

Appendix 1: Preliminary results for the year ended 31 December 2011

Unaudited preliminary consolidated income statement for the year ended 31 December 2011

£ million	Notes	2011	2010	+/(-)%	Constant Currency ¹ +/(-)%
Billings		44,791.8	42,683.6	4.9	5.9
Revenue	6	10,021.8	9,331.0	7.4	8.4
Direct costs		(783.3)	(770.5)	(1.7)	(1.8)
Gross profit		9,238.5	8,560.5	7.9	9.0
Operating costs	4	(8,046.3)	(7,587.5)	(6.0)	(7.1)
Operating profit		1,192.2	973.0	22.5	23.9
Share of results of associates	4	66.1	55.2	19.7	17.9
Profit before interest and taxation		1,258.3	1,028.2	22.4	23.5
Finance income	5	97.3	81.7	19.1	21.1
Finance costs	5	(297.2)	(276.8)	(7.4)	(8.3)
Revaluation of financial instruments	5	(50.0)	18.2	-	-
Profit before taxation		1,008.4	851.3	18.5	19.6
Taxation	7	(91.9)	(190.3)	51.7	51.5
Profit for the year		916.5	661.0	38.7	40.2
Attributable to:					
Equity holders of the parent		840.1	586.0	43.4	45.0
Non-controlling interests		76.4	75.0	(1.9)	(3.5)
		916.5	661.0	38.7	40.2
Headline PBIT	6,19	1,429.0	1,228.7	16.3	17.3
Headline PBIT margin	6,19	14.3%	13.2%		
Headline PBT	19	1,229.1	1,033.6	18.9	20.0
Earnings per share²					
Basic earnings per ordinary share	9	67.6p	47.5p	42.3	43.9
Diluted earnings per ordinary share	9	64.5p	45.9p	40.5	42.1

¹ The basis for calculating the constant currency percentage changes shown above and in the notes to this appendix are described in the glossary attached to this appendix.

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

Unaudited preliminary consolidated statement of comprehensive income for the year ended 31 December 2011

£ million	2011	2010
Profit for the year	916.5	661.0
Exchange adjustments on foreign currency net investments	(256.3)	156.3
Gain/(loss) on revaluation of available for sale investments	11.3	(59.8)
Actuarial loss on defined benefit pension plans	(72.0)	(0.4)
Deferred tax on defined benefit pension plans	0.1	0.2
Other comprehensive (loss)/income relating to the year	(316.9)	96.3
Total comprehensive income relating to the year	599.6	757.3
Attributable to:		
Equity holders of the parent	529.5	672.6
Non-controlling interests	70.1	84.7
	599.6	757.3

Unaudited preliminary consolidated cash flow statement for the year ended 31 December 2011

£ million	Notes	2011	2010
Net cash inflow from operating activities	10	665.2	1,361.2
Investing activities			
Acquisitions and disposals	10	(469.8)	(200.1)
Purchase of property, plant and equipment		(216.1)	(190.5)
Purchase of other intangible assets (including capitalised computer software)		(37.1)	(27.0)
Proceeds on disposal of property, plant and equipment		13.2	7.6
Net cash outflow from investing activities		(709.8)	(410.0)
Financing activities			
Share option proceeds		28.8	42.7
Cash consideration for non-controlling interests	10	(62.6)	(15.1)
Share repurchases and buybacks	10	(182.2)	(46.4)
Net increase in borrowings	10	301.4	19.8
Financing and share issue costs		(11.9)	(3.5)
Equity dividends paid		(218.4)	(200.4)
Dividends paid to non-controlling interests in subsidiary undertakings		(62.2)	(66.7)
Net cash outflow from financing activities		(207.1)	(269.6)
Net (decrease)/increase in cash and cash equivalents		(251.7)	681.6
Translation differences		(29.9)	82.2
Cash and cash equivalents at beginning of year		1,709.8	946.0
Cash and cash equivalents at end of year	10	1,428.2	1,709.8
Reconciliation of net cash flow to movement in net debt:			
Net (decrease)/increase in cash and cash equivalents		(251.7)	681.6
Cash inflow from increase in debt financing		(289.5)	(16.3)
Debt acquired		(17.5)	-
Other movements		(16.4)	(17.7)
Translation difference		(1.3)	104.4
Movement of net debt in the year		(576.4)	752.0
Net debt at beginning of year		(1,888.4)	(2,640.4)
Net debt at end of year	11	(2,464.8)	(1,888.4)

