1,245.1	1,151.5	1,012.1	**1,901.7**	1,871.4	1,603.2
Headline PBIT	31	**1,774.0**	1,680.6	1,661.6	**2,704.3**	2,739.8	2,620.1
Net sales margin	31	**16.9%**	16.7%	16.5%	**16.8%**	16.6%	16.6%
Headline PBT	31	**1,622.3**	1,512.6	1,458.0	**2,472.6**	2,462.9	2,302.6
Earnings per share							
Basic earnings per ordinary share	9	**90.0p**	82.4p	72.4p	**137.5¢**	133.8¢	114.8¢
Diluted earnings per ordinary share	9	**88.4p**	80.5p	69.6p	**134.9¢**	130.8¢	110.4¢

Notes

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

1 Billings is defined on page 228.

2 The consolidated income statement above is also expressed in US dollars for information purposes only and is unaudited. It has been prepared assuming the US dollar is the reporting currency of the Group, whereby local currency results are translated into US dollars at actual monthly average exchange rates in the period presented. Among other currencies, this includes an average exchange rate of US$1.5288 to the pound sterling for the year 2015 (2014: US$1.6475, 2013: US$1.5646).

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	2015 £m	2014 £m	2013 £m
Profit for the year	**1,245.1**	1,151.5	1,012.1
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments on foreign currency net investments	**(275.9)**	(221.2)	(372.6)
Gain on revaluation of available for sale investments	**206.0**	64.6	72.0
	(69.9)	(156.6)	(300.6)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension plans	**33.5**	(86.6)	76.2
Deferred tax on defined benefit pension plans	**(5.2)**	62.1	(1.2)
	28.3	(24.5)	75.0
Other comprehensive loss for the year	**(41.6)**	(181.1)	(225.6)
Total comprehensive income for the year	**1,203.5**	970.4	786.5
Attributable to:			
Equity holders of the parent	**1,121.6**	893.0	727.0
Non-controlling interests	**81.9**	77.4	59.5
	1,203.5	970.4	786.5

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 2015

	Notes	2015 £m	2014 £m	2013 £m
Net cash inflow from operating activities	11	**1,359.9**	1,703.7	1,374.2
Investing activities				
Acquisitions and disposals	11	**(669.5)**	(489.1)	(201.4)
Purchases of property, plant and equipment		**(210.3)**	(177.9)	(240.7)
Purchases of other intangible assets (including capitalised computer software)		**(36.1)**	(36.5)	(43.8)
Proceeds on disposal of property, plant and equipment		**13.4**	5.9	7.3
Net cash outflow from investing activities		**(902.5)**	(697.6)	(478.6)
Financing activities				
Share option proceeds		**27.6**	25.0	42.4
Cash consideration for non-controlling interests	11	**(23.6)**	(5.6)	(19.6)
Share repurchases and buy-backs	11	**(587.6)**	(510.8)	(197.0)
Net increase in borrowings	11	**492.0**	465.2	436.8
Financing and share issue costs		**(11.4)**	(27.5)	(19.1)
Equity dividends paid		**(545.8)**	(460.0)	(397.3)
Dividends paid to non-controlling interests in subsidiary undertakings		**(55.2)**	(57.7)	(53.2)
Net cash outflow from financing activities		**(704.0)**	(571.4)	(207.0)
Net (decrease)/increase in cash and cash equivalents		**(246.6)**	434.7	688.6
Translation differences		**(54.4)**	(70.3)	(164.7)
Cash and cash equivalents at beginning of year		**2,247.6**	1,883.2	1,359.3
Cash and cash equivalents at end of year	11	**1,946.6**	2,247.6	1,883.2

	Notes	2015 £m	2014 £m	2013 £m
Reconciliation of net cash flow to movement in net debt:				
Net (decrease)/increase in cash and cash equivalents		**(246.6)**	434.7	688.6
Cash inflow from increase in debt financing		**(480.5)**	(437.7)	(418.1)
Conversion of bond to equity		**–**	–	449.9
Other movements		**(124.0)**	23.8	21.0
Translation differences		**(84.3)**	(55.8)	(160.6)
Movement of net debt in the year		**(935.4)**	(35.0)	580.8
Net debt at beginning of year		**(2,275.4)**	(2,240.4)	(2,821.2)
Net debt at end of year	10	**(3,210.8)**	(2,275.4)	(2,240.4)

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

Consolidated balance sheet

At 31 December 2015

	Notes	2015 £m	2014 £m	2013 £m
Non-current assets				
Intangible assets:				
Goodwill	12	**10,670.6**	9,979.4	9,472.8
Other	12	**1,715.4**	1,668.9	1,667.8
Property, plant and equipment	13	**797.7**	772.5	773.3
Interests in associates and joint ventures	14	**758.6**	759.9	792.8
Other investments	14	**1,158.7**	669.2	270.6
Deferred tax assets[1]	15	**94.1**	108.8	89.5
Trade and other receivables	17	**178.7**	148.6	158.5
		15,373.8	14,107.3	13,225.3
Current assets				
Inventory and work in progress	16	**329.0**	327.3	304.5
Corporate income tax recoverable		**168.6**	145.6	136.0
Trade and other receivables	17	**10,495.4**	9,530.0	9,088.1
Cash and short-term deposits		**2,382.4**	2,512.7	2,221.6
		13,375.4	12,515.6	11,750.2
Current liabilities				
Trade and other payables	18	**(12,685.0)**	(11,784.0)	(10,710.7)
Corporate income tax payable[2]		**(598.5)**	(599.8)	(482.7)
Bank overdrafts and loans	20	**(932.0)**	(653.2)	(941.4)
		(14,215.5)	(13,037.0)	(12,134.8)
Net current liabilities		**(840.1)**	(521.4)	(384.6)
Total assets less current liabilities		**14,533.7**	13,585.9	12,840.7
Non-current liabilities				
Bonds and bank loans	20	**(4,661.2)**	(4,134.9)	(3,520.6)
Trade and other payables	19	**(891.5)**	(624.9)	(457.6)
Deferred tax liabilities[1]	15	**(552.3)**	(536.7)	(620.8)
Provision for post-employment benefits	23	**(229.3)**	(296.2)	(247.5)
Provisions for liabilities and charges	21	**(183.6)**	(166.4)	(147.7)
		(6,517.9)	(5,759.1)	(4,994.2)
Net assets		**8,015.8**	7,826.8	7,846.5
Equity				
Called-up share capital	26	**132.9**	132.6	134.9
Share premium account		**535.3**	508.0	483.4
Shares to be issued		**–**	0.3	0.5
Other reserves	27	**(9.7)**	36.2	317.3
Own shares		**(719.6)**	(283.7)	(253.0)
Retained earnings		**7,698.5**	7,106.7	6,903.7
Equity share owners' funds		**7,637.4**	7,500.1	7,586.8
Non-controlling interests		**378.4**	326.7	259.7
Total equity		**8,015.8**	7,826.8	7,846.5

The financial statements were approved by the Board of Directors and authorised for issue on 15 April 2016.
Signed on behalf of the Board:

Sir Martin Sorrell
Group chief executive

Paul Richardson
Group finance director

Notes
The accompanying notes form an integral part of this consolidated balance sheet.
1 As described in note 15, prior year balance sheets have been restated to reduce both deferred tax assets and deferred tax liabilities, by a corresponding amount.
2 As described in the Group's accounting policy on taxation, prior year balance sheets have been restated to reclassify all income tax creditors from non-current liabilities to current liabilities.

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Called-up share capital £m	Share premium account £m	Shares to be issued £m	Other reserves[1] £m	Own shares £m	Retained earnings £m	Total equity share owners' funds £m	Non-controlling interests £m	Total £m
Balance at 1 January 2015	**132.6**	**508.0**	**0.3**	**36.2**	**(283.7)**	**7,106.7**	**7,500.1**	**326.7**	**7,826.8**
Ordinary shares issued	0.3	27.3	(0.3)	–	–	0.2	27.5	–	27.5
Treasury share additions	–	–	–	–	(406.0)	–	(406.0)	–	(406.0)
Treasury share allocations	–	–	–	–	3.6	(3.6)	–	–	–
Net profit for the year	–	–	–	–	–	1,160.2	1,160.2	84.9	1,245.1
Exchange adjustments on foreign currency net investments	–	–	–	(272.9)	–	–	(272.9)	(3.0)	(275.9)
Gain on revaluation of available for sale investments	–	–	–	206.0	–	–	206.0	–	206.0
Actuarial gain on defined benefit pension plans	–	–	–	–	–	33.5	33.5	–	33.5
Deferred tax on defined benefit pension plans	–	–	–	–	–	(5.2)	(5.2)	–	(5.2)
Comprehensive (loss)/income	–	–	–	(66.9)	–	1,188.5	1,121.6	81.9	1,203.5
Dividends paid	–	–	–	–	–	(545.8)	(545.8)	(55.2)	(601.0)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	99.0	99.0	–	99.0
Tax adjustment on share-based payments	–	–	–	–	–	18.0	18.0	–	18.0
Net movement in own shares held by ESOP Trusts	–	–	–	–	(33.5)	(148.1)	(181.6)	–	(181.6)
Recognition/remeasurement of financial instruments	–	–	–	(59.0)	–	(0.7)	(59.7)	–	(59.7)
Share purchases – close period commitments	–	–	–	80.0	–	2.9	82.9	–	82.9
Acquisition of subsidiaries[2]	–	–	–	–	–	(18.6)	(18.6)	25.0	6.4
Balance at 31 December 2015	**132.9**	**535.3**	**–**	**(9.7)**	**(719.6)**	**7,698.5**	**7,637.4**	**378.4**	**8,015.8**

Notes

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

[1] Other reserves are analysed in note 27.

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

For the year ended 31 December 2014

	Called-up share capital £m	Share premium account £m	Shares to be issued £m	Other reserves[1] £m	Own shares £m	Retained earnings £m	Total equity share owners' funds £m	Non-controlling interests £m	Total £m
Balance at 1 January 2014	**134.9**	**483.4**	**0.5**	**317.3**	**(253.0)**	**6,903.7**	**7,586.8**	**259.7**	**7,846.5**
Ordinary shares issued	0.4	24.6	(0.2)	–	–	0.2	25.0	–	25.0
Treasury share additions	–	–	–	–	(412.5)	–	(412.5)	–	(412.5)
Treasury share allocations	–	–	–	–	0.6	(0.6)	–	–	–
Treasury share cancellations	(2.7)	–	–	2.7	332.5	(332.5)	–	–	–
Net profit for the year	–	–	–	–	–	1,077.2	1,077.2	74.3	1,151.5
Exchange adjustments on foreign currency net investments	–	–	–	(224.3)	–	–	(224.3)	3.1	(221.2)
Gain on revaluation of available for sale investments	–	–	–	64.6	–	–	64.6	–	64.6
Actuarial loss on defined benefit pension plans	–	–	–	–	–	(86.6)	(86.6)	–	(86.6)
Deferred tax on defined benefit pension plans	–	–	–	–	–	62.1	62.1	–	62.1
Comprehensive (loss)/income	–	–	–	(159.7)	–	1,052.7	893.0	77.4	970.4
Dividends paid	–	–	–	–	–	(460.0)	(460.0)	(57.7)	(517.7)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	102.2	102.2	–	102.2
Tax adjustment on share-based payments	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Net movement in own shares held by ESOP Trusts	–	–	–	–	48.7	(147.0)	(98.3)	–	(98.3)
Recognition/remeasurement of financial instruments	–	–	–	(44.1)	–	(4.1)	(48.2)	–	(48.2)
Share purchases – close period commitments	–	–	–	(80.0)	–	(3.9)	(83.9)	–	(83.9)
Acquisition of subsidiaries[2]	–	–	–	–	–	(3.4)	(3.4)	47.3	43.9
Balance at 31 December 2014	**132.6**	**508.0**	**0.3**	**36.2**	**(283.7)**	**7,106.7**	**7,500.1**	**326.7**	**7,826.8**

Notes

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

1 Other reserves are analysed in note 27.

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

1. General information
WPP plc is a company incorporated in Jersey. The address of the registered office is Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES and the address of the principal executive office is 27 Farm Street, London, United Kingdom, W1J 5RJ. 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 communications services organisation offering national and multinational clients a comprehensive range of communications services.

The Group is organised into four reportable segments – Advertising and Media Investment Management; Data Investment Management; Public Relations & Public Affairs; and Branding & Identity, Healthcare and Specialist Communications. This last reportable segment includes WPP Digital and direct, digital, promotional & relationship marketing.

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 chief executive. Provided certain quantitative and qualitative criteria are fulfilled, IFRS 8 permits the aggregation of these components into reportable segments for the purposes of disclosure in the Group's financial statements. In assessing the Group's reportable segments, the directors have had regard to the similar economic characteristics of certain operating segments, their shared client base, the similar nature of their products or services and their long-term margins, amongst other factors.

Operating sectors
Reported contributions were as follows:

Income statement	Revenue[1] £m	Net sales £m	Headline PBIT[2] £m	Net sales margin[3] %
2015				
Advertising and Media Investment Management	**5,552.8**	**4,652.0**	**855.6**	**18.4**
Data Investment Management	**2,425.9**	**1,768.1**	**286.1**	**16.2**
Public Relations & Public Affairs	**945.8**	**929.7**	**155.4**	**16.7**
Branding & Identity, Healthcare and Specialist Communications	**3,310.7**	**3,174.5**	**476.9**	**15.0**
	12,235.2	**10,524.3**	**1,774.0**	**16.9**
2014				
Advertising and Media Investment Management	5,134.3	4,502.0	836.2	18.6
Data Investment Management	2,429.3	1,748.9	272.7	15.6
Public Relations & Public Affairs	891.9	880.4	139.2	15.8
Branding & Identity, Healthcare and Specialist Communications	3,073.4	2,933.5	432.5	14.7
	11,528.9	10,064.8	1,680.6	16.7
2013				
Advertising and Media Investment Management	4,578.8	4,463.6	824.4	18.5
Data Investment Management	2,549.7	1,843.7	263.8	14.3
Public Relations & Public Affairs	920.7	907.5	133.8	14.7
Branding & Identity, Healthcare and Specialist Communications	2,970.2	2,861.3	439.6	15.4
	11,019.4	10,076.1	1,661.6	16.5

Notes
1 Intersegment sales have not been separately disclosed as they are not material.
2 A reconciliation from reported profit before interest and taxation to headline PBIT is provided in note 31. Reported profit before interest and taxation is reconciled to reported profit before taxation in the consolidated income statement.
3 Net sales margin is defined in note 31.

Other information	Share-based payments £m	Capital additions[1] £m	Depreciation and amortisation[2] £m	Goodwill impairment £m	Share of results of associates £m	Interests in associates and joint ventures £m
2015						
Advertising and Media Investment Management	**55.4**	**119.7**	**96.9**	**15.1**	**26.8**	**377.0**
Data Investment Management	**13.7**	**58.1**	**51.8**	**–**	**0.8**	**86.4**
Public Relations & Public Affairs	**6.7**	**9.1**	**9.8**	**–**	**2.3**	**92.0**
Branding & Identity, Healthcare and Specialist Communications	**23.2**	**59.5**	**69.9**	**–**	**17.1**	**203.2**
	99.0	**246.4**	**228.4**	**15.1**	**47.0**	**758.6**
2014						
Advertising and Media Investment Management	48.6	91.0	102.6	16.9	25.1	395.5
Data Investment Management	18.8	48.1	50.9	–	18.4	119.3
Public Relations & Public Affairs	7.9	7.4	12.6	–	3.9	60.1
Branding & Identity, Healthcare and Specialist Communications	26.9	67.9	62.8	–	14.5	185.0
	102.2	214.4	228.9	16.9	61.9	759.9
2013						
Advertising and Media Investment Management	55.5	127.2	102.2	–	35.0	486.3
Data Investment Management	19.2	62.8	53.7	–	20.2	105.5
Public Relations & Public Affairs	5.9	14.2	15.3	12.0	1.5	45.3
Branding & Identity, Healthcare and Specialist Communications	24.8	70.2	63.5	11.3	11.4	155.7
	105.4	274.4	234.7	23.3	68.1	792.8

Notes

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

2 Depreciation of property, plant and equipment and amortisation of other intangible assets.

Balance sheet	Assets			Liabilities		
	Segment assets £m	Unallocated corporate assets[1,2] £m	Consolidated total assets £m	Segment liabilities £m	Unallocated corporate liabilities[1,2] £m	Consolidated total liabilities £m
2015						
Advertising and Media Investment Management	**12,911.4**			**(10,506.9)**		
Data Investment Management	**3,713.3**			**(1,067.0)**		
Public Relations & Public Affairs	**1,839.2**			**(425.1)**		
Branding & Identity, Healthcare and Specialist Communications	**7,640.2**			**(1,990.4)**		
	26,104.1	**2,645.1**	**28,749.2**	**(13,989.4)**	**(6,744.0)**	**(20,733.4)**
2014						
Advertising and Media Investment Management	12,250.5			(9,803.5)		
Data Investment Management	3,427.1			(1,045.7)		
Public Relations & Public Affairs	1,744.7			(400.0)		
Branding & Identity, Healthcare and Specialist Communications	6,433.5			(1,622.3)		
	23,855.8	2,767.1	26,622.9	(12,871.5)	(5,924.6)	(18,796.1)
2013						
Advertising and Media Investment Management	11,787.6			(8,919.1)		
Data Investment Management	3,330.2			(960.0)		
Public Relations & Public Affairs	1,693.7			(350.6)		
Branding & Identity, Healthcare and Specialist Communications	5,716.9			(1,333.8)		
	22,528.4	2,447.1	24,975.5	(11,563.5)	(5,565.5)	(17,129.0)

Notes

1 Included in unallocated corporate assets and liabilities are corporate income tax, deferred tax and net interest-bearing debt.

