Notes to the consolidated financial statements

For the year ended 31 December 2013

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 and 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:

Other information	Revenue[1] £m	Gross profit £m	Headline PBIT[2] £m	Headline PBIT margin %	Headline gross margin margin[3] %
2013					
Advertising and Media Investment Management	**4,578.8**	**4,463.6**	**824.4**	**18.0**	**18.5**
Data Investment Management[4]	**2,549.7**	**1,843.7**	**263.8**	**10.3**	**14.3**
Public Relations & Public Affairs	**920.7**	**907.5**	**133.8**	**14.5**	**14.7**
Branding & Identity, Healthcare and Specialist Communications	**2,970.2**	**2,861.3**	**439.6**	**14.8**	**15.4**
	11,019.4	**10,076.1**	**1,661.6**	**15.1**	**16.5**
2012					
Advertising and Media Investment Management	4,273.2	4,201.3	754.5	17.7	18.0
Data Investment Management[4]	2,460.2	1,768.9	246.9	10.0	14.0
Public Relations & Public Affairs	917.1	901.1	136.4	14.9	15.1
Branding & Identity, Healthcare and Specialist Communications	2,722.6	2,643.5	393.2	14.4	14.9
	10,373.1	9,514.8	1,531.0	14.8	16.1
2011					
Advertising and Media Investment Management	4,157.2	4,110.2	667.9	16.1	16.2
Data Investment Management[4]	2,458.0	1,802.9	258.7	10.5	14.3
Public Relations & Public Affairs	885.4	869.3	142.9	16.1	16.4
Branding & Identity, Healthcare and Specialist Communications	2,521.2	2,456.1	359.5	14.3	14.6
	10,021.8	9,238.5	1,429.0	14.3	15.5

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 Headline gross margin margin is defined in note 31.

4 Data Investment Management was previously reported as Consumer Insight.

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
2013						
Advertising and Media Investment Management	**55.5**	**127.2**	**102.2**	**–**	**35.0**	**486.3**
Data Investment Management[3]	**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**
2012						
Advertising and Media Investment Management	49.3	198.4	97.1	0.7	34.7	566.9
Data Investment Management[3]	16.6	60.5	55.5	–	18.6	102.4
Public Relations & Public Affairs	4.9	12.4	15.7	31.3	2.3	47.9
Branding & Identity, Healthcare and Specialist Communications	22.0	66.9	56.4	–	13.8	170.0
	92.8	338.2	224.7	32.0	69.4	887.2
2011						
Advertising and Media Investment Management	44.5	112.7	94.2	–	36.4	549.9
Data Investment Management[3]	12.7	63.1	49.8	–	16.3	101.3
Public Relations & Public Affairs	3.9	15.4	15.8	–	3.2	42.6
Branding & Identity, Healthcare and Specialist Communications	17.7	62.0	51.7	–	10.2	107.5
	78.8	253.2	211.5	–	66.1	801.3

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.
3 Data Investment Management was previously reported as Consumer Insight.

	Assets			Liabilities		
Balance sheet	Segment assets £m	Unallocated corporate assets[1] £m	Consolidated total assets £m	Segment liabilities £m	Unallocated corporate liabilities[1] £m	Consolidated total liabilities £m
2013						
Advertising and Media Investment Management	**11,787.6**			**(8,919.1)**		
Data Investment Management[2]	**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	**2,477.0**	**25,005.4**	**(11,563.5)**	**(5,595.4)**	**(17,158.9)**
2012						
Advertising and Media Investment Management	12,013.9			(9,152.7)		
Data Investment Management[2]	3,371.4			(1,004.0)		
Public Relations & Public Affairs	1,724.2			(370.8)		
Branding & Identity, Healthcare and Specialist Communications	5,607.4			(1,364.5)		
	22,716.9	2,160.7	24,877.6	(11,892.0)	(5,925.0)	(17,817.0)
2011						
Advertising and Media Investment Management	12,075.9			(9,331.8)		
Data Investment Management[2]	3,525.3			(1,058.2)		
Public Relations & Public Affairs	1,825.0			(411.4)		
Branding & Identity, Healthcare and Specialist Communications	5,147.6			(1,353.5)		
	22,573.8	2,121.1	24,694.9	(12,154.9)	(5,645.7)	(17,800.6)

Notes
1 Included in unallocated corporate assets and liabilities are corporate income tax, deferred tax and net interest-bearing debt.
2 Data Investment Management was previously reported as Consumer Insight.

Contributions by geographical area were as follows:

	2013 £m	2012 £m	2011 £m
Revenue[1]			
North America[4]	**3,744.7**	3,546.5	3,388.2
UK	**1,414.0**	1,275.2	1,183.5
Western Continental Europe	**2,592.6**	2,439.2	2,505.1
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,268.1**	3,112.2	2,945.0
	11,019.4	10,373.1	10,021.8

	2013 £m	2012 £m	2011 £m
Gross profit			
North America[4]	**3,547.0**	3,365.0	3,227.1
UK	**1,303.9**	1,155.7	1,079.1
Western Continental Europe	**2,217.8**	2,121.5	2,210.5
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**3,007.4**	2,872.6	2,721.8
	10,076.1	9,514.8	9,238.5

	Margin		Margin		Margin	
Headline PBIT[2]						
North America[4]	**16.5%**	**616.5**	16.3%	578.6	15.5%	525.6
UK	**14.5%**	**204.7**	13.6%	173.3	14.0%	165.3
Western Continental Europe	**10.5%**	**272.0**	10.4%	252.9	11.3%	284.0
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**17.4%**	**568.4**	16.9%	526.2	15.4%	454.1
	15.1%	**1,661.6**	14.8%	1,531.0	14.3%	1,429.0

	Margin	Margin	Margin
Headline gross margin margin[3]			
North America[4]	**17.4%**	17.2%	16.3%
UK	**15.7%**	15.0%	15.3%
Western Continental Europe	**12.3%**	11.9%	12.8%
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**18.9%**	18.3%	16.7%
	16.5%	16.1%	15.5%

Notes

1 Intersegment sales have not been separately disclosed as they are not material.
2 Headline PBIT is defined in note 31.
3 Headline gross margin margin is defined in note 31.
4 North America includes the US with revenue of £3,498.1 million (2012: £3,309.4 million, 2011: £3,149.9 million), gross profit of £3,310.8 million (2012: £3,138.7 million, 2011: £2,997.6) and headline PBIT of £582.6 million (2012: £547.8 million, 2011: £490.2 million).

	2013 £m	2012 £m
Non-current assets[1]		
North America[2]	**5,125.5**	5,131.9
UK	**1,772.2**	1,766.7
Western Continental Europe	**3,562.6**	3,590.3
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**2,620.2**	2,731.1
	13,080.5	13,220.0

Notes

1 Non-current assets excluding financial instruments and deferred tax.
2 North America includes the US with non-current assets of £4,479.5 million (2012: £4,534.4 million).

3. Operating costs

	2013 £m	2012 £m	2011 £m
Staff costs (note 5)	**6,477.1**	6,106.1	5,872.5
Establishment costs	**727.4**	690.6	674.1
Other operating costs (net)	**1,461.3**	1,477.0	1,499.7
Total operating costs	**8,665.8**	8,273.7	8,046.3
Operating costs include:			
Goodwill impairment (note 12)	**23.3**	32.0	–
Investment write-downs	**0.4**	19.6	32.8
Gain on sale of freehold property in New York	**–**	(71.4)	–
Cost of changes to corporate structure	**–**	4.1	–
Restructuring costs	**5.0**	93.4	–
Amortisation and impairment of acquired intangible assets (note 12)	**179.8**	171.9	172.0
Amortisation of other intangible assets (note 12)	**32.7**	33.7	25.7
Depreciation of property, plant and equipment	**195.5**	184.2	178.7
(Gains)/losses on sale of property, plant and equipment	**(0.4)**	0.7	(0.9)
Gains on disposal of investments	**(6.0)**	(26.8)	(0.4)
Gains on remeasurement of equity interest on acquisition of controlling interest	**(30.0)**	(5.3)	(31.6)
Net foreign exchange (gains)/losses	**(1.1)**	7.7	1.1
Operating lease rentals:			
Land and buildings	**483.0**	464.6	459.6
Sublease income	**(13.2)**	(23.0)	(29.1)
	469.8	441.6	430.5
Plant and machinery	**21.1**	21.9	23.0
	490.9	463.5	453.5

In 2013, operating profit includes credits totalling £19.9 million (2012: £19.8 million, 2011: £14.0 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2012. 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 £0.4 million (2012: £19.6 million, 2011: £32.8 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 2013, the Group incurred restructuring costs of £5.0 million as a result of the continuing rationalisation of its IT infrastructure, a project initiated in 2012. Restructuring costs in 2012 of £93.4 million include £62.9 million of severance costs arising from a structural reassessment of certain of the Group's operations, primarily in Western Continental Europe; and £30.5 million of other costs, primarily accelerated depreciation of IT assets in the US and Europe, arising from an overhaul of its centralised IT infrastructure.

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

Auditors' remuneration:

	2013 £m	2012 £m	2011 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**1.4**	1.4	1.4
The audit of the Company's subsidiaries pursuant to legislation	**15.1**	14.6	15.3
	16.5	16.0	16.7
Other services pursuant to legislation	**3.1**	3.1	3.1
Fees payable to the auditors pursuant to legislation	**19.6**	19.1	19.8
Tax advisory services	**2.3**	2.5	2.3
Tax compliance services	**1.2**	1.0	1.1
	3.5	3.5	3.4
Corporate finance services	**0.2**	0.5	0.5
Other services[1]	**4.8**	3.9	4.7
Total non-audit fees	**8.5**	7.9	8.6
Total fees	**28.1**	27.0	28.4

Note

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

Minimum committed annual rentals

Amounts payable in 2014 under leases will be as follows:

	Plant and machinery			Land and buildings		
	2014 £m	2013 £m	2012 £m	2014 £m	2013 £m	2012 £m
In respect of operating leases which expire:						
– within one year	4.1	4.1	5.5	26.3	34.8	27.4
– within two to five years	13.1	13.0	13.2	195.2	166.1	190.7
– after five years	0.1	0.2	0.5	139.7	145.4	143.6
	17.3	17.3	19.2	361.2	346.3	361.7

Future minimum annual amounts payable under all lease commitments in existence at 31 December 2013 are as follows:

	Minimum rental payments[1] £m	Less sub-let rentals £m	Net payment £m
Year ending 31 December			
2014	378.5	(6.5)	372.0
2015	310.5	(4.7)	305.8
2016	257.5	(3.3)	254.2
2017	209.5	(2.0)	207.5
2018	197.8	(0.6)	197.2
Later years	1,187.4	(0.4)	1,187.0
	2,541.2	(17.5)	2,523.7

Note

1 During 2013, WPP signed a lease with rental commitments of £487.3 million (2017: £2.1 million, 2018: £25.1 million and 2019 and after: £460.1 million) that have been included in the table above. The lease is contingent upon the developer obtaining financing to construct the building.