Unaudited preliminary consolidated balance sheet as at 31 December 2011

£ million	Notes	2011	2010
Non-current assets			
Intangible assets:			
Goodwill	12	9,430.8	9,106.3
Other	13	1,859.9	1,904.5
Property, plant and equipment		728.3	708.4
Interests in associates		801.3	792.1
Other investments		190.8	173.7
Deferred tax assets		86.0	79.1
Trade and other receivables	14	309.1	323.5
		13,406.2	13,087.6
Current assets			
Inventory and work in progress		333.9	366.0
Corporate income tax recoverable		88.5	82.9
Trade and other receivables	14	8,919.7	8,843.4
Cash and short-term deposits		2,402.3	1,965.2
		11,744.4	11,257.5
Current liabilities			
Trade and other payables	15	(11,165.5)	(11,703.6)
Corporate income tax payable		(113.4)	(115.8)
Bank overdrafts and loans		(974.1)	(255.4)
		(12,253.0)	(12,074.8)
Net current liabilities			
		(508.6)	(817.3)
Total assets less current liabilities			
		12,897.6	12,270.3
Non-current liabilities			
Bonds and bank loans		(3,893.0)	(3,598.2)
Trade and other payables	16	(553.1)	(388.6)
Corporate income tax payable		(379.5)	(481.8)
Deferred tax liabilities		(741.4)	(750.7)
Provisions for post-employment benefits		(282.3)	(241.5)
Provisions for liabilities and charges		(154.0)	(161.6)
		(6,003.3)	(5,622.4)
Net assets			
		6,894.3	6,647.9
Equity			
Called-up share capital	17	126.6	126.4
Share premium account		105.7	54.5
Shares to be issued		2.4	3.1
Other reserves		(4,197.3)	(3,954.0)
Own shares		(177.6)	(144.8)
Retained earnings		10,803.5	10,361.4
Equity share owners' funds			
		6,663.3	6,446.6
Non-controlling interests		231.0	201.3
Total equity			
		6,894.3	6,647.9

Unaudited preliminary consolidated statement of changes in equity for the year ended 31 December 2011

£ million	Called-up share capital	Share premium account	Shares to be issued	Other reserves	Own shares	Retained earnings	Total equity share owners' funds	Non-controlling interests	Total
Balance at 1 January 2010	125.6	12.6	5.5	(4,044.9)	(154.0)	9,949.2	5,894.0	181.7	6,075.7
Ordinary shares issued	0.8	41.9	(2.4)	1.2	-	0.9	42.4	-	42.4
Exchange adjustments on foreign currency net investments	-	-	-	146.6	-	-	146.6	9.7	156.3
Net profit for the year	-	-	-	-	-	586.0	586.0	75.0	661.0
Dividends paid	-	-	-	-	-	(200.4)	(200.4)	(66.7)	(267.1)
Non-cash share-based incentive plans (including stock options)	-	-	-	-	-	70.4	70.4	-	70.4
Tax adjustments on share-based payments	-	-	-	-	-	21.1	21.1	-	21.1
Net movement in own shares held by ESOP Trusts	-	-	-	-	9.2	(55.6)	(46.4)	-	(46.4)
Actuarial loss on defined benefit pension plans	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Deferred tax on defined benefit pension plans	-	-	-	-	-	0.2	0.2	-	0.2
Loss on revaluation of available for sale investments	-	-	-	(59.8)	-	-	(59.8)	-	(59.8)
Recognition/remeasurement of financial instruments	-	-	-	2.9	-	0.9	3.8	-	3.8
Acquisition of subsidiaries ¹	-	-	-	-	-	(10.9)	(10.9)	1.6	(9.3)
Balance at 31 December 2010	126.4	54.5	3.1	(3,954.0)	(144.8)	10,361.4	6,446.6	201.3	6,647.9
Ordinary shares issued	0.6	30.4	(0.7)	0.6	-	-	30.9	-	30.9
Share cancellations	(0.7)	-	-	0.7	-	(45.9)	(45.9)	-	(45.9)
Treasury share additions	-	-	-	-	(29.8)	-	(29.8)	-	(29.8)
Treasury share allocations	-	-	-	-	0.8	(0.8)	-	-	-
Exchange adjustments on foreign currency net investments	-	-	-	(250.0)	-	-	(250.0)	(6.3)	(256.3)
Net profit for the year	-	-	-	-	-	840.1	840.1	76.4	916.5
Dividends paid	0.3	20.8	-	-	-	(239.5)	(218.4)	(62.2)	(280.6)
Non-cash share-based incentive plans (including stock options)	-	-	-	-	-	78.8	78.8	-	78.8
Tax adjustment on share-based payments	-	-	-	-	-	(11.7)	(11.7)	-	(11.7)
Net movement in own shares held by ESOP Trusts	-	-	-	-	(3.8)	(102.7)	(106.5)	-	(106.5)
Actuarial loss on defined benefit pension plans	-	-	-	-	-	(72.0)	(72.0)	-	(72.0)
Deferred tax on defined benefit pension plans	-	-	-	-	-	0.1	0.1	-	0.1
Gain on revaluation of available for sale investments	-	-	-	11.3	-	-	11.3	-	11.3
Recognition/remeasurement of financial instruments	-	-	-	(5.9)	-	33.8	27.9	-	27.9
Acquisition of subsidiaries ¹	-	-	-	-	-	(38.1)	(38.1)	21.8	(16.3)
Balance at 31 December 2011	126.6	105.7	2.4	(4,197.3)	(177.6)	10,803.5	6,663.3	231.0	6,894.3

Total comprehensive income relating to the year ended 31 December 2011 was £599.6 million (2010: £757.3 million).