2 As described in note 15, prior year balance sheets have been restated to reduce both deferred tax assets and deferred tax liabilities, by a corresponding amount.

Contributions by geographical area were as follows:

	2015 £m	2014 £m	2013 £m
Revenue[1]			
North America[2]	**4,491.2**	3,899.9	3,744.7
UK	**1,777.4**	1,640.3	1,414.0
Western Continental Europe	**2,425.6**	2,568.8	2,592.6
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,541.0**	3,419.9	3,268.1
	12,235.2	11,528.9	11,019.4
Net sales			
North America[2]	**3,882.3**	3,471.7	3,547.0
UK	**1,504.5**	1,396.0	1,303.9
Western Continental Europe	**2,016.2**	2,142.6	2,217.8
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,121.3**	3,054.5	3,007.4
	10,524.3	10,064.8	10,076.1
Headline PBIT[3]			
North America[2]	**728.2**	621.8	616.5
UK	**243.1**	221.2	204.7
Western Continental Europe	**277.2**	277.2	272.0
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**525.5**	560.4	568.4
	1,774.0	1,680.6	1,661.6

	Margin	Margin	Margin
Net sales margin[4]			
North America[2]	**18.8%**	17.9%	17.4%
UK	**16.2%**	15.8%	15.7%
Western Continental Europe	**13.7%**	12.9%	12.3%
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**16.8%**	18.3%	18.9%
	16.9%	16.7%	16.5%

Notes
1 Intersegment sales have not been separately disclosed as they are not material.
2 North America includes the US with revenue of £4,257.4 million (2014: £3,664.9 million, 2013: £3,498.1 million), net sales of £3,674.3 million (2014: £3,254.2 million, 2013: £3,310.8 million) and headline PBIT of £697.3 million (2014: £588.2 million, 2013: £582.6 million).
3 Headline PBIT is defined in note 31.
4 Net sales margin is defined in note 31.

	2015 £m	2014 £m
Non-current assets[1]		
North America[2]	**6,225.3**	5,686.9
UK	**2,106.4**	1,793.9
Western Continental Europe	**3,558.6**	3,463.8
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,349.7**	3,012.0
	15,240.0	13,956.6

Notes
1 Non-current assets excluding financial instruments and deferred tax.
2 North America includes the US with non-current assets of £5,202.6 million (2014: £5,101.0 million).

3. Operating costs

	2015 £m	2014 £m	2013 £m
Staff costs (note 5)	**6,652.6**	6,440.5	6,477.1
Establishment costs	**726.3**	711.3	727.4
Other operating costs (net)	**1,513.4**	1,405.7	1,461.3
Total operating costs	**8,892.3**	8,557.5	8,665.8
Operating costs include:			
Goodwill impairment (note 12)	**15.1**	16.9	23.3
Investment write-downs	**78.7**	7.3	0.4
Restructuring costs	**106.2**	127.6	5.0
IT asset write-downs	**29.1**	–	–
Amortisation and impairment of acquired intangible assets (note 12)	**140.1**	147.5	179.8
Amortisation of other intangible assets (note 12)	**33.7**	31.6	32.7
Depreciation of property, plant and equipment	**190.0**	191.7	195.5
Losses/(gains) on sale of property, plant and equipment	**1.1**	(0.8)	(0.4)
Gains on disposal of investments and subsidiaries	**(131.0)**	(186.3)	(6.0)
Gains on remeasurement of equity interest on acquisition of controlling interest	**(165.0)**	(9.2)	(30.0)
Net foreign exchange gains	**(10.7)**	(2.5)	(1.1)
Operating lease rentals:			
Land and buildings	**476.6**	466.1	483.0
Sublease income	**(11.3)**	(11.2)	(13.2)
	465.3	454.9	469.8
Plant and machinery	**18.3**	19.9	21.1
	483.6	474.8	490.9

In 2015, operating profit includes credits totalling £31.6 million (2014: £24.9 million, 2013: £19.9 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2014. Further details of the Group's approach to acquisition reserves, as required by IFRS 3 Business Combinations, are given in note 28.

Investment write-downs of £78.7 million (2014: £7.3 million, 2013: £0.4 million) relate to certain non-core minority investments in the US where forecast financial performance and/or liquidity issues indicate a permanent decline in the recoverability of the Group's investment.

In 2015, restructuring costs of £106.2 million (2014: £127.6 million, 2013: £5.0 million) comprise £69.5 million (2014: £88.7 million, 2013: £nil) of costs (including £52.0 million of severance costs) arising from a structural reassessment of certain of the Group's operations, primarily in the mature markets of Western Europe and £36.7 million (2014: £38.9 million, 2013: £5.0 million) of costs resulting from the project to transform and rationalise the Group's IT services and infrastructure. In 2015, IT asset write-downs comprise £29.1 million of accelerated depreciation of IT assets in Asia and Europe.

Gains on disposal of investments and subsidiaries of £131.0 million (2014: £186.3 million, 2013: £6.0 million) include £43.6 million of gains arising on the sale of certain Kantar internet measurement businesses to comScore Inc in consideration for newly issued equity in the buyer; £29.7 million of gains arising on the sale of the Group's minority stake in e-Rewards; and £30.6 million of gains arising on the Group's equity interest in Chime Communications plc following its acquisition by Providence Equity Partners in conjunction with WPP.

Gains on remeasurement of equity interest on acquisition of controlling interest in 2015 primarily comprise gains of £131.7 million in relation to the acquisition of a majority stake in IBOPE in Latin America.

All of the operating costs of the Group are related to administrative expenses.

Auditors' remuneration:

	2015 £m	2014 £m	2013 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**1.5**	1.4	1.4
The audit of the Company's subsidiaries pursuant to legislation	**16.2**	14.5	15.1
	17.7	15.9	16.5
Other services pursuant to legislation	**3.3**	3.1	3.1
Fees payable to the auditors pursuant to legislation	**21.0**	19.0	19.6
Tax advisory services	**1.8**	2.1	2.3
Tax compliance services	**1.0**	1.0	1.2
	2.8	3.1	3.5
Corporate finance services	**0.2**	0.3	0.2
Other services[1]	**6.5**	5.4	4.8
Total non-audit fees	**9.5**	8.8	8.5
Total fees	**30.5**	27.8	28.1

Note

1 Other services include audits for earnout purposes and services for expatriate employees.

Minimum committed annual rentals

Amounts payable in 2016 under leases will be as follows:

	Plant and machinery			Land and buildings		
	2016 £m	2015 £m	2014 £m	2016 £m	2015 £m	2014 £m
In respect of operating leases which expire:						
– within one year	4.3	5.3	4.1	57.6	66.7	26.3
– within two to five years	9.7	10.8	13.1	240.3	223.9	195.2
– after five years	0.3	0.1	0.1	163.1	139.4	139.7
	14.3	16.2	17.3	461.0	430.0	361.2

Future minimum annual amounts payable under all lease commitments in existence at 31 December 2015 are as follows:

	Minimum rental payments £m	Less sub-let rentals £m	Net payment £m
Year ending 31 December			
2016	475.3	(8.1)	467.2
2017	353.8	(5.5)	348.3
2018	321.2	(4.5)	316.7
2019	287.9	(3.6)	284.3
2020	242.7	(3.1)	239.6
Later years	1,655.9	(7.7)	1,648.2
	3,336.8	(32.5)	3,304.3

4. Share of results of associates

Share of results of associates include:

	2015 £m	2014 £m	2013 £m
Share of profit before interest and taxation	**95.2**	101.8	111.0
Share of exceptional losses	**(21.8)**	(7.6)	(10.7)
Share of interest and non-controlling interests	**(1.7)**	(3.1)	(4.6)
Share of taxation	**(24.7)**	(29.2)	(27.6)
	47.0	61.9	68.1

5. Our people

Our staff numbers averaged 124,930 for the year ended 31 December 2015 against 121,397 in 2014 and 117,115 in 2013. Their geographical distribution was as follows:

	2015	2014	2013
North America	**26,224**	26,809	28,093
UK	**13,401**	12,838	11,925
Western Continental Europe	**23,506**	23,376	23,559
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**61,799**	58,374	53,538
	124,930	121,397	117,115

Their operating sector distribution was as follows:

	2015	2014	2013
Advertising and Media Investment Management	**53,227**	52,329	49,505
Data Investment Management	**28,395**	28,240	29,586
Public Relations & Public Affairs	**8,492**	8,392	8,298
Branding & Identity, Healthcare and Specialist Communications	**34,816**	32,436	29,726
	124,930	121,397	117,115

At the end of 2015 staff numbers were 128,123 (2014: 123,621, 2013: 119,116). Including all employees of associated undertakings, this figure was approximately 190,000 at 31 December 2015 (2014: 179,000, 2013: 175,000).

Staff costs include:

	2015 £m	2014 £m	2013 £m
Wages and salaries	**4,578.4**	4,467.8	4,481.4
Cash-based incentive plans	**231.8**	210.7	222.2
Share-based incentive plans (note 22)	**99.0**	102.2	105.4
Social security costs	**578.4**	567.8	577.3
Pension costs (note 23)	**160.0**	148.9	151.3
Severance	**24.0**	37.4	26.9
Other staff costs[1]	**981.0**	905.7	912.6
	6,652.6	6,440.5	6,477.1
Staff cost to net sales ratio	**63.2%**	64.0%	64.3%

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

Included above are charges of £16.7 million (2014: £16.9 million, 2013: £16.9 million) for share-based incentive plans in respect of key management personnel (who comprise the directors of the Group). Further details of compensation for key management personnel are disclosed on pages 121 to 153.

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

Finance income includes:

	2015 £m	2014 £m	2013 £m
Income from available for sale investments	**18.9**	26.0	10.1
Interest income	**53.5**	68.7	54.2
	72.4	94.7	64.3

Finance costs include:

	2015 £m	2014 £m	2013 £m
Net interest expense on pension plans (note 23)	**7.3**	8.0	11.4
Interest on other long-term employee benefits	**2.5**	1.9	1.7
Interest payable and similar charges[1]	**214.3**	252.8	254.8
	224.1	262.7	267.9

Revaluation of financial instruments[2] include:

	2015 £m	2014 £m	2013 £m
Movements in fair value of treasury instruments	**(3.7)**	31.3	6.3
Movements in fair value of other derivatives	**15.9**	15.0	–
Revaluation of put options over non-controlling interests	**(11.3)**	(8.8)	(1.1)
Revaluation of payments due to vendors (earnout agreements)	**(35.6)**	13.2	15.8
	(34.7)	50.7	21.0

Notes
1 Interest payable and similar charges are payable on bank overdrafts, bonds and bank loans held at amortised cost.
2 Financial instruments are held at fair value through profit and loss.

The majority of the Group's long-term debt is represented by $2,862 million of US dollar bonds at an average interest rate of 4.48%, €3,450 million of Eurobonds at an average interest rate of 2.54% and £600 million of Sterling bonds at an average interest rate of 6.13%.

Average borrowings under the Revolving Credit Facilities (note 10) amounted to the equivalent of $45 million at an average interest rate of 0.76%.

Average borrowings under the US Commercial Paper Program for 2015 amounted to $372 million at an average interest rate of 0.51% inclusive of margin.

7. Taxation

The headline tax rate was 19.0% (2014: 20.0%, 2013: 20.2%). The tax rate on reported PBT was 16.6% (2014: 20.7%, 2013: 21.9%). The reported tax rate is lower than the headline tax rate and is due to most of the gains on disposals of investments and subsidiaries and the gains on remeasurement of equity interests not being taxable. The cash tax rate on headline PBT was 18.6% (2014: 19.2%, 2013: 18.7%).

The tax charge comprises:

	2015 £m	2014 £m	2013 £m
Corporation tax			
Current year	**403.0**	394.9	359.1
Prior years	**(108.4)**	4.4	(48.1)
	294.6	399.3	311.0
Deferred tax			
Current year	**(35.8)**	(93.2)	(19.6)
Prior years	**(11.3)**	(5.7)	(7.7)
	(47.1)	(98.9)	(27.3)
Tax charge	**247.5**	300.4	283.7

The corporation tax credit for prior years in 2015, and also 2013, mainly comprises the release of a number of separate provisions following the resolution of tax matters in various countries. In 2014 the deferred tax credit primarily related to the recognition of temporary differences that were previously unrecognised.

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

	2015 £m	2014 £m	2013 £m
Profit before taxation	**1,492.6**	1,451.9	1,295.8
Tax at the corporation tax rate of 20.25%[1]	**302.3**	312.2	301.3
Tax effect of share of results of associates	**(9.5)**	(13.3)	(15.8)
Irrecoverable withholding taxes	**25.7**	24.2	30.7
Items that are not deductible/(taxable) in determining taxable profit	**25.4**	14.2	(27.3)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**49.9**	12.9	17.6
Origination and reversal of unrecognised temporary differences	**0.4**	10.6	35.5
Tax losses not recognised or utilised in the year	**4.0**	52.1	40.6
Utilisation of tax losses not previously recognised	**(10.4)**	(42.2)	(28.3)
Recognition of temporary differences not previously recognised	**(20.6)**	(69.0)	(14.8)
Net release of prior-year provisions in relation to acquired businesses	**(22.9)**	(17.4)	(11.6)
Other prior-year adjustments	**(96.8)**	16.1	(44.2)
Tax charge	**247.5**	300.4	283.7
Effective tax rate on profit before tax	**16.6%**	20.7%	21.9%

Note
1 The parent company of the Group is tax resident in the UK. As such, the tax rate in the tax reconciliation for 2015 is the blended UK corporation tax rate of 20.25% (2014: 21.5%, 2013: 23.25%).

The calculation of the headline tax rate is as follows:

	2015 £m	2014 £m	2013 £m
Headline PBT[1]	**1,622.3**	1,512.6	1,458.0
Tax charge	**247.5**	300.4	283.7
Tax charge relating to gains on disposal of investments and subsidiaries	**(1.1)**	(21.4)	–
Tax credit relating to restructuring costs	**26.5**	14.1	–
Deferred tax relating to gains on disposal of investments and subsidiaries	**–**	(13.8)	–
Deferred tax impact of the amortisation of acquired intangible assets and other goodwill items	**35.4**	23.2	10.6
Headline tax charge	**308.3**	302.5	294.3
Headline tax rate	**19.0%**	20.0%	20.2%

Note

1 Headline PBT is defined in note 31.

Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the levels and mix of profits in the many countries in which we operate, the prevailing tax rates in each of those countries and also the foreign exchange rates that apply to those profits. The tax charge may also be affected by the impact of acquisitions, disposals and other corporate restructurings, the resolution of open tax issues, future planning, and the ability to use brought forward tax losses. Furthermore, changes in local or international tax rules, for example prompted by the OECD's emerging recommendations on Base Erosion and Profit Shifting (a global initiative to improve the fairness and integrity of tax systems), or new challenges by tax or competition authorities, may expose us to significant additional tax liabilities or impact the carrying value of our deferred tax assets, which would affect the future tax charge.

