

# WPP Annual Report & Accounts 2013



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WPP news and updates



This Annual Report, together with trading statements, news releases, presentations and previous Annual Reports, is available online at [wpp.com](http://wpp.com)



To stay in touch with WPP news and updates, see **inside back cover**



# The fast read

For a quick, pre-digested, highly-compressed version of this Annual Report: read the next seven pages.

The full story starts on page 14.

Please read that, too.

# Who we are

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**WPP is the world leader in communications services. It comprises leading companies in all these disciplines:**

- Advertising
- Media Investment Management
- Data Investment Management
- Public Relations & Public Affairs
- Branding & Identity
- Healthcare Communications
- Direct, Digital, Promotion & Relationship Marketing
- Specialist Communications

There are more than 155 companies within the Group – and each is a distinctive brand in its own right. Each has its own identity, commands its own loyalty, and is committed to its own specialist expertise. That is their individual strength. Clients seek their talent and their experience on a brand-by-brand basis. Between them, our companies work with 351 of the Fortune Global 500, all 30 of the Dow Jones 30, 69 of the NASDAQ 100 and 31 of the Fortune e-50.

It is also of increasing value to clients that WPP companies and their people can work together, as increasingly they do: providing a tailor-made range of integrated communications services. Almost 770 clients are now served in three distinct disciplines. Some 490 clients are served in four disciplines, and these clients account for 57.5% of Group revenues. Group companies also work with nearly 400 clients across six or more countries.

Collectively, almost 175,000 people (including associates) work for WPP companies, out of over 3,000 offices in 110 countries.

# Why we exist

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Within WPP, our clients have access to companies with all the necessary marketing and communications skills; companies with strong and distinctive cultures of their own; famous names, many of them. WPP, the parent company, complements these companies in three distinct ways.

- First, it relieves them of much administrative work. Financial matters (such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions, investor relations, legal affairs and internal audit) are co-ordinated centrally.
- Second, the parent company encourages and enables operating companies of different disciplines to work together for the benefit of clients. It also plays an across-the-Group role in the management of talent, property, procurement, IT, knowledge sharing, practice development and sustainability.
- And, finally, WPP itself can function as the 21st-century equivalent of the full-service agency. For some clients, predominantly those with a vast geographical spread and a need for a wide range of marketing services, WPP can act as a portal to provide a single point of contact and accountability.

## **Our mission**

To develop and manage talent;  
to apply that talent,  
throughout the world,  
for the benefit of clients;  
to do so in partnership;  
to do so with profit.

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Read more about our role on page 14.

## What we think

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### Grey swans and Chinese innovation

by Sir Martin Sorrell

2014 will be tough but manageable. Clients remain cautious post-Lehman but spending on marketing services should be bolstered by the mini-quadrennial events of the Sochi Winter Olympics, the FIFA World Cup in Brazil and the US mid-term Congressional elections.

Although a number of them have whitened, the ‘grey swans’ or known unknowns – the Eurozone’s potential fragility, developments in the Middle East, the BRICs hard or soft landing, the US budget and deficit issues, the UK referenda, the crisis in Ukraine and the Sino-Japanese dispute in the East China Sea – create ongoing economic uncertainty.

Our business continues its transformation in line with wider societal, behavioural and technological changes. While so-called ‘traditional’ media and marketing disciplines remain critically important, Don Draper would hardly recognise as much as 70% of what we do today.

Digital marketing, media investment management and data investment management now account for about \$12 billion of our \$17.3 billion of revenues.

Strategically, we continue to focus on our four priorities: new markets, new media, data investment management and, last but not least, horizontality.

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Sir Martin Sorrell’s article begins on page 93.

### Why it’s Time to Say Goodbye to IKHTMISOAIW\*

(\*I know that half the money I spend on advertising is wasted ...)

by Jeremy Bullmore

One of the world’s most widely-held beliefs about advertising is based on a remark, allegedly made a hundred years ago, by one of four men, none of whom may have made it, and which, when examined, makes little sense.

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Jeremy Bullmore’s essay can be read in full on pages 109 to 111.

## Four strategic priorities

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Our goal remains to be the world’s most successful communications services advisor to multinational, regional and local companies. To that end, we have four core strategic priorities:

- 1** Increase the share of revenues from faster-growing markets of Asia Pacific, Latin America, Africa and the Middle East, and Central and Eastern Europe to 40-45%.
- 2** Increase the share of revenues of new media to 40-45%.
- 3** Maintain the share of more measurable marketing services – such as Data Investment Management and direct, digital and interactive – at 50% of revenues, with a focus on the application of new technology, big data and digital.
- 4** Achieve ‘horizontality’ by ensuring our people work together for the benefit of clients, primarily through two horizontal integrators: Global Client Leaders and Country Managers.

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Our Strategic report starts on page 24.

Our 2013 financial statements are presented in full on pages 191 to 247 and at [wpp.com/investor](http://wpp.com/investor).

# How we're doing

## Financial summary

2013, our twenty-eighth year, was another record one, with revenue, profitability, headline margins and earnings per share all reaching new highs.

	2013	2012	Change %
<b>Billings<sup>1</sup></b>	<b>£46,209m</b>	£44,405m	+4.1
<b>Revenue</b>	<b>£11,019m</b>	£10,373m	+6.2
<b>Gross margin<sup>1</sup></b>	<b>£10,076m</b>	£9,515m	+5.9
<b>Headline EBITDA<sup>2</sup></b>	<b>£1,896m</b>	£1,756m	+8.0
<b>Headline operating profit<sup>2</sup></b>	<b>£1,583m</b>	£1,459m	+8.5
<b>Reported operating profit</b>	<b>£1,410m</b>	£1,241m	+13.6
<b>Headline PBIT<sup>2</sup></b>	<b>£1,662m</b>	£1,531m	+8.5
<b>Headline PBIT margin<sup>2</sup></b>	<b>15.1%</b>	14.8%	+0.3
<b>Headline gross margin margin<sup>2</sup></b>	<b>16.5%</b>	16.1%	+0.4
<b>Headline PBT<sup>2</sup></b>	<b>£1,458m</b>	£1,317m	+10.7
<b>Reported PBT</b>	<b>£1,296m</b>	£1,092m	+18.7
<b>Headline earnings<sup>2</sup></b>	<b>£1,088m</b>	£966m	+12.6
<b>Reported earnings</b>	<b>£937m</b>	£823m	+13.8
<b>Headline diluted earnings per share<sup>2,4</sup></b>	<b>80.8p</b>	73.4p	+10.1
<b>Reported diluted earnings per share<sup>4</sup></b>	<b>69.6p</b>	62.8p	+10.8
<b>Ordinary dividend per share</b>	<b>34.21p</b>	28.51p	+20.0
<b>Ordinary dividend per ADR<sup>3</sup></b>	<b>\$2.68</b>	\$2.26	+18.6
<b>Net debt at year-end</b>	<b>£2,240m</b>	£2,821m	-20.6
<b>Average net debt<sup>5</sup></b>	<b>£2,989m</b>	£3,203m	-6.7
<b>Ordinary share price at year-end</b>	<b>1,380.0p</b>	888.0p	+55.4
<b>ADR price at year-end</b>	<b>\$114.86</b>	\$72.90	+57.6
<b>Market capitalisation at year-end</b>	<b>£18,613m</b>	£11,237m	+65.6
<b>At 15 April 2014</b>			
<b>Ordinary share price</b>	<b>1,218.0p</b>		
<b>ADR price</b>	<b>\$101.86</b>		
<b>Market capitalisation</b>	<b>£16,430m</b>		

The financial statements have been prepared under International Financial Reporting Standards (IFRS).

<sup>1</sup> Billings and gross margin are defined on page 246.

<sup>2</sup> The calculation of 'headline' measurements of performance (including headline EBITDA, headline operating profit, headline PBIT, headline gross margin margin, headline PBT and headline earnings) is set out in note 31 of the financial statements.

<sup>3</sup> One American Depositary Receipt (ADR) represents five ordinary shares. These figures have been translated for convenience purposes only using the income statement exchange rates 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.

<sup>4</sup> Earnings per share is calculated in note 9 of the financial statements.

<sup>5</sup> Average net debt is defined on page 246.

## 2013 results

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Reported billings increased by over 4% to £46.2 billion and were up well over 3% in constant currencies, driven by a strong leadership position in all net new business league tables.