4. Share of results of associates

Share of results of associates include:

	2013 £m	2012 £m	2011 £m
Share of profit before interest and taxation	**111.0**	105.1	99.9
Share of exceptional (losses)/gains	**(10.7)**	(3.0)	2.1
Share of interest and non-controlling interests	**(4.6)**	(1.6)	(2.5)
Share of taxation	**(27.6)**	(31.1)	(33.4)
	68.1	69.4	66.1

5. Our people

Our staff numbers averaged 117,115 for the year ended 31 December 2013 against 114,490 in 2012 and 109,971 in 2011, including acquisitions. Their geographical distribution was as follows:

	2013	2012	2011
North America	**28,093**	27,782	27,540
UK	**11,925**	11,413	10,761
Western Continental Europe	**23,559**	23,322	22,298
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**53,538**	51,973	49,372
	117,115	114,490	109,971

Their operating sector distribution was as follows:

	2013	2012	2011
Advertising and Media Investment Management	**49,505**	48,662	47,252
Data Investment Management[1]	**29,586**	28,989	29,204
Public Relations & Public Affairs	**8,298**	8,437	7,869
Branding & Identity, Healthcare and Specialist Communications	**29,726**	28,402	25,646
	117,115	114,490	109,971

Note

1 Data Investment Management was previously reported as Consumer Insight.

At the end of 2013 staff numbers were 119,116 (2012: 115,711, 2011: 113,615). Including all employees of associated undertakings, this figure was approximately 175,000 at 31 December 2013 (2012: 165,000, 2011: 158,000).

Staff costs include:

	2013 £m	2012 £m	2011 £m
Wages and salaries	4,481.4	4,289.7	4,079.4
Cash-based incentive plans	222.2	198.1	259.4
Share-based incentive plans (note 22)	105.4	92.8	78.8
Social security costs	577.3	524.7	499.3
Pension costs (note 23)	151.3	148.7	135.4
Severance	26.9	50.8	53.9
Other staff costs[1]	912.6	801.3	766.3
	6,477.1	6,106.1	5,872.5
Staff cost to revenue ratio	58.8%	58.9%	58.6%

Note

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

Included above are charges of £16.9 million (2012: £15.6 million, 2011: £9.9 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 130 to 165.

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

Finance income includes:

	2013 £m	2012 £m	2011 £m
Income from available for sale investments	10.1	1.2	0.6
Interest income	54.2	54.7	64.1
	64.3	55.9	64.7

Finance costs include:

	2013 £m	2012 £m	2011 £m
Net interest expense on pension plans[1] (note 23)	11.4	11.3	11.2
Interest on other long-term employee benefits	1.7	1.7	1.8
Interest payable and similar charges[2]	254.8	256.8	251.6
	267.9	269.8	264.6

Revaluation of financial instruments[3] include:

	2013 £m	2012 £m	2011 £m
Movements in fair value of treasury instruments	6.3	(14.8)	(12.7)
Revaluation of put options over non-controlling interests	(1.1)	(5.1)	(30.9)
Revaluation of payments due to vendors (earnout agreements)	15.8	15.2	(6.4)
	21.0	(4.7)	(50.0)

Notes

1 Comparative figures have been restated to reflect the requirements of IAS 19 (amended): Employee Benefits.

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

3 Financial instruments are held at fair value through profit and loss.

The majority of the Group's long-term debt is represented by $3,081 million of US dollar bonds at an average interest rate of 5.51%, €2,000 million of Eurobonds at an average interest rate of 4.92% and £600 million of sterling bonds including convertible bonds at an average interest rate of 6.13%.

Average borrowings under the Revolving Credit Facilities (note 10) amounted to the equivalent of $2 million at an average interest rate of 1.24% inclusive of margin.

Average borrowings under the US Commercial Paper Program (note 10) amounted to $25 million at an average interest rate of 0.34% inclusive of margin.

7. Taxation

The headline tax rate was 20.2% (2012: 21.2%) and is defined below. The tax rate on reported PBT was 21.9% (2012: 18.1%).

Cash taxes paid in the year were £273.3 million (2012: £257.0 million). The cash tax rate on headline PBT was 18.7% (2012: 19.5%).

The tax charge is based on the profit for the year and comprises:

	2013 £m	2012 £m	2011 £m
Corporation tax			
Current year	359.1	335.5	310.3
Prior years	(48.1)	(41.7)	(47.7)
Exceptional release of prior-year provisions	–	–	(106.1)
Tax credit relating to restructuring costs	–	(15.7)	–
	311.0	278.1	156.5
Deferred tax			
Current year	(9.0)	(14.4)	4.5
Net credit in relation to the amortisation of acquired intangible assets and other goodwill items	(10.6)	(86.0)	(72.4)
Deferred tax on gain on sale of freehold property in New York	–	20.0	–
	(19.6)	(80.4)	(67.9)
Prior years	(7.7)	(0.5)	3.3
	(27.3)	(80.9)	(64.6)
Tax charge	283.7	197.2	91.9

In 2011, the tax rate on reported PBT was significantly lower than the headline tax rate, primarily due to the resolution of historic tax liabilities. The release of prior-year corporate tax provisions resulted from the resolution of a number of open matters. Based on the size of this release, it was classified as an exceptional item and therefore excluded from the calculation of headline earnings and headline tax rate.

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

	2013 £m	2012 £m	2011 £m
Profit before taxation	**1,295.8**	1,091.9	1,008.4
Tax at the corporation tax rate of 23.25%[1]	**301.3**	273.0	252.1
Tax effect of share of results of associates	**(15.8)**	(17.4)	(16.5)
Tax effect of expenses that are not deductible/(taxable) in determining taxable profit	**3.4**	(7.5)	13.0
Effect of different tax rates of subsidiaries operating in other jurisdictions	**17.6**	13.9	9.2
Origination and reversal of temporary differences not previously recognised	**35.5**	(39.2)	20.2
Tax losses not utilised in the year	**40.6**	45.4	49.3
Tax effect of utilisation of tax losses not previously recognised	**(28.3)**	(18.6)	(41.4)
Tax effect of recognition of tax losses not previously recognised	**(14.8)**	(10.2)	(43.5)
Net release of prior-year provisions in relation to acquired businesses	**(11.6)**	(20.6)	(21.4)
Other prior-year adjustments	**(44.2)**	(21.6)	(23.0)
Exceptional release of prior-year provisions	**–**	–	(106.1)
Tax charge	**283.7**	197.2	91.9
Effective tax rate on profit before tax	**21.9%**	18.1%	9.1%

The calculation of the headline tax rate is as follows:

	2013 £m	2012 £m	2011 £m
Headline PBT[1]	**1,458.0**	1,317.1	1,229.1
Tax charge	**283.7**	197.2	91.9
Deferred tax on gain on sale of freehold property in New York	**–**	(20.0)	–
Tax credit relating to restructuring costs	**–**	15.7	–
Net credit in relation to the amortisation of acquired intangible assets and other goodwill items	**10.6**	86.0	72.4
Exceptional release of prior-year provisions	**–**	–	106.1
Headline tax charge	**294.3**	278.9	270.4
Headline tax rate	**20.2%**	21.2%	22.0%

Notes

1 The parent company of the Group was tax resident in the UK for 2013, and tax resident in Ireland for 2012 and 2011. As such, the tax rate in the tax reconciliation for 2013 is the blended UK corporation tax rate of 23.25%. For 2012 and 2011, the tax rate is the Irish non-trading corporation tax rate of 25%.

2 Headline PBT is defined in note 31.

8. Ordinary dividends

Amounts recognised as distributions to equity holders in the year:

	2013	2012	2011	2013	2012	2011
Per share	Pence per share			£m	£m	£m
2012 Final dividend[1]	**19.71p**	17.14p	11.82p	**258.0**	212.8	147.3
2013 Interim dividend[2]	**10.56p**	8.80p	7.46p	**139.3**	109.4	92.2
	30.27p	25.94p	19.28p	**397.3**	322.2	239.5

	2013	2012	2011	2013	2012	2011
Per ADR[3]	Cents per share			$m	$m	$m
2012 Final dividend[1]	**156.22¢**	137.39¢	91.37¢	**409.0**	341.2	227.7
2013 Interim dividend[2]	**82.61¢**	69.75¢	59.80¢	**218.0**	173.5	147.8
	238.83¢	207.14¢	151.17¢	**627.0**	514.7	375.5

Proposed final dividend for the year ended 31 December 2013:

	2013	2012	2011
Per share	Pence per share		
Final dividend[1]	**23.65p**	19.71p	17.14p

	2013	2012	2011
Per ADR[3]	Cents per ADR		
Final dividend[1]	**185.01¢**	156.22¢	137.39¢

Notes

1 Second interim dividend in 2011 and 2010.

2 First interim dividend in 2012 and 2011.

3 These figures have been translated for convenience purposes only, using the approximate average rate for the year shown on page 200. 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:

	2013	2012	2011
Reported earnings[1] (£m)	**936.5**	822.7	840.1
Headline earnings (£m) (note 31)	**1,088.1**	966.2	882.3
Average shares used in basic EPS calculation (m)	**1,293.8**	1,243.4	1,242.7
Reported EPS	**72.4p**	66.2p	67.6p
Headline EPS	**84.1p**	77.7p	71.0p

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:

	2013	2012	2011
Diluted reported earnings (£m)	**947.1**	848.8	866.2
Diluted headline earnings (£m)	**1,098.7**	992.3	908.4
Average shares used in diluted EPS calculation (m)	**1,360.3**	1,352.6	1,342.2
Diluted reported EPS	**69.6p**	62.8p	64.5p
Diluted headline EPS	**80.8p**	73.4p	67.7p

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 (2012: £26.1 million, 2011: £26.1 million) for the purpose of the calculation of diluted earnings. In addition, at 31 December 2013, options to purchase 6.0 million ordinary shares (2012: 6.3 million, 2011: 4.0 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:

	2013 m	2012 m	2011 m
Average shares used in basic EPS calculation	**1,293.8**	1,243.4	1,242.7
Dilutive share options outstanding	**6.8**	4.9	4.5
Other potentially issuable shares	**30.8**	27.8	18.5
£450 million 5.75% convertible bonds	**28.9**	76.5	76.5
Shares used in diluted EPS calculation	**1,360.3**	1,352.6	1,342.2

At 31 December 2013 there were 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	
	2013 £m	2012 £m	2013 £m	2012 £m
Analysis of changes in financing				
Beginning of year	**302.4**	232.3	**4,180.5**	3,893.0
Ordinary shares issued	**42.4**	56.0	**–**	–
Reclassification due to Group reconstruction[1]	**(176.0)**	–	**–**	–
Share cancellations	**–**	(0.7)	**–**	–
Treasury share cancellations	**–**	(0.6)	**–**	–
Share issue/cancellation costs	**(0.4)**	(0.2)	**–**	–
Shares issued on conversion of bond	**449.9**	–	**–**	–
Scrip dividend	**–**	15.6	**–**	–
Net (decrease)/increase in drawings on bank loans, corporate bonds and convertible bonds	**–**	–	**(13.1)**	380.5
Amortisation of financing costs included in net debt	**–**	–	**8.3**	6.8
Debt acquired	**–**	–	**–**	20.0
Other movements	**–**	–	**(48.0)**	(18.2)
Exchange adjustments	**–**	–	**(4.1)**	(101.6)
End of year	**618.3**	302.4	**4,123.6**	4,180.5

Note

[1] Further details on the Group reconstruction are given in note 26.