The Group has a number of open tax returns and is subject to various ongoing tax audits in respect of which it has recognised potential liabilities, none of which are individually material. The Group does not currently expect any material additional charges, or credits, to arise in respect of these matters, beyond the amounts already provided. Liabilities relating to these open and judgemental matters are based upon estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts which were initially recorded then such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Tax risk management

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

8. Ordinary dividends

Amounts recognised as distributions to equity holders in the year:

	2015	2014	2013	2015	2014	2013
Per share	Pence per share			**£m**	£m	£m
2014 Final dividend	**26.58p**	23.65p	19.71p	**343.2**	309.5	258.0
2015 Interim dividend	**15.91p**	11.62p	10.56p	**202.6**	150.5	139.3
	42.49p	35.27p	30.27p	**545.8**	460.0	397.3

	2015	2014	2013	2015	2014	2013
Per ADR[1]	Cents per share			**$m**	$m	$m
2014 Final dividend	**218.95¢**	185.01¢	156.22¢	**565.5**	484.1	409.0
2015 Interim dividend	**121.62¢**	95.72¢	82.61¢	**309.7**	248.0	218.0
	340.57¢	280.73¢	238.83¢	**875.2**	732.1	627.0

Proposed final dividend for the year ended 31 December 2015:

	2015	2014	2013
Per share	Pence per share		
Final dividend	**28.78p**	26.58p	23.65p

	2015	2014	2013
Per ADR[1]	Cents per ADR		
Final dividend	**219.99¢**	218.95¢	185.01¢

Note

1 These figures have been translated for convenience purposes only, using the approximate average rate for the year shown on page 180. 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.

9. Earnings per share

Basic EPS

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

	2015	2014	2013
Reported earnings[1] (£m)	**1,160.2**	1,077.2	936.5
Headline earnings (£m) (note 31)	**1,229.1**	1,135.8	1,088.1
Average shares used in basic EPS calculation (m)	**1,288.5**	1,307.4	1,293.8
Reported EPS	**90.0p**	82.4p	72.4p
Headline EPS	**95.4p**	86.9p	84.1p

Note

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

Diluted EPS

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

	2015	2014	2013
Diluted reported earnings (£m)	**1,160.2**	1,077.2	947.1
Diluted headline earnings (£m)	**1,229.1**	1,135.8	1,098.7
Average shares used in diluted EPS calculation (m)	**1,313.0**	1,337.5	1,360.3
Diluted reported EPS	**88.4p**	80.5p	69.6p
Diluted headline EPS	**93.6p**	84.9p	80.8p

Diluted EPS has been calculated based on the diluted reported and diluted headline earnings amounts above. On 19 May 2009 the Group issued £450 million 5.75% convertible bonds due May 2014. During the year ended 31 December 2013, these bonds were converted into 76.5 million shares. For the year ended 31 December 2013 these convertible bonds were dilutive and earnings were consequently increased by £10.6 million for the purpose of the calculation of diluted earnings. At 31 December 2015, options to purchase 7.0 million ordinary shares (2014: 10.7 million, 2013: 6.0 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:

	2015 m	2014 m	2013 m
Average shares used in basic EPS calculation	**1,288.5**	1,307.4	1,293.8
Dilutive share options outstanding	**3.5**	4.8	6.8
Other potentially issuable shares	**21.0**	25.3	30.8
£450 million 5.75% convertible bonds	**–**	–	28.9
Shares used in diluted EPS calculation	**1,313.0**	1,337.5	1,360.3

At 31 December 2015 there were 1,329,366,024 (2014: 1,325,747,724, 2013: 1,348,733,317) ordinary shares in issue.

10. Sources of finance

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

	Shares		Debt	
	2015 £m	2014 £m	2015 £m	2014 £m
Analysis of changes in financing				
Beginning of year	**640.6**	618.3	**4,523.0**	4,123.6
Ordinary shares issued	**27.6**	25.0	**–**	–
Treasury share cancellations	**–**	(2.7)	**–**	–
Net increase in drawings on bank loans and corporate bonds	**–**	–	**492.0**	465.2
Amortisation of financing costs included in net debt	**–**	–	**7.5**	6.5
Other movements	**–**	–	**105.0**	(57.8)
Exchange adjustments	**–**	–	**29.9**	(14.5)
End of year	**668.2**	640.6	**5,157.4**	4,523.0

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

Shares

At 31 December 2015, the Company's share base was entirely composed of ordinary equity share capital and share premium of £668.2 million (2014: £640.6 million), further details of which are disclosed in note 26.

Debt

US$ bonds The Group has in issue $812 million of 4.75% bonds due November 2021, $500 million of 3.625% bonds due September 2022, $750 million of 3.75% bonds due September 2024, $300 million of 5.125% bonds due September 2042 and $500 million of 5.625% bonds due November 2043.

Eurobonds In March 2015, the Group issued €252 million of 0.43% bonds due March 2018 in exchange for €252 million of the 6.65% bonds due May 2016. Consequently the amount in issue of the 6.625% bonds due May 2016 has reduced to €498 million. In March 2015, the Group issued €600 million of 1.625% bonds due March 2030 and in November 2015 issued €600 million of 0.75% bonds due November 2019.

The Group also has in issue €750 million of 3% bonds due November 2023 and €750 million of 2.25% bonds due September 2026.

Sterling bonds The Group has in issue £400 million of 6% bonds due April 2017 and £200 million of 6.375% bonds due November 2020.

Revolving Credit Facility The Group has a five-year Revolving Credit Facility of $2.5 billion due July 2020. The Group's borrowing under these facilities, which are drawn down predominantly in US dollars and pounds sterling, averaged the equivalent of $45 million in 2015. The Group had available undrawn committed credit facilities of £1,696.8 million at December 2015 (2014: £1,604.5 million).

Borrowings under the Revolving Credit Facility are governed by certain financial covenants based on the results and financial position of the Group.

US Commercial Paper Program

The Group operates a commercial paper program using its Revolving Credit Facility as a backstop. The average commercial paper outstanding in 2015 was $372 million. There was no US Commercial Paper outstanding at 31 December 2015.

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:

	2015 £m	2014 £m
Within one year	**(541.7)**	(578.4)
Between one and two years	**(548.2)**	(748.4)
Between two and three years	**(325.4)**	(533.7)
Between three and four years	**(581.6)**	(125.7)
Between four and five years	**(335.0)**	(125.7)
Over five years	**(4,459.5)**	(4,192.3)
Debt financing (including interest) under the Revolving Credit Facility and in relation to unsecured loan notes	**(6,791.4)**	(6,304.2)
Short-term overdrafts – within one year	**(435.8)**	(265.1)
Future anticipated cash flows	**(7,227.2)**	(6,569.3)
Effect of discounting/financing rates	**1,634.0**	1,781.2
Debt financing	**(5,593.2)**	(4,788.1)
Cash and short-term deposits	**2,382.4**	2,512.7
Net debt	**(3,210.8)**	(2,275.4)

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

2015 Currency		£m	Fixed rate[1]	Floating basis	Period (months)[1]
$	– fixed	1,052.0	4.62%	n/a	224
	– floating	890.7	n/a	LIBOR	n/a
£	– fixed	400.0	6.19%	n/a	37
	– floating	200.0	n/a	LIBOR	n/a
€	– fixed	2,544.4	2.54%	n/a	90
Other		70.3	n/a	n/a	n/a
		5,157.4			

2014 Currency		£m	Fixed rate[1]	Floating basis	Period (months)[1]
$	– fixed	1,547.2	4.56%	n/a	234
	– floating	753.2	n/a	LIBOR	n/a
£	– fixed	400.0	6.19%	n/a	58
	– floating	200.0	n/a	LIBOR	n/a
€	– fixed	1,747.7	3.96%	n/a	89
	– floating	1.4	n/a	EURIBOR	n/a
Other		(126.5)	n/a	n/a	n/a
		4,523.0			

Note

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

The following table is an analysis of future anticipated cash flows in relation to the Group's financial derivatives, which include interest rate swaps, cash flow hedges and other foreign exchange swaps:

	Financial liabilities		Financial assets	
2015	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	55.2	50.6	72.4	102.7
Between one and two years	40.7	39.4	277.1	298.1
Between two and three years	17.4	17.6	52.8	56.7
Between three and four years	18.4	19.1	55.6	56.7
Between four and five years	20.3	20.8	58.1	56.7
Over five years	834.1	834.2	1,393.6	1,387.2
	986.1	**981.7**	**1,909.6**	**1,958.1**

	Financial liabilities		Financial assets	
2014	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	632.6	498.5	569.0	642.6
Between one and two years	1.1	0.4	22.0	37.9
Between two and three years	26.1	25.4	250.2	262.2
Between three and four years	–	–	25.3	24.8
Between four and five years	–	–	26.4	24.8
Over five years	–	–	576.4	570.9
	659.8	524.3	1,469.3	1,563.2

11. Analysis of cash flows

The following tables analyse the items included within the main cash flow headings on page 182.

Net cash from operating activities:

	2015 £m	2014 £m	2013 £m
Profit for the year	**1,245.1**	1,151.5	1,012.1
Taxation	**247.5**	300.4	283.7
Revaluation of financial instruments	**34.7**	(50.7)	(21.0)
Finance costs	**224.1**	262.7	267.9
Finance income	**(72.4)**	(94.7)	(64.3)
Share of results of associates	**(47.0)**	(61.9)	(68.1)
Operating profit	**1,632.0**	1,507.3	1,410.3
Adjustments for:			
Non-cash share-based incentive plans (including share options)	**99.0**	102.2	105.4
Depreciation of property, plant and equipment	**194.7**	197.3	202.0
Impairment of goodwill	**15.1**	16.9	23.3
Amortisation and impairment of acquired intangible assets	**140.1**	147.5	179.8
Amortisation of other intangible assets	**33.7**	31.6	32.7
Investment write-downs	**78.7**	7.3	0.4
Gains on disposal of investments and subsidiaries	**(131.0)**	(186.3)	(6.0)
Gains on remeasurement of equity interest on acquisition of controlling interest	**(165.0)**	(9.2)	(30.0)
Losses/(gains) on sale of property, plant and equipment	**1.1**	(0.8)	(0.4)
Operating cash flow before movements in working capital and provisions	**1,898.4**	1,813.8	1,917.5
Decrease/(increase) in inventories and work in progress	**7.8**	(9.7)	36.7
Increase in receivables	**(921.7)**	(84.0)	(253.3)
Increase in payables – short-term	**787.9**	390.9	67.2
Increase in payables – long-term	**24.2**	36.5	28.3
Decrease in provisions	**(62.3)**	(38.7)	(12.3)
Cash generated by operations	**1,734.3**	2,108.8	1,784.1
Corporation and overseas tax paid	**(301.2)**	(289.9)	(273.3)
Interest and similar charges paid	**(212.0)**	(249.1)	(254.7)
Interest received	**61.3**	69.8	51.3
Investment income	**4.9**	11.9	10.1
Dividends from associates	**72.6**	52.2	56.7
Net cash inflow from operating activities	**1,359.9**	1,703.7	1,374.2

Acquisitions and disposals:

	2015 £m	2014 £m	2013 £m
Initial cash consideration	**(463.5)**	(382.7)	(165.1)
Cash and cash equivalents acquired (net)	**57.7**	74.4	25.0
Earnout payments	**(43.9)**	(34.3)	(27.7)
Purchase of other investments (including associates)	**(283.2)**	(188.8)	(45.6)
Proceeds on disposal of investments	**63.4**	42.3	12.0
Acquisitions and disposals	**(669.5)**	(489.1)	(201.4)
Cash consideration for non-controlling interests	**(23.6)**	(5.6)	(19.6)
Net cash outflow	**(693.1)**	(494.7)	(221.0)

Share repurchases and buy-backs:

	2015 £m	2014 £m	2013 £m
Purchase of own shares by ESOP Trusts	**(181.6)**	(98.3)	(179.4)
Shares purchased into treasury	**(406.0)**	(412.5)	(17.6)
Net cash outflow	**(587.6)**	(510.8)	(197.0)

Net increase in borrowings:

	2015 £m	2014 £m	2013 £m
Proceeds from issue of €600 million bonds	**858.7**	–	–
Repayment of €500 million bonds	**(481.9)**	–	–
Premium on exchange of €252 million bonds	**(13.7)**	–	–
Repayment of $369 million bonds	**–**	(235.3)	–
Repayment of $600 million bonds	**–**	(333.7)	–
Repayment of $25 million TNS private placements	**–**	(14.6)	–
Proceeds from issue of €750 million bonds	**–**	588.7	624.8
Proceeds from issue of $750 million bonds	**–**	460.1	–
Proceeds from issue of $500 million bonds	**–**	–	314.2
Repayment of €600 million bonds	**–**	–	(502.1)
Repayment of convertible bonds	**–**	–	(0.1)
Increase in drawings on bank loans	**128.9**	–	–
Net cash inflow	**492.0**	465.2	436.8

Cash and cash equivalents:

	2015 £m	2014 £m	2013 £m
Cash at bank and in hand	**2,227.8**	1,967.0	2,099.1
Short-term bank deposits	**154.6**	545.7	122.5
Overdrafts[1]	**(435.8)**	(265.1)	(338.4)
	1,946.6	2,247.6	1,883.2

Note

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

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

12. Intangible assets

Goodwill

The movements in 2015 and 2014 were as follows:

	£m
Cost:	
1 January 2014	10,065.8
Additions[1]	514.0
Revision of earnout estimates	26.4
Exchange adjustments	(23.2)
31 December 2014	10,583.0
Additions[1]	763.6
Revision of earnout estimates	19.9
Exchange adjustments	(72.3)
31 December 2015	**11,294.2**
Accumulated impairment losses and write-downs:	
1 January 2014	593.0
Impairment losses for the year	8.1
Exchange adjustments	2.5
31 December 2014	603.6
Impairment losses for the year	15.1
Exchange adjustments	4.9
31 December 2015	**623.6**
Net book value:	
31 December 2015	**10,670.6**
31 December 2014	9,979.4
1 January 2014	9,472.8

Note

[1] Additions represent goodwill arising on the acquisition of subsidiary undertakings including the effect of any revisions to fair value adjustments that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations. The effect of such revisions was not material in either year presented. Goodwill arising on the acquisition of associate undertakings is shown within interests in associates and joint ventures in note 14.

Cash-generating units with significant goodwill as at 31 December are:

	2015 £m	2014 £m
GroupM	**2,390.7**	2,124.5
Kantar	**2,223.4**	1,965.0
Wunderman	**1,083.3**	1,081.0
Y&R Advertising	**946.9**	978.1
Burson-Marsteller	**482.6**	473.2
Other	**3,543.7**	3,357.6
Total goodwill	**10,670.6**	9,979.4

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

Other intangible assets

The movements in 2015 and 2014 were as follows:

	Brands with an indefinite useful life £m	Acquired intangibles £m	Other £m	Total £m
Cost:				
1 January 2014	957.9	1,666.4	284.2	2,908.5
Additions	–	–	36.5	36.5
Disposals	–	(33.2)	(16.2)	(49.4)
New acquisitions	–	136.3	2.7	139.0
Other movements[1]	–	12.0	4.0	16.0
Exchange adjustments	11.4	2.7	1.8	15.9
31 December 2014	969.3	1,784.2	313.0	3,066.5
Additions	–	–	36.1	36.1
Disposals	–	–	(19.2)	(19.2)
New acquisitions	–	230.7	2.4	233.1
Other movements[1]	–	6.7	(4.1)	2.6
Exchange adjustments	(1.2)	(14.5)	2.8	(12.9)
31 December 2015	**968.1**	**2,007.1**	**331.0**	**3,306.2**
Amortisation and impairment:				
1 January 2014	–	1,052.8	187.9	1,240.7
Charge for the year	–	144.7	31.6	176.3
Disposals	–	(26.9)	(15.4)	(42.3)
Other movements	–	–	2.2	2.2
Exchange adjustments	–	16.7	4.0	20.7
31 December 2014	–	1,187.3	210.3	1,397.6
Charge for the year	–	135.7	33.7	169.4
Disposals	–	–	(18.3)	(18.3)
IT asset write-downs	–	–	29.1	29.1
Other movements	–	–	(7.3)	(7.3)
Exchange adjustments	–	16.5	3.8	20.3
31 December 2015	**–**	**1,339.5**	**251.3**	**1,590.8**
Net book value:				
31 December 2015	**968.1**	**667.6**	**79.7**	**1,715.4**
31 December 2014	969.3	596.9	102.7	1,668.9
1 January 2014	957.9	613.6	96.3	1,667.8

Note

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

Brands with an indefinite life are carried at historical cost in accordance with the Group's accounting policy for intangible assets. The carrying values of the separately identifiable brands 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 2015 include brand names of £401.0 million (2014: £393.0 million), customer-related intangibles of £239.9 million (2014: £197.8 million), and other assets (including proprietary tools) of £26.7 million (2014: £6.1 million).

The total amortisation and impairment of acquired intangible assets of £140.1 million (2014: £147.5 million) includes £4.4 million (2014: £2.8 million) in relation to associates.

In accordance with the Group's accounting policy, the carrying values of goodwill and intangible assets with indefinite useful lives are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The carrying values of brands with an indefinite useful life are assessed for impairment purposes by using the royalty and loyalty methods of valuation, both of which utilise the net present value of future cash flows associated with the brands.