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

Notes to the unaudited preliminary consolidated financial statements

1. Basis of accounting

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

2. Accounting policies

The unaudited preliminary consolidated financial statements comply with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the International Accounting Standards Board (IASB), and with the accounting policies of the Group which were set out on pages 149 to 155 of the 2010 Annual Report and Accounts. No changes have been made to the Group's accounting policies in the year ended 31 December 2011.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company's 2011 Annual Report and Accounts will be prepared in compliance with IFRS. The unaudited preliminary announcement does not constitute a dissemination of the annual financial report and does not therefore need to meet the dissemination requirements for annual financial reports. A separate dissemination announcement in accordance with Disclosure and Transparency Rules (DTR) 6.3 will be made when the annual report and audited financial statements are available on the Company's website.

Statutory Information

The financial information included in this preliminary announcement does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2010 have been delivered to the Jersey Registrar and received an unqualified auditors' report. The statutory accounts for the year ended 31 December 2011 will be finalised on the basis of the financial information presented by the directors in this unaudited preliminary announcement and will be delivered to the Jersey Registrar following the Company's General Meeting. The audit report for the year ended 31 December 2011 has yet to be signed.

The announcement of the preliminary results was approved by the board of directors on 1 March 2012.



Notes to the unaudited preliminary consolidated financial statements (continued)

3. Currency conversion

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

The 2011 unaudited preliminary consolidated income statement is prepared using, among other currencies, average exchange rates of US\$1.6032 to the pound (2010: US\$1.5461) and €1.1526 to the pound (2010: €1.1664). The unaudited preliminary consolidated balance sheet as at 31 December 2011 has been prepared using the exchange rates on that day of US\$1.5509 to the pound (2010: US\$1.5591) and €1.1967 to the pound (2010: €1.1665).

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

4. Operating costs and share of results of associates

£ million	2011	2010
Staff costs	5,872.5	5,438.7
Establishment costs	674.1	659.2
Other operating costs	1,499.7	1,489.6
Total operating costs	8,046.3	7,587.5

Other operating costs include:

£ million	2011	2010
Amortisation and impairment of acquired intangible assets	172.0	170.5
Goodwill impairment	-	10.0
Gains on disposal of investments	(0.4)	(4.1)
Gains on re-measurement of equity interest on acquisition of controlling interest	(31.6)	(13.7)
Investment write-downs	32.8	37.5

There was no goodwill impairment charge for the year ended 31 December 2011 (2010: £10.0 million of which £1.7 million related to associates). Investment write-downs of £32.8 million (2010: £37.5 million) relate to certain non-core minority investments in the US and Continental Europe where forecast financial performance and/or liquidity issues indicate a permanent decline in the recoverability of the Group's investment.

Operating profit includes credits totalling £14.0 million (2010: £16.5 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2010.

Notes to the unaudited preliminary consolidated financial statements (continued)

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

Share of results of associates include:

£ million	2011	2010
Share of profit before interest and taxation	99.9	86.0
Share of exceptional gains/(losses)	2.1	(0.3)
Share of interest and non-controlling interests	(2.5)	(2.7)
Share of taxation	(33.4)	(27.8)
	66.1	55.2

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

Finance income includes:

£ million	2011	2010
Expected return on pension plan assets	32.6	30.6
Income from available for sale investments	0.6	9.3
Interest income	64.1	41.8
	97.3	81.7

Finance costs include:

£ million	2011	2010
Interest on pension plan liabilities	43.8	45.9
Interest on other long-term employee benefits	1.8	1.9
Interest payable and similar charges	251.6	229.0
	297.2	276.8

Revaluation of financial instruments include:

£ million	2011	2010
Movements in fair value of treasury instruments	(12.7)	21.8
Revaluation of put options over non-controlling interests	(30.9)	(3.6)
Revaluation of payments due to vendors	(6.4)	-
	(50.0)	18.2

Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis

Reported contributions by operating sector were as follows:

£ million	2011	2010
Revenue		
Advertising and Media Investment Management	4,157.2	3,733.3
Consumer Insight	2,458.0	2,430.2
Public Relations & Public Affairs	885.4	844.5
Branding & Identity, Healthcare and Specialist Communications	2,521.2	2,323.0
	10,021.8	9,331.0
Headline PBIT¹		
Advertising and Media Investment Management	667.9	573.0
Consumer Insight	258.7	234.8
Public Relations & Public Affairs	142.9	133.1
Branding & Identity, Healthcare and Specialist Communications	359.5	287.8
	1,429.0	1,228.7
Headline PBIT margin		
Advertising and Media Investment Management	16.1%	15.3%
Consumer Insight	10.5%	9.7%
Public Relations & Public Affairs	16.1%	15.8%
Branding & Identity, Healthcare and Specialist Communications	14.3%	12.4%
	14.3%	13.2%

¹ Headline PBIT is defined in note 19.

Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis (continued)

Reported contributions by geographical area were as follows:

£ million	2011	2010
Revenue		
United Kingdom	1,183.5	1,087.6
North America ²	3,388.2	3,299.8
Western Continental Europe ³	2,505.1	2,325.3
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	2,945.0	2,618.3
	10,021.8	9,331.0
Headline PBIT¹		
United Kingdom	165.3	147.9
North America ²	525.6	484.6
Western Continental Europe ³	284.0	221.6
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	454.1	374.6
	1,429.0	1,228.7
Headline PBIT margin		
United Kingdom	14.0%	13.6%
North America ²	15.5%	14.7%
Western Continental Europe ³	11.3%	9.5%
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	15.4%	14.3%
	14.3%	13.2%

¹ Headline PBIT is defined in note 19.