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

Shares

At 31 December 2013, the Company's share base was entirely composed of ordinary equity share capital and share premium of £618.3 million (2012: £302.4 million), further details of which are disclosed in note 26.

Debt

US$ bonds The Group has in issue $369 million of 5.875% bonds due June 2014, $600 million of 8% bonds due September 2014, $812 million of 4.75% bonds due November 2021, $500 million of 3.625% bonds due September 2022 and $300 million of 5.125% bonds due September 2042. In November 2013, the Group issued $500 million of 5.625% bonds due November 2043.

Eurobonds The Group has in issue €500 million of 5.25% bonds due January 2015 and €750 million of 6.625% bonds due May 2016. In November 2013, the Group issued €750 million of 3% bonds due November 2023.

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 Facilities The Group has a five-year Revolving Credit Facility of $1.2 billion and £475 million due November 2016. The Group's borrowing under these facilities, which are drawn down predominantly in US dollars and pounds sterling, averaged the equivalent of $2 million in 2013. The Group had available undrawn committed credit facilities of £1,199.4 million at December 2013 (2012: £1,021.5 million).

Borrowings under the Revolving Credit Facilities 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 the Revolving Credit Facility as a backstop. The average commercial paper outstanding during the year was $25.0 million. There was no US Commercial Paper outstanding at 31 December 2013.

Convertible bonds

At 31 December 2012 the Group had in issue £450 million of 5.75% convertible bonds due May 2014. During 2013, £449.9 million of these bonds were converted into 76,513,563 WPP ordinary shares. The remaining £0.1 million was repaid in November 2013 due to the early redemption of all of the outstanding convertible bonds.

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:

	2013 £m	2012 £m
Within one year	**(807.8)**	(721.4)
Between one and two years	**(575.3)**	(1,244.8)
Between two and three years	**(757.5)**	(529.6)
Between three and four years	**(500.0)**	(707.4)
Between four and five years	**(92.0)**	(465.1)
Over five years	**(2,968.3)**	(1,610.3)
Debt financing under the Revolving Credit Facility and in relation to unsecured loan notes	**(5,700.9)**	(5,278.6)
Short-term overdrafts – within one year	**(338.4)**	(586.0)
Future anticipated cash flows	**(6,039.3)**	(5,864.6)
Effect of discounting/financing rates	**1,577.3**	1,098.1
Debt financing	**(4,462.0)**	(4,766.5)
Cash and short-term deposits	**2,221.6**	1,945.3
Net debt	**(2,240.4)**	(2,821.2)

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

2013 Currency		£m	Fixed rate[1]	Floating basis	Period (months)[1]
$	– fixed	2,177.4	5.54%	n/a	119
	– floating	233.1	n/a	LIBOR	n/a
£	– fixed	100.0	7.50%	n/a	62
	– floating	200.0	n/a	LIBOR	n/a
€	– fixed	1,331.8	4.86%	n/a	70
	– floating	108.0	n/a	EURIBOR	n/a
Other		(26.7)	n/a	n/a	n/a
		4,123.6			

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. At 31 December 2013 the amount still to be written to income was £0.2 million (2012: £0.7 million) in respect of US dollar swap terminations, to be written to income evenly until June 2014.

2012 Currency		£m	Fixed rate[1]	Floating basis	Period (months)[1]
$	– fixed	1,913.0	5.53%	n/a	92
	– floating	444.0	n/a	LIBOR	n/a
£	– fixed	550.0	6.07%	n/a	58
	– floating	200.0	n/a	LIBOR	n/a
€	– fixed	690.7	6.50%	n/a	38
	– floating	344.2	n/a	EURIBOR	n/a
¥	– fixed	64.0	2.07%	n/a	11
Other		(25.4)	n/a	n/a	n/a
		4,180.5			

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	
2013	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	376.6	311.9	772.8	859.9
Between one and two years	445.8	352.7	530.5	619.5
Between two and three years	1.1	0.7	4.6	12.4
Between three and four years	26.1	25.6	228.3	237.4
Between four and five years	–	–	–	–
Over five years	–	–	–	–
	849.6	**690.9**	**1,536.2**	**1,729.2**

	Financial liabilities		Financial assets	
2012	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	333.0	262.7	773.9	865.8
Between one and two years	339.9	280.8	753.5	839.8
Between two and three years	454.1	352.5	525.9	608.7
Between three and four years	1.1	0.4	2.4	12.4
Between four and five years	26.1	25.4	226.7	237.4
Over five years	–	–	–	–
	1,154.2	921.8	2,282.4	2,564.1

11. Analysis of cash flows

The following tables analyse the items included within the main cash flow headings on page 202.

Net cash from operating activities:

	2013 £m	2012 £m	2011 £m
Profit for the year	**1,012.1**	894.7	916.5
Taxation	**283.7**	197.2	91.9
Revaluation of financial instruments	**(21.0)**	4.7	50.0
Finance costs	**267.9**	269.8	264.6
Finance income	**(64.3)**	(55.9)	(64.7)
Share of results of associates	**(68.1)**	(69.4)	(66.1)
Operating profit	**1,410.3**	1,241.1	1,192.2
Adjustments for:			
Non-cash share-based incentive plans (including share options)	**105.4**	92.8	78.8
Depreciation of property, plant and equipment	**202.0**	191.0	185.8
Impairment of goodwill	**23.3**	32.0	–
Amortisation and impairment of acquired intangible assets	**179.8**	171.9	172.0
Amortisation of other intangible assets	**32.7**	33.7	25.7
Investment write-downs	**0.4**	19.6	32.8
Gains on disposal of investments	**(6.0)**	(26.8)	(0.4)
Gains on remeasurement of equity interest on acquisition of controlling interest	**(30.0)**	(5.3)	(31.6)
Gain on sale of freehold property in New York	**–**	(71.4)	–
(Gains)/losses on sale of property, plant and equipment	**(0.4)**	0.7	(0.9)
Operating cash flow before movements in working capital and provisions	**1,917.5**	1,679.3	1,654.4
Decrease/(increase) in inventories and work in progress	**36.7**	(17.6)	32.7
Increase in receivables	**(253.3)**	(436.4)	(1.8)
Increase/(decrease) in payables – short-term	**67.2**	105.3	(618.5)
Increase in payables – long-term	**28.3**	4.1	19.2
Decrease in provisions	**(12.3)**	(43.6)	(52.5)
Cash generated by operations	**1,784.1**	1,291.1	1,033.5
Corporation and overseas tax paid	**(273.3)**	(257.0)	(247.9)
Interest and similar charges paid	**(254.7)**	(228.3)	(241.4)
Interest received	**51.3**	56.6	63.2
Investment income	**10.1**	1.2	0.6
Dividends from associates	**56.7**	44.7	57.2
Net cash inflow from operating activities	**1,374.2**	908.3	665.2

Acquisitions and disposals:

	2013 £m	2012 £m	2011 £m
Initial cash consideration	(165.1)	(462.0)	(352.3)
Cash and cash equivalents acquired (net)	25.0	46.6	98.8
Earnout payments	(27.7)	(85.7)	(150.0)
Loan note redemptions	–	(1.0)	(0.8)
Purchase of other investments (including associates)	(45.6)	(111.4)	(68.1)
Proceeds on disposal of investments	12.0	47.0	2.6
Acquisitions and disposals	(201.4)	(566.5)	(469.8)
Cash consideration for non-controlling interests	(19.6)	(20.1)	(62.6)
Net cash outflow	(221.0)	(586.6)	(532.4)

Share repurchases and buy-backs:

	2013 £m	2012 £m	2011 £m
Purchase of own shares by ESOP Trusts	(179.4)	(78.8)	(106.5)
Share cancellations (excluding brokerage fees)	–	(55.1)	(45.9)
Shares purchased into treasury	(17.6)	(0.6)	(29.8)
Net cash outflow	(197.0)	(134.5)	(182.2)

Net increase in borrowings:

	2013 £m	2012 £m	2011 £m
Proceeds from issue of €750 million bonds	624.8	–	–
Proceeds from issue of $500 million bonds	314.2	312.1	319.5
Proceeds from issue of $300 million bonds	–	187.3	–
Repayment of €600 million bonds	(502.1)	–	–
Repayment of convertible bonds	(0.1)	–	–
Decrease in drawings on bank loans	–	(79.7)	–
Repayment of debt acquired	–	(20.0)	(18.1)
Repayment of $30 million TNS private placements	–	(19.2)	–
Net cash inflow	436.8	380.5	301.4

Cash and cash equivalents:

	2013 £m	2012 £m	2011 £m
Cash at bank and in hand	2,099.1	1,721.4	1,833.5
Short-term bank deposits	122.5	223.9	113.1
Overdrafts[1]	(338.4)	(586.0)	(518.4)
Cash and cash equivalents at end of year	1,883.2	1,359.3	1,428.2

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 2013 and 2012 were as follows:

	£m
Cost:	
1 January 2012	9,988.5
Additions[1]	360.8
Revision of earnout estimates	8.6
Exchange adjustments	(315.8)
31 December 2012	10,042.1
Additions[1]	209.0
Revision of earnout estimates	(5.7)
Exchange adjustments	(179.6)
31 December 2013	10,065.8
Accumulated impairment losses and write-downs:	
1 January 2012	557.7
Impairment losses for the year	32.0
Exchange adjustments	(4.8)
31 December 2012	584.9
Impairment losses for the year	17.7
Exchange adjustments	(9.6)
31 December 2013	593.0
Net book value:	
31 December 2013	9,472.8
31 December 2012	9,457.2
1 January 2012	9,430.8

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 2013 and 2012 are:

	2013 £m	2012 £m
GroupM	2,004.7	1,964.4
Kantar	1,800.9	1,764.0
Wunderman	1,063.7	1,096.9
Y&R Advertising	956.5	984.5
Burson-Marsteller	463.4	480.4
Other	3,183.6	3,167.0
Total goodwill	9,472.8	9,457.2

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 2013 and 2012 were as follows:

	Brands with an indefinite useful life £m	Acquired intan-gibles £m	Other £m	Total £m
Cost:				
1 January 2012	1,036.4	1,463.6	253.8	2,753.8
Additions	–	–	39.8	39.8
Disposals	–	–	(19.0)	(19.0)
New acquisitions	–	185.2	1.3	186.5
Other movements[1]	–	12.9	0.3	13.2
Exchange adjustments	(43.3)	(34.1)	(11.9)	(89.3)
31 December 2012	993.1	1,627.6	264.3	2,885.0
Additions	–	–	43.8	43.8
Disposals	–	–	(18.9)	(18.9)
New acquisitions	–	45.5	0.4	45.9
Other movements[1]	–	2.2	0.6	2.8
Exchange adjustments	(35.2)	(8.9)	(6.0)	(50.1)
31 December 2013	**957.9**	**1,666.4**	**284.2**	**2,908.5**
Amortisation and impairment:				
1 January 2012	–	722.2	171.7	893.9
Charge for the year	–	169.6	33.7	203.3
Disposals	–	–	(18.4)	(18.4)
Other movements	–	–	(2.8)	(2.8)
Exchange adjustments	–	(10.2)	(8.2)	(18.4)
31 December 2012	–	881.6	176.0	1,057.6
Charge for the year	–	176.9	32.7	209.6
Disposals	–	–	(17.7)	(17.7)
Other movements	–	–	1.4	1.4
Exchange adjustments	–	(5.7)	(4.5)	(10.2)
31 December 2013	**–**	**1,052.8**	**187.9**	**1,240.7**
Net book value:				
31 December 2013	**957.9**	**613.6**	**96.3**	**1,667.8**
31 December 2012	993.1	746.0	88.3	1,827.4
1 January 2012	1,036.4	741.4	82.1	1,859.9

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 2013 include brand names of £386.8 million (2012: £408.8 million), customer-related intangibles of £206.5 million (2012: £287.7 million), and other assets (including proprietary tools) of £20.3 million (2012: £49.5 million).