The goodwill impairment review is undertaken annually on 30 September. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows, using a pre-tax discount rate of 8.5% (2014: 9.0%) and management forecasts for a projection period of up to five years, followed by an assumed annual long-term growth rate of 3.0% (2014: 3.0%) and no assumed improvement in operating margin. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry.

The goodwill impairment charge of £15.1 million (2014: £16.9 million) relates to a number of under-performing businesses in the Group, of which £nil (2014: £8.8 million) is in relation to associates. In certain markets, the impact of local economic conditions and trading circumstances on these businesses was sufficiently severe to indicate impairment to the carrying value of goodwill.

Under IFRS, an impairment charge is required for both goodwill and other indefinite-lived assets when the carrying amount exceeds the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use.

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

These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of cash-generating unit identified for impairment testing and the criteria used to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss. Changes in our business activities or structure may also result in 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. Any resulting impairment loss could have a material impact on the Group's financial condition and results of operations.

Historically our impairment losses have resulted from a specific event, condition or circumstance in one of our companies, such as the loss of a significant client. As a result, changes in the assumptions used in our impairment model have not had a significant effect on the impairment charges recognised and a reasonably possible change in assumptions would not lead to a significant impairment. The carrying value of goodwill and other intangible assets will continue to be reviewed at least annually for impairment and adjusted to the recoverable amount if required.

13. Property, plant and equipment

The movements in 2015 and 2014 were as follows:

	Land £m	Freehold buildings £m	Leasehold buildings £m	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
Cost:						
1 January 2014	37.1	105.8	741.3	325.8	605.8	1,815.8
Additions	–	0.7	61.9	39.0	76.3	177.9
New acquisitions	–	0.1	4.0	9.8	6.7	20.6
Disposals	–	(0.5)	(43.1)	(30.8)	(81.5)	(155.9)
Exchange adjustments	–	4.2	20.6	(9.1)	(8.9)	6.8
31 December 2014	37.1	110.3	784.7	334.7	598.4	1,865.2
Additions	–	0.4	107.2	39.4	63.3	210.3
New acquisitions	–	1.2	2.2	13.3	4.4	21.1
Disposals	–	(12.6)	(68.2)	(37.7)	(55.9)	(174.4)
Exchange adjustments	–	2.9	11.5	(11.4)	(7.3)	(4.3)
31 December 2015	**37.1**	**102.2**	**837.4**	**338.3**	**602.9**	**1,917.9**
Depreciation:						
1 January 2014	–	19.8	372.9	191.7	458.1	1,042.5
Charge for the year	–	4.5	68.9	41.1	82.8	197.3
Disposals	–	(1.0)	(40.3)	(26.6)	(80.4)	(148.3)
Exchange adjustments	–	(0.8)	10.9	(2.8)	(6.1)	1.2
31 December 2014	–	22.5	412.4	203.4	454.4	1,092.7
Charge for the year	–	5.2	70.5	40.9	78.1	194.7
Disposals	–	(7.7)	(64.8)	(29.5)	(54.5)	(156.5)
Exchange adjustments	–	(0.8)	5.1	(5.9)	(9.1)	(10.7)
31 December 2015	**–**	**19.2**	**423.2**	**208.9**	**468.9**	**1,120.2**
Net book value:						
31 December 2015	**37.1**	**83.0**	**414.2**	**129.4**	**134.0**	**797.7**
31 December 2014	37.1	87.8	372.3	131.3	144.0	772.5
1 January 2014	37.1	86.0	368.4	134.1	147.7	773.3

At the end of the year, capital commitments contracted, but not provided for in respect of property, plant and equipment were £61.3 million (2014: £60.9 million).

14. Interests in associates, joint ventures and other investments

The movements in 2015 and 2014 were as follows:

	Net assets of associates and joint ventures £m	Goodwill and other intangibles of associates and joint ventures £m	Total associates and joint ventures £m	Other investments £m
1 January 2014	395.4	397.4	792.8	270.6
Additions	70.1	–	70.1	340.0
Goodwill arising on acquisition of new associates	–	0.2	0.2	–
Share of results of associate undertakings (note 4)	61.9	–	61.9	–
Dividends	(52.2)	–	(52.2)	–
Other movements	9.7	3.9	13.6	10.6
Exchange adjustments	(9.1)	(1.5)	(10.6)	5.9
Disposals	(0.2)	(0.1)	(0.3)	(15.2)
Reclassification to subsidiaries	(56.4)	(47.6)	(104.0)	–
Revaluation of other investments	–	–	–	64.6
Amortisation of other intangible assets	–	(2.8)	(2.8)	–
Goodwill impairment	–	(8.8)	(8.8)	–
Write-downs	–	–	–	(7.3)
31 December 2014	419.2	340.7	759.9	669.2
Additions	(18.7)	–	(18.7)	357.1
Goodwill arising on acquisition of new associates	–	124.8	124.8	–
Share of results of associate undertakings (note 4)	47.0	–	47.0	–
Dividends	(75.1)	–	(75.1)	–
Other movements	5.1	5.7	10.8	–
Exchange adjustments	(7.9)	(5.8)	(13.7)	18.9
Disposals	(46.7)	(1.6)	(48.3)	(13.8)
Reclassification from/(to) subsidiaries	11.2	(34.9)	(23.7)	–
Revaluation of other investments	–	–	–	206.0
Amortisation of other intangible assets	–	(4.4)	(4.4)	–
Write-downs	–	–	–	(78.7)
31 December 2015	**334.1**	**424.5**	**758.6**	**1,158.7**

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

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

The Group's principal associates and joint ventures at 31 December 2015 included:

	% owned	Country of incorporation
Asatsu-DK Inc.	24.6	Japan
Barrows Design and Manufacturing (Pty) Limited	35.0	South Africa
Chime Communications Ltd	27.8	UK
CTR Market Research Company Limited	46.0	China
CVSC Sofres Media Co Limited	40.0	China
GIIR Inc	30.0	Korea
Globant S.A.[1]	19.8	Argentina
Grass Roots Group plc	44.8	UK
Haworth Marketing & Media Company	49.0	USA
High Co SA	34.1	France
Marktest Investimentos SGPS S.A.	43.1	Portugal
Nanjing Yindu Advertising Agency	49.0	China
Singleton, Ogilvy & Mather (Holdings) Pty Limited	33.3	Australia
Smollan Holdings (Pty) Ltd	25.4	South Africa
STW Communications Group Limited[2]	23.5	Australia

Notes

1 Although the Group holds less than 20% of Globant S.A, it is considered to be an associate as the Group exercises significant influence over the entity.

2 STW Communications Group Limited merged with the Australian and New Zealand businesses of WPP following STW shareholder approval at an Extraordinary General Meeting held on 4 April 2016. As a result of this transaction, WPP will have a majority shareholding.

The market value of the Group's shares in its principal listed associate undertakings at 31 December 2015 was as follows: Asatsu-DK Inc: £171.6 million, GIIR Inc: £25.2 million, Globant SA: £170.3 million, High Co SA: £27.2 million and STW Communications Group Limited: £40.0 million (2014: Asatsu-DK Inc: £160.9 million, GIIR Inc: £22.4 million, Globant SA: £104.5 million, High Co SA: £13.6 million and STW Communications Group Limited: £40.3 million).

The carrying value (including goodwill and other intangibles) of these equity interests in the Group's consolidated balance sheet at 31 December 2015 was as follows: Asatsu-DK Inc: £120.1 million, GIIR Inc: £30.4 million, Globant SA: £61.9 million, High Co SA: £28.6 million and STW Communications Group Limited: £70.4 million (2014: Asatsu-DK Inc: £140.4 million, GIIR Inc: £30.0 million, Globant SA: £57.4 million, High Co SA: £28.9 million and STW Communications Group Limited: £71.4 million).

Where the market value of the Group's listed associates is less than the carrying value, an impairment review is performed utilising the discounted cash flow methodology discussed in note 12.

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

Summarised financial information

The following tables present a summary of the aggregate financial performance and net asset position of the Group's associate undertakings and joint ventures. These have been estimated and converted, where appropriate, to an IFRS presentation based on information provided by the relevant companies at 31 December 2015.

	2015 £m	2014 £m	2013 £m
Income statement			
Revenue	**2,049.5**	2,246.5	2,366.7
Operating profit	**283.7**	280.6	274.8
Profit before taxation	**236.5**	267.0	261.5
Profit for the year	**162.0**	183.0	188.8

	2015 £m	2014 £m	2013 £m
Balance sheet			
Assets	**3,912.4**	4,380.3	5,027.4
Liabilities	**(1,906.2)**	(1,823.9)	(2,411.9)
Net assets	**2,006.2**	2,556.4	2,615.5

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

At the end of the year, capital commitments contracted, but not provided for in respect of interests in associates and other investments were £93.1 million (2014: £42.4 million).

15. 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 there would be sufficient taxable profits for the future deductions to be utilised.

Based on available evidence, both positive and negative, we determine whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors that we consider include:

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

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

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

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

	Gross 2015 £m	Offset 2015 £m	As reported 2015 £m	Gross 2014 £m	Offset 2014 £m	As reported 2014 £m	Gross 2013 £m	Offset 2013 £m	As reported 2013 £m
Deferred tax assets	410.7	(316.6)	**94.1**	406.8	(298.0)	108.8	224.3	(134.8)	89.5
Deferred tax liabilities	(868.9)	316.6	**(552.3)**	(834.7)	298.0	(536.7)	(755.6)	134.8	(620.8)
	(458.2)	–	**(458.2)**	(427.9)	–	(427.9)	(531.3)	–	(531.3)

The Group has restated the consolidated balance sheets at 31 December 2014 and 31 December 2013 to reduce both the deferred tax assets and the deferred tax liabilities shown in each year by £130.9 million and £29.9 million respectively. This restatement offsets certain deferred tax assets and liabilities relating to the same tax group. There was no impact on the Group's net income or net assets.

The following are the major gross deferred tax assets recognised by the Group and movements thereon in 2015 and 2014:

	Deferred compensation £m	Accounting provisions & accruals £m	Retirement benefit obligations £m	Property, plant & equipment £m	Tax losses & credits £m	Share-based payments £m	Restructuring provisions £m	Other temporary differences £m	Total £m
1 January 2014	1.1	45.8	19.0	31.3	34.0	86.3	–	6.8	224.3
Credit/(charge) to income	44.5	9.2	18.0	8.7	12.3	(1.2)	19.3	14.6	125.4
Credit to other comprehensive income	–	–	62.1	–	–	–	–	–	62.1
Charge to equity	–	–	–	–	–	(17.1)	–	–	(17.1)
Exchange differences	(0.1)	(3.5)	7.3	1.4	1.8	3.5	1.1	0.6	12.1
31 December 2014	45.5	51.5	106.4	41.4	48.1	71.5	20.4	22.0	406.8
(Charge)/credit to income	(5.8)	(2.9)	(12.0)	2.1	20.4	(3.3)	11.2	(5.1)	4.6
Charge to comprehensive income	–	–	(5.2)	–	–	–	–	–	(5.2)
Credit to equity	–	–	–	–	–	6.4	–	–	6.4
Exchange differences	2.2	0.9	1.8	1.2	2.8	4.2	(0.5)	(0.3)	12.3
Transfer to current tax creditor	–	–	–	–	–	–	(14.2)	–	(14.2)
31 December 2015	**41.9**	**49.5**	**91.0**	**44.7**	**71.3**	**78.8**	**16.9**	**16.6**	**410.7**

Other temporary differences comprise a number of items including tax deductible goodwill, none of which is individually significant to the Group's consolidated balance sheet.

In addition the Group has recognised the following gross deferred tax liabilities and movements thereon in 2015 and 2014:

	Brands and other intangibles £m	Associate earnings £m	Goodwill £m	Property, plant & equipment £m	Financial instruments £m	Other temporary differences £m	Total £m
1 January 2014	564.6	21.5	135.5	29.6	–	4.4	755.6
Acquisition of subsidiaries	36.0	–	–	–	–	–	36.0
(Credit)/charge to income	(44.6)	(1.7)	19.0	(0.7)	47.0	7.5	26.5
Exchange adjustments	2.2	(0.2)	9.2	1.9	2.7	0.8	16.6
31 December 2014	558.2	19.6	163.7	30.8	49.7	12.7	834.7
Acquisition of subsidiaries	73.4	–	–	–	–	0.4	73.8
(Credit)/charge to income	(44.2)	2.7	4.7	(1.6)	(1.8)	(2.4)	(42.6)
Exchange differences	(10.3)	0.2	8.3	1.7	2.8	0.3	3.0
31 December 2015	**577.1**	**22.5**	**176.7**	**30.9**	**50.7**	**11.0**	**868.9**

At the balance sheet date, the Group has gross tax losses and other temporary differences of £4,581.9 million (2014: £4,840.6 million) available for offset against future profits. Deferred tax assets have been recognised in respect of the tax benefit of £1,186.3 million (2014: £1,262.1 million) of such tax losses and other temporary differences. No deferred tax asset has been recognised in respect of the remaining £3,395.6 million (2014: £3,578.5 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 £42.3 million that will expire within 1–10 years, and £3,067.7 million of losses that may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £2,311.7 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.

16. Inventory and work in progress

The following are included in the net book value of inventory and work in progress:

	2015 £m	2014 £m
Work in progress	315.1	313.7
Inventory	13.9	13.6
	329.0	327.3

17. Trade and other receivables

The following are included in trade and other receivables:

Amounts falling due within one year:

	2015 £m	2014 £m
Trade receivables (net of bad debt provision)	6,799.4	6,337.6
VAT and sales taxes recoverable	154.9	116.0
Prepayments	235.0	222.1
Accrued income	2,853.8	2,401.5
Fair value of derivatives	4.6	11.4
Other debtors	447.7	441.4
	10,495.4	9,530.0

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

2015	Carrying amount at 31 December 2015 £m	Neither past due nor impaired £m	0-30 days £m	31-90 days £m	91-180 days £m	181 days-1 year £m	Greater than 1 year £m
Trade receivables	6,799.4	4,290.7	1,704.0	631.9	133.0	35.4	4.4
Other financial assets	453.5	265.7	107.6	23.8	5.1	19.1	32.2
	7,252.9	4,556.4	1,811.6	655.7	138.1	54.5	36.6

2014	Carrying amount at 31 December 2014 £m	Neither past due nor impaired £m	0-30 days £m	31-90 days £m	91-180 days £m	181 days-1 year £m	Greater than 1 year £m
Trade receivables	6,337.6	4,069.0	1,457.3	659.3	120.6	30.8	0.6
Other financial assets	440.3	310.0	75.9	14.4	8.8	13.8	17.4
	6,777.9	4,379.0	1,533.2	673.7	129.4	44.6	18.0

Other financial assets are included in other debtors.

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

Amounts falling due after more than one year:

	2015 £m	2014 £m
Prepayments	1.5	1.9
Accrued income	5.8	7.0
Other debtors	131.7	97.8
Fair value of derivatives	39.7	41.9
	178.7	148.6

Movements on bad debt provisions were as follows:

	2015 £m	2014 £m
Balance at beginning of year	85.3	92.8
New acquisitions	1.0	3.2
Charged to operating costs	21.6	18.9
Exchange adjustments	0.2	0.3
Utilisations and other movements	(22.7)	(29.9)
Balance at end of year	85.4	85.3

The allowance for bad and doubtful debts is equivalent to 1.2% (2014: 1.3%) of gross trade accounts receivables.

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

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:

	2015 £m	2014 £m
Trade payables	8,538.3	7,846.3
Payments due to vendors (earnout agreements)	126.0	67.1
Liabilities in respect of put option agreements with vendors	51.1	27.7
Deferred income	1,081.0	990.4
Fair value of derivatives	0.7	75.0
Share purchases – close period commitments	–	78.8
Other creditors and accruals	2,887.9	2,698.7
	12,685.0	11,784.0

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

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:

	2015 £m	2014 £m
Payments due to vendors (earnout agreements)	455.3	244.3
Liabilities in respect of put option agreements with vendors	183.3	157.2
Fair value of derivatives	2.3	2.1
Other creditors and accruals	250.6	221.3
	891.5	624.9

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

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

	2015 £m	2014 £m
Within one year	126.0	67.1
Between one and two years	104.9	67.4
Between two and three years	105.1	65.1
Between three and four years	110.9	34.6
Between four and five years	122.5	51.9
Over five years	11.9	25.3
	581.3	311.4

	2015 £m	2014 £m
At the beginning of the year	311.4	193.5
Earnouts paid (note 11)	(43.9)	(34.3)
New acquisitions	262.2	136.0
Revision of estimates taken to goodwill (note 12)	19.9	26.4
Revaluation of payments due to vendors (note 6)	35.6	(13.2)
Exchange adjustments	(3.9)	3.0
At the end of the year	581.3	311.4

As of 31 December 2015, 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 range from £nil to £378 million (2014: £nil to £362 million) and £nil to £1,645 million (2014: £nil to £1,329 million), respectively. The increase in the maximum potential undiscounted amount of future payments for all earnout agreements is due to earnout arrangements related to new acquisitions partially offset by earnout arrangements that have completed and payments made on active arrangements during the year.