² North America includes the US with revenue of £3,149.9 million (2010: £3,097.9 million) and headline PBIT of £490.2 million (2010: £448.7 million).

³ Western Continental Europe includes Ireland with revenue of £40.3 million (2010: £37.4 million) and headline PBIT of £1.1 million (2010: £2.0 million).

Notes to the unaudited preliminary consolidated financial statements (continued)

7. Taxation

The tax rate on headline PBT¹, excluding the impact of the exceptional release of prior year tax provisions and the net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items, was 22.0% (2010: 22.0%). The tax rate on reported PBT was 9.1% (2010: 22.4%).

In 2011, the tax rate on reported PBT was significantly lower than the tax rate on headline PBT due to the resolution of historic tax liabilities and deferred tax credits related to the accounting for acquired intangibles with definite lives. The release of prior year corporate tax provisions was due to the resolution of a number of open matters. Based on the size of this release, it has been classified as an exceptional item and therefore excluded from the calculation of headline earnings.

The cash tax rate on headline PBT was 20.2% (2010: 20.1%).

The tax charge comprises:

£ million	2011	2010
Current tax		
Current year	310.3	276.2
Prior years	(47.7)	(1.0)
Exceptional release of prior year provisions	(106.1)	-
Total current tax	156.5	275.2
Deferred tax		
Current year	4.5	(21.4)
Net credit in relation to the amortisation of acquired intangible assets and other goodwill items	(72.4)	(37.5)
	(67.9)	(58.9)
Prior years	3.3	(26.0)
Total deferred tax	(64.6)	(84.9)
Tax charge	91.9	190.3

¹ Headline PBT is defined in note 19.

Notes to the unaudited preliminary consolidated financial statements (continued)

8. Ordinary dividends

The Board has recommended a second interim dividend of 17.14p (2010: 11.82p) per ordinary share in addition to the first interim dividend of 7.46p (2010: 5.97p) per share. This makes a total for the year of 24.60p (2010: 17.79p). Payment of the second interim dividend of 17.14p per ordinary share will be made on 9 July 2012 to holders of ordinary shares in the Company on 8 June 2012.

Following share owner approval at the Company's General Meeting, the Board has put in place a Scrip Dividend Scheme which enables share owners to elect to receive new fully paid ordinary shares in the Company instead of cash dividends. This scheme commenced with the second interim dividend for 2010.

The Company continues to operate the Dividend Access Plan which allows share owners who have elected (or, by virtue of holding 100,000 or fewer shares, are deemed to have elected) to participate in the plan to receive cash dividends from a UK source without being subject to any Irish or UK withholding taxes.

The Scrip Dividend Scheme Circular and the rules of the Company's Dividend Access Plan are available to view on the Company's website www.wpp.com.



Notes to the unaudited preliminary consolidated financial statements (continued)

9. Earnings per share

Basic EPS

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

	2011	2010	+/(-)%	Constant Currency +/(-)%
Reported earnings ¹ (£ million)	840.1	586.0		
Headline earnings (£ million) (note 19)	882.3	730.8		
Headline earnings (including exceptional tax credit) (£ million) (note 19)	988.4	730.8		
Average shares used in basic EPS calculation (million)	1,242.7	1,233.1		
Reported EPS	67.6p	47.5p	42.3	43.9
Headline EPS	71.0p	59.3p	19.7	20.8
Headline EPS (including exceptional tax credit)	79.5p	59.3p	34.1	35.6

Diluted EPS

The calculation of diluted reported and headline EPS is set out below:

	2011	2010	+/(-)%	Constant Currency +/(-)%
Diluted reported earnings (£ million)	866.2	614.3		
Diluted headline earnings (£ million)	908.4	759.1		
Diluted headline earnings (including exceptional tax credit) (£ million)	1,014.5	759.1		
Shares used in diluted EPS calculation (million)	1,342.2	1,339.0		
Diluted reported EPS	64.5p	45.9p	40.5	42.1
Diluted headline EPS	67.7p	56.7p	19.4	20.3
Diluted headline EPS (including exceptional tax credit)	75.6p	56.7p	33.3	34.6

Diluted EPS has been calculated based on the reported and headline earnings amounts above. On 19 May 2009 the Group issued £450 million 5.75% convertible bonds due in 2014. For the year ended 31 December 2011 these convertible bonds were dilutive and earnings were consequently increased by £26.1 million (2010: £28.3 million) for the purpose of the calculation of diluted earnings.

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

million	2011	2010
Average shares used in basic EPS calculation	1,242.7	1,233.1
Dilutive share options outstanding	4.5	6.7
Other potentially issuable shares	18.5	22.7
£450 million 5.75% convertible bonds	76.5	76.5
Shares used in diluted EPS calculation	1,342.2	1,339.0

At 31 December 2011 there were 1,266,373,821 (2010: 1,264,391,221) ordinary shares in issue.