Revenues were up over 6% to £11.0 billion and up well over 5% in constant currencies.

Headline PBIT margins increased by 0.3 margin points to a new high of 15.1% and, on a constant currency basis, were up 0.5 margin points, in line with target. On gross margin, or net sales, the headline PBIT margin was 16.5%, up 0.4 margin points on 2012 and up 0.5 margin points in constant currency.

Headline EBITDA increased by 8% to £1.896 billion. Headline profit before tax was up well over 10% to £1.458 billion and reported profit before tax was up well over 18% to £1.296 billion. Diluted headline earnings per share were up over 10% to 80.8p and diluted reported earnings per share rose by almost 11% to 69.6p.

Dividends were increased by 20% to 34.21p, a record level. This represents a dividend pay-out ratio of 42% on headline diluted earnings per share.

## Free cash flow and net debt

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Free cash flow strengthened to £1.220 billion in the year, over £1 billion for the third consecutive year. Net debt averaged £3.0 billion in 2013, a decrease of £0.2 billion at 2013 exchange rates, and net debt at 31 December 2013 was £2.2 billion, £0.6 billion less than 2012, reflecting improvements in working capital and the redemption of the £450 million Convertible Bond, reinforced by lower acquisition spending in 2013. Average net debt was around 1.6 times headline EBITDA in 2013 compared with 1.8 times in 2012, and well within the Group's current target range of 1.5-2.0 times.

## Revenue growth

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Our reported revenue growth for the year was 6.2%, and on a constant currency basis, which excludes the impact of currency movements, revenues were up 5.7%.

On a like-for-like basis, which excludes the impact of currency and acquisitions, revenues were up 3.5%, with gross margin or net sales up 3.4%. In the fourth quarter, like-for-like revenues were up over 4%, following like-for-like growth in the third quarter of 5%, reflecting stronger growth in North America and Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, offset by lower growth in the UK. Like-for-like growth in the second half was therefore well over 4% compared with over 2% in the first.

## The fast read

How we're doing

### 2013 revenue by geography



### 2013 headline PBIT<sup>1</sup> by geography



### 2013 revenue by sector



### 2013 headline PBIT<sup>1</sup> by sector



<sup>1</sup> The calculation of headline PBIT is set out in note 31 of the financial statements.

<sup>2</sup> Data Investment Management was previously reported as Consumer Insight.

## Geographic performance

Our strongest regions in 2013 were again Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, with constant currency growth of almost 8% and like-for-like growth of over 6%.

In the UK, full year revenue growth was almost 11% in constant currencies and almost 5% like-for-like. Western Continental Europe, like the UK, slowed slightly in the final quarter, with both constant currency and like-for-like growth of over 1%.

Like-for-like revenue growth in North America improved as the year progressed, from -1% in the first quarter to up over 5% in quarter four.

## Sector performance

Advertising and Media Investment Management revenues were up almost 7% for the year in constant currencies and well over 5% like-for-like, the strongest-performing sector on this basis. In the final quarter, constant currency revenues were up almost 8% and like-for-like revenues were up well over 6%.

Data Investment Management (formerly Consumer Insight) revenues grew 3% on a constant currency basis, with like-for-like revenues up well over 1%, and the second half much stronger than the first half. More significantly, gross margin (or net sales) was up over 2% like-for-like, a turnaround of the trend seen in 2012.

The Group's Public Relations & Public Affairs businesses had a difficult year. However, although revenues for the year fell by almost 1% on a constant currency basis and by almost 2% like-for-like, top-line growth returned in the fourth quarter with constant currency revenues up over 2% and like-for-like growth of over 1%.

At the Group's Branding & Identity, Healthcare and Specialist Communications businesses (including direct, digital and interactive), constant currency revenues grew strongly at over 8% with like-for-like growth of almost 4%.

Almost 35% of the Group's 2013 revenues came from direct, digital and interactive, up over two percentage points from the previous year and growing well over 7% like-for-like.



# Who runs WPP

## Non-executive chairman

### Philip Lader

Chairman of the Nomination and Governance Committee

## Executive directors

### Sir Martin Sorrell

Chief executive

### Paul Richardson

Finance director  
Chairman of the Sustainability Committee

### Mark Read

Chief executive, WPP Digital

## Non-executive directors

### Roger Agnelli

Member of the Audit Committee, Compensation Committee and Nomination and Governance Committee

### Jacques Aigrain

Member of the Audit Committee and Compensation Committee

### Charlene Begley

Member of the Audit Committee and Nomination and Governance Committee

### Colin Day

Chairman of the Audit Committee and member of the Compensation Committee

### Esther Dyson

Member of the Nomination and Governance Committee

### Orit Gadiesh

Member of the Nomination and Governance Committee

### Dr John Hood

Member of the Compensation Committee

### Ruigang Li

Member of the Compensation Committee and Nomination and Governance Committee

### Daniela Riccardi

Member of the Compensation Committee

### Jeffrey Rosen

Chairman of the Compensation Committee  
Member of the Audit Committee and Nomination and Governance Committee  
Senior independent director

### Nicole Seligman

Member of the Compensation Committee

### Hugo Shong

Member of the Audit Committee, Compensation Committee and Nomination and Governance Committee

### Timothy Shriver

Member of the Compensation Committee and Nomination and Governance Committee

### Sally Susman

Member of the Nomination and Governance Committee

### Sol Trujillo

Member of the Audit Committee and Compensation Committee

## Members of the Advisory Board

### Jeremy Bullmore

### John Jackson

### Bud Morten

### Koichiro Naganuma

### John Quelch

### Richard Rivers

### Cuneyd Zapsu

## Company Secretary

### Marie Capes

Directors' biographies appear on pages 114 to 118.

# How we behave and how we're rewarded

## Governance

The Board of Directors is committed to achieving compliance with the principles of corporate governance set out in the UK Corporate Governance Code and to comply with relevant laws, regulations, and guidelines such as the US Sarbanes-Oxley Act 2002, the NASDAQ rules and, where practicable, with the guidelines issued by institutional investors and their representative bodies.

WPP operates a system of internal control, which is maintained and reviewed in accordance with the UK Corporate Governance Code and the guidance in the Turnbull Report as well as the relevant provisions of the Securities Exchange Act 1934 and related SEC rules, as they currently apply to the Company.

Further details on corporate governance, and how we comply, can be found on pages 175 to 181.

## Compensation

Executive Remuneration Policy is set by WPP's Compensation Committee and is governed by three guiding principles:

- Performance
- Competitiveness
- Alignment with share owner interest

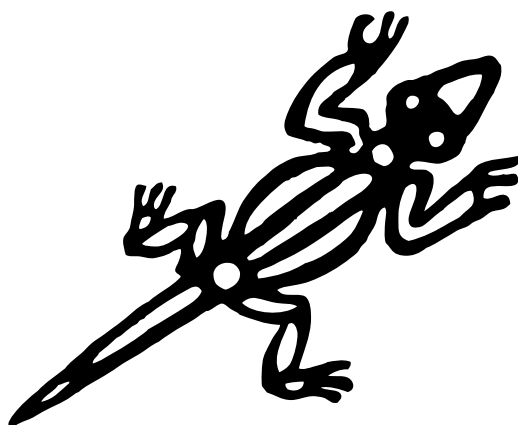
The full report from WPP's Compensation Committee can be found on pages 130 to 165.