The total amortisation and impairment of acquired intangible assets of £179.8 million (2012: £171.9 million) includes £2.9 million (2012: £2.3 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 9.5% (2012: 9.5%) and management forecasts for a projection period of up to five years, followed by an assumed annual long-term growth rate of 3.0% (2012: 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 £23.3 million (2012: £32.0 million) relates to a number of under-performing businesses in the Group, of which £5.6 million (2012: £nil) 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. 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 2013 and 2012 were as follows:

	Land £m	Freehold buildings £m	Leasehold buildings £m	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
Cost:						
1 January 2012	12.4	73.1	713.9	369.7	612.2	1,781.3
Additions	29.7	71.2	79.6	34.6	83.3	298.4
New acquisitions	–	–	2.3	1.8	4.4	8.5
Disposals	(4.0)	(26.3)	(79.8)	(54.0)	(81.8)	(245.9)
Exchange adjustments	(1.0)	(0.4)	(29.7)	(18.7)	(25.5)	(75.3)
31 December 2012	37.1	117.6	686.3	333.4	592.6	1,767.0
Additions	–	8.8	92.2	44.2	85.4	230.6
New acquisitions	–	–	0.6	4.2	2.6	7.4
Disposals	–	(1.6)	(27.9)	(35.8)	(57.8)	(123.1)
Exchange adjustments	–	(19.0)	(9.9)	(20.2)	(17.0)	(66.1)
31 December 2013	**37.1**	**105.8**	**741.3**	**325.8**	**605.8**	**1,815.8**
Depreciation:						
1 January 2012	–	29.5	343.1	225.6	454.8	1,053.0
Charge for the year	–	3.2	62.3	40.6	84.9	191.0
Disposals	–	(14.3)	(56.5)	(47.6)	(78.0)	(196.4)
Exchange adjustments	–	(0.6)	(14.3)	(13.2)	(20.8)	(48.9)
31 December 2012	–	17.8	334.6	205.4	440.9	998.7
Charge for the year	–	4.0	68.4	41.9	87.7	202.0
Disposals	–	(1.3)	(23.9)	(34.3)	(57.9)	(117.4)
Exchange adjustments	–	(0.7)	(6.2)	(21.3)	(12.6)	(40.8)
31 December 2013	**–**	**19.8**	**372.9**	**191.7**	**458.1**	**1,042.5**
Net book value:						
31 December 2013	**37.1**	**86.0**	**368.4**	**134.1**	**147.7**	**773.3**
31 December 2012	37.1	99.8	351.7	128.0	151.7	768.3
1 January 2012	12.4	43.6	370.8	144.1	157.4	728.3

At the end of the year, capital commitments contracted, but not provided for in respect of property, plant and equipment were £31.6 million (2012: £47.0 million).

14. Interests in associates, joint ventures and other investments

The movements in 2013 and 2012 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 2012	392.2	409.1	801.3	190.8
Additions	32.1	–	32.1	24.8
Goodwill arising on acquisition of new associates	–	54.5	54.5	–
Share of results of associate undertakings (note 4)	69.4	–	69.4	–
Dividends and other movements	(49.3)	15.8	(33.5)	–
Exchange adjustments	(28.7)	(29.6)	(58.3)	(6.1)
Disposals	(9.6)	–	(9.6)	(14.4)
Reclassification from subsidiaries	35.2	2.9	38.1	–
Revaluation of other investments	–	–	–	(3.5)
Amortisation of other intangible assets	–	(2.3)	(2.3)	–
Write-downs	(0.7)	(3.8)	(4.5)	(15.1)
31 December 2012	440.6	446.6	887.2	176.5
Additions	11.5	–	11.5	28.5
Goodwill arising on acquisition of new associates	–	13.9	13.9	–
Share of results of associate undertakings (note 4)	68.1	–	68.1	–
Dividends and other movements	(73.1)	16.7	(56.4)	–
Exchange adjustments	(40.0)	(52.3)	(92.3)	(1.4)
Disposals	–	(7.6)	(7.6)	(5.0)
Reclassification to subsidiaries	(11.3)	(11.4)	(22.7)	–
Revaluation of other investments	–	–	–	72.0
Amortisation of other intangible assets	–	(2.9)	(2.9)	–
Goodwill impairment	–	(5.6)	(5.6)	–
Write-downs	(0.4)	–	(0.4)	–
31 December 2013	**395.4**	**397.4**	**792.8**	**270.6**

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 2013 included:

	% owned	Country of incorporation
Asatsu-DK Inc.	24.6	Japan
Barrows Design and Manufacturing (Pty) Limited	35.0	South Africa
CHI & Partners Limited	49.9	UK
Chime Communications Plc[1]	17.7	UK
CTR Market Research Co., Ltd	46.0	China
CVSC Sofres Media Co Limited	40.0	China
GIIR Inc.	29.9	Korea
Globant SA	21.5	Argentina
Grass Roots Group plc	44.8	UK
High Co SA	34.1	France
IBOPE Latinoamericana, SA	41.8	Brazil
Singleton, Ogilvy & Mather (Holdings) Pty Limited	33.3	Australia
STW Communications Group Limited	20.0	Australia
The Jupiter Drawing Room (Proprietary) Limited	49.0	South Africa
WVI Marketing Communications Group Limited	50.0	Russia

Note

1 Although the Group holds less than 20% of Chime Communications Plc, it is considered to be an associate as the Group exercises significant influence by virtue of a position on the Board of Directors.

The market value of the Group's shares in its principal listed associate undertakings at 31 December 2013 was as follows: Asatsu-DK Inc: £148.3 million, Chime Communications Plc: £58.4 million, GIIR Inc: £22.0 million, High Co SA: £15.0 million, and STW Communications Group Limited: £63.6 million (2012: Asatsu-DK Inc: £150.7 million, Chime Communications Plc: £40.0 million, GIIR Inc: £18.3 million, High Co SA: £15.2 million, Scangroup Limited: £40.6 million, and STW Communications Group Limited: £53.2 million).

The carrying value (including goodwill and other intangibles) of these equity interests in the Group's consolidated balance sheet at 31 December 2013 was as follows: Asatsu-DK Inc: £155.3 million, Chime Communications Plc: £34.7 million, GIIR Inc: £28.2 million, High Co SA: £31.6 million, and STW Communications Group Limited: £66.5 million (2012: Asatsu-DK Inc: £197.0 million, Chime Communications Plc: £36.8 million, GIIR Inc: £26.7 million, High Co SA: £32.4 million, Scangroup Limited: £21.0 million, and STW Communications Group Limited: £67.8 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 2013.

	2013 £m	2012 £m	2011 £m
Income statement			
Revenue	**2,366.7**	2,268.0	2,127.2
Operating profit	**274.8**	262.1	293.7
Profit before taxation	**261.5**	262.8	316.5
Profit for the year	**188.8**	176.5	190.5

	2013 £m	2012 £m
Balance sheet		
Assets	**5,027.4**	4,956.5
Liabilities	**(2,411.9)**	(2,424.0)
Net assets	**2,615.5**	2,532.5

The application of equity accounting is ordinarily discontinued when the investment is reduced to zero and additional losses are not provided for unless the investor 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 £27.3 million (2012: £18.8 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. 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 £m	Offset £m	As reported £m
2013			
Deferred tax assets	224.3	(104.9)	**119.4**
Deferred tax liabilities	(755.6)	104.9	**(650.7)**
	(531.3)	–	**(531.3)**
2012			
Deferred tax assets	221.2	(130.0)	91.2
Deferred tax liabilities	(810.3)	130.0	(680.3)
	(589.1)	–	(589.1)

The following are the major gross deferred tax assets recognised by the Group and movements thereon in 2013 and 2012:

	Tax losses £m	Retirement benefit obligations £m	Property, plant & equipment £m	Share-based payments £m	Other temporary differences £m	Total £m
1 January 2012	31.6	13.5	2.7	34.7	68.9	151.4
Credit/(charge) to income	5.7	3.0	41.2	9.9	(0.2)	59.6
Credit to other comprehensive income	–	7.7	–	–	–	7.7
Credit to equity	–	–	–	13.3	–	13.3
Transfer to corporation tax	–	–	–	–	3.9	3.9
Exchange adjustments	(1.7)	(0.5)	(0.2)	(2.0)	(10.3)	(14.7)
31 December 2012	35.6	23.7	43.7	55.9	62.3	221.2
(Charge)/credit to income	(7.3)	–	(12.3)	3.0	(2.2)	(18.8)
Charge to other comprehensive income	–	(1.2)	–	–	–	(1.2)
Credit to equity	–	–	–	30.2	–	30.2
Exchange adjustments	(3.1)	(3.5)	(0.1)	(2.8)	2.4	(7.1)
31 December 2013	**25.2**	**19.0**	**31.3**	**86.3**	**62.5**	**224.3**

Other temporary differences comprise a number of items, none of which is individually significant to the Group's consolidated balance sheet. At 31 December 2013 the balance related to temporary differences in relation to accounting provisions, tax credits, and tax deductible goodwill.