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

Notes to the unaudited preliminary consolidated financial statements (continued)

10. Analysis of cash flows

The following tables analyse the items included within the main cash flow headings on page 16:

Net cash inflow from operating activities:

£ million	2011	2010
Profit for the year	916.5	661.0
Taxation	91.9	190.3
Revaluation of financial instruments	50.0	(18.2)
Finance costs	297.2	276.8
Finance income	(97.3)	(81.7)
Share of results of associates	(66.1)	(55.2)
Operating profit	1,192.2	973.0
Adjustments for:		
Non-cash share-based incentive plans (including share options)	78.8	70.4
Depreciation of property, plant and equipment	185.8	184.9
Goodwill impairment	-	10.0
Amortisation and impairment of acquired intangible assets	172.0	170.5
Amortisation of other intangible assets	25.7	25.4
Investment write-downs	32.8	37.5
Gains on disposal of investments	(0.4)	(4.1)
Gains on re-measurement of equity interest on acquisition of controlling interest	(31.6)	(13.7)
(Gains)/losses on sale of property, plant and equipment	(0.9)	0.7
Operating cash flow before movements in working capital and provisions	1,654.4	1,454.6
Movements in working capital and provisions	(620.9)	225.5
Cash generated by operations	1,033.5	1,680.1
Corporation and overseas tax paid	(247.9)	(207.4)
Interest and similar charges paid	(241.4)	(219.7)
Interest received	63.2	50.7
Investment income	0.6	4.2
Dividends received from associates	57.2	53.3
	665.2	1,361.2

Acquisitions and disposals:

£ million	2011	2010
Initial cash consideration	(352.3)	(138.6)
Cash and cash equivalents acquired (net)	98.8	57.0
Earnout payments	(150.0)	(113.3)
Loan note redemptions	(0.8)	(5.1)
Purchase of other investments (including associates)	(68.1)	(23.8)
Proceeds on disposal of investments	2.6	23.7
Acquisitions and disposals	(469.8)	(200.1)
Cash consideration for non-controlling interests	(62.6)	(15.1)
Net acquisition payments and investments	(532.4)	(215.2)

Notes to the unaudited preliminary consolidated financial statements (continued)

10. Analysis of cash flows (continued)

Share repurchases and buybacks:

£ million	2011	2010
Purchase of own shares by ESOP trust	(106.5)	(46.4)
Share cancellations	(45.9)	-
Shares purchased into treasury	(29.8)	-
	(182.2)	(46.4)

Net increase in borrowings:

£ million	2011	2010
Proceeds from issue of \$500 million bonds	319.5	-
Increase in drawings on bank loans	-	19.8
Repayment of debt acquired	(18.1)	-
	301.4	19.8

Cash and cash equivalents:

£ million	2011	2010
Cash at bank and in hand	2,289.2	1,877.1
Short-term bank deposits	113.1	88.1
Overdrafts ¹	(974.1)	(255.4)
	1,428.2	1,709.8

11. Net debt

£ million	2011	2010
Cash and short-term deposits	2,402.3	1,965.2
Bank overdrafts and loans due within one year	(974.1)	(255.4)
Bonds and bank loans due after one year	(3,893.0)	(3,598.2)
	(2,464.8)	(1,888.4)

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

Notes to the unaudited preliminary consolidated financial statements (continued)

12. Goodwill and acquisitions

Goodwill in relation to subsidiary undertakings increased by £324.5 million (2010: £408.8 million) in the year. This movement includes both goodwill arising on acquisitions completed in the year and adjustments to goodwill relating to acquisitions completed in prior years, net of impairment charges and the effect of currency translation. Goodwill in relation to associate undertakings decreased by £10.5 million (2010: increased by £27.1 million) in the year.

Future anticipated payments to vendors in respect of both deferred and earnout obligations totalled £234.1 million (2010: £275.3 million). Earnouts are based on the directors' best estimates of future obligations, which are dependent on the future performance of the interests acquired and assume the operating companies improve profits in line with directors' estimates. An analysis of movements on deferred and earnout obligations is shown in note 16.

The contribution to revenue and operating profit of acquisitions completed in the year was not material. There were no material acquisitions completed during the year or between 31 December 2011 and the date these preliminary financial statements were approved.

13. Other intangible assets

The following are included in other intangibles:

£ million	2011	2010
Brands with an indefinite useful life	1,036.4	1,053.7
Acquired intangibles	741.4	781.7
Other (including capitalised computer software)	82.1	69.1
	1,859.9	1,904.5

14. Trade and other receivables

Amounts falling due within one year:

£ million	2011	2010
Trade receivables	6,305.1	6,280.6
VAT and sales taxes recoverable	76.2	72.1
Prepayments and accrued income ¹	2,044.0	1,949.4
Other debtors ¹	494.4	541.3
	8,919.7	8,843.4

¹ Comparative figures have been restated to be consistent with current year presentation.