## Sustainability

Our areas of focus are:

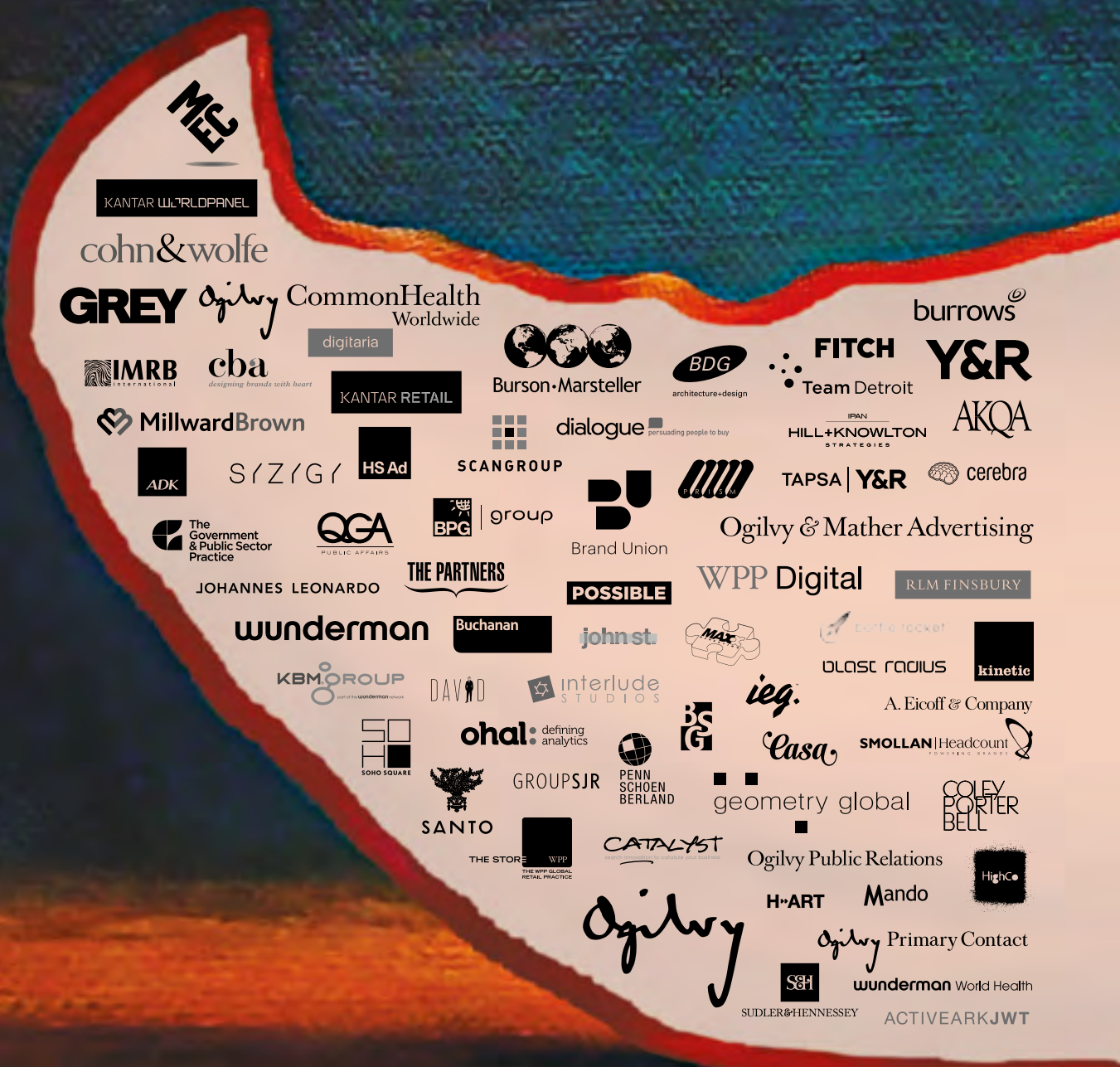
- **The impact of our work for clients.** Our companies help clients integrate sustainability into their business strategy and communications. Client business supported by our sustainability credentials was worth at least £1.26 billion out of total revenues of £11.02 billion to the Group in 2013.
- **Marketing standards.** We strive for high ethical standards in our conduct and work for clients and we protect consumer data used for marketing purposes.
- **Employment practices.** Our talent strategy includes competitive remuneration, high-quality training and a focus on diversity and inclusion.
- **Environmental performance.** We have reduced our carbon footprint per person by 31% since 2006. Our target is a 47% reduction by 2020.
- **Supply chain.** We monitor key supplier performance.
- **Social investment, including pro bono work.** Our total social contribution (including the value of free media space) was worth £39.4 million in 2013.

More information about our sustainability activities can be found on pages 167 to 173.





# Who we are



**McE**

KANTAR WORLD PANEL

cohn&wolfe

**GREY** Ogilvy CommonHealth Worldwide

IMRB International

cba  
designing brands with heart

digitaria

KANTAR RETAIL

Burson-Marsteller

BDG  
architecture+design

FITCH  
Team Detroit

burrows  
**Y&R**

MillwardBrown

ADK

SYZGY

HSAd

SCANGROUP

dialogue  
persuading people to buy

HILL+KNOWLTON STRATEGIES

AKQA

The Government & Public Sector Practice

QGA  
PUBLIC AFFAIRS

BPG | group

Brand Union

PROSEM

TAPSA | Y&R

cerebra

Ogilvy & Mather Advertising

JOHANNES LEONARDO

THE PARTNERS

POSSIBLE

WPP Digital

RLM FINSBURY

wunderman

Buchanan

johnst

MAX

Eastwick

DL&C RADIUS

kinetic

KBM GROUP  
part of the wunderman network

DAVID

interlude STUDIOS

ieq.

A. Eicoff & Company

SOHO SQUARE

ohal: defining analytics

PENN SCHOEN BERLAND

BSG

Casa

SMOLLAN | Headcount

SANTO

GROUPSJR

geometry global

COLEY PORTER BELL

THE STORE  
THE WPP GLOBAL RETAIL PRACTICE

CATALYST

Ogilvy Public Relations

HighCo

Ogilvy

H•ART

Mando

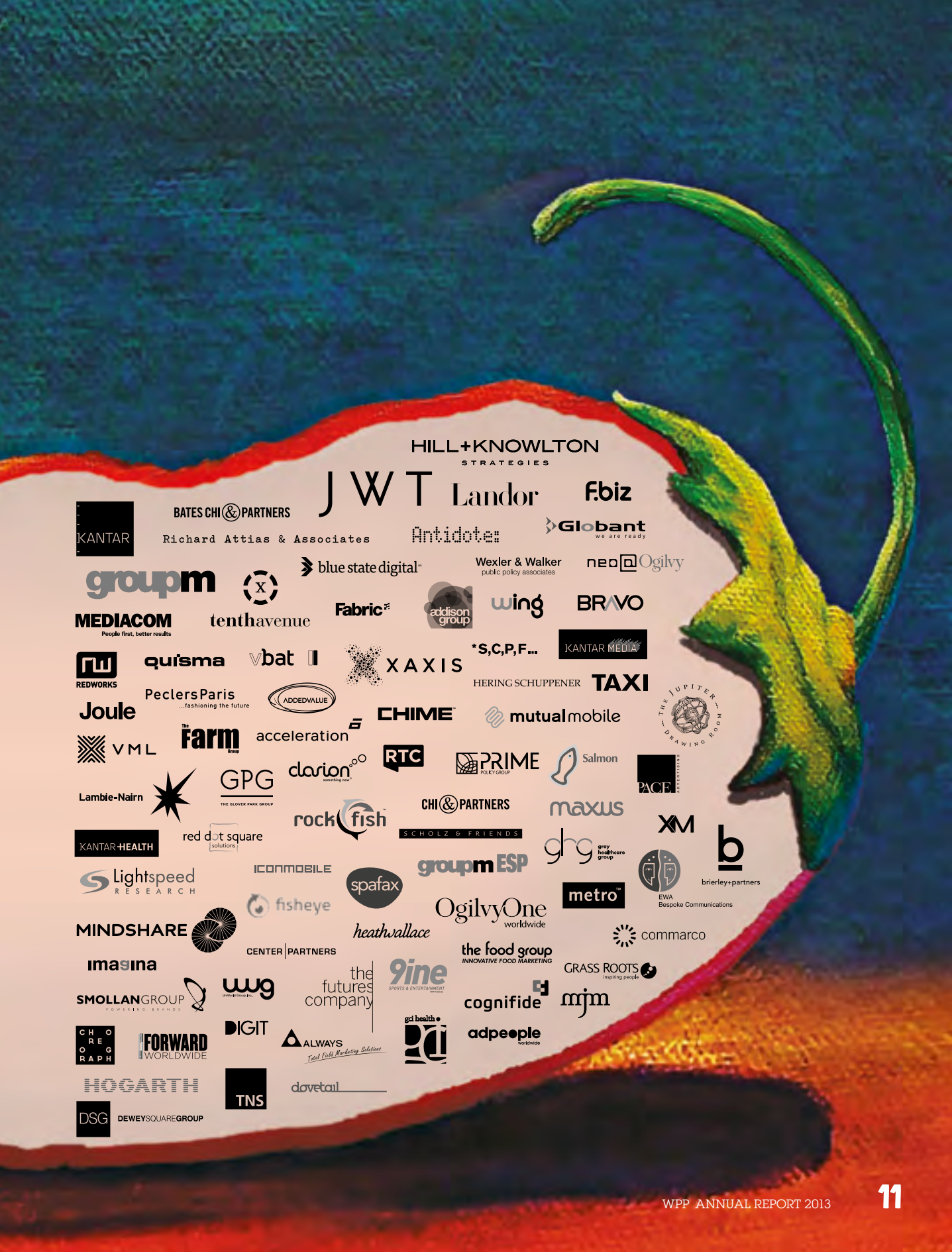
Ogilvy Primary Contact

S&H

wunderman World Health

SUDLER&HENNESSEY

ACTIVE&ARKJWT



HILL+KNOWLTON  
STRATEGIES

J W T Landor

fbiz

KANTAR

BATES CHI & PARTNERS

Richard Attias & Associates

Antidote:

Globant  
we are ready

groupm



blue state digital

Wexler & Walker  
public policy associates

neo@Ogilvy

MEDIACOM  
People first, better results

tenthavenue

Fabric



wing

BRAVO



quisma

vbat

X AXIS

\*S,C,P,F...