20. Bank overdrafts, bonds and bank loans
Amounts falling due within one year:

	2015 £m	2014 £m
Bank overdrafts	435.8	265.1
Corporate bonds and bank loans	496.2	388.1
	932.0	653.2

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

Amounts falling due after more than one year:

	2015 £m	2014 £m
Corporate bonds and bank loans	4,661.2	4,134.9

The Group estimates that the fair value of corporate bonds is £5,207.4 million at 31 December 2015 (2014: £4,944.8 million). The Group considers that the carrying amount of bank loans approximates their fair value. The fair values of the corporate bonds are based on quoted market prices.

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

	2015 £m	2014 £m
Within one year	932.0	653.2
Between one and two years	413.6	581.9
Between two and three years	174.7	413.9
Between three and four years	440.6	–
Between four and five years	194.2	–
Over five years	3,438.1	3,139.1
	5,593.2	4,788.1

21. Provisions for liabilities and charges

The movements in 2015 and 2014 were as follows:

	Property £m	Other £m	Total £m
1 January 2014	37.3	110.4	147.7
Charged to the income statement	16.4	15.5	31.9
Acquisitions[1]	2.1	7.7	9.8
Utilised	(6.0)	(9.2)	(15.2)
Released to the income statement	(5.4)	(6.7)	(12.1)
Transfers	0.1	0.4	0.5
Exchange adjustments	–	3.8	3.8
31 December 2014	44.5	121.9	166.4
Charged to the income statement	9.2	15.6	24.8
Acquisitions[1]	13.3	11.2	24.5
Utilised	(7.2)	(11.4)	(18.6)
Released to the income statement	(2.8)	(10.9)	(13.7)
Transfers	(3.0)	2.5	(0.5)
Exchange adjustments	(1.3)	2.0	0.7
31 December 2015	**52.7**	**130.9**	**183.6**

Note

1 Acquisitions include £13.5 million (2014: £0.5 million) of provisions arising from revisions to fair value adjustments related to the acquisition of subsidiary undertakings that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations.

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

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.

22. Share-based payments

Charges for share-based incentive plans were as follows:

	2015 £m	2014 £m	2013 £m
Share-based payments (note 5)	**99.0**	102.2	105.4

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

As of 31 December 2015, there was £162.0 million (2014: £156.8 million) of total unrecognised compensation cost related to the Group's restricted stock plans. That cost is expected to be recognised over an average period of one to two years.

Further information on stock options is provided in note 26.

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:

Leadership Equity Acquisition Plan III (LEAP III)

Under LEAP III, the most senior executives of the Group, including certain executive directors, commit WPP shares ('investment shares') in order to have the opportunity to earn additional WPP shares ('matching shares'). The number of matching shares which a participant can receive at the end of the fixed performance period of five years is dependent on the performance (based on the Total Shareholder Return (TSR)) of the Company over that period against a comparator group of other listed communications services companies. The maximum possible number of matching shares for each of the 2012 and 2011 grants is five shares for each investment share. The 2011 LEAP III plan vested in March 2016 at a match of 5.0 shares for each investment share. The last LEAP III award was granted in 2012 and no further awards will be made following the introduction of the EPSP.

Executive Performance Share Plan (EPSP)

The first grant of restricted stock under the EPSP was made in 2013. This scheme is intended to reward and incentivise the most senior executives of the Group and has effectively replaced LEAP III. The performance period is five complete financial years, commencing with the financial year in which the award is granted. Grant date will usually be in the first half of the first performance year, with vest date in the March following the end of the five-year performance period. Vesting is conditional on continued employment throughout the vesting period.

There are three performance criteria, each constituting one-third of the vesting value, and each measured over this five-year period:
(i) TSR against a comparator group of companies. Threshold performance (equating to ranking in the 50th percentile of the comparator group) will result in 20% vesting of the part of the award dependent on TSR. The maximum vest of 100% will arise if performance ranks in the 90th percentile, with a sliding scale of vesting for performance between threshold and maximum.
(ii) Headline diluted earnings per share. Threshold performance (7% compound annual growth) will again result in a 20% vest. Maximum performance of 14% compound annual growth will give rise to a 100% vest, with a sliding vesting scale for performance between threshold and maximum.
(iii) Return on equity (ROE). Average annual ROE defined as headline diluted EPS divided by the balance sheet value per share of share owners' equity. Threshold performance of 10% average annual ROE and maximum performance of 14%, with a sliding scale in between. Threshold again gives rise to a 20% vest, with 100% for maximum.

Performance Share Awards (PSA)

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

Leaders, Partners and High Potential Group

This scheme provides annual grants of restricted stock to well over 1,000 key executives of the Group. Vesting is conditional on continued employment over the three-year vesting period.

Valuation methodology

For all of these schemes, the valuation methodology is based upon fair value on grant date, which is determined by the market price on that date or the application of a Black-Scholes model, depending upon the characteristics of the scheme concerned. The assumptions underlying the Black-Scholes model are detailed in note 26, 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. LEAP III and EPSP schemes are subject to a number of performance conditions, including TSR, a market-based condition.

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

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

Movement on ordinary shares granted for significant restricted stock plans:

	Non-vested 1 January 2015 number m	Granted number m	Lapsed number m	Vested number m	Non-vested 31 December 2015 number m
LEAP III[1]	3.0	4.2	–	(5.1)	**2.1**
Executive Performance Share Plan (EPSP)	4.8	1.9	–	–	**6.7**
Performance Share Awards (PSA)	3.2	0.4	(0.2)	(1.7)	**1.7**
Leaders, Partners and High Potential Group	6.9	2.0	(0.5)	(2.7)	**5.7**
Weighted average fair value (pence per share):					
LEAP III[1]	788p	728p	–	728p	**749p**
Executive Performance Share Plan (EPSP)	1,189p	1,472p	–	–	**1,271p**
Performance Share Awards (PSA)	1,170p	1,252p	1,247p	1,011p	**1,343p**
Leaders, Partners and High Potential Group	1,140p	1,386p	1,149p	778p	**1,401p**

Note

1 The number of shares granted represents the matched shares awarded on vest date for the 2010 LEAP III plan which vested in March 2015. The actual number of shares that vest for each LEAP III plan is dependent on the extent to which the relevant performance criteria are satisfied.

The total fair value of shares vested for all the Group's restricted stock plans during the year ended 31 December 2015 was £111.7 million (2014: £107.2 million, 2013: £87.1 million).

23. Provision for post-employment benefits

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

	2015 £m	2014 £m	2013 £m
Defined contribution plans	**135.0**	129.8	124.4
Defined benefit plans charge to operating profit	**25.0**	19.1	26.9
Pension costs (note 5)	**160.0**	148.9	151.3
Net interest expense on pension plans (note 6)	**7.3**	8.0	11.4
	167.3	156.9	162.7

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 2015.

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 2015 amounted to £70.9 million (2014: £68.2 million, 2013: £47.8 million). Employer contributions and benefit payments in 2016 are expected to be approximately £70 million.

(a) Assumptions

There are a number of areas in pension accounting that involve judgments 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:

	2015 % pa	2014 % pa	2013 % pa	2012 % pa
UK				
Discount rate[1]	**3.7**	3.4	4.5	4.2
Rate of increase in salaries	**3.1**	3.1	3.6	2.9
Rate of increase in pensions in payment	**3.9**	3.9	4.2	3.9
Inflation	**2.4**	2.4	2.9	2.4
North America				
Discount rate[1]	**4.0**	3.7	4.5	3.5
Rate of increase in salaries	**3.0**	3.0	3.0	3.0
Inflation	**2.5**	2.5	2.5	2.5
Western Continental Europe				
Discount rate[1]	**2.5**	2.1	3.7	3.6
Rate of increase in salaries	**2.3**	2.2	2.4	2.4
Rate of increase in pensions in payment	**1.6**	2.0	2.0	2.0
Inflation	**2.0**	2.0	2.0	2.0
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe				
Discount rate[1]	**4.2**	4.2	4.4	4.1
Rate of increase in salaries	**5.8**	6.1	5.9	6.1
Inflation	**4.0**	3.9	4.5	4.7

Note

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

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

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

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

At 31 December 2015, the life expectancies underlying the value of the accrued liabilities for the main defined benefit pension plans operated by the Group were as follows:

Years life expectancy after age 65	All plans	North America	UK	Western Continental Europe	Other[1]
– current pensioners (at age 65) – male	22.9	23.2	23.5	21.0	19.6
– current pensioners (at age 65) – female	24.7	24.9	24.7	24.2	24.8
– future pensioners (current age 45) – male	24.8	24.7	25.5	23.6	19.6
– future pensioners (current age 45) – female	26.7	26.5	26.9	26.6	24.8

Note

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

The life expectancies after age 65 at 31 December 2014 were 23.1 years and 24.9 years for male and female current pensioners (at age 65) respectively, and 25.0 years and 26.8 years for male and female future pensioners (current age 45), respectively.

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

The following table provides information on the weighted average duration of the defined benefit pension obligations and the distribution of the timing of benefit payments for the next 10 years. The duration corresponds to the weighted average length of the underlying cash flows.

	All plans	North America	UK	Western Continental Europe	Other[1]
Weighted average duration of the defined benefit obligation (years)	12.0	9.1	13.2	16.7	8.5
Expected benefit payments over the next 10 years (£m)					
Benefits expected to be paid within 12 months	72.9	46.5	17.1	6.9	2.4
Benefits expected to be paid in 2017	56.7	31.3	17.1	6.8	1.5
Benefits expected to be paid in 2018	56.9	30.0	17.9	7.0	2.0
Benefits expected to be paid in 2019	57.7	29.4	18.0	7.3	3.0
Benefits expected to be paid in 2020	56.6	28.2	18.5	7.6	2.3
Benefits expected to be paid in the next five years	292.1	133.9	98.7	42.8	16.7

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	Increase/(decrease) in benefit obligation 2015 £m	2014 £m
Discount rate		
Increase by 25 basis points		
UK	(10.9)	(12.8)
North America	(9.4)	(10.8)
Western Continental Europe	(7.8)	(10.3)
Other[1]	(0.5)	(0.6)
Decrease by 25 basis points		
UK	11.5	13.6
North America	9.7	11.0
Western Continental Europe	8.2	11.2
Other[1]	0.5	0.5
Rate of increase in salaries		
Increase by 25 basis points		
UK	0.2	0.2
North America	0.1	0.1
Western Continental Europe	1.3	1.6
Other[1]	0.5	0.5
Decrease by 25 basis points		
UK	(0.1)	(0.2)
North America	–	(0.1)
Western Continental Europe	(1.3)	(1.5)
Other[1]	(0.5)	(0.6)
Rate of increase in pensions in payment		
Increase by 25 basis points		
UK	2.1	2.9
Western Continental Europe	5.3	7.5
Decrease by 25 basis points		
UK	(2.0)	(2.3)
Western Continental Europe	(5.0)	(6.9)
Life expectancy		
Increase in longevity by one additional year		
UK	13.3	14.4
North America	5.1	5.4
Western Continental Europe	5.6	7.3
Other[1]	–	–

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

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

	2015 £m	%	2014 £m	%	2013 £m	%
Equities	132.5	16.3	151.1	17.8	147.7	20.3
Bonds	479.5	58.9	496.2	58.4	405.8	55.9
Insured annuities	60.5	7.4	68.0	8.0	68.7	9.5
Property	1.5	0.2	1.4	0.2	1.0	0.1
Cash	65.1	8.0	52.2	6.1	37.0	5.1
Other	75.1	9.2	80.6	9.5	66.0	9.1
Total fair value of assets	814.2	100.0	849.5	100.0	726.2	100.0
Present value of liabilities	(1,039.9)		(1,144.8)		(972.8)	
Deficit in the plans	(225.7)		(295.3)		(246.6)	
Irrecoverable surplus	(3.6)		(0.9)		(0.9)	
Net liability[1]	(229.3)		(296.2)		(247.5)	
Plans in surplus	31.4		17.2		17.7	
Plans in deficit	(260.7)		(313.4)		(265.2)	

Note
1 The related deferred tax asset is discussed in note 15.

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

Surplus/(deficit) in plans by region	2015 £m	2014 £m	2013 £m
UK	30.9	11.4	11.3
North America	(123.4)	(150.1)	(136.7)
Western Continental Europe	(97.4)	(126.2)	(96.0)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	(35.8)	(30.4)	(25.2)
Deficit in the plans	(225.7)	(295.3)	(246.6)

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.

	2015 Surplus/ (deficit) £m	2015 Present value of liabilities £m	2014 Surplus/ (deficit) £m	2014 Present value of liabilities £m	2013 Surplus/ (deficit) £m	2013 Present value of liabilities £m
Funded plans by region						
UK	**30.9**	**(352.6)**	11.4	(385.8)	11.3	(346.4)
North America	**(45.5)**	**(364.5)**	(70.6)	(402.5)	(68.8)	(334.2)
Western Continental Europe	**(42.3)**	**(143.9)**	(67.8)	(178.4)	(41.6)	(135.4)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(4.9)**	**(15.0)**	(5.4)	(15.2)	(5.0)	(14.3)
Deficit/liabilities in the funded plans	**(61.8)**	**(876.0)**	(132.4)	(981.9)	(104.1)	(830.3)
Unfunded plans by region						
UK	**–**	**–**	–	–	–	–
North America	**(77.9)**	**(77.9)**	(79.5)	(79.5)	(67.9)	(67.9)
Western Continental Europe	**(55.1)**	**(55.1)**	(58.4)	(58.4)	(54.4)	(54.4)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(30.9)**	**(30.9)**	(25.0)	(25.0)	(20.2)	(20.2)
Deficit/liabilities in the unfunded plans	**(163.9)**	**(163.9)**	(162.9)	(162.9)	(142.5)	(142.5)
Deficit/liabilities in the plans	**(225.7)**	**(1,039.9)**	(295.3)	(1,144.8)	(246.6)	(972.8)

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

(c) Pension expense

The following table shows the breakdown of the pension expense between amounts charged to operating profit, amounts charged to finance costs and amounts recognised in the consolidated statement of comprehensive income (OCI):

	2015 £m	2014 £m	2013 £m
Service cost[1]	**23.0**	17.3	24.8
Administrative expenses	**2.0**	1.8	2.1
Charge to operating profit	**25.0**	19.1	26.9
Net interest expense on pension plans	**7.3**	8.0	11.4
Charge to profit before taxation for defined benefit plans	**32.3**	27.1	38.3
Return on plan assets (excluding interest income)	**(31.7)**	68.9	3.2
Changes in demographic assumptions underlying the present value of the plan liabilities	**13.8**	(12.3)	13.5
Changes in financial assumptions underlying the present value of the plan liabilities	**55.4**	(141.4)	58.9
Experience (loss)/gain arising on the plan liabilities	**(1.3)**	(1.8)	0.4
Change in irrecoverable surplus	**(2.7)**	–	0.2
Actuarial gain/(loss) recognised in OCI	**33.5**	(86.6)	76.2

Note

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

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

	2015 £m	2014 £m	2013 £m
Plan liabilities at beginning of year	**1,144.8**	972.8	1,044.1
Service cost[1]	**23.0**	17.3	24.8
Interest cost	**34.6**	40.7	39.7
Actuarial (gain)/loss			
Effect of changes in demographic assumptions	**(13.8)**	12.3	(13.5)
Effect of changes in financial assumptions	**(55.4)**	141.4	(58.9)
Effect of experience adjustments	**1.3**	1.8	(0.4)
Benefits paid	**(112.6)**	(57.7)	(54.5)
Loss/(gain) due to exchange rate movements	**13.4**	14.8	(5.0)
Settlement payments	**–**	–	(2.9)
Other[2]	**4.6**	1.4	(0.6)
Plan liabilities at end of year	**1,039.9**	1,144.8	972.8

Notes
1 Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments.
2 Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

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

	2015 £m	2014 £m	2013 £m
Fair value of plan assets at beginning of year	**849.5**	726.2	709.8
Interest income on plan assets	**27.3**	32.7	28.3
Return on plan assets (excluding interest income)	**(31.7)**	68.9	3.2
Employer contributions	**70.9**	68.2	47.8
Benefits paid	**(112.6)**	(57.7)	(54.5)
Gain/(loss) due to exchange rate movements	**12.4**	12.6	(4.8)
Settlement payments	**–**	–	(2.9)
Administrative expenses	**(2.0)**	(1.8)	(2.1)
Other[1]	**0.4**	0.4	1.4
Fair value of plan assets at end of year	**814.2**	849.5	726.2
Actual return on plan assets	**(4.4)**	101.6	31.5

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

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

The Group effects these currency net asset hedges by borrowing in the same currencies as the operating (or 'functional') currencies of its main operating units. The majority of the Group's debt is therefore denominated in US dollars, pounds sterling and euros. The Group's borrowings at 31 December 2015 were primarily made up of $2,862 million, £600 million and €3,450 million. The Group's average gross debt during the course of 2015 was $3,317 million, £613 million and €2,789 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, 54.2% of the year-end US dollar debt is at fixed rates averaging 4.62% for an average period of 224 months; 66.7% of the sterling debt is at a fixed rate of 6.19% for an average period of 37 months; and 100% of the euro debt is at fixed rates averaging 2.54% for an average period of 90 months.