In addition the Group has recognised the following gross deferred tax liabilities and movements thereon in 2013 and 2012:

	Brands and other intangibles £m	Associate earnings £m	Goodwill £m	Property, plant & equipment £m	Other temporary differences £m	Total £m
1 January 2012	662.5	22.9	110.5	0.1	10.8	806.8
Acquisition of subsidiaries	59.4	–	–	–	1.9	61.3
(Credit)/ charge to income	(71.8)	1.5	21.1	30.2	(2.2)	(21.2)
Exchange adjustments	(25.4)	(3.4)	(5.9)	–	(1.9)	(36.6)
31 December 2012	624.7	21.0	125.7	30.3	8.6	810.3
Acquisition of subsidiaries	13.5	–	–	–	–	13.5
(Credit)/ charge to income	(58.9)	1.8	13.5	(0.2)	(2.3)	(46.1)
Credit to equity	–	–	–	–	(1.9)	(1.9)
Exchange adjustments	(14.7)	(1.3)	(3.7)	(0.5)	–	(20.2)
31 December 2013	**564.6**	**21.5**	**135.5**	**29.6**	**4.4**	**755.6**

At the balance sheet date, the Group has gross tax losses and other temporary differences of £5,391.0 million (2012: £4,730.9 million) available for offset against future profits. Deferred tax assets have been recognised in respect of the tax benefit of £710.8 million (2012: £687.9 million) of such tax losses and other temporary differences. No deferred tax asset has been recognised in respect of the remaining £4,680.2 million (2012: £4,043.0 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 £280.0 million that will expire by 2023, £27.1 million that will expire by 2027, £60.1 million that will expire by 2029, £10.6 million that will expire by 2032 and £3,086.9 million of losses that may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £1,938.3 million. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

16. Inventory and work in progress

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

	2013 £m	2012 £m
Work in progress	**288.9**	343.3
Inventory	**15.6**	4.9
	304.5	348.2

17. Trade and other receivables

The following are included in trade and other receivables:

Amounts falling due within one year:

	2013 £m	2012 £m
Trade receivables (net of bad debt provision)	5,986.5	6,204.2
VAT and sales taxes recoverable	82.0	75.6
Prepayments and accrued income	2,533.3	2,232.2
Fair value derivatives	57.9	28.5
Other debtors	428.4	466.5
	9,088.1	9,007.0

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

2013	Carrying amount at 31 December 2013 £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	5,986.5	3,942.6	1,337.9	570.3	114.1	20.7	0.9
Other financial assets	416.0	282.2	68.3	18.1	12.5	12.2	22.7
	6,402.5	4,224.8	1,406.2	588.4	126.6	32.9	23.6

2012	Carrying amount at 31 December 2012 £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	6,204.2	3,942.5	1,447.2	659.2	140.1	9.5	5.7
Other financial assets	467.4	311.3	77.0	35.7	7.4	10.1	25.9
	6,671.6	4,253.8	1,524.2	694.9	147.5	19.6	31.6

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:

	2013 £m	2012 £m
Prepayments and accrued income	24.5	29.5
Other debtors	78.7	73.9
Fair value of derivatives	55.3	141.7
	158.5	245.1

Movements on bad debt provisions were as follows:

	2013 £m	2012 £m
Balance at beginning of year	105.3	125.7
New acquisitions	2.1	0.7
Charged to operating costs	26.3	18.1
Exchange adjustments	(1.7)	(4.1)
Utilisations and other movements	(39.2)	(35.1)
Balance at end of year	92.8	105.3

The allowance for bad and doubtful debts is equivalent to 1.5% (2012: 1.7%) of gross trade accounts receivable.

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:

	2013 £m	2012 £m
Trade payables	7,150.2	7,227.5
Other taxation and social security	415.3	433.6
Payments due to vendors (earnout agreements)	49.7	33.4
Liabilities in respect of put option agreements with vendors	53.5	64.3
Deferred income	917.8	880.2
Fair value of derivatives	41.8	31.6
Share purchases – close period commitments	–	18.2
Other creditors and accruals	2,082.4	2,219.0
	10,710.7	10,907.8

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:

	2013 £m	2012 £m
Payments due to vendors (earnout agreements)	143.8	160.6
Liabilities in respect of put option agreements with vendors	85.6	80.0
Fair value of derivatives	19.9	79.7
Other creditors and accruals	208.3	191.7
	457.6	512.0

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:

	2013 £m	2012 £m
Within one year	49.7	33.4
Between one and two years	26.1	35.7
Between two and three years	44.1	28.7
Between three and four years	54.0	30.4
Between four and five years	12.9	63.8
Over five years	6.7	2.0
	193.5	194.0

	2013 £m	2012 £m
At the beginning of the year	**194.0**	234.1
Earnouts paid (note 11)	**(27.7)**	(85.7)
New acquisitions	**51.9**	61.5
Revision of estimates taken to goodwill (note 12)	**(5.7)**	8.6
Revaluation of payments due to vendors (note 6)	**(15.8)**	(15.2)
Exchange adjustments	**(3.2)**	(9.3)
At the end of the year	**193.5**	194.0

As of 31 December 2013, 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 £289 million (2012: £nil to £322 million) and £nil to £1,042 million (2012: £nil to £819 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:

	2013 £m	2012 £m
Bank overdrafts	**338.4**	586.0
Corporate bonds and bank loans	**603.0**	499.9
	941.4	1,085.9

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

Amounts falling due after more than 1 year:

	2013 £m	2012 £m
Corporate bonds and bank loans	**3,520.6**	3,680.6

The Group estimates that the fair value of convertible and corporate bonds is £4,344.9 million at 31 December 2013 (2012: £4,759.7 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, convertible bonds, bank loans and overdrafts included within liabilities fall due for repayment as follows:

	2013 £m	2012 £m
Within one year	**941.4**	1,085.9
Between one and two years	**424.2**	1,071.2
Between two and three years	**618.5**	408.4
Between three and four years	**424.8**	607.8
Between four and five years	**–**	433.0
Over five years	**2,053.1**	1,160.2
	4,462.0	4,766.5

21. Provisions for liabilities and charges

The movements in 2013 and 2012 were as follows:

	Property £m	Other £m	Total £m
1 January 2012	48.3	105.7	154.0
Charged to the income statement	8.9	14.8	23.7
Acquisitions	0.7	11.4	12.1
Utilised	(8.0)	(18.8)	(26.8)
Released to the income statement	(6.8)	(5.4)	(12.2)
Transfers	(0.7)	(7.7)	(8.4)
Exchange adjustments	(1.1)	(4.7)	(5.8)
31 December 2012	41.3	95.3	136.6
Charged to the income statement	11.5	13.8	25.3
Acquisitions[1]	2.7	14.7	17.4
Utilised	(7.6)	(11.3)	(18.9)
Released to the income statement	(9.1)	(4.6)	(13.7)
Transfers	(0.7)	6.4	5.7
Exchange adjustments	(0.8)	(3.9)	(4.7)
31 December 2013	**37.3**	**110.4**	**147.7**

Note

1 Acquisitions include £3.5 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:

	2013 £m	2012 £m	2011 £m
Share-based payments	**105.4**	92.8	78.8

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

As of 31 December 2013, there was £167.6 million (2012: £167.0 million) of total unrecognised compensation cost related to the Group's restricted stock plans. That cost is expected to be recognised over a 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:

Renewed Leadership Equity Acquisition Plan (Renewed LEAP) and Leadership Equity Acquisition Plan III (LEAP III)

Under Renewed LEAP and 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

Share Owner 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, 2011, 2010 and 2009 grants is five shares for each investment share. The 2009 Renewed LEAP plan vested in February 2014 at a match of 4.37 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 of 10% average annual ROE, maximum of 14%, with a sliding scale for performance 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. The Renewed LEAP, 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 2013 number m	Granted number m	Lapsed number m	Vested number m	Non-vested 31 December 2013 number m
Renewed LEAP/LEAP III[1]	4.6	3.5	–	(4.3)	**3.8**
Executive Performance Share Plan (EPSP)	–	2.5	–	–	**2.5**
Performance Share Awards (PSA)	7.0	2.0	(0.3)	(3.5)	**5.2**
Leaders, Partners and High Potential Group	9.8	2.2	(0.7)	(3.0)	**8.3**
Weighted average fair value (pence per share):					
Renewed LEAP/LEAP III[1]	683p	375p	725p	375p	**749p**
Executive Performance Share Plan (EPSP)	–	1,122p	–	–	**1,122p**
Performance Share Awards (PSA)	802p	970p	878p	731p	**911p**
Leaders, Partners and High Potential Group	740p	1,223p	765p	673p	**891p**

Note
1 The number of shares granted represents the matched shares awarded on vest date for the 2008 Renewed LEAP plan which vested in March 2013. The actual number of shares that vest for each Renewed LEAP/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 2013 was £87.1 million (2012: £47.5 million, 2011: £76.5 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:

	2013 £m	2012 £m	2011 £m
Defined contribution plans	**124.4**	124.9	114.7
Defined benefit plans charge to operating profit	**26.9**	23.8	20.7
Pension costs (note 5)	**151.3**	148.7	135.4
Net interest expense on pension plans[1] (note 6)	**11.4**	11.3	11.2
	162.7	160.0	146.6

Note
1 Comparative figures have been restated to reflect the requirements of IAS 19 (amended): Employee Benefits.

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 2013.

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 2013 amounted to £47.8 million (2012: £56.5 million, 2011: £66.8 million). Employer contributions and benefit payments in 2014 are expected to be approximately £80 million.

(a) Assumptions

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

	2013 % pa	2012 % pa	2011 % pa	2010 % pa
UK				
Discount rate[1]	**4.5**	4.2	4.7	5.4
Rate of increase in salaries	**3.6**	2.9	3.0	3.4
Rate of increase in pensions in payment	**4.2**	3.9	4.0	4.0
Inflation	**2.9**	2.4	2.5	3.2
North America				
Discount rate[1]	**4.5**	3.5	4.4	5.1
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]	**3.7**	3.6	4.8	5.3
Rate of increase in salaries	**2.4**	2.4	2.7	2.7
Rate of increase in pensions in payment	**2.0**	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]	**4.4**	4.1	4.8	4.0
Rate of increase in salaries	**5.9**	6.1	5.7	4.4
Inflation	**4.5**	4.7	4.8	5.1

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 2013, 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	21.9	20.5	24.1	20.6	19.3
– current pensioners (at age 65) – female	23.9	22.7	25.4	23.6	24.7
– future pensioners (current age 45) – male	24.1	22.6	26.2	23.0	19.3
– future pensioners (current age 45) – female	25.9	24.6	27.6	25.5	24.7

Note

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

The life expectancies after age 65 at 31 December 2012 were 21.9 years and 23.9 years for male and female current pensioners (at age 65) respectively, and 24.1 years and 26.0 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 Conti-nental Europe	Other[1]
Weighted average duration of the defined benefit obligation (years)	12.4	10.4	13.4	15.9	5.6
Expected benefit payments over the next 10 years					
Benefits expected to be paid within 12 months	50.9	25.8	16.1	7.2	1.8
Benefits expected to be paid in 2015	52.5	27.5	16.0	7.4	1.6
Benefits expected to be paid in 2016	59.3	26.7	18.4	7.4	6.8
Benefits expected to be paid in 2017	52.9	25.6	17.7	7.7	1.9
Benefits expected to be paid in 2018	53.4	24.9	18.3	8.1	2.1
Benefits expected to be paid in the next five years	292.1	135.1	100.9	43.8	12.3