KANTAR MEDIA

Joule

PeclersParis  
...fashioning the future



CHIME

mutualmobile



VML

The Farm

acceleration

RTC

PRIME  
POLICY GROUP

Salmon

Lambie-Nairn



GPG  
THE GLOVER PARK GROUP

clarion

PRIME

PRIME

Salmon

PACE

KANTAR HEALTH

red dot square  
solutions

rockfish

SCHOLZ & FRIENDS

groupm ESP

ghg  
grey healthcare group



b

Lightspeed  
RESEARCH

ICONMOBILE

spafax

OgilvyOne  
worldwide

metro

EWA  
Bespoke Communications

MINDSHARE



fisheye

heathwallace

OgilvyOne  
worldwide

metro

commarco

imasina

CENTER PARTNERS

heathwallace

the food group  
INNOVATIVE FOOD MARKETING

GRASS ROOTS  
inspiring people

SMOLLANGROUP  
POWERING BRANDS



wwg

the futures company

9ine  
SPORTS & ENTERTAINMENT

cognifide

mjm

CHORGRAPH

FORWARD  
WORLDWIDE

DIGIT

ALWAYS  
Total Field Marketing Solutions

gcl health  
gcl

adpeople

HOGARTH

TNS

dovetail

DSG DEWEYSQUAREGROUP

# Our companies & associates

## Advertising

ADK<sup>1</sup>  
[adk.jp](http://adk.jp)

Bates CHI&Partners  
[bateschi.com](http://bateschi.com)

Berlin Cameron United  
[bcunited.com](http://bcunited.com)

CHI&Partners<sup>1</sup>  
[chiandpartners.com](http://chiandpartners.com)

Grey  
[grey.com](http://grey.com)

HS Ad<sup>1</sup>  
[hsad.co.kr](http://hsad.co.kr)

JWT  
[jwt.com](http://jwt.com)

Ogilvy & Mather Advertising  
[ogilvy.com](http://ogilvy.com)

Santo  
[santo.net](http://santo.net)

Scangroup  
[scangroup.biz](http://scangroup.biz)

Scholz & Friends  
[s-f.com](http://s-f.com)

Señora Rushmore  
[srarushmore.com](http://srarushmore.com)

Soho Square  
[sohosquareasia.com](http://sohosquareasia.com)

TAXI<sup>■</sup>  
[taxi.ca](http://taxi.ca)

Team Detroit  
[teamdetroit.com](http://teamdetroit.com)

The Jupiter Drawing Room<sup>1</sup>  
[jupiter.co.za](http://jupiter.co.za)

United Network  
[group-united.com](http://group-united.com)

Y&R<sup>■</sup>  
[yr.com](http://yr.com)

## Media Investment Management

**GroupM:**  
[groupm.com](http://groupm.com)

KR Media  
[krmedia-france.com](http://krmedia-france.com)

Maxus  
[maxusglobal.com](http://maxusglobal.com)

MediaCom  
[mediacom.com](http://mediacom.com)

MEC  
[mecglobal.com](http://mecglobal.com)

Mindshare  
[mindshareworld.com](http://mindshareworld.com)

Ohal  
[ohal-group.com](http://ohal-group.com)

Catalyst  
[groupm.com/global/catalyst](http://groupm.com/global/catalyst)

Xaxis  
[xaxis.com](http://xaxis.com)

Quisma  
[quisma.com](http://quisma.com)

**Other media agencies**

M/Six<sup>2</sup>  
[msixagency.com](http://msixagency.com)

**tenthavenue:**  
[tenthavenue.com](http://tenthavenue.com)

Forward  
[theforwardgroup.com](http://theforwardgroup.com)

Joule  
[joulewv.com](http://joulewv.com)

Kinetic Worldwide  
[kineticww.com](http://kineticww.com)

Spafax  
[spafax.com](http://spafax.com)

TMARC  
[tmarcweb.co.za](http://tmarcweb.co.za)

## Data Investment Management

**Kantar:**  
[kantar.com](http://kantar.com)

Added Value  
[added-value.com](http://added-value.com)

Benenson Strategy Group  
[bsgco.com](http://bsgco.com)

Center Partners  
[centerpartners.com](http://centerpartners.com)

IMRB International  
[imrbint.com](http://imrbint.com)

Kantar Health  
[kantarhealth.com](http://kantarhealth.com)

Kantar Japan  
[kantar.jp](http://kantar.jp)

Kantar Media  
[kantarmedia.com](http://kantarmedia.com)

Kantar Retail  
[kantarretail.com](http://kantarretail.com)

Kantar Worldpanel  
[kantarworldpanel.com](http://kantarworldpanel.com)

Lightspeed Research  
[lightspeedresearch.com](http://lightspeedresearch.com)

Millward Brown  
[millwardbrown.com](http://millwardbrown.com)

The Futures Company  
[thefuturescompany.com](http://thefuturescompany.com)

TNS  
[tnsglobal.com](http://tnsglobal.com)

## Public Relations & Public Affairs

Blanc & Otus<sup>•</sup>  
[blancandotus.com](http://blancandotus.com)

Buchanan Communications  
[buchanan.uk.com](http://buchanan.uk.com)

Burson-Marsteller<sup>■</sup>  
[burson-marsteller.com](http://burson-marsteller.com)

Clarion Communications  
[clarioncomms.net](http://clarioncomms.net)

Cohn & Wolfe<sup>■</sup>  
[cohnwolfe.com](http://cohnwolfe.com)

Dewey Square Group  
[deweysquare.com](http://deweysquare.com)

Glover Park Group  
[gloverparkgroup.com](http://gloverparkgroup.com)

Hering Schuppener  
[heringschuppener.com](http://heringschuppener.com)

Hill+Knowlton Strategies  
[hkstrategies.com](http://hkstrategies.com)

Ogilvy Government Relations  
[ogilvygr.com](http://ogilvygr.com)

Ogilvy Public Relations  
[ogilvypr.com](http://ogilvypr.com)

Penn Schoen Berland<sup>■</sup>  
[psbresearch.com](http://psbresearch.com)

Prime Policy Group  
[prime-policy.com](http://prime-policy.com)

QGA  
[qga.com](http://qga.com)

RLM Finsbury  
[rlmfinsbury.com](http://rlmfinsbury.com)

Wexler & Walker Public Policy Associates<sup>•</sup>  
[wexlerwalker.com](http://wexlerwalker.com)

## Branding & Identity

Addison Group<sup>•</sup>  
[addison-group.net](http://addison-group.net)

BDG architecture + design  
[bdg-a-d.com](http://bdg-a-d.com)

CBA  
[cba-design.com](http://cba-design.com)

Coley Porter Bell  
[cpb.co.uk](http://cpb.co.uk)

Dovetail  
[dovetailfurniture.com](http://dovetailfurniture.com)

FITCH<sup>•</sup>  
[fitch.com](http://fitch.com)

Lambie-Nairn<sup>•</sup>  
[lambie-nairn.com](http://lambie-nairn.com)

Landor Associates<sup>■•</sup>  
[landor.com](http://landor.com)

PeclersParis<sup>•</sup>  
[peclersparis.com](http://peclersparis.com)

Brand Union<sup>•</sup>  
[brandunion.com](http://brandunion.com)

The Partners<sup>•</sup>  
[the-partners.com](http://the-partners.com)

VBAT<sup>•</sup>  
[vbat.com](http://vbat.com)

## Healthcare Communications

Feinstein Kean Healthcare<sup>•</sup>  
[fkhealth.com](http://fkhealth.com)

GCI Health  
[gcihealth.com](http://gcihealth.com)

ghg  
[ghgroup.com](http://ghgroup.com)

Ogilvy CommonHealth Worldwide  
[ogilvychww.com](http://ogilvychww.com)

Sudler & Hennessey<sup>■</sup>  
[sudler.com](http://sudler.com)

Wunderman World Health<sup>•</sup>  
[wundermanworldhealth.com](http://wundermanworldhealth.com)

### Key

- <sup>1</sup> Associate
  - <sup>2</sup> Joint venture
  - <sup>3</sup> Investment
  - <sup>•</sup> A Hill+Knowlton Strategies company
  - <sup>■</sup> A Young & Rubicam Group company
  - <sup>•</sup> A member of B to D Group
  - <sup>†</sup> Part of the Wunderman network
  - <sup>\*</sup> A Commarco company
- As at April 2014.