Other than fixed rate debt, the Group's other fixed rates are achieved principally through interest rate swaps with the Group's bankers. The Group also uses forward rate agreements and interest rate caps to manage exposure to interest rate changes. At 31 December 2015 no forward rate agreements or interest rate caps were in place. These interest rate derivatives are used only to hedge exposures to interest rate movements arising from the Group's borrowings and surplus cash balances arising from its commercial activities and are not traded independently. Payments made under these instruments are accounted for on an accruals basis.

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 directors have concluded that the Group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future and therefore believe it is appropriate to prepare the financial statements of the Group on a going concern basis.

At 31 December 2015, the Group has access to £6.8 billion of committed facilities with maturity dates spread over the years 2016 to 2043 as illustrated below:

	£m	2016 £m	2017 £m	2018 £m	2019 £m	2020+ £m
US bond $500m (5.625% '43)	**339.4**					339.4
US bond $300m (5.125% '42)	**203.6**					203.6
Eurobonds €600m (1.625% '30)	**442.5**					442.5
Eurobonds €750m (2.25% '26)	**553.1**					553.1
US bond $750m (3.75% '24)	**509.0**					509.0
Eurobonds €750m (3.0% '23)	**553.1**					553.1
US bond $500m (3.625% '22)	**339.4**					339.4
US bond $812m (4.75% '21)	**551.4**					551.4
£ bonds £200m (6.375% '20)	**200.0**					200.0
Bank revolver ($2,500m)	**1,696.8**					1,696.8
Eurobonds €600m (0.75% '19)	**442.5**				442.5	
Eurobonds €252m (0.43% '18)	**185.9**			185.9		
£ bonds £400m (6.0% '17)	**400.0**		400.0			
Eurobonds €498m (6.625% '16)	**367.3**	367.3				
Total committed facilities available	**6,784.0**	**367.3**	**400.0**	**185.9**	**442.5**	**5,388.3**
Drawn down facilities at 31 December 2015	**5,087.2**	367.3	400.0	185.9	442.5	3,691.5
Undrawn committed credit facilities	**1,696.8**					
Drawn down facilities at 31 December 2015	**5,087.2**					
Net cash at 31 December 2015	**(1,946.6)**					
Other adjustments	**70.2**					
Net debt at 31 December 2015	**3,210.8**					

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

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

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

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

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

Credit risk
The Group's principal financial assets are cash and short-term deposits, trade and other receivables and investments, the carrying values of which represent the Group's maximum exposure to credit risk in relation to financial assets, as shown in note 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 allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. A relatively small number of clients make up a significant percentage of the Group's debtors, but no single client represents more than 5% of total trade receivables as at 31 December 2015.

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

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

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

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

	2015 £m	2014 £m
US dollar	–	51.5
Euro	40.8	21.7

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 2015 would increase profit before tax by approximately £7.9 million (2014: £14.2 million). A one percentage decrease in market interest rates would have an equal and opposite effect. This has been calculated by applying the interest rate change to the Group's variable rate cash and borrowings.

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.

At 31 December 2015, the fair value of the Group's currency derivatives is estimated to be a net liability of approximately £nil (2014: £72.7 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £nil (2014: £nil) assets included in trade and other receivables and £nil (2014: £72.7 million) liabilities included in trade and other payables. The amounts taken to and deferred in equity during the year for currency derivatives that are designated and effective hedges was a charge of £nil (2014: charge of £26.4 million) for net investment hedges and a charge of £73.5 million (2014: £60.6 million) for cash flow hedges.

Changes in the fair value relating to the ineffective portion of the currency derivatives amounted to a gain of £3.2 million (2014: gain of £23.0 million, 2013: gain of £12.9 million) which is included in the revaluation of financial instruments for the year. This gain resulted from a £76.7 million gain on hedging instruments and a £73.5 million loss on hedged items.

The Group currently designates its foreign currency-denominated debt and cross-currency swaps as hedging instruments against the currency risk associated with the translation of its foreign operations.

At the balance sheet date, the total nominal amount of outstanding forward foreign exchange contracts not designated as hedges was £86.5 million (2014: £197.2 million). The Group estimates the fair value of these contracts to be a net asset of £3.9 million (2014: net liability of £0.1 million).

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

Interest rate swaps
The Group uses interest rate swaps as hedging instruments in fair value hedges to manage its exposure to interest rate movements on its borrowings. Contracts with a nominal value of $500 million have fixed interest receipts of 3.63% until September 2022 and have floating interest payments averaging LIBOR plus 1.52%. Contracts with a nominal value of $812 million have fixed interest receipts of 4.75% until November 2021 and have floating rate payments averaging LIBOR plus 2.17%. Contracts with a nominal value of £200 million have fixed interest receipts of 6.00% up until April 2017 and have floating rate payments averaging LIBOR plus 0.64%.

The fair value of interest rate swaps entered into at 31 December 2015 is estimated to be a net asset of approximately £37.4 million (2014: £49.0 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £39.7 million (2014: £51.1 million) assets included in trade and other receivables and £2.3 million (2014: £2.1 million) liabilities included in trade and other payables.

Changes in the fair value relating to the ineffective portion of interest rate swaps amounted to a loss of £6.8 million (2014: gain of £5.3 million, 2013: loss of £2.4 million) which is included in the revaluation of financial instruments for the year. This loss resulted from a £3.9 million loss on hedging instruments and a £2.9 million loss on hedged items.

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

	Derivatives in designated hedge relationships £m	Held for trading £m	Loans & receiv-ables £m	Available for sale £m	Amortised cost £m	Carrying value £m
2015						
Other investments	–	–	–	1,158.7	–	1,158.7
Cash and short-term deposits	–	–	2,382.4	–	–	2,382.4
Bank overdrafts and loans	–	–	–	–	(932.0)	(932.0)
Bonds and bank loans	–	–	–	–	(4,661.2)	(4,661.2)
Trade and other receivables: amounts falling due within one year	–	–	7,184.4	–	–	7,184.4
Trade and other receivables: amounts falling due after more than one year	–	–	68.5	–	–	68.5
Trade and other payables: amounts falling due within one year	–	–	–	–	(8,595.5)	(8,595.5)
Trade and other payables: amounts falling due after more than one year	–	–	–	–	(5.3)	(5.3)
Derivative assets	39.7	4.6	–	–	–	44.3
Derivative liabilities	(2.3)	(0.7)	–	–	–	(3.0)
Payments due to vendors (earnout agreements) (note 19)	–	(581.3)	–	–	–	(581.3)
Liabilities in respect of put options	–	(234.4)	–	–	–	(234.4)
	37.4	(811.8)	9,635.3	1,158.7	(14,194.0)	(4,174.4)

	Derivatives in designated hedge relationships £m	Held for trading £m	Loans & receiv-ables £m	Available for sale £m	Amortised cost £m	Carrying value £m
2014						
Other investments	–	–	–	669.2	–	669.2
Cash and short-term deposits	–	–	2,512.7	–	–	2,512.7
Bank overdrafts and loans	–	–	–	–	(653.2)	(653.2)
Bonds and bank loans	–	–	–	–	(4,134.9)	(4,134.9)
Trade and other receivables: amounts falling due within one year	–	–	6,706.6	–	–	6,706.6
Trade and other receivables: amounts falling due after more than one year	–	–	71.3	–	–	71.3
Trade and other payables: amounts falling due within one year	–	–	–	–	(7,886.5)	(7,886.5)
Trade and other payables: amounts falling due after more than one year	–	–	–	–	(5.4)	(5.4)
Derivative assets	51.1	2.2	–	–	–	53.3
Derivative liabilities	(74.8)	(2.3)	–	–	–	(77.1)
Share purchases – close period commitments	–	(78.8)	–	–	–	(78.8)
Payments due to vendors (earnout agreements) (note 19)	–	(311.4)	–	–	–	(311.4)
Liabilities in respect of put options	–	(184.9)	–	–	–	(184.9)
	(23.7)	(575.2)	9,290.6	669.2	(12,680.0)	(3,319.1)

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

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

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

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

	Level 1 £m	Level 2 £m	Level 3 £m
2015			
Derivatives in designated hedge relationships			
Derivative assets	–	39.7	–
Derivative liabilities	–	(2.3)	–
Held for trading			
Derivative assets	–	4.6	–
Derivative liabilities	–	(0.7)	–
Payments due to vendors (earnout agreements) (note 19)	–	–	(581.3)
Liabilities in respect of put options	–	–	(234.4)
Available for sale			
Other investments	311.4	–	847.3

	Level 1 £m	Level 2 £m	Level 3 £m
2014			
Derivatives in designated hedge relationships			
Derivative assets	–	51.1	–
Derivative liabilities	–	(74.8)	–
Held for trading			
Derivative assets	–	2.2	–
Derivative liabilities	–	(2.3)	–
Share purchases – close period commitments	(78.8)	–	–
Payments due to vendors (earnout agreements) (note 19)	–	–	(311.4)
Liabilities in respect of put options	–	–	(184.9)
Available for sale			
Other investments	134.8	–	534.4

Reconciliation of level 3 fair value measurements[1]:

	Liabilities in respect of put options £m	Other investments £m
1 January 2014	(139.1)	247.6
Losses recognised in the income statement	(8.8)	(7.3)
Gain recognised in other comprehensive income	–	96.5
Exchange adjustments	6.5	4.3
Additions	(46.0)	206.6
Disposals	–	(10.7)
Reclassification to subsidiaries	–	(2.6)
Settlements	2.5	–
31 December 2014	(184.9)	534.4
Losses recognised in the income statement	(11.3)	(2.2)
Gain recognised in other comprehensive income	–	196.4
Exchange adjustments	21.4	13.3
Additions	(86.8)	113.5
Disposals	–	(8.1)
Cancellations	25.3	–
Settlements	1.9	–
31 December 2015	**(234.4)**	**847.3**

Note

1 The reconciliation of payments due to vendors (earnout agreements) is presented in note 19.

The fair values of financial assets and liabilities are based on quoted market prices where available. Where the market value is not available, the Group has estimated relevant fair values on the basis of publicly available information from outside sources or on the basis of discounted cash flow models where appropriate.

Payments due to vendors and liabilities in respect of put options

Future anticipated payments due to vendors in respect of contingent consideration (earnout agreements) are recorded at fair value, which is the present value of the expected cash outflows of the obligations. Liabilities in respect of put option agreements are initially recorded at the present value of the redemption amount in accordance with IAS 32 and subsequently measured at fair value in accordance with IAS 39. Both types of obligations are dependent on the future financial performance of the entity and it is assumed that future profits are in line with directors' estimates. The directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition. At 31 December 2015, the weighted average growth rate in estimating future financial performance was 20.3% (2014: 19.8%), which reflects the prevalence of recent acquisitions in the faster-growing markets and new media sectors. The risk adjusted discount rate applied to these obligations at 31 December 2015 was 1.7% (2014: 2.0%).

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 £11.9 million (2014: £6.6 million) and £19.0 million (2014: £11.7 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 £11.6 million (2014: £6.5 million) and £11.9 million (2014: £6.7 million), respectively. An increase in the liability would result in a loss in the revaluation of financial instruments, while a decrease would result in a gain.

Other investments
The fair value of other investments included in level 1 are based on quoted market prices. Other investments included in level 3 are unlisted securities, where market value is not readily available. The Group has estimated relevant fair values on the basis of publicly available information from outside sources or on the basis of discounted cash flow models where appropriate. The sensitivity to changes in unobservable inputs is specific to each individual investment.

26. Authorised and issued share capital

	Equity ordinary shares	Nominal value £m
Authorised		
1 January 2014	1,750,000,000	175.0
31 December 2014	1,750,000,000	175.0
31 December 2015	**1,750,000,000**	**175.0**
Issued and fully paid		
1 January 2014	1,348,733,317	134.9
Exercise of share options	3,914,407	0.4
Treasury share cancellations	(26,900,000)	(2.7)
31 December 2014	1,325,747,724	132.6
Exercise of share options	3,618,300	0.3
31 December 2015	**1,329,366,024**	**132.9**

Company's own shares
The Company's holdings of own shares are stated at cost and represent shares held in treasury and purchases by the Employee Share Ownership Plan ('ESOP') trusts of shares in WPP plc for the purpose of funding certain of the Group's share-based incentive plans, details of which are disclosed in the Compensation Committee report on pages 121 to 153.

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 2015 was 17,154,359 (2014: 17,861,766), and £268.1 million (2014: £240.2 million) respectively. The number and market value of ordinary shares held in treasury at 31 December 2015 was 34,619,468 (2014: 7,526,560) and £541.1 million (2014: £101.2 million) respectively.

Share options

WPP Executive Share Option Scheme
As at 31 December 2015, unexercised options over ordinary shares of 14,183 and unexercised options over ADRs of 1,658 have been granted under the WPP Executive Share Option Scheme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
4,268	5.903	2011-2018
3,174	7.723	2010-2017
3,696	8.333	2015-2022
3,045	10.595	2016-2023

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
844	59.170	2011-2018
156	63.900	2009-2020
658	75.940	2010-2017

WPP Worldwide Share Ownership Program

As at 31 December 2015, unexercised options over ordinary shares of 7,433,812 and unexercised options over ADRs of 889,581 have been granted under the WPP Worldwide Share Ownership Program as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
4,125	4.819	2011-2018
1,125	5.483	2012-2016
79,700	5.483	2012-2019
125	5.483	2012-2020
36,625	5.483	2013-2019
5,375	5.483	2012-2019
4,625	5.608	2012-2019
4,800	5.913	2011-2018
1,875	5.917	2011-2018
43,925	6.028	2011-2018
13,625	6.268	2014-2018
307,750	6.268	2014-2021
117,110	6.268	2015-2021
125	6.668	2009-2017
1,375	6.740	2009-2016
8,325	6.938	2009-2016
2,500	7.005	2010-2017
1,125	7.113	2013-2017
186,625	7.113	2013-2020
62,750	7.113	2014-2020
2,625	7.478	2011-2017
6,250	7.543	2014-2020
33,950	7.718	2010-2017
912,233	8.458	2015-2022
93,947	13.145	2017-2021
2,933,043	13.145	2017-2024
5,625	13.145	2018-2024
2,483,946	13.505	2016-2023
78,583	13.505	2017-2023

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
28,935	44.560	2012-2019
68,935	49.230	2014-2021
43,765	56.560	2013-2020
19,215	59.500	2011-2018
4,910	60.690	2009-2016
118,205	67.490	2015-2022
15,795	75.760	2010-2017
326,462	102.670	2017-2024
263,359	110.760	2016-2023

WPP Share Option Plan 2015

As at 31 December 2015, unexercised options over ordinary shares of 3,675,550 and unexercised options over ADRs of 400,585 have been granted under the WPP Worldwide Share Ownership Program as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
136,625	15.150	2018-2022
3,496,300	15.150	2018-2025
42,625	15.150	2019-2025

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
400,585	115.940	2018-2025

24/7 Real Media, Inc. 2002 Stock Incentive Plan

As at 31 December 2015, unexercised options over ADRs of 1,884 have been granted under the 24/7 Real Media, Inc. 2002 Stock Incentive Plan as follows:

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
157	53.480	2007-2017
314	55.260	2007-2016
157	56.270	2007-2016
574	56.720	2007-2016
157	58.940	2007-2016
393	60.020	2007-2016
54	64.650	2007-2016
78	65.540	2007-2016

The aggregate status of the WPP Share Option Plans during 2015 was as follows:

Movements on options granted (represented in ordinary shares)

	1 January 2015	Granted	Exercised	Lapsed	Outstanding 31 December 2015	Exercisable 31 December 2015
WPP	114,618	–	(92,145)	–	22,473	19,428
WWOP	18,254,357	–	(3,428,681)	(2,943,959)	11,881,717	3,337,468
WSOP	–	5,807,975	–	(129,500)	5,678,475	–
24/7	62,700	–	(40,620)	(12,660)	9,420	9,420
TNS	56,854	–	(56,854)	–	–	–
	18,488,529	5,807,975	(3,618,300)	(3,086,119)	17,592,085	3,366,316

Weighted-average exercise price for options over

	1 January 2015	Granted	Exercised	Lapsed	Outstanding 31 December 2015	Exercisable 31 December 2015
Ordinary shares (£)						
WPP	6.969	–	6.630	–	7.950	7.228
WWOP	11.020	–	7.688	11.789	11.859	7.442
WSOP	–	15.150	–	15.150	15.150	–
TNS	1.730	–	1.730	–	–	–
ADRs ($)						
WPP	59.455	–	58.346	–	66.270	66.270
WWOP	85.999	–	60.398	94.412	90.449	59.294
WSOP	–	115.940	–	115.940	115.940	–
24/7	42.865	–	40.650	38.980	57.635	57.635

Options over ordinary shares
Outstanding

Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
4.819 – 15.150	12.941	102

Options over ADRs
Outstanding

Range of exercise prices $	Weighted average exercise price $	Weighted average contractual life Months
44.56 – 115.94	98.263	99

As at 31 December 2015 there was £10.4 million (2014: £10.5 million) of total unrecognised compensation cost related to share options. That cost is expected to be recognised over a weighted average period of 20 months (2014: 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:

	2015	2014	2013
Fair value of UK options (shares)	**144.0p**	155.0p	160.0p
Fair value of US options (ADRs)	**$11.34**	$12.23	$12.92
Weighted average assumptions:			
UK Risk-free interest rate	**1.04%**	1.12%	1.20%
US Risk-free interest rate	**1.45%**	1.28%	0.95%
Expected life (months)	**48**	48	48
Expected volatility	**17%**	20%	20%
Dividend yield	**2.8%**	2.8%	2.8%

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

The weighted average share price of the Group for the year ended 31 December 2015 was £14.74 (2014: £12.65, 2013: £11.63) and the weighted average ADR price for the same period was $112.88 (2014: $104.21, 2013: $91.22).