Notes to the unaudited preliminary consolidated financial statements (continued)

14. Trade and other receivables (continued)

Amounts falling due after more than one year:

£ million	2011	2010
Prepayments and accrued income	2.4	5.6
Other debtors	121.8	123.2
Fair value of derivatives	184.9	194.7
	309.1	323.5

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

£ million	2011	2010
Trade payables	7,292.7	7,701.1
Deferred income	1,002.3	1,075.9
Payments due to vendors	96.8	207.4
Liabilities in respect of put option agreements with vendors	79.2	136.9
Other creditors and accruals	2,694.5	2,582.3
	11,165.5	11,703.6

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

£ million	2011	2010
Payments due to vendors	137.3	67.9
Liabilities in respect of put option agreements with vendors	89.1	34.1
Fair value of derivatives	139.9	129.4
Other creditors and accruals	186.8	157.2
	553.1	388.6

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

£ million	2011	2010
Within one year	96.8	207.4
Between 1 and 2 years	31.6	39.6
Between 2 and 3 years	25.2	12.1
Between 3 and 4 years	18.6	4.3
Between 4 and 5 years	28.9	4.1
Over 5 years	33.0	7.8
	234.1	275.3

Notes to the unaudited preliminary consolidated financial statements (continued)

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

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

£ million	2011
At the beginning of the year	275.3
Earnouts paid	(150.0)
New acquisitions	80.4
Revision of estimates taken to goodwill	25.9
Revaluation of payments due to vendors (note 5)	6.4
Foreign exchange impact	(3.9)
At the end of the year	234.1

The Group does not consider there to be any material contingent liabilities as at 31 December 2011.

17. Issued share capital – movement in the year

Number of equity ordinary shares (million)	2011	2010
At the beginning of the year	1,264.4	1,256.5
Exercise of share options	5.9	7.9
Share cancellations	(7.0)	-
Scrip dividend	3.1	-
At the end of the year	1,266.4	1,264.4

18. Related party transactions

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



Notes to the unaudited preliminary consolidated financial statements (continued)

19. Non-GAAP measures of performance

Reconciliation of profit before interest and taxation to headline PBIT for the year ended 31 December 2011:

£ million	2011	2010
Profit before interest and taxation	1,258.3	1,028.2
Amortisation and impairment of acquired intangible assets	172.0	170.5
Goodwill impairment	-	10.0
Gains on disposal of investments	(0.4)	(4.1)
Gains on re-measurement of equity interest on acquisition of controlling interest	(31.6)	(13.7)
Investment write-downs	32.8	37.5
Share of exceptional (gains)/losses of associates	(2.1)	0.3
Headline PBIT	1,429.0	1,228.7
Finance income	97.3	81.7
Finance costs	(297.2)	(276.8)
	(199.9)	(195.1)
Interest cover on headline PBIT	7.1 times	6.3 times

Calculation of headline EBITDA:

£ million	2011	2010
Headline PBIT (as above)	1,429.0	1,228.7
Depreciation of property, plant and equipment	185.8	184.9
Amortisation of other intangible assets	25.7	25.4
Headline EBITDA	1,640.5	1,439.0

Notes to the unaudited preliminary consolidated financial statements (continued)

19. Non-GAAP measures of performance (continued)

Reconciliation of profit before taxation to headline PBT and headline earnings for the year ended 31 December 2011:

£ million	2011	2010
Profit before taxation	1,008.4	851.3
Amortisation and impairment of acquired intangible assets	172.0	170.5
Goodwill impairment	-	10.0
Gains on disposal of investments	(0.4)	(4.1)
Gains on re-measurement of equity interest on acquisition of controlling interest	(31.6)	(13.7)
Investment write-downs	32.8	37.5
Share of exceptional (gains)/losses of associates	(2.1)	0.3
Revaluation of financial instruments	50.0	(18.2)
Headline PBT	1,229.1	1,033.6
Taxation (excluding exceptional release of prior year tax provisions and net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items)	(270.4)	(227.8)
Non-controlling interests	(76.4)	(75.0)
Headline earnings	882.3	730.8
Exceptional release of prior year tax provisions	106.1	-
Headline earnings (including exceptional tax credit)	988.4	730.8
Headline earnings	882.3	730.8
Ordinary dividends	239.5	200.4
Dividend cover on headline earnings	3.7 times	3.6 times

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

£ million	Margin	2011	Margin	2010
Revenue		10,021.8		9,331.0
Headline PBIT	14.3%	1,429.0	13.2%	1,228.7
Share of results of associates (excluding exceptional gains/losses)		64.0		55.5
Headline PBIT excluding share of results of associates	13.6%	1,365.0	12.6%	1,173.2

Notes to the unaudited preliminary consolidated financial statements (continued)

19. Non-GAAP measures of performance (continued)

Reconciliation of free cash flow for the year ended 31 December 2011:

£ million	2011	2010
Cash generated by operations	1,033.5	1,680.1
Plus:		
Interest received	63.2	50.7
Investment income	0.6	4.2
Dividends received from associates	57.2	53.3
Share option proceeds	28.8	42.7
Proceeds on disposal of property, plant and equipment	13.2	7.6
Movements in working capital and provisions	620.9	(225.5)
Less:		
Interest and similar charges paid	(241.4)	(219.7)
Purchase of property, plant and equipment	(216.1)	(190.5)
Purchase of other intangible assets (including capitalised computer software)	(37.1)	(27.0)
Corporation and overseas tax paid	(247.9)	(207.4)
Dividends paid to non-controlling interests in subsidiary undertakings	(62.2)	(66.7)
Free cash flow	1,012.7	901.8