## Direct, Digital, Promotion & Relationship Marketing

AdPeople Worldwide<sup>+</sup>  
[adpeople.com](http://adpeople.com)

A. Eicoff & Co  
[eicoff.com](http://eicoff.com)

AKQA  
[akqa.com](http://akqa.com)

Barrows<sup>1</sup>  
[barrowsonline.com](http://barrowsonline.com)

Blast Radius<sup>+</sup>  
[blastradius.com](http://blastradius.com)

Brierley+Partners<sup>1</sup>  
[brierley.com](http://brierley.com)

Cerebra  
[cerebra.co.za](http://cerebra.co.za)

Deep Blue<sup>\*</sup>  
[db-n.com](http://db-n.com)

Dialogue  
[dialoguelondon.com](http://dialoguelondon.com)

Digit  
[digitlondon.com](http://digitlondon.com)

EWA  
[ewa.ltd.uk](http://ewa.ltd.uk)

FullSIX<sup>3</sup>  
[group.fullsix.com](http://group.fullsix.com)

Grass Roots<sup>1</sup>  
[grassrootsgroup.com](http://grassrootsgroup.com)

Geometry Global  
[geometry.com](http://geometry.com)

High Co<sup>1</sup>  
[highco.fr](http://highco.fr)

iconmobile<sup>■</sup>  
[iconmobile.com](http://iconmobile.com)

KBM Group<sup>+</sup>  
[kbgm.com](http://kbgm.com)

Mando  
[mando.co.uk](http://mando.co.uk)

Maxx Marketing  
[maxx-marketing.com](http://maxx-marketing.com)

OgilvyOne Worldwide  
[ogilvy.com](http://ogilvy.com)

RTC<sup>■</sup>  
[rtcagency.com](http://rtcagency.com)

SJR  
[groupsjr.com](http://groupsjr.com)

Smollan Group<sup>1</sup>  
[smollan.co.za](http://smollan.co.za)

Smollan/Headcount  
[smollan.co.uk](http://smollan.co.uk)

VML<sup>■</sup>  
[vml.com](http://vml.com)

Wunderman<sup>■</sup>  
[wunderman.com](http://wunderman.com)

## Specialist Communications

**Corporate/B2B**  
 Ogilvy Primary Contact  
[primary.co.uk](http://primary.co.uk)

**Demographic marketing**  
 Bravo<sup>■</sup>  
[bebravo.com](http://bebravo.com)

UniWorld<sup>1</sup>  
[uniworldgroup.com](http://uniworldgroup.com)

Wing  
[insidewing.com](http://insidewing.com)

**Employer branding/  
 recruitment**  
 JWT Inside  
[jwt.com](http://jwt.com)

**Event/face-to-face  
 marketing**  
 MJM  
[mjmcreeative.com](http://mjmcreeative.com)

Metro  
[metrobroadcast.com](http://metrobroadcast.com)

Richard Attias & Associates<sup>1</sup>  
[richardattiasassociates.com](http://richardattiasassociates.com)

**Foodservice marketing**  
 The Food Group  
[thefoodgroup.com](http://thefoodgroup.com)

**Sports marketing**  
 9ine Sports & Entertainment  
[9ine.com.br](http://9ine.com.br)

Chime Communications  
 PLC<sup>1</sup>  
[chimeplc.com](http://chimeplc.com)

GroupM ESP  
[groupm.com/groupm-esp](http://groupm.com/groupm-esp)

PRISM Group  
[prismteam.com](http://prismteam.com)

**Entertainment marketing**  
 Alliance  
[alliance-agency.com](http://alliance-agency.com)

**Real estate marketing**  
 Pace  
[paceadv.com](http://paceadv.com)

## Media & production services

The Farm Group  
[farmgroup.tv](http://farmgroup.tv)

Imagina<sup>3</sup>  
[mediapro.es](http://mediapro.es)

United Visions<sup>\*</sup>  
[united-visions.de](http://united-visions.de)

## WPP Digital

Acceleration  
[acceleration.biz](http://acceleration.biz)

Blue State Digital  
[bluestatedigital.com](http://bluestatedigital.com)

Cognifide  
[cognifide.com](http://cognifide.com)

The Data Alliance  
[thedataalliance.com](http://thedataalliance.com)

Fabric Worldwide<sup>1</sup>  
[fabricww.com](http://fabricww.com)

F.biz  
[fbiz.com.br](http://fbiz.com.br)

Hogarth Worldwide  
[hogarthww.com](http://hogarthww.com)

Interlude<sup>1</sup>  
[interlude.fm](http://interlude.fm)

Johannes Leonardo<sup>1</sup>  
[johannesleonardo.com](http://johannesleonardo.com)

Mutual Mobile<sup>1</sup>  
[mutualmobile.com](http://mutualmobile.com)

POSSIBLE  
[possible.com](http://possible.com)

Rockfish  
[rockfishdigital.com](http://rockfishdigital.com)

Salmon  
[salmon.com](http://salmon.com)

Szygy<sup>1</sup>  
[szygy.net](http://szygy.net)

Visible<sup>1</sup>  
[visibletechnologies.com](http://visibletechnologies.com)

## WPP Digital partner companies

Ace Metrix<sup>3</sup>  
[acemetrix.com](http://acemetrix.com)

eCommera<sup>3</sup>  
[ecommera.com](http://ecommera.com)

Fullscreen<sup>3</sup>  
[fullscreen.net](http://fullscreen.net)

Globant<sup>1</sup>  
[globant.com](http://globant.com)

HDT Holdings Technology<sup>3</sup>  
[hdtmedia.com](http://hdtmedia.com)

In Game Ad Interactive<sup>3</sup>  
[igagroup.net](http://igagroup.net)

Invidi<sup>3</sup>  
[invidi.com](http://invidi.com)

mySupermarket<sup>3</sup>  
[mysupermarket.co.uk](http://mysupermarket.co.uk)

Moment Systems<sup>3</sup>  
[miaozhen.com](http://miaozhen.com)

Percolate<sup>3</sup>  
[blog.percolate.com](http://blog.percolate.com)

Proclivity Systems<sup>3</sup>  
[proclivitysystems.com](http://proclivitysystems.com)

Say Media<sup>3</sup>  
[saymedia.com](http://saymedia.com)

SFX Entertainment<sup>3</sup>  
[sfxii.com](http://sfxii.com)

Vice Media<sup>3</sup>  
[vice.com](http://vice.com)

The Weinstein Company<sup>3</sup>  
[weinsteinco.com](http://weinsteinco.com)

WildTangent<sup>3</sup>  
[wildtangent.com](http://wildtangent.com)

## WPP knowledge communities

Government & Public Sector  
 Practice  
[wpp.com/govtpractice](http://wpp.com/govtpractice)

The Store  
[wpp.com/store](http://wpp.com/store)

# Why we exist

## Our mission

To develop and manage talent;  
to apply that talent,  
throughout the world,  
for the benefit of clients;  
to do so in partnership;  
to do so with profit.