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

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

Terms of share option plans
During the year 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 Program 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 programs 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 Group grants stock options with a life of 10 years, including the vesting period. The terms of stock options with performance conditions are such that if, after nine years and eight months, the performance conditions have not been met, then the stock option will vest automatically.

27. Other reserves

Other reserves comprise the following:

	Capital redemption reserve £m	Equity reserve £m	Revaluation reserve £m	Translation reserve £m	Total other reserves £m
1 January 2014	–	(122.1)	93.8	345.6	317.3
Exchange adjustments on foreign currency net investments	–	–	–	(224.3)	(224.3)
Gain on revaluation of available for sale investments	–	–	64.6	–	64.6
Recognition and remeasurement of financial instruments	–	(44.1)	–	–	(44.1)
Treasury share cancellations	2.7	–	–	–	2.7
Share purchases – close period commitments	–	(80.0)	–	–	(80.0)
31 December 2014	2.7	(246.2)	158.4	121.3	36.2
Exchange adjustments on foreign currency net investments	–	–	–	(272.9)	(272.9)
Gain on revaluation of available for sale investments	–	–	206.0	–	206.0
Recognition and remeasurement of financial instruments	–	(59.0)	–	–	(59.0)
Share purchases – close period commitments	–	80.0	–	–	80.0
31 December 2015	**2.7**	**(225.2)**	**364.4**	**(151.6)**	**(9.7)**

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

	Book value at acquisition £m	Fair value adjustments £m	Fair value to Group £m
Intangible assets	2.4	230.7	233.1
Property, plant and equipment	21.1	–	21.1
Cash	57.7	–	57.7
Trade receivables due within one year	115.4	–	115.4
Other current assets	75.1	–	75.1
Total assets	**271.7**	**230.7**	**502.4**
Current liabilities	(207.9)	–	(207.9)
Trade and other payables due after one year	(16.8)	(49.5)	(66.3)
Deferred tax liabilities	–	(70.3)	(70.3)
Provisions	(3.3)	(7.7)	(11.0)
Total liabilities	**(228.0)**	**(127.5)**	**(355.5)**
Net assets	**43.7**	**103.2**	**146.9**
Non-controlling interests			(47.2)
Fair value of equity stake in associate undertakings before acquisition of controlling interest			(208.6)
Goodwill			778.9
Consideration			670.0
Consideration satisfied by:			
Cash			411.6
Payments due to vendors			258.4

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 £27.8 million.

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

The contribution to revenue and operating profit of acquisitions completed in the year was not material. There were no material acquisitions completed between 31 December 2015 and the date the financial statements have been authorised for issue.

29. Principal subsidiary undertakings

The principal subsidiary undertakings of the Group are:

	Country of incorporation
Grey Global Group LLC	US
J. Walter Thompson Company LLC	US
GroupM Worldwide LLC	US
The Ogilvy Group LLC	US
Young & Rubicam, Inc	US
TNS Group Holdings Ltd	UK

All of these subsidiaries are operating companies and are 100% owned by the Group.

A more detailed listing of the operating subsidiary undertakings is given on pages 12 and 13. The Company directly or indirectly holds controlling interests in the issued share capital of these undertakings with the exception of those specifically identified.

30. Related party transactions

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

31. Reconciliation to non-GAAP measures of performance

The non-GAAP measures of performance shown below have been included to provide the users of the financial statements with a better understanding of the key performance indicators of the business.

Reconciliation of profit before interest and taxation to headline PBIT:

	2015 £m	2014 £m	2013 £m
Profit before interest and taxation	**1,679.0**	1,569.2	1,478.4
Amortisation and impairment of acquired intangible assets	**140.1**	147.5	179.8
Goodwill impairment	**15.1**	16.9	23.3
Gains on disposal of investments and subsidiaries	**(131.0)**	(186.3)	(6.0)
Gains on remeasurement of equity on acquisition of controlling interest	**(165.0)**	(9.2)	(30.0)
Investment write-downs	**78.7**	7.3	0.4
Restructuring costs	**106.2**	127.6	5.0
IT asset write-downs	**29.1**	–	–
Share of exceptional losses of associates	**21.8**	7.6	10.7
Headline PBIT	**1,774.0**	1,680.6	1,661.6
Finance income	**72.4**	94.7	64.3
Finance costs	**(224.1)**	(262.7)	(267.9)
	(151.7)	(168.0)	(203.6)
Interest cover on headline PBIT	**11.7 times**	10.0 times	8.2 times

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

	2015 £m	2014 £m	2013 £m
Profit before taxation	**1,492.6**	1,451.9	1,295.8
Amortisation and impairment of acquired intangible assets	**140.1**	147.5	179.8
Goodwill impairment	**15.1**	16.9	23.3
Gains on disposal of investments and subsidiaries	**(131.0)**	(186.3)	(6.0)
Gains on remeasurement of equity on acquisition of controlling interest	**(165.0)**	(9.2)	(30.0)
Investment write-downs	**78.7**	7.3	0.4
Restructuring costs	**106.2**	127.6	5.0
IT asset write-downs	**29.1**	–	–
Share of exceptional losses of associates	**21.8**	7.6	10.7
Revaluation of financial instruments	**34.7**	(50.7)	(21.0)
Headline PBT	**1,622.3**	1,512.6	1,458.0
Headline tax charge	**(308.3)**	(302.5)	(294.3)
Non-controlling interests	**(84.9)**	(74.3)	(75.6)
Headline earnings	**1,229.1**	1,135.8	1,088.1
Ordinary dividends paid	**545.8**	460.0	397.3
Dividend cover on headline earnings	**2.3 times**	2.5 times	2.7 times

Calculation of headline EBITDA:

	2015 £m	2014 £m	2013 £m
Headline PBIT (as above)	**1,774.0**	1,680.6	1,661.6
Depreciation of property, plant and equipment	**194.7**	197.3	202.0
Amortisation of other intangible assets	**33.7**	31.6	32.7
Headline EBITDA	**2,002.4**	1,909.5	1,896.3

Net sales margin before and after share of results of associates:

	Margin %	2015 £m	Margin %	2014 £m	Margin %	2013 £m
Net sales		**10,524.3**		10,064.8		10,076.1
Headline PBIT	**16.9%**	**1,774.0**	16.7%	1,680.6	16.5%	1,661.6
Share of results of associates (excluding exceptional gains/losses)		**(68.8)**		(69.5)		(78.8)
Headline operating profit	**16.2%**	**1,705.2**	16.0%	1,611.1	15.7%	1,582.8

Headline diluted earnings per ordinary share:

	2015	2014	2013
Headline earnings (£m)	**1,229.1**	1,135.8	1,088.1
Earnings adjustment:			
Dilutive effect of convertible bonds (£m)	**–**	–	10.6
Diluted headline earnings (£m)	**1,229.1**	1,135.8	1,098.7
Weighted average number of ordinary shares (m)	**1,313.0**	1,337.5	1,360.3
Headline diluted earnings per ordinary share	**93.6p**	84.9p	80.8p

Reconciliation of free cash flow:

	2015 £m	2014 £m	2013 £m
Cash generated by operations	**1,734.3**	2,108.8	1,784.1
Plus:			
Interest received	**61.3**	69.8	51.3
Investment income	**4.9**	11.9	10.1
Dividends from associates	**72.6**	52.2	56.7
Share option proceeds	**27.6**	25.0	42.4
Proceeds on disposal of property, plant and equipment	**13.4**	5.9	7.3
Movement in working capital and provisions	**164.1**	(295.0)	133.4
Less:			
Interest and similar charges paid	**(212.0)**	(249.1)	(254.7)
Purchases of property, plant and equipment	**(210.3)**	(177.9)	(240.7)
Purchases of other intangible assets (including capitalised computer software)	**(36.1)**	(36.5)	(43.8)
Corporation and overseas tax paid	**(301.2)**	(289.9)	(273.3)
Dividends paid to non-controlling interests in subsidiary undertakings	**(55.2)**	(57.7)	(53.2)
Free cash flow	**1,263.4**	1,167.5	1,219.6

Company profit and loss account

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Turnover		–	–
Operating income		10.6	9.9
Operating profit		10.6	9.9
Interest receivable and similar income	33	1.2	2.4
Interest payable and similar charges	34	(146.1)	(94.2)
Revaluation of financial instruments		(4.0)	14.5
Loss on ordinary activities before taxation		(138.3)	(67.4)
Taxation on profit on ordinary activities	35	–	–
Loss for the year		(138.3)	(67.4)

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

All results are derived from continuing activities.

Company statement of comprehensive income

	2015 £m	2014 £m
Loss for the year	(138.3)	(67.4)
Exchange adjustments of foreign currency net investments	–	(10.0)
Total comprehensive loss for the year	(138.3)	(77.4)

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

Company balance sheet

As at 31 December 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Investments	36	**12,863.8**	12,764.8
		12,863.8	12,764.8
Current assets			
Debtors			
– due within one year	37	**1,686.1**	1,612.6
– due after one year	38	**19.1**	27.7
Cash at bank and in hand		**83.8**	429.3
		1,789.0	2,069.6
Current liabilities			
Creditors: amounts falling due within one year	39	**(3,855.7)**	(2,424.9)
Net current liabilities		**(2,066.7)**	(355.3)
Total assets less current liabilities		**10,797.1**	12,409.5
Creditors: amounts falling due after more than one year	40	**(1,012.3)**	(1,744.0)
Net assets		**9,784.8**	10,665.5
Capital and reserves			
Called-up share capital		**132.9**	132.6
Share premium account		**535.3**	508.0
Shares to be issued		**–**	0.3
Other reserves		**(10.0)**	(90.0)
Capital redemption reserve		**2.7**	2.7
Own shares		**(496.1)**	(93.7)
Profit and loss account		**9,620.0**	10,205.6
Equity share owners' funds		**9,784.8**	10,665.5

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

The financial statements were approved by the Board of Directors and authorised for issue on 15 April 2016.

Sir Martin Sorrell
Group chief executive

Paul Richardson
Group finance director

Registered Company Number: 111714

Company statement of changes in equity

For the year ended 31 December 2015

	Ordinary share capital £m	Share premium £m	Shares to be issued £m	Other reserves[1] £m	Capital redemption reserve £m	Own shares £m	Profit and loss account £m	Total equity share owners' funds £m
1 January 2014	134.9	483.4	0.5	–	–	(14.3)	10,967.6	11,572.1
Ordinary shares issues	0.4	24.6	(0.2)	–	–	–	0.2	25.0
Treasury share additions	–	–	–	–	–	(412.5)	–	(412.5)
Treasury share allocations	–	–	–	–	–	0.6	(0.6)	–
Treasury share cancellations	(2.7)	–	–	–	2.7	332.5	(332.5)	–
Net loss for the year	–	–	–	–	–	–	(67.4)	(67.4)
Dividends paid	–	–	–	–	–	–	(460.0)	(460.0)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	–	102.2	102.2
Exchange adjustments of foreign currency net investments	–	–	–	(10.0)	–	–	–	(10.0)
Share purchases – close period adjustments	–	–	–	(80.0)	–	–	(3.9)	(83.9)
31 December 2014	**132.6**	**508.0**	**0.3**	**(90.0)**	**2.7**	**(93.7)**	**10,205.6**	**10,665.5**
Ordinary shares issues	0.3	27.3	(0.3)	–	–	–	0.2	27.5
Treasury share additions	–	–	–	–	–	(406.0)	–	(406.0)
Treasury share allocations	–	–	–	–	–	3.6	(3.6)	–
Net loss for the year	–	–	–	–	–	–	(138.3)	(138.3)
Dividends paid	–	–	–	–	–	–	(545.8)	(545.8)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	–	99.0	99.0
Share purchases – close period adjustments	–	–	–	80.0	–	–	2.9	82.9
31 December 2015	**132.9**	**535.3**	**–**	**(10.0)**	**2.7**	**(496.1)**	**9,620.0**	**9,784.8**

Notes

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

[1] Other reserves are analysed in note 41.

Notes to the Company financial statements

32. Accounting policies

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

a) Basis of accounting

The separate financial statements of the Company are prepared under the historical cost convention in accordance with the Companies (Jersey) Law 1991. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements.

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

Where required, equivalent disclosures are given in the consolidated financial statements. The financial statements are prepared on a going concern basis, further details of which are in the Directors' report on page 47.

b) Translation of foreign currency

Foreign currency transactions arising from operating activities are translated from local currency into pounds sterling at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are translated at the period-end exchange rate. Foreign currency gains or losses are credited or charged to the profit and loss account as they arise.

c) Investments

Fixed asset investments are stated at cost less provision for impairment.

d) Taxation

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

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

e) Group and treasury share transactions

Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, IFRS 2 (share-based payment) requires the subsidiary to record an expense for such compensation with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent (WPP plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £99.0 million in 2015 (2014: £102.2 million), with a credit to equity for the same amount.

f) Foreign currency and interest rate hedging

The Company'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 Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow or net investment hedges is 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, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

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

33. Interest receivable and similar income

	2015 £m	2014 £m
Interest receivable from subsidiary undertakings	**0.6**	2.1
Interest receivable on financial instruments	**0.6**	0.3
	1.2	2.4

34. Interest payable and similar charges

	2015 £m	2014 £m
Interest payable on corporate bonds	65.1	64.8
Bank and other interest payable	8.9	16.2
Interest payable to subsidiary undertakings	72.1	13.2
	146.1	94.2

35. Taxation on loss on ordinary activities

The tax assessed for the year differs from that resulting from applying the blended rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015 £m	2014 £m
Loss on ordinary activities before tax	(138.3)	(67.4)
Tax at the blended rate of 20.25% thereon	28.0	14.5
Factors affecting tax charge for the year:		
Revaluation of financial instruments	(0.8)	3.1
Unrecognised losses carried forward	(27.2)	(17.6)
Current tax charge for the year	–	–

36. Fixed asset investments

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

	Subsidiary undertakings £m
1 January 2015	12,764.8
Additions	99.0
31 December 2015	**12,863.8**

Fixed asset investments primarily represent 100% of the issued share capital of WPP Jubilee Limited, a company incorporated in Great Britain. Fixed asset investments were purchased in a share-for-share exchange. At 31 December 2015 cost and net book value were the same. Details of indirect subsidiaries are given in note 29.

37. Debtors: amounts falling due within the year

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

	2015 £m	2014 £m
Amounts owed by subsidiary undertakings	1,685.4	1,612.1
Other debtors	0.7	0.5
	1,686.1	1,612.6

38. Debtors: amounts falling due after one year

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

	2015 £m	2014 £m
Fair value of derivatives	19.1	27.7

39. Creditors: amounts falling due within one year

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

	2015 £m	2014 £m
Bank overdrafts	1,010.3	1,411.9
Corporate bonds	367.2	–
Amounts due to subsidiary undertakings	2,436.5	888.0
Interest payable on corporate bonds	33.4	45.1
Share purchases – close period commitments	–	78.8
Other creditors and accruals	8.3	1.1
	3,855.7	2,424.9

Corporate bonds include €498 million of 6.625% bonds due May 2016. In March 2015 this was reduced from €750 million as part of a bond exchange. Further details are given in note 10.