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

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

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

Sensitivity analysis of significant actuarial assumptions	Increase/(decrease) in benefit obligation 2013 £m
Discount rate	
Increase by 25 basis points	
UK	(10.8)
North America	(9.9)
Western Continental Europe	(7.1)
Other[1]	(0.5)
Decrease by 25 basis points	
UK	11.5
North America	10.1
Western Continental Europe	7.5
Other[1]	0.4
Rate of increase in salaries	
Increase by 25 basis points	
UK	0.2
North America	–
Western Continental Europe	1.1
Other[1]	0.4
Decrease by 25 basis points	
UK	(0.1)
North America	(0.1)
Western Continental Europe	(1.1)
Other[1]	(0.5)
Rate of increase in pensions in payment	
Increase by 25 basis points	
UK	2.2
Western Continental Europe	4.9
Decrease by 25 basis points	
UK	(2.1)
Western Continental Europe	(4.7)
Life expectancy	
Increase in longevity by one additional year	
UK	11.5
North America	4.5
Western Continental Europe	3.8
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:

	2013 £m	%	2012 £m	%	2011 £m	%
Equities	**147.7**	**20.3**	145.0	20.4	168.7	25.8
Bonds	**405.8**	**55.9**	282.3	39.8	271.4	41.5
Insured annuities	**68.7**	**9.5**	74.5	10.5	67.6	10.4
Property	**1.0**	**0.1**	0.8	0.1	9.4	1.4
Cash[1]	**37.0**	**5.1**	150.9	21.3	84.9	13.0
Other[1]	**66.0**	**9.1**	56.3	7.9	51.7	7.9
Total fair value of assets	**726.2**	**100.0**	709.8	100.0	653.7	100.0
Present value of liabilities	**(972.8)**		(1,044.1)		(934.5)	
Deficit in the plans	**(246.6)**		(334.3)		(280.8)	
Irrecoverable surplus	**(0.9)**		(1.0)		(1.1)	
Unrecognised past service cost[2]	**–**		(0.3)		(0.4)	
Net liability[3]	**(247.5)**		(335.6)		(282.3)	
Plans in surplus	**17.7**		1.5		5.6	
Plans in deficit	**(265.2)**		(337.1)		(287.9)	

Notes
1 In the 2012 and 2011 financial statements these were presented in 'cash and other'.
2 In accordance with IAS 19 (amended) past service costs are recognized immediately in the income statement when the related plan amendment occurs. Prior years have not been restated as the impact to the financial statements would be immaterial.
3 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.

The total fair value of assets, present value of pension plan liabilities and deficit in the plans were £631.3 million, £871.2 million and £239.9 million in 2010 and £588.1 million, £836.1 million and £248.0 million in 2009, respectively.

Surplus/(deficit) in plans by region	2013 £m	2012 £m	2011 £m
UK	**11.3**	(9.4)	(1.6)
North America	**(136.7)**	(193.8)	(172.5)
Western Continental Europe	**(96.0)**	(100.0)	(84.5)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(25.2)**	(31.1)	(22.2)
Deficit in the plans	**(246.6)**	(334.3)	(280.8)

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 2013, 2012 and 2011 between funded and unfunded pension plans.

	2013 Surplus/ (deficit) £m	2013 Present value of liabilities £m	2012 Deficit £m	2012 Present value of liabilities £m	2011 Deficit £m	2011 Present value of liabilities £m
Funded plans by region						
UK	**11.3**	**(346.4)**	(9.4)	(366.6)	(1.6)	(327.8)
North America	**(68.8)**	**(334.2)**	(115.6)	(375.0)	(93.1)	(340.2)
Western Continental Europe	**(41.6)**	**(135.4)**	(45.5)	(129.1)	(36.4)	(108.0)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(5.0)**	**(14.3)**	(5.1)	(14.7)	(2.3)	(11.1)
Deficit/liabilities in the funded plans	**(104.1)**	**(830.3)**	(175.6)	(885.4)	(133.4)	(787.1)
Unfunded plans by region						
UK	**–**	**–**	–	–	–	–
North America	**(67.9)**	**(67.9)**	(78.2)	(78.2)	(79.4)	(79.4)
Western Continental Europe	**(54.4)**	**(54.4)**	(54.5)	(54.5)	(48.1)	(48.1)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(20.2)**	**(20.2)**	(26.0)	(26.0)	(19.9)	(19.9)
Deficit/liabilities in the unfunded plans	**(142.5)**	**(142.5)**	(158.7)	(158.7)	(147.4)	(147.4)
Deficit/liabilities in the plans	**(246.6)**	**(972.8)**	(334.3)	(1,044.1)	(280.8)	(934.5)

In accordance with IAS 19 (amended), 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):

	2013 £m	2012 £m	2011 £m
Service cost[1]	24.8	23.8	20.7
Administrative expenses[2]	2.1	–	–
Charge to operating profit	26.9	23.8	20.7
Net interest expense on pension plans[3]	11.4	11.3	11.2
Charge to profit before taxation for defined benefit plans	38.3	35.1	31.9
Return on plan assets (excluding interest income)[2,4]	3.2	40.1	(5.7)
Experience gain/(loss) arising on the plan liabilities	0.4	(1.6)	(3.9)
Changes in demographic assumptions underlying the present value of the plan liabilities	13.5	(26.0)	–
Changes in financial assumptions underlying the present value of the plan liabilities	58.9	(96.5)	(62.2)
Change in irrecoverable surplus	0.2	0.1	(0.2)
Actuarial gain/(loss) recognised in OCI	76.2	(83.9)	(72.0)

Notes
1 Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments. In the 2012 and 2011 financial statements these were presented as separate line items.
2 In accordance with IAS 19 (amended) administrative expenses are included in operating expenses. Administrative expenses of £2.3 million in 2012 and £2.1 million in 2011 were included as a reduction in expected return on plan assets. Prior years have not been restated as the impact to the financial statements would be immaterial.
3 Interest cost on pension plan liabilities and expected return on plan assets reported in previous years have been replaced with a net interest amount. Presentation of prior year comparative figures has been revised to reflect these requirements.
4 Gain/(loss) on pension plan assets relative to expected return for years prior to 2013.

As at 31 December 2013 the cumulative amount of net actuarial losses recognised in equity since 1 January 2001 was £260.4 million (2012: £336.6 million, 2011: £252.7 million). Of this amount, a net loss of £159.3 million was recognised since the 1 January 2004 adoption of IAS 19.

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

	2013 £m	2012 £m	2011 £m
Plan liabilities at beginning of year	1,044.1	934.5	871.2
Service cost[1]	24.8	23.8	20.7
Interest cost	39.7	41.3	43.8
Actuarial (gain)/loss			
Effect of changes in demographic assumptions	(13.5)	26.0	–
Effect of changes in financial assumptions	(58.9)	96.5	62.2
Effect of experience adjustments	(0.4)	1.6	3.9
Benefits paid	(54.5)	(56.9)	(59.5)
Gain due to exchange rate movements	(5.0)	(25.3)	(2.0)
Settlement payments	(2.9)	(1.7)	(13.7)
Other[1,2]	(0.6)	4.3	7.9
Plan liabilities at end of year	972.8	1,044.1	934.5

Notes
1 Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments. In the 2012 and 2011 financial statements the past service costs related to plan amendments and (gain)/loss on settlements and curtailments were presented in 'other'.
2 Other includes disposals, acquisitions, 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:

	2013 £m	2012 £m	2011 £m
Fair value of plan assets at beginning of year	709.8	653.7	631.3
Interest income on plan assets[1]	28.3	30.0	32.6
Return on plan assets (excluding interest income)[2,3]	3.2	40.1	(5.7)
Employer contributions	47.8	56.5	66.8
Benefits paid	(54.5)	(56.9)	(59.5)
Loss due to exchange rate movements	(4.8)	(13.9)	(1.3)
Settlement payments	(2.9)	(1.9)	(13.5)
Administrative expenses[3]	(2.1)	–	–
Other[4]	1.4	2.2	3.0
Fair value of plan assets at end of year	726.2	709.8	653.7
Actual return on plan assets	31.5	70.1	26.9

Notes
1 Expected return for years prior to 2013.
2 Gain/(loss) on pension plan assets relative to expected return for years prior to 2013.
3 In accordance with IAS 19 (amended) administrative expenses are included in operating expenses. Administrative expenses of £2.3 million in 2012 and £2.1 million in 2011 were included as a reduction in expected return on plan assets. Prior years have not been restated as the impact to the financial statements would be immaterial.
4 Other includes disposals, acquisitions, 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. Borrowings in these currencies represented 100.0% of the Group's gross indebtedness at 31 December 2013 (at $3,993 million, £300 million and €1,730 million) and 98.7% of the Group's average gross debt during the course of 2013 (at $3,587 million, £502 million and €1,622 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. 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, 90.3% of the year-end US dollar debt is at fixed rates averaging 5.54% for an average period of 119 months; 33.3% of the sterling debt is at a fixed rate of 7.5% for an average period of 62 months; and 92.5% of the euro debt is at fixed rates averaging 4.86% for an average period of 70 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 2013 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 2013, the Group has access to £5.3 billion of committed bank facilities with maturity dates spread over the years 2013 to 2042 as illustrated below:

	£m	2014 £m	2015 £m	2016 £m	2017 £m	2018+ £m
US bond $500m (5.625% '43)	**301.8**					301.8
US bond $300m (5.125% '42)	**181.1**					181.1
Eurobonds €750m (3.0% '23)	**624.3**					624.3
US bond $500m (3.625% '22)	**301.8**					301.8
US bond $812m (4.75% '21)	**490.4**					490.4
£ bonds £200m (6.375% '20)	**200.0**					200.0
£ bonds £400m (6.0% '17)	**400.0**				400.0	
Bank revolver ($1,200m and £475m)	**1,199.4**			1,199.4		
Eurobonds €750m (6.625% '16)	**624.3**			624.3		
Eurobonds €500m (5.25% '15)	**416.2**		416.2			
US bond $600m (8.0% '14)	**362.2**	362.2				
US bond $369m (5.875% '14)	**222.5**	222.5				
TNS private placements $25m	**15.1**	15.1				
Total committed facilities available	**5,339.1**	**599.8**	**416.2**	**1,823.7**	**400.0**	**2,099.4**
Drawn down facilities at 31 December 2013	**4,139.7**	599.8	416.2	624.3	400.0	2,099.4
Undrawn committed credit facilities	**1,199.4**					
Drawn down facilities at 31 December 2013	**4,139.7**					
Net cash at 31 December 2013	**(1,883.2)**					
Other adjustments	**(16.1)**					
Net debt at 31 December 2013	**2,240.4**					

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 7% of total trade receivables as at 31 December 2013.

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.

	2013 £m	2012 £m
US dollar	**61.2**	85.3
Euro	**44.4**	69.8

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 2013 would increase profit before tax by approximately £13.7 million (2012: £4.0 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 2013, the fair value of the Group's currency derivatives is estimated to be a net liability of approximately £7.4 million (2012: £44.4 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £50.6 million (2012: £60.8 million) assets included in trade and other receivables and £58.0 million (2012: £105.2 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 credit of £56.1 million (2012: credit of £42.7 million) for net investment hedges and a charge of £32.1 million (2012: £1.0 million) for cash flow hedges.