**B**etween them, WPP companies have tens of thousands of individual clients. They range from Fortune 500 global giants through single-nation start-ups to the smallest of specialist charities. Diverse as they are, they have one thing in common: in pursuing their objectives, they face formidable competition. Growing affluence in many parts of the world – combined with overcapacity and over-supply in almost every significant consumer market – has put more and more power into the hands of consumers, accelerated by technology.

As always, if they are to succeed – or even to survive with profit – every competitive company needs an intrinsically appealing product or service. Increasingly, part of that appeal must lie in a company's evident sense of a wider responsibility; one that extends beyond share owners, employees and consumers and recognises a duty to the environment and to society as a whole. Today's most successful companies are founded on strong values.

But even all that, though remaining the most fundamental of requirements, is seldom enough. Just as competitive costermongers arrange their apples in appealing displays and polish them lovingly to catch their customers' eyes, so all companies need to display their wares compellingly.

They need access to high-quality information, strategic advice and specialist communications skills. And it's in the nature of specialist and creative talent that it is unlikely to flourish within the confines of a client company. People with specialist talents work best – and contribute more – when recruited, trained and inspired by specialist companies.

Within the WPP Group, our clients have access to companies with all the necessary marketing and communications skills; companies with strong and distinctive cultures of their own; famous names, many of them. WPP, the parent company, complements these companies in three distinct ways.

● First, it relieves them of much administrative work. Financial matters (such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions, investor relations, legal affairs and internal audit) are co-ordinated centrally. For the operating companies, every administrative hour saved is an extra hour to be devoted to the pursuit of professional excellence.

● Second, the parent company encourages and enables operating companies of different disciplines to work together for the benefit of clients. Such collaborations have the additional benefit of enhancing the job satisfaction of our people. The parent company also plays an across-the-Group role in the following functions: the management of talent, including recruitment and training; in property management; in procurement and IT; in knowledge sharing and practice development – with an emphasis on sustainability.

● And finally, WPP itself can function as the 21st-century equivalent of the full-service agency. For some clients, predominantly those with a vast geographical spread and a need for marketing services ranging from advertising through design and website construction to research and internal communications, WPP can act as a portal to provide a single point of contact and accountability.

No two clients are structured in precisely the same way. Within WPP's operating companies, teams can be tailor-made to match any and all. ●

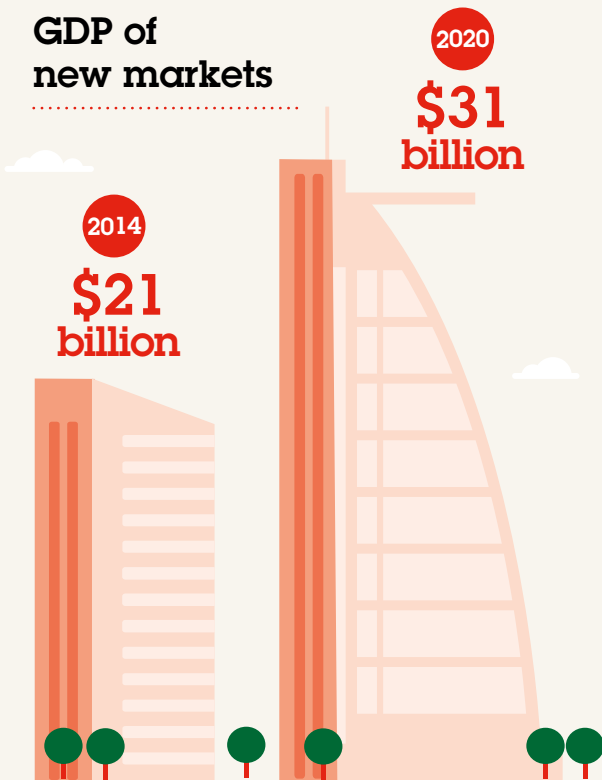




# Our 4 strategic priorities

## NEW MARKETS

GDP of new markets



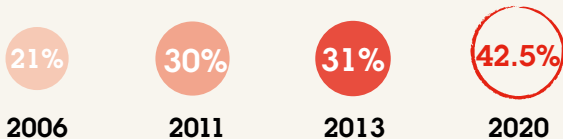
Source: IMF – World Economic Outlook Database : WEO Update: 21 January 2014

### Our target

Increase the share of revenues from faster-growing markets to 40-45%

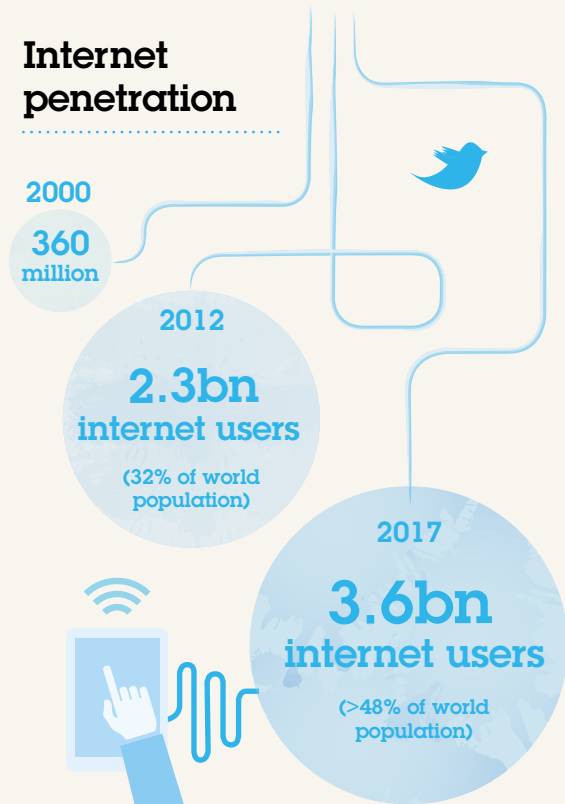
### Are we on target?

(On a constant currency basis %)



## NEW MEDIA

Internet penetration



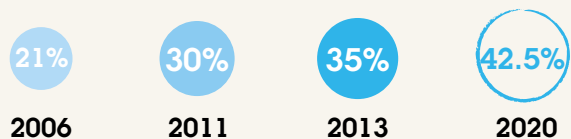
Source: The Cisco Visual Networking Index (VNI) Forecast (2012-2017)

### Our target

Increase the share of revenues from new media to 40-45%

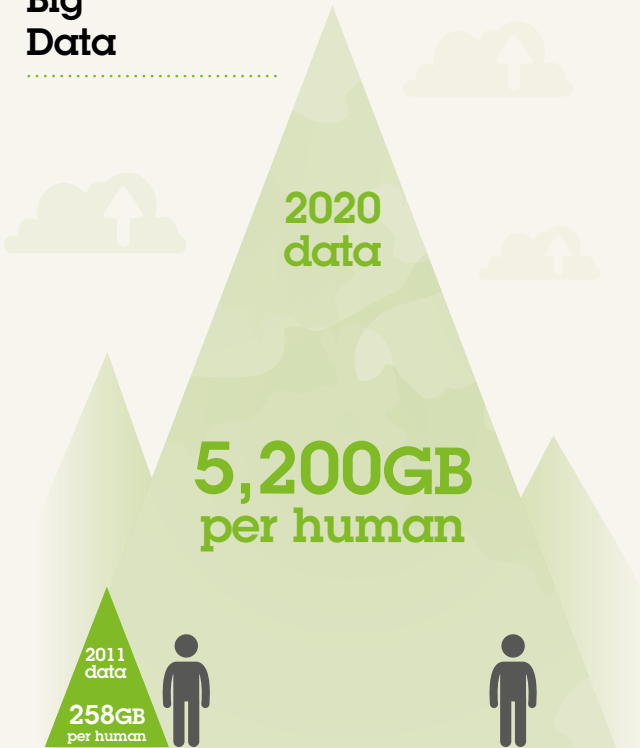
### Are we on target?