Notes to the unaudited preliminary consolidated financial statements (continued)

20. 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 2011, the Group has access to £4.8 billion of committed bank facilities with maturity dates spread over the years 2012 to 2021 as illustrated below:

£ million	Maturity by year							2018+
	2012	2013	2014	2015	2016	2017	2018	
US bond \$812m (4.75% '21)	523.8							523.8
£ bonds £200m (6.375% '20)	200.0							200.0
£ bonds £400m (6.0% '17)	400.0						400.0	
Bank revolver (\$1,050m and £375m)	1,052.0					1,052.0		
Eurobonds €750m (6.625% '16)	626.7					626.7		
Eurobonds €500m (5.25% '15)	417.8				417.8			
£450m convertible bonds (5.75% '14)	450.0			450.0				
US bond \$600m (8.0% '14)	386.9			386.9				
US bond \$369m (5.875% '14)	237.7			237.7				
Eurobonds €600m (4.375% '13)	501.4		501.4					
TNS private placements \$55m	35.5	19.3		16.2				
Total committed facilities available	4,831.8	19.3	501.4	1,090.8	417.8	1,678.7	400.0	723.8
Drawn down facilities at 31 December 2011	3,859.5	19.3	501.4	1,090.8	417.8	706.4	400.0	723.8
Undrawn committed credit facilities	972.3							
Drawn down facilities at 31 December 2011	3,859.5							
Net cash at 31 December 2011	(1,428.2)							
Other adjustments	33.5							
Net debt at 31 December 2011	2,464.8							

The Group's borrowings are evenly distributed between fixed and floating rate debt. Given the strong cash generation of the business, its debt maturity profile and available facilities, the directors believe the Group has sufficient liquidity to match its requirements for the foreseeable future.

Treasury management

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

The Group's risk management policies relating to foreign currency risk, interest rate risk, liquidity risk, capital risk and credit risk are presented in the notes to the consolidated financial statements of the 2010 Annual Report and Accounts and in the opinion of the Board remain relevant at 31 December 2011.

Notes to the unaudited preliminary consolidated financial statements (continued)

21. Principal risks and uncertainties

The directors have considered the principal risks and uncertainties affecting the Group for the year and determined that these are unchanged from those presented in the Group's published Annual Report and Accounts and Form 20-F for the year ended 31 December 2010. The Annual Report and Accounts and Form 20-F are published in the Investor Relations section of the Group website (www.wpp.com) and are available from the Group on request.

WPP plc has specific policies in place to ensure that risks are properly evaluated and managed at the appropriate level within the business. These are presented on pages 118 to 122 of the published 2010 Annual Report and Accounts. Pages 5 and 6 of the Group's Form 20-F for the year ended 31 December 2010 contain a detailed explanation of the risk factors identified by the Group and these are summarised below:

Clients

- The Group competes for clients in a highly competitive industry and client loss may reduce market share and decrease profits.
- The Group receives a significant portion of its revenues from a limited number of large clients and the loss of these clients could adversely impact the Group's prospects, business, financial condition and results of operations.

Corporate Responsibility

- The social and environmental impact of our work for clients.
- Damage to WPP's reputation from undertaking controversial client work.
- Marketing ethics, compliance with marketing standards, and increasing transparency about our marketing practices.
- Compliance with privacy and data protection regulations.
- Employment, including diversity and equal opportunities, business ethics, employee development, remuneration, communication and health and safety.
- Climate change, including the emissions from energy used in our offices and during business travel.

Economic

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

Financial

- Currency exchange rate fluctuations could adversely impact the Group's consolidated results.
- Changes to the Group's debt issue ratings by the rating agencies Moody's Investor Services and Standard and Poor's Rating Service may affect the Group's access to debt capital.
- The Group may be unable to collect balances due from any client that files for bankruptcy or becomes insolvent.



Notes to the unaudited preliminary consolidated financial statements (continued)

21. Principal risks and uncertainties (continued)

Mergers & Acquisitions

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

Operational

- The Group operates in 107 countries and is exposed to the risks of doing business internationally.

People

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

Regulatory/Legal

- The Group may be subject to regulations restricting its activities.
- The Group may be exposed to liabilities from allegations that certain of its clients' advertising claims may be false or misleading or that its clients' products may be defective.
- The Group operates in 107 countries and is subject to increased anti-corruption legislation and enforcement not only in the US and UK.
- Civil liabilities or judgments against the Company or its directors or officers based on United States federal or state securities laws may not be enforceable in the United States or in England and Wales or in Jersey.