Changes in the fair value relating to the ineffective portion of the currency derivatives amounted to a gain of £12.9 million (2012: loss of £9.4 million, 2011: gain of £3.1 million) which is included in the revaluation of financial instruments for the year. This gain resulted from a £36.9 million gain on hedging instruments and a £24.0 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 £52.5 million (2012: £63.6 million). The Group estimates the fair value of these contracts to be a net asset of £1.2 million (2012: £0.5 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 5.25% up until January 2015 and have floating interest payments averaging EURIBOR plus 0.80%. Contracts with a nominal value of €100 million have fixed interest payments of 5.56% until June 2014 and have floating rate receipts averaging EURIBOR plus 0.96%. 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%.

A contract with a nominal value of $25 million has fixed interest receipts averaging 6.34% until on average July 2014 and has floating rate payments averaging LIBOR plus 0.61%.

The fair value of interest rate swaps entered into at 31 December 2013 is estimated to be a net asset of approximately £57.7 million (2012: £102.8 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £61.2 million (2012: £108.7 million) assets included in trade and other receivables and £3.5 million (2012: £5.9 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 £2.4 million (2012: gain of £0.6 million, 2011: loss of £9.5 million) which is included in the revaluation of financial instruments for the year. This loss resulted from a £44.4 million loss on hedging instruments and a £42.0 million gain 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 & receivables £m	Available for sale £m	Amortised cost £m	Carrying value £m
2013						
Other investments	–	–	–	270.6	–	270.6
Cash and short-term deposits	–	–	2,221.6	–	–	2,221.6
Bank overdrafts and loans	–	–	–	–	(941.4)	(941.4)
Bonds and bank loans	–	–	–	–	(3,520.6)	(3,520.6)
Trade and other receivables: amounts falling due within one year	–	–	6,350.5	–	–	6,350.5
Trade and other receivables: amounts falling due after more than one year	–	–	55.2	–	–	55.2
Trade and other payables: amounts falling due within one year	–	–	–	–	(7,197.4)	(7,197.4)
Trade and other payables: amounts falling due after more than one year	–	–	–	–	(4.7)	(4.7)
Derivative assets	111.8	1.4	–	–	–	113.2
Derivative liabilities	(61.5)	(0.2)	–	–	–	(61.7)
Payments due to vendors (earnout agreements)	–	(193.5)	–	–	–	(193.5)
Liabilities in respect of put options	–	(139.1)	–	–	–	(139.1)
	50.3	(331.4)	8,627.3	270.6	(11,664.1)	(3,047.3)

	Derivatives in designated hedge relationships £m	Held for trading £m	Loans & receivables £m	Available for sale £m	Amortised cost £m	Carrying value £m
2012						
Other investments	–	–	–	176.5	–	176.5
Cash and short-term deposits	–	–	1,945.3	–	–	1,945.3
Bank overdrafts and loans	–	–	–	–	(1,085.9)	(1,085.9)
Bonds and bank loans	–	–	–	–	(3,680.6)	(3,680.6)
Trade and other receivables: amounts falling due within one year	–	–	6,605.4	–	–	6,605.4
Trade and other receivables: amounts falling due after more than one year	–	–	69.7	–	–	69.7
Trade and other payables: amounts falling due within one year	–	–	–	–	(7,306.5)	(7,306.5)
Trade and other payables: amounts falling due after more than one year	–	–	–	–	(14.2)	(14.2)
Derivative assets	169.5	0.7	–	–	–	170.2
Derivative liabilities	(111.1)	(0.2)	–	–	–	(111.3)
Share purchases – close period commitments	–	(18.2)	–	–	–	(18.2)
Payments due to vendors (earnout agreements)	–	(194.0)	–	–	–	(194.0)
Liabilities in respect of put options	–	(144.3)	–	–	–	(144.3)
	58.4	(356.0)	8,620.4	176.5	(12,087.2)	(3,587.9)

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	Carrying value £m
2013				
Derivatives in designated hedge relationships				
Derivative assets	–	111.8	–	111.8
Derivative liabilities	–	(61.5)	–	(61.5)
Held for trading				
Derivative assets	–	1.4	–	1.4
Derivative liabilities	–	(0.2)	–	(0.2)
Payments due to vendors (earnout agreements) (note 19)	–	–	(193.5)	(193.5)
Liabilities in respect of put options	–	–	(139.1)	(139.1)
Available for sale				
Other investments	23.0	–	247.6	270.6
	23.0	51.5	(85.0)	(10.5)

	Level 1 £m	Level 2 £m	Level 3 £m	Carrying value £m
2012				
Derivatives in designated hedge relationships				
Derivative assets	–	169.5	–	169.5
Derivative liabilities	–	(111.1)	–	(111.1)
Held for trading				
Derivative assets	–	0.7	–	0.7
Derivative liabilities	–	(0.2)	–	(0.2)
Share purchases – close period commitments	(18.2)	–	–	(18.2)
Payments due to vendors (earnout agreements) (note 19)	–	–	(194.0)	(194.0)
Liabilities in respect of put options	–	–	(144.3)	(144.3)
Available for sale				
Other investments	–	–	176.5	176.5
	(18.2)	58.9	(161.8)	(121.1)

Reconciliation of level 3 fair value measurements[1]:

	Liabilities in respect of put options £m	Other investments £m	Carrying value £m
1 January 2012	(168.3)	190.8	22.5
Losses recognised in the income statement	(5.1)	(15.1)	(20.2)
Losses recognised in other comprehensive income	–	(3.5)	(3.5)
Exchange adjustments	11.6	(6.1)	5.5
Additions	(4.6)	24.8	20.2
Disposals	–	(14.4)	(14.4)
Settlements	22.1	–	22.1
31 December 2012	**(144.3)**	**176.5**	**32.2**
Losses recognised in the income statement	(1.1)	–	(1.1)
Gain recognised in other comprehensive income	–	72.0	72.0
Exchange adjustments	8.9	(1.4)	7.5
Additions	(12.9)	5.5	(7.4)
Disposals	–	(5.0)	(5.0)
Settlements	10.3	–	10.3
31 December 2013	**(139.1)**	**247.6**	**108.5**

Note

1 Refer to note 19 for the reconciliation of payments due to vendors (earnout agreements).

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) and liabilities in respect of put option agreements are recorded at fair value, which is the present value of the expected cash outflows of the obligations. These obligations are dependent on the future financial performance of the entity and it is assumed that future profits are in line with directors' estimates. The directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition. At 31 December 2013, the weighted average growth rate in estimating future financial performance was 18.7%, which reflects the prevalence of recent acquisitions in the faster growing markets and new media sectors.

A one percentage point increase or decrease in the growth rate in estimated future financial performance would increase or decrease the combined liabilities due to earnout agreements and put options by approximately £5.1 million and £4.5 million, respectively. An increase in the liability would result in a reduction in the revaluation of financial instruments, while a decrease would result in a further 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		
At 1 January 2012 – WPP 2012 Limited (formerly WPP plc)	1,750,000,000	175.0
At 31 December 2012 – WPP 2012 Limited (formerly WPP plc)	1,750,000,000	175.0
At 31 December 2013 – WPP plc	1,750,000,000	175.0
Issued and fully paid		
At 1 January 2013	1,265,407,107	126.5
Conversion of bond	17,006	–
At 2 January 2013 – shares in WPP 2012 Limited (formerly WPP plc) of 10p each	1,265,424,113	126.5
On formation of WPP plc		
Group reconstruction – shares in WPP 2012 Limited (formerly WPP plc) exchange for shares in WPP plc of 10p each	1,265,424,113	126.5
Conversion of bond	76,496,557	7.7
Exercise of share options	6,812,647	0.7
At 31 December 2013	**1,348,733,317**	**134.9**

On 2 January 2013 under a scheme of arrangement between WPP 2012 Limited (formerly WPP plc), the former holding company of the Group, and its share owners under Article 125 of the Companies (Jersey) Law 1991, all the issued shares in that company were cancelled and the same number of shares were issued to WPP plc (formerly WPP 2012 plc) in consideration for the allotment to share owners of one ordinary share in WPP plc for each ordinary share in WPP 2012 Limited held on that date.

In the above table the figures up to 2 January 2013 relate to shares in WPP 2012 Limited. Subsequent movements relate to shares in WPP plc.

WPP 2012 plc was incorporated on 25 October 2012 with an authorised share capital of £175,000,000 and 2 issued ordinary shares of 10 pence each. On 2 January 2013 as part of the scheme of arrangement noted above, a further 1,265,424,113 ordinary shares were issued at a price of £8.88 each, whereby WPP 2012 plc became the new holding company of the Group. It was renamed WPP plc.

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 130 to 165.

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 2013 was 24,048,113 (2012: 22,570,364), and £331.9 million (2012: £200.4 million) respectively. The number and market value of ordinary shares held in treasury at 31 December 2013 was 1,370,700 and £18.9 million respectively. There were no ordinary shares held in treasury at 31 December 2012.

Share options

WPP Executive Share Option Scheme

As at 31 December 2013, unexercised options over ordinary shares of 365,841 and unexercised options over ADRs of 88,305 have been granted under the WPP Executive Share Option Scheme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
21,830	5.520	2008-2014
257,032	5.535	2007-2014
11,423	5.775	2009-2015
10,872	5.818	2008-2015
14,304	5.895	2008-2015
8,536	5.903	2011-2018
14,721	6.718	2009-2016
12,447	7.378	2014-2021
7,935	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
822	30.410	2011-2018
887	50.670	2008-2015
68,525	50.800	2007-2014
1,073	51.220	2007-2014
898	55.740	2008-2015
4,350	57.020	2008-2015
8,981	58.460	2009-2016
844	59.170	2011-2018
938	63.900	2009-2020
987	75.940	2010-2017

WPP Worldwide Share Ownership Program
As at 31 December 2013, unexercised options over ordinary shares of 11,116,559 and unexercised options over ADRs of 1,417,829 have been granted under the WPP Worldwide Share Ownership Program as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
10,250	4.819	2011-2018
12,750	5.435	2007-2014
4,750	5.483	2012-2016
254,325	5.483	2012-2019
1,375	5.483	2012-2020
99,982	5.483	2013-2019
20,625	5.608	2012-2019
375	5.775	2008-2015
7,800	5.913	2011-2018
10,375	5.917	2011-2018
150,200	6.028	2011-2018
40,400	6.195	2008-2015
2,134,085	6.268	2014-2021
71,826	6.268	2014-2018
300,767	6.268	2015-2021
625	6.668	2009-2017
6,750	6.740	2009-2016
82,150	6.938	2009-2016
6,500	7.005	2010-2017
5,875	7.113	2013-2017
741,867	7.113	2013-2020
213,851	7.113	2014-2020
15,250	7.478	2011-2017
52,848	7.543	2014-2021
147,575	7.718	2010-2017
2,949,258	8.458	2015-2022
125,000	13.505	2016-2020
3,266,625	13.505	2016-2023
382,500	13.505	2017-2023

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
73,535	44.560	2012-2019
282,144	49.230	2014-2021
3,005	49.880	2007-2014
127,557	56.560	2013-2020
52,110	59.500	2011-2018
16,820	59.520	2008-2015
28,600	60.690	2009-2016
340,678	67.490	2015-2022
48,135	75.760	2010-2017
445,245	110.760	2016-2023