(On a constant currency basis %)



# DATA INVESTMENT MANAGEMENT

## Big Data

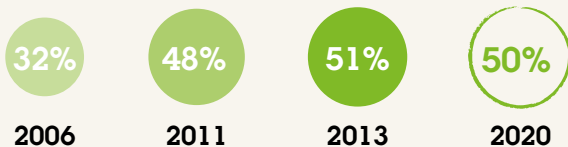


Sources: IDC: The Digital Universe in 2020 & IDC Extracting Value from Chaos June 2011

### Our target

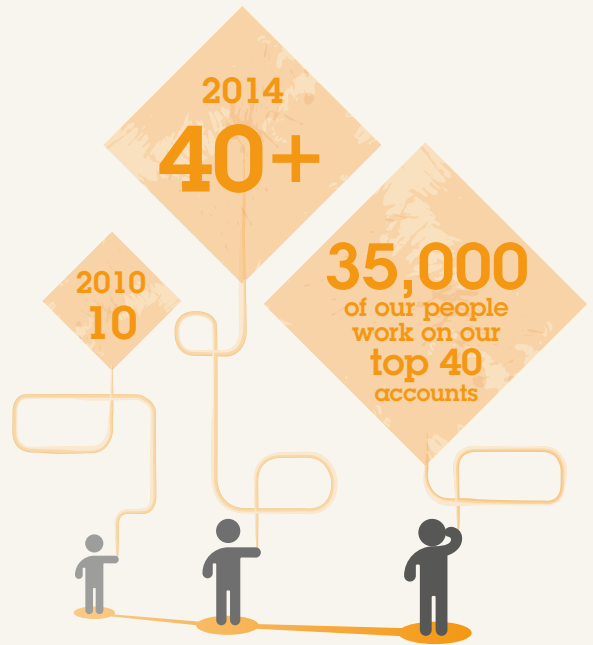
The share of more measurable marketing services to be more than 50%

### Are we on target?



# HORIZONTALITY

## Cross-Group client teams



### Our target

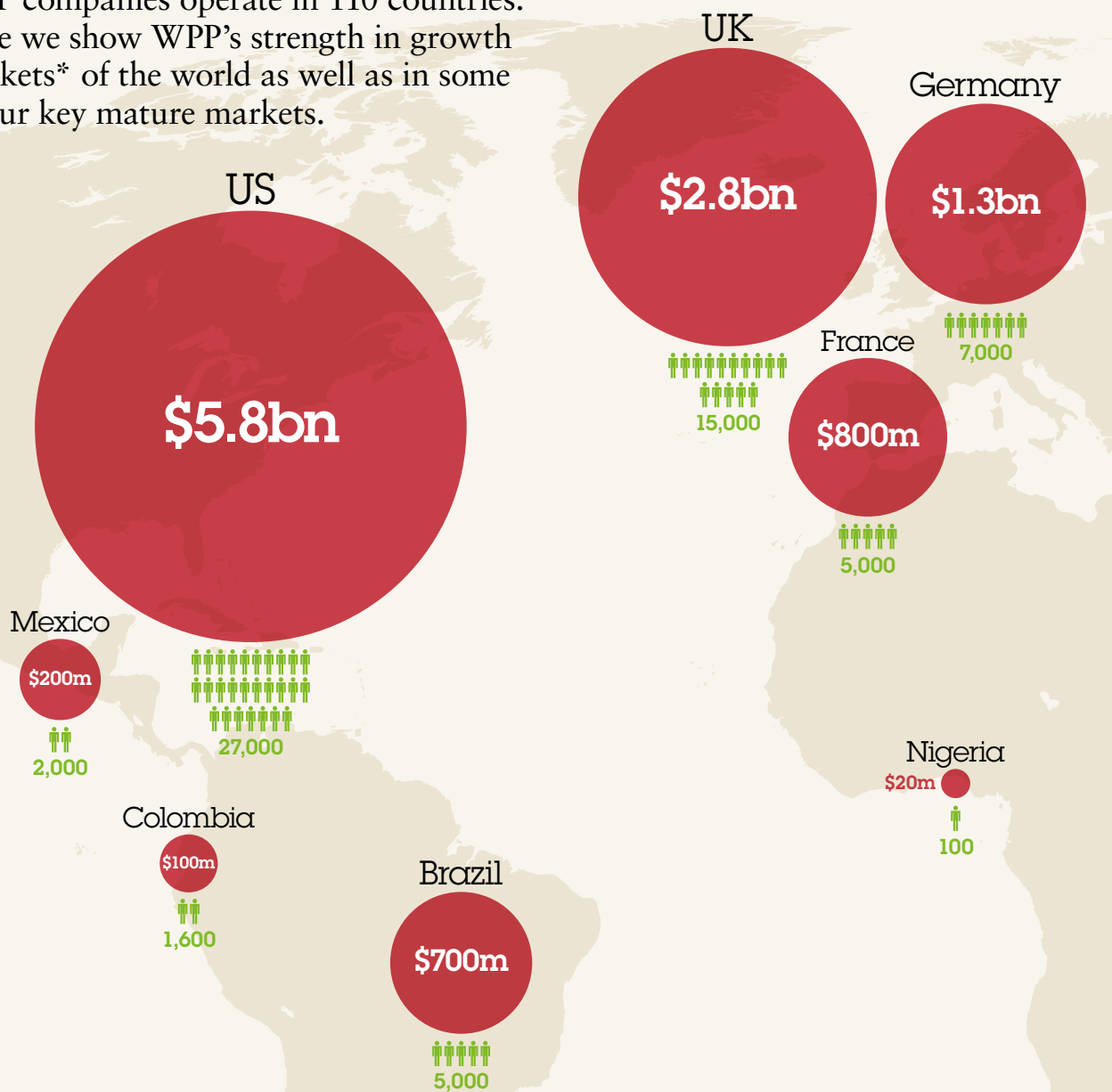
Achieve 'horizontality' by ensuring our people work together for the benefit of clients

### Clients served in four or more disciplines



# WPP: a global company

WPP companies operate in 110 countries. Here we show WPP's strength in growth markets\* of the world as well as in some of our key mature markets.



\* BRIC, Next 11 (excluding Iran), CIVETS and MIST countries. These are listed on page 26.

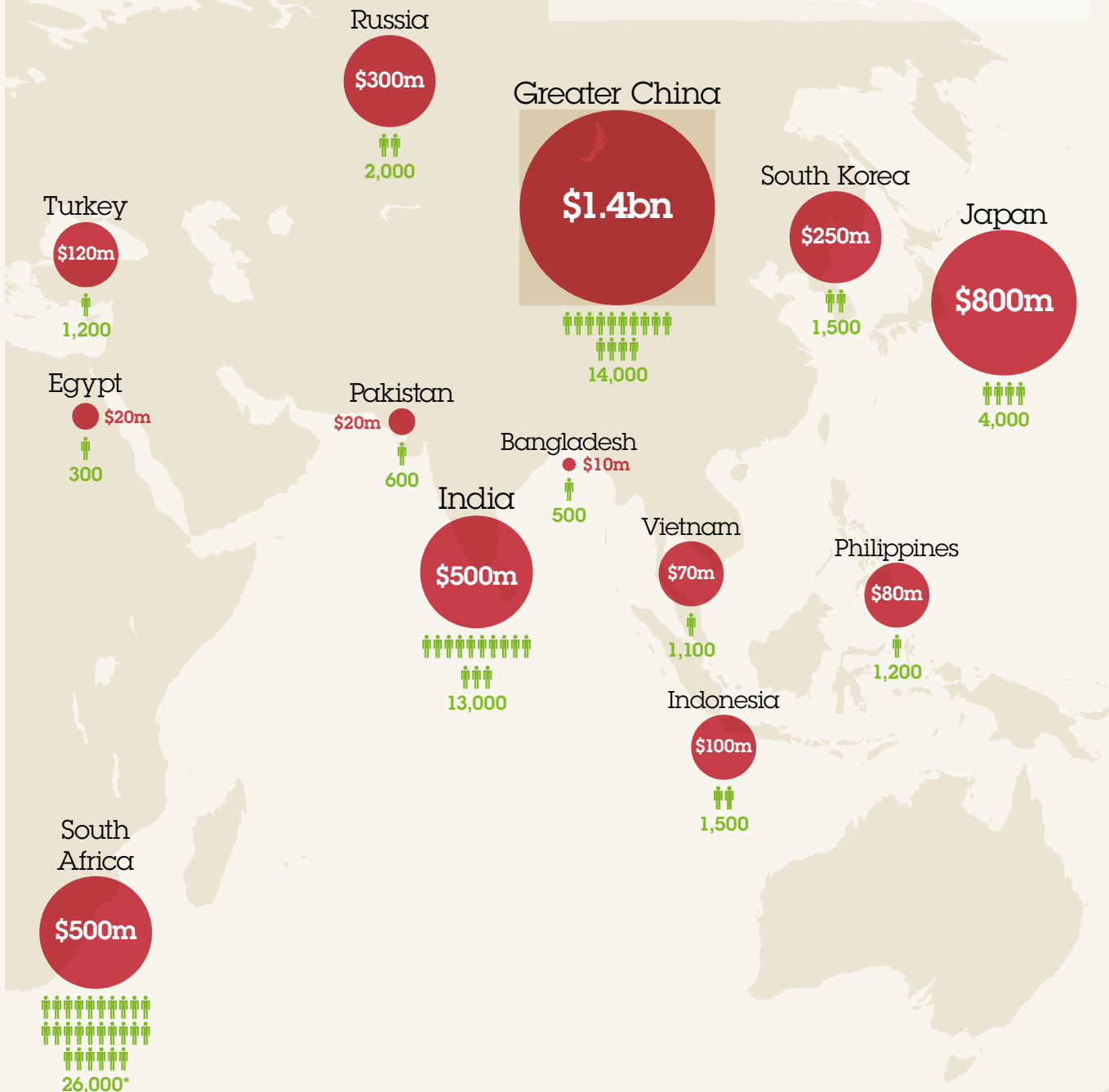
**Revenues** denote the collective figure for all WPP companies (including associates) in a given country and are reported at 2013 constant currency rates.