Appendix 2: Preliminary results for the year ended 31 December 2011 in reportable US Dollars¹

Unaudited illustrative preliminary consolidated income statement for the year ended 31 December 2011

\$ million	2011	2010	+/(-)%
Billings	71,749.2	65,961.2	8.8
Revenue	16,053.4	14,416.2	11.4
Direct costs	(1,253.7)	(1,190.0)	(5.4)
Gross profit	14,799.7	13,226.2	11.9
Operating costs	(12,896.3)	(11,728.2)	(10.0)
Operating profit	1,903.4	1,498.0	27.1
Share of results of associates	105.8	85.3	24.0
Profit before interest and taxation	2,009.2	1,583.3	26.9
Finance income	155.3	126.0	23.3
Finance costs	(475.9)	(427.8)	(11.2)
Revaluation of financial instruments	(79.2)	30.1	-
Profit before taxation	1,609.4	1,311.6	22.7
Taxation	(151.1)	(294.4)	48.7
Profit for the year	1,458.3	1,017.2	43.4
Attributable to:			
Equity holders of the parent	1,335.7	901.0	48.2
Non-controlling interests	122.6	116.2	(5.5)
	1,458.3	1,017.2	43.4
Headline PBIT	2,281.5	1,893.3	20.5
Headline PBIT margin	14.2%	13.1%	
Headline PBT	1,960.9	1,591.5	23.2
Reported earnings per share²			
Basic earnings per ordinary share	107.5¢	73.1¢	47.1
Diluted earnings per ordinary share	102.6¢	70.6¢	45.3
Headline earnings per share²			
Basic earnings per ordinary share	112.7¢	91.1¢	23.7
Diluted earnings per ordinary share	107.5¢	87.1¢	23.4
Headline earnings per share (including exceptional tax credit)²			
Basic earnings per ordinary share	126.4¢	91.1¢	38.7
Diluted earnings per ordinary share	120.2¢	87.1¢	38.0

¹ The unaudited consolidated income statement above is presented in reportable US Dollars for information purposes only and has been prepared assuming the US Dollar is the reporting currency of the Group, whereby local currency results are translated into US Dollars at actual monthly average exchange rates in the periods presented. Among other currencies, this includes an average exchange rate of US\$1.6032 to the pound for the year ended 31 December 2011 (2010: US\$1.5461).

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

Appendix 3: Preliminary results for the year ended 31 December 2011 in reportable Euros¹

Unaudited illustrative preliminary consolidated income statement for the year ended 31 December 2011

€ million	2011	2010	+/(-)%
Billings	51,632.1	49,778.7	3.7
Revenue	11,553.8	10,888.9	6.1
Direct costs	(903.6)	(898.9)	(0.5)
Gross profit	10,650.2	9,990.0	6.6
Operating costs	(9,276.1)	(8,850.1)	(4.8)
Operating profit	1,374.1	1,139.9	20.5
Share of results of associates	76.1	64.5	18.0
Profit before interest and taxation	1,450.2	1,204.4	20.4
Finance income	112.3	96.5	16.4
Finance costs	(342.7)	(324.0)	(5.8)
Revaluation of financial instruments	(58.0)	21.0	-
Profit before taxation	1,161.8	997.9	16.4
Taxation	(102.6)	(224.8)	54.4
Profit for the year	1,059.2	773.1	37.0
Attributable to:			
Equity holders of the parent	971.5	687.0	41.4
Non-controlling interests	87.7	86.1	(1.9)
	1,059.2	773.1	37.0
Headline PBIT	1,648.1	1,438.7	14.6
Headline PBIT margin	14.3%	13.2%	
Headline PBT	1,417.7	1,211.3	17.0
Reported earnings per share²			
Basic earnings per ordinary share	78.2¢	55.7¢	40.4
Diluted earnings per ordinary share	74.6¢	53.8¢	38.7
Headline earnings per share²			
Basic earnings per ordinary share	82.2¢	69.5¢	18.3
Diluted earnings per ordinary share	78.4¢	66.4¢	18.1
Headline earnings per share (including exceptional tax credit)²			
Basic earnings per ordinary share	92.1¢	69.5¢	32.5
Diluted earnings per ordinary share	87.5¢	66.4¢	31.8

¹ The unaudited consolidated income statement above is presented in reportable Euros for information purposes only and has been prepared assuming the Euro is the reporting currency of the Group, whereby local currency results are translated into Euros at actual monthly average exchange rates in the periods presented. Among other currencies, this includes an average exchange rate of €1.1526 to the pound for the year ended 31 December 2011 (2010: €1.1664).

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

Glossary and basis of preparation

Average net debt

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

Billings and estimated net new billings

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

Constant currency

The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying budgeted 2011 exchange rates to local currency reported results for the current and prior year. This gives a US dollar – denominated income statement and balance sheet which exclude any variances attributable to foreign exchange rate movements.

Free cash flow

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

Gross margin/gross profit

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

Headline earnings

Headline PBT less taxation (excluding exceptional release of prior year tax provisions and net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items) and non-controlling interests.

Headline operating profit/Headline PBIT

Profit before finance income/costs and revaluation of financial instruments, taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets and share of exceptional gains/losses of associates.

Headline PBT

Profit before taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, share of exceptional gains/losses of associates and gains/losses arising from the revaluation of financial instruments.

Operating margin

Headline operating profit as a percentage of revenue.

Pro forma ('like-for-like')

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