24/7 Real Media, Inc. 2002 Stock Incentive Plan
As at 31 December 2013, unexercised options over ADRs of 23,078 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
92	15.8800	2007-2014
187	20.0700	2007-2015
79	23.1800	2007-2015
263	24.2000	2007-2014
50	25.1500	2007-2014
3,654	27.5000	2007-2015
89	38.8700	2007-2015
14,980	40.6500	2007-2015
115	49.6000	2007-2016
89	50.4900	2007-2016
78	52.5900	2008-2017
157	53.4800	2008-2017
314	54.1100	2007-2016
944	54.2400	2007-2016
314	55.2600	2007-2016
74	55.6400	2007-2016
157	56.2700	2007-2016
574	56.7200	2007-2016
157	58.9400	2007-2017
393	60.0200	2007-2016
78	61.2300	2008-2017
108	61.9200	2007-2016
54	64.6500	2007-2016
78	65.5400	2007-2016

Taylor Nelson Sofres Plc 1999 Worldwide Employee Sharesave Plan
As at 31 December 2013, unexercised options over ordinary shares of 81,138 have been granted under the Taylor Nelson Sofres plc 1999 Worldwide Employee Sharesave Plan as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
76,216	1.7300	2013-2015
2,644	2.6500	2012-2014
2,278	3.0000	2011-2014

The aggregate status of the WPP Share Option Plans during 2013 was as follows:

Movements on options granted (represented in ordinary shares)

	1 January 2013	Granted	Exercised	Lapsed	Outstanding 31 December 2013	Exercisable 31 December 2013
WPP	2,813,304	3,045	(1,969,302)	(39,681)	807,366	788,178
WWOP	18,819,836	6,080,400	(4,129,291)	(2,565,241)	18,205,704	3,368,609
24/7	153,200	–	(34,220)	(3,590)	115,390	68,160
TNS	775,351	–	(679,834)	(14,379)	81,138	81,138
	22,561,691	6,083,445	(6,812,647)	(2,622,891)	19,209,598	4,306,085

Weighted-average exercise price for options over

	1 January 2013	Granted	Exercised	Lapsed	Outstanding 31 December 2013	Exercisable 31 December 2013
Ordinary shares (£)						
WPP	5.647	10.595	5.598	5.558	5.801	5.675
WWOP	7.163	13.505	6.775	7.536	9.378	6.613
TNS	1.748	–	1.731	2.252	1.796	1.796
ADRs ($)						
WPP	50.373	–	49.420	48.593	52.250	52.250
WWOP	58.581	110.760	58.516	59.924	74.990	57.540
24/7	39.735	–	36.298	48.491	40.480	40.363

Options over ordinary shares
Outstanding

Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
1.730 – 13.505	9.212	99

Options over ADRs
Outstanding

Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
15.88 – 110.76	73.156	93

As at 31 December 2013 there was £9.9 million (2012: £8.5 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 (2012: 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:

	2013	2012	2011
Fair value of UK options (shares)	**160.0p**	135.3p	120.6p
Fair value of US options (ADRs)	**$12.92**	$10.90	$9.20
Weighted average assumptions:			
UK Risk-free interest rate	**1.20%**	0.56%	0.84%
US Risk-free interest rate	**0.95%**	0.51%	0.67%
Expected life (months)	**48**	48	48
Expected volatility	**20%**	27%	30%
Dividend yield	**2.8%**	2.8%	2.5%

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 2013 was £11.63 (2012: £8.17, 2011: £7.11) and the weighted average ADR price for the same period was $91.22 (2012: $64.90, 2011: $57.09).

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
The Worldwide Share Ownership Program is open for participation to employees with at least two years' employment in the Group. It is 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 Share Owner Return) and EPS (Earnings Per Share) objectives, as well as continued employment. In 2005, the Group moved away from the issuance of stock options for Leaders, Partners and High Potential Group and has since largely made grants of restricted stock instead (note 22).

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 2012	0.7	(87.6)	25.3	1,000.5	938.9
Exchange adjustments on foreign currency net investments	–	–	–	(298.4)	(298.4)
Loss on revaluation of available for sale investments	–	–	(3.5)	–	(3.5)
Recognition and remeasurement of financial instruments	–	2.7	–	–	2.7
Share cancellations	0.7	–	–	–	0.7
Treasury share cancellations	0.6	–	–	–	0.6
Share purchases – close period commitments	–	(18.3)	–	–	(18.3)
31 December 2012	2.0	(103.2)	21.8	702.1	622.7
Reclassification due to Group reconstruction	(2.0)	–	–	–	(2.0)
Reclassification of convertible bond	–	(44.5)	–	–	(44.5)
Deferred tax on convertible bond	–	9.7	–	–	9.7
Exchange adjustments on foreign currency net investments	–	–	–	(356.5)	(356.5)
Gain on revaluation of available for sale investments	–	–	72.0	–	72.0
Recognition and remeasurement of financial instruments	–	(2.4)	–	–	(2.4)
Share purchases – close period commitments	–	18.3	–	–	18.3
31 December 2013	**–**	**(122.1)**	**93.8**	**345.6**	**317.3**

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	0.4	45.5	45.9
Property, plant and equipment	7.4	–	7.4
Cash	25.0	–	25.0
Trade receivables due within one year	66.4	(0.8)	65.6
Other current assets	25.0	–	25.0
Total assets	**124.2**	**44.7**	**168.9**
Current liabilities	(76.8)	–	(76.8)
Trade and other payables due after one year	(1.3)	(9.7)	(11.0)
Deferred tax liabilities	0.7	(12.8)	(12.1)
Provisions	(1.5)	(12.4)	(13.9)
Total liabilities	**(78.9)**	**(34.9)**	**(113.8)**
Net assets	**45.3**	**9.8**	**55.1**
Non-controlling interests			(22.8)
Fair value of equity stake in associate undertakings before acquisition of controlling interest			(53.0)
Goodwill			225.4
Consideration			204.7
Consideration satisfied by:			
Cash			164.1
Payments due to vendors			40.6

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 £38.9 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 2013 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, Inc	US
J. Walter Thompson Company, Inc	US
GroupM Worldwide, Inc	US
The Ogilvy Group, Inc	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:

	2013 £m	2012 £m	2011 £m
Profit before interest and taxation	1,478.4	1,310.5	1,258.3
Amortisation and impairment of acquired intangible assets	179.8	171.9	172.0
Goodwill impairment	23.3	32.0	–
Gains on disposal of investments	(6.0)	(26.8)	(0.4)
Gains on remeasurement of equity on acquisition of controlling interest	(30.0)	(5.3)	(31.6)
Investment write-downs	0.4	19.6	32.8
Cost of changes to corporate structure	–	4.1	–
Gain on sale of freehold property in New York	–	(71.4)	–
Restructuring costs	5.0	93.4	–
Share of exceptional losses/(gains) of associates	10.7	3.0	(2.1)
Headline PBIT	1,661.6	1,531.0	1,429.0
Finance income	64.3	55.9	64.7
Finance costs	(267.9)	(269.8)	(264.6)
	(203.6)	(213.9)	(199.9)
Interest cover on headline PBIT	8.2 times	7.2 times	7.1 times

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

	2013 £m	2012 £m	2011 £m
Profit before taxation	1,295.8	1,091.9	1,008.4
Amortisation and impairment of acquired intangible assets	179.8	171.9	172.0
Goodwill impairment	23.3	32.0	–
Gains on disposal of investments	(6.0)	(26.8)	(0.4)
Gains on remeasurement of equity on acquisition of controlling interest	(30.0)	(5.3)	(31.6)
Investment write-downs	0.4	19.6	32.8
Cost of changes to corporate structure	–	4.1	–
Gain on sale of freehold property in New York	–	(71.4)	–
Restructuring costs	5.0	93.4	–
Share of exceptional losses/(gains) of associates	10.7	3.0	(2.1)
Revaluation of financial instruments	(21.0)	4.7	50.0
Headline PBT	1,458.0	1,317.1	1,229.1
Headline tax charge	(294.3)	(278.9)	(270.4)
Non-controlling interests	(75.6)	(72.0)	(76.4)
Headline earnings	1,088.1	966.2	882.3
Ordinary dividends paid	397.3	322.2	239.5
Dividend cover on headline earnings	2.7 times	3.0 times	3.7 times

Calculation of headline EBITDA:

	2013 £m	2012 £m	2011 £m
Headline PBIT (as above)	1,661.6	1,531.0	1,429.0
Depreciation of property, plant and equipment	202.0	191.0	185.8
Amortisation of other intangible assets	32.7	33.7	25.7
Headline EBITDA	1,896.3	1,755.7	1,640.5

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

	Margin %	2013 £m	Margin %	2012 £m	Margin %	2011 £m
Revenue		11,019.4		10,373.1		10,021.8
Headline PBIT	15.1%	1,661.6	14.8%	1,531.0	14.3%	1,429.0
Share of results of associates (excluding exceptional losses)		(78.8)		(72.4)		(64.0)
Headline operating profit	14.4%	1,582.8	14.1%	1,458.6	13.6%	1,365.0

Headline gross margin margins before and after share of results of associates:

	Margin %	2013 £m	Margin %	2012 £m	Margin %	2011 £m
Gross profit		**10,076.1**		9,514.8		9,238.5
Headline PBIT	**16.5%**	**1,661.6**	16.1%	1,531.0	15.5%	1,429.0
Share of results of associates (excluding exceptional gains/losses		**(78.8)**		(72.4)		(64.0)
Headline operating profit	**15.7%**	**1,582.8**	15.3%	1,458.6	14.8%	1,365.0

Headline diluted earnings per ordinary share:

	2013 £m	2012 £m	2011 £m
Headline earnings	**1,088.1**	966.2	882.3
Earnings adjustment:			
Dilutive effect of convertible bonds	**10.6**	26.1	26.1
Weighted average number of ordinary shares	**1,360,346,724**	1,352,599,279	1,342,216,388
Headline diluted earnings per ordinary share	**80.8p**	73.4p	67.7p

Reconciliation of free cash flow:

	2013 £m	2012 £m	2011 £m
Cash generated by operations	**1,784.1**	1,291.1	1,033.5
Plus:			
Interest received	**51.3**	56.6	63.2
Investment income	**10.1**	1.2	0.6
Dividends from associates	**56.7**	44.7	57.2
Share option proceeds	**42.4**	56.0	28.8
Proceeds on disposal of property, plant and equipment	**7.3**	123.5	13.2
Movement in working capital and provisions	**133.4**	388.2	620.9
Less:			
Interest and similar charges paid	**(254.7)**	(228.3)	(241.4)
Purchases of property, plant and equipment	**(240.7)**	(290.3)	(216.1)
Purchases of other intangible assets (including capitalised computer software)	**(43.8)**	(39.8)	(37.1)
Corporation and overseas tax paid	**(273.3)**	(257.0)	(247.9)
Dividends paid to non-controlling interests in subsidiary undertakings	**(53.2)**	(51.9)	(62.2)
Free cash flow	**1,219.6**	1,094.0	1,012.7