40. Creditors: amounts falling due after more than one year

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

	2015 £m	2014 £m
Corporate bonds	411.8	1,002.1
Amounts due to subsidiary undertakings	600.5	741.9
	1,012.3	1,744.0

Corporate bonds include £400 million of 6% bonds due April 2017.

Total borrowings are repayable as follows:

	2015 £m	2014 £m
Within one year	3,855.7	2,424.9
Between one and five years	411.8	1,047.9
Over five years	600.5	696.1
	4,868.0	4,168.9

41. Equity share owners' funds

Other reserves at 31 December 2015 comprise an equity reserve of £nil (2014: £80.0 million) and a translation reserve of £10.0 million (2014: £10.0 million).

At 31 December 2015 the Company's distributable reserves amounted to £9,310.3 million (2014: £10,001.7 million). Further details of the Company's share capital are shown in note 26.

Independent auditors' report

Opinion on financial statements of WPP plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's and the Parent Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

The financial statements comprise the accounting policies, the consolidated income statement (excluding the US Dollar information), the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated balance sheet, the consolidated statement of changes in equity, the Parent Company profit and loss account and balance sheet and the related notes 1 to 41. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies to the Group financial statements, in addition to applying IFRSs as adopted by the European Union, the group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting on page 47 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 44 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures 44 to 47 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement on page 169 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the director's explanation on page 47 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. As part of our risk assessment procedures we obtained an understanding of and tested the design, implementation and operating effectiveness of internal controls (at Group level and at each of the full scope audit components) that respond to the identified risks, in addition to performing the substantive audit procedures detailed below.

The Audit Committee has requested that while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant key observations in respect of these assessed risks of material misstatement.

Risk description	How the scope of our audit responded to the risk	Key observations
Revenue recognition – accounting for media volume income Assessing the timing of recognition and valuation of media volume income earned from media owners is an area of complexity and judgement due to the need for management to determine at what point persuasive evidence of agreement with the media owner exists and to interpret the variety of language used in the underlying contractual terms with media owners. Assessing the valuation of media volume income is also an area of complexity with regards to whether the media volume income is required to be passed back to the client and on what basis to calculate such passback. Given the complexity and judgement involved the timing of recognition and the valuation of media income are considered to be key audit risks. Refer to page 118 (Review of the Audit Committee) and page 174 (accounting policy).	We have: ▪ Checked that management could demonstrate that persuasive evidence exists in respect of the arrangement with the media owner at the time media volume income is recorded, and viewed this evidence on a sample basis. ▪ Challenged the timing of recognition and valuation of media volume income earned from media owners by understanding the rationale for income recognised in the current year in respect of media investment activity in prior periods and verifying the accounting for arrangements that are non-coterminous with the Group's year end. ▪ Assessed management's interpretation of contractual terms with media owners and clients in determining the valuation of media volume income and determined whether consistent judgement has been applied year on year. ▪ Assessed the ageing of balance sheet provisions for the pass back of media volume income to clients and challenged management where brought forward provisions had been released. ▪ Analysed and understood the trend of media volume income recognised against prior year activity.	The results of our testing were satisfactory. We consider the timing and valuation of media volume income recognised in the year to be reasonable.
Goodwill Given the magnitude of the goodwill balance and the continued economic uncertainty in certain regions, it is important to ensure that the goodwill impairment review is approached in a robust manner to identify potential impairments, where necessary. Determining whether the carrying value of goodwill is recoverable requires management to make significant estimates concerning the estimated future cash flows and associated discount rates and growth rates based on management's view of future business prospects. The Group is highly acquisitive. As such, given the magnitude of the goodwill balance (2015: £10,671 million, 2014: £9,979 million), and the relative sensitivity to certain inputs to the impairment testing process, in particular the discount rate, the valuation of goodwill is considered a key audit risk. Refer to page 118 (Review of the Audit Committee), page 172 (accounting policy) and page 194 (financial disclosures).	We have: ▪ Challenged the key assumptions used in the impairment model for goodwill, including specifically the operating cash flow projections, discount rates, and long term growth rates. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. ▪ Compared these assumptions to externally derived data (where applicable) as well as forming our own assessment. ▪ Our internal fair value specialists assisted in computing an independent assessment of the discount rates used and assessing the methodology used in preparing the impairment testing model. ▪ Tested the integrity and mathematical accuracy of the impairment model. ▪ Considered the sensitivity of the impairment testing model to changes in key assumptions. We also considered the adequacy of the Group's disclosures in respect of its goodwill impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.	The results of our testing were satisfactory and we concur that the assumptions used in the impairment model, including the discount rate, and level of goodwill impairment booked in the year are appropriate.

Risk description	How the scope of our audit responded to the risk	Key observations
Taxation reserves There is uncertainty in respect of resolving matters with tax authorities around the world. The highly disaggregated nature of the Group coupled with its acquisitive nature means that there are a number of different tax jurisdictions in which the Group could be liable to pay tax, making potential tax exposures a key audit risk. Therefore assessing the Group's exposure to significant tax risks and the level of provisions recognised is an area of judgement. Refer to page 118 (Review of the Audit Committee), page 176 (accounting policy) and page 190 (financial disclosures).	We have: ▪ Discussed and considered all significant taxation exposures with Group management including their tax specialists. ▪ Together with our internal taxation specialists we challenged the estimates and judgements made by management when calculating the income tax payable in each territory and the associated provisions held. We reviewed correspondence with taxation authorities in significant locations where available, as well as reviewing the support or opinions received from external counsel and other advisors where management has utilised such opinions to make assumptions on the level of taxation payable.	The results of our testing were satisfactory. There were no material exceptions noted when corroborating Management's judgement to the correspondence and support reviewed for those significant tax reserves.

Last year our report included one other risk which is not included in our report this year: Restructuring costs and IT transformation (there has been no significant restructuring programme and the IT transformation costs have not been as significant during the year).

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 118.

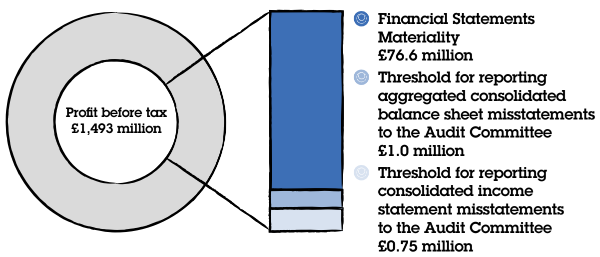
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

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

We have determined that the critical benchmark for the Group was pre-tax profit because we consider this measure to be what the shareholders believe to be a key performance indicator for the Group. We determined materiality for the Group to be £76.6 million (2014: £62.2 million), which, as in 2014, is 5% of pre-tax profit. We also considered this measure to be suitable having compared to another benchmark: our materiality is below 1% of equity (2014: below 1%). Materiality is higher than for the year ended 31 December 2014 primarily as a result of higher pre-tax profit achieved in 2015.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.75 million (2014: £0.5 million) that affected the consolidated income statement. Where differences only impacted the consolidated balance sheet, we reported on differences over £1.0 million (2014: £1.0 million). This is shown in the graph below. We also reported differences below that threshold that, in our view, warranted reporting on qualitative grounds, together with disclosure matters that we identified when assessing the overall presentation of the financial statements.



An overview of the scope of our audit

As a result of the highly disaggregated nature of the Group, with operations in 112 countries and more than 3,000 offices among more than 150 companies within the Group, a significant portion of audit planning time is spent so that the scope of our work is appropriate to address the Group's 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 check that the units selected provide an appropriate basis on which to undertake audit work to address the identified risks of material misstatement. Such audit work represents a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible. Those entities subject to audit provide for coverage of 83% of the Group's consolidated revenue (2014: 83%); achieved through a combination of direct testing and specified audit procedures (including substantive analytical review procedures) performed by the Group auditor and/or component auditors across the world. Our audit work at the components is executed at levels of materiality appropriate for such components, which in all instances are lower than Group materiality. In order to support our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit, we tested the consolidation process and carried out analytical procedures at the parent entity level using our bespoke data analytics tool.

How we work closely with component auditors

The Group audit team plans its visits to component auditors based on a carefully designed programme, which considers a variety of factors including size of entity and number of significant risks; this programme is put in place to check that appropriate oversight and guidance is provided to the component auditors through a combination of:

- upfront team briefings to all component teams;
- site visits;
- central review of documentation; and
- risk assessment discussions and detailed workpaper reviews.

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

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

- include the component audit partner in our team briefing;
- discuss their risk assessment; and
- review documentation of the findings from their work.

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

Opinion on other matters prescribed by our engagement letter

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006 as if that Act had applied to the Company; and
- 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.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Parent Company, or 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under our engagement letter we are required to report if in our opinion certain disclosures of directors' remuneration that would be required by the UK Companies Act 2006 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 arising from these matters.

Corporate Governance Statement

Under the UK Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:
- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and/or those further 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Richard Muschamp
for and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditor
London, United Kingdom
15 April 2016

Five-year summary

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Income statement					
Billings[1]	**47,631.9**	46,186.3	46,209.3	44,405.3	44,791.8
Revenue	**12,235.2**	11,528.9	11,019.4	10,373.1	10,021.8
Net sales[1]	**10,524.3**	10,064.8	10,076.1	9,514.8	9,238.5
Operating profit	**1,632.0**	1,507.3	1,410.3	1,241.1	1,192.2
Headline EBITDA[2]	**2,002.4**	1,909.5	1,896.3	1,755.7	1,640.5
Headline PBIT[2]	**1,774.0**	1,680.6	1,661.6	1,531.0	1,429.0
Profit before taxation	**1,492.6**	1,451.9	1,295.8	1,091.9	1,008.4
Headline PBT[2]	**1,622.3**	1,512.6	1,458.0	1,317.1	1,229.1
Profit for the year	**1,245.1**	1,151.5	1,012.1	894.7	916.5
Net sales margin[2]	**16.9%**	16.7%	16.5%	16.1%	15.5%
Balance sheet					
Non-current assets[3]	**15,373.8**	14,107.3	13,225.3	13,452.9	13,406.2
Net current liabilities[4]	**(840.1)**	(521.4)	(384.6)	(1,047.2)	(1,250.0)
Net assets	**8,015.8**	7,826.8	7,846.5	7,060.6	6,894.3
Net debt	**(3,210.8)**	(2,275.4)	(2,240.4)	(2,821.2)	(2,464.8)
Average net debt	**(3,562.3)**	(3,000.8)	(2,988.7)	(3,202.5)	(2,811.0)

	2015	2014	2013	2012	2011
Our people					
Revenue per employee (£000)	**97.9**	95.0	94.1	90.6	91.1
Net sales per employee (£000)	**84.2**	82.9	86.0	83.1	84.0
Staff cost per employee (£000)	**53.3**	53.1	55.3	53.3	53.4
Average headcount	**124,930**	121,397	117,115	114,490	109,971
Share information					
Headline[5] – basic earnings per share	**95.4p**	86.9p	84.1p	77.7p	71.0p
– diluted earnings per share	**93.6p**	84.9p	80.8p	73.4p	67.7p
Reported – basic earnings per share	**90.0p**	82.4p	72.4p	66.2p	67.6p
– diluted earnings per share	**88.4p**	80.5p	69.6p	62.8p	64.5p
Dividends per share[6]	**44.69p**	38.20p	34.21p	28.51p	24.60p
Dividend pay-out ratio on headline diluted earnings per share	**48%**	45%	42%	39%	36%
Share price – high	**1,611.0p**	1,383.0p	1,383.0p	894.5p	846.5p
– low	**1,304.0p**	1,117.0p	905.5p	669.0p	578.0p
Market capitalisation at year-end (£m)	**20,236.9**	17,831.3	18,612.5	11,236.8	8,554.4

Notes
1 Billings and net sales are defined on page 228.
2 The calculation of 'headline' measures of performance (including headline EBITDA, headline PBIT, net sales margin and headline PBT) is set out in note 31 of the financial statements.
3 As described in note 15, prior year balance sheets have been restated to reduce both the deferred tax assets and deferred tax liabilities, by a corresponding amount. No restatement was required in 2012 and 2011.
4 The Group has restated prior year balance sheets to reclassify all income tax creditors from non-current liabilities to current liabilities.
5 Headline earnings per share for 2015, 2014 and 2013 is set out in note 9 of the financial statements.
6 Dividends per share represents the dividends declared in respect of each year.

The information on this page is unaudited.

Financial glossary

Term used in Annual Report	US equivalent or brief description
Allotted	Issued
ADRs/ADSs	American Depositary Receipts/American Depositary Shares. The Group uses the terms ADR and ADS interchangeably. One ADR/ADS represents five ordinary shares
Average net debt and net debt	Average net debt is calculated as the average daily net borrowings of the Group. Net debt at a period end is calculated as the sum of the net borrowings of the Group, derived from the cash ledgers and accounts in the balance sheet
Billings	Billings comprise the gross amounts billed to clients in respect of commission-based/fee-based income together with the total of other fees earned
Called-up share capital	Ordinary shares, issued and fully paid
Constant currency	The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying budgeted 2015 exchange rates to local currency reported results for the current and prior year. This gives a US dollar-denominated income statement which exclude any variances attributable to foreign exchange rate movements
ESOP	Employee share ownership plan
Estimated net new billings	Net new billings represent the estimated annualised impact on billings of new business gained from both existing and new clients, net of existing client business lost. The estimated impact is based upon initial assessments of the clients' marketing budgets, which may not necessarily result in actual billings of the same amount
EURIBOR	The euro area inter-bank offered rate for euro deposits
Finance lease	Capital lease
Free cash flow	Free cash flow is calculated as headline operating profit before non-cash charges for share-based incentive plans, depreciation of property, plant and equipment and amortisation of other intangible assets, including dividends received from associates, interest received, investment income received, proceeds from the issue of shares, and proceeds from the disposal of property, plant and equipment, less corporation and overseas tax paid, interest and similar charges paid, dividends paid to non-controlling interests in subsidiary undertakings, purchases of property, plant and equipment and purchases of other intangible assets
Freehold	Ownership with absolute rights in perpetuity
Headline earnings	Headline PBT less taxation (excluding tax charge/deferred tax relating to gains on disposals of investments and subsidiaries, deferred tax impact of the amortisation of acquired intangible assets and other goodwill items and tax credit relating to restructuring costs)
Headline EBITDA	Profit before finance income/costs and revaluation of financial instruments, taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of intangible assets, IT asset write-downs, share of exceptional losses/gains of associates, depreciation of property, plant and equipment, losses/gains on remeasurement of equity interest on acquisition of controlling interest and Group restructuring costs
Headline operating profit	PBIT excluding share of results of associates before investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, gains/losses on remeasurement of equity interest on acquisition of controlling interest, IT asset write-downs and Group restructuring costs

Term used in Annual Report	US equivalent or brief description
Headline PBIT	Profit before finance income/costs and revaluation of financial instruments, taxation, gains/losses on disposal of investments and subsidiaries, investment write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, Group restructuring costs, IT asset write-downs, share of exceptional gains/losses of associates and gains/losses on remeasurement of equity interest on acquisition of controlling interest
Headline PBT	Profit before taxation, gains/losses on disposal of investments and subsidiaries, investment write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, Group restructuring costs, IT asset write-downs, share of exceptional gains/losses of associates, gains/losses arising from the revaluation of financial instruments, and gains/losses on remeasurement of equity interest on acquisition of controlling interest
IFRS/IAS	International Financial Reporting Standard/International Accounting Standard
LIBOR	The London inter-bank offered rate
Net sales/Net sales margin	Net sales are revenue less direct costs. Net sales margin is calculated as headline PBIT (defined above) as a percentage of net sales. The Group has previously used the terms gross margin and gross profit to refer to net sales.
OCI	Consolidated statement of comprehensive income
Operating margin	Headline PBIT as a percentage of net sales
Profit	Income
Profit attributable to equity holders of the parent	Net income
Pro forma ('like-for-like')	Pro forma comparisons are calculated as follows: current year, constant currency actual results (which include acquisitions from the relevant date of completion) are compared with prior year, constant currency actual results, adjusted to include the results of acquisitions for the commensurate period in the prior year. The Group uses the terms 'pro forma' and 'like-for-like' interchangeably
Sarbanes-Oxley Act	An Act passed in the US to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Share premium account	Additional paid-in capital or paid-in surplus (not distributable)
Shares in issue	Shares outstanding
UK Corporate Governance Code	The UK Corporate Governance Code published by the Financial Reporting Council dated September 2014