**People** denotes the number of people employed by WPP companies (including associates) in a given country.



As at 31 December 2013.



\* Includes fieldforce of 22,000.



# How we're doing

## Financial summary

	2013	2012	Change %
Billings <sup>1</sup>	£46,209m	£44,405m	+4.1
Revenue	£11,019m	£10,373m	+6.2
Gross margin <sup>1</sup>	£10,076m	£9,515m	+5.9
Headline EBITDA <sup>2</sup>	£1,896m	£1,756m	+8.0
Headline operating profit <sup>2</sup>	£1,583m	£1,459m	+8.5
Reported operating profit	£1,410m	£1,241m	+13.6
Headline PBIT <sup>2</sup>	£1,662m	£1,531m	+8.5
Headline PBIT margin <sup>2</sup>	15.1%	14.8%	+0.3
Headline gross margin margin <sup>2</sup>	16.5%	16.1%	+0.4
Headline PBT <sup>2</sup>	£1,458m	£1,317m	+10.7
Reported PBT	£1,296m	£1,092m	+18.7
Headline earnings <sup>2</sup>	£1,088m	£966m	+12.6
Reported earnings	£937m	£823m	+13.8
Headline diluted earnings per share <sup>2,4</sup>	80.8p	73.4p	+10.1
Reported diluted earnings per share <sup>4</sup>	69.6p	62.8p	+10.8
Ordinary dividend per share	34.21p	28.51p	+20.0
Ordinary dividend per ADR <sup>3</sup>	\$2.68	\$2.26	+18.6
Net debt at year-end	£2,240m	£2,821m	-20.6
Average net debt <sup>5</sup>	£2,989m	£3,203m	-6.7
Ordinary share price at year-end	1,380.0p	888.0p	+55.4
ADR price at year-end	\$114.86	\$72.90	+57.6
Market capitalisation at year-end	£18,613m	£11,237m	+65.6
<b>At 15 April 2014</b>			
Ordinary share price	1,218.0p		
ADR price	\$101.86		
Market capitalisation	£16,430m		

The financial statements have been prepared under International Financial Reporting Standards (IFRS).

<sup>1</sup> Billings and gross margin are defined on page 246.

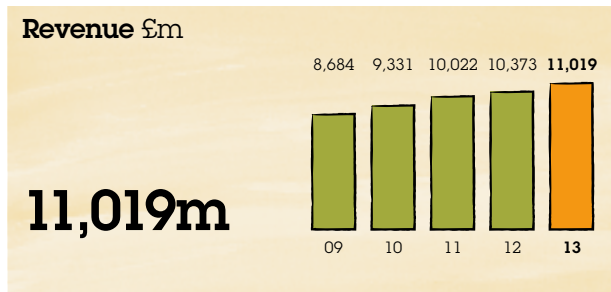
<sup>2</sup> The calculation of 'headline' measurements of performance (including headline EBITDA, headline operating profit, headline PBIT, headline gross margin, headline PBT and headline earnings) is set out in note 31 of the financial statements.

<sup>3</sup> One American Depositary Receipt (ADR) represents five ordinary shares. These figures have been translated for convenience purposes only using the income statement exchange rates 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.

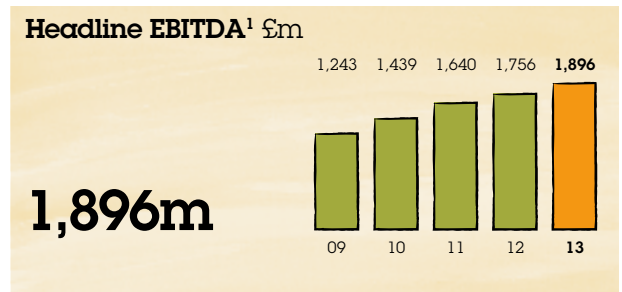
<sup>4</sup> Earnings per share is calculated in note 9 of the financial statements.

<sup>5</sup> Average net debt is defined on page 246.

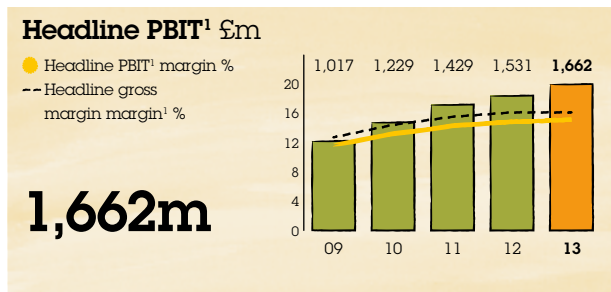
# Financial summary



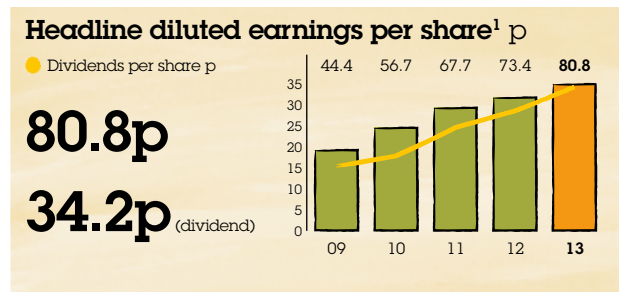
Reported revenue was up 6.2% at £11,019 million. On a constant currency basis, revenues were up 5.7% and, on a like-for-like basis, revenues were up 3.5% and gross margin (or net sales) up 3.4%.



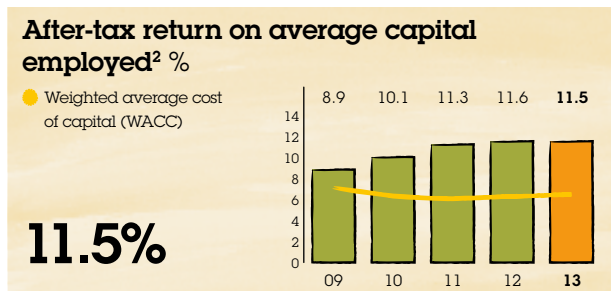
Headline EBITDA (headline earnings before interest, taxation, depreciation and amortisation) rose by 8.0% to £1.9 billion (\$3.0 billion).



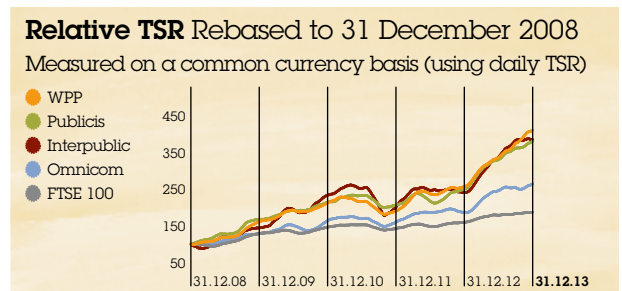
Headline PBIT margin was 15.1% in 2013 against 14.8% in 2012. Headline PBIT was up 8.5% to £1,662 million.



Headline diluted earnings per share were up over 10% to 80.8p. Dividends were up 20% to 34.21p per share, a record level.



After-tax return on average capital employed was 11.5%, with the weighted average cost of capital rising to 6.5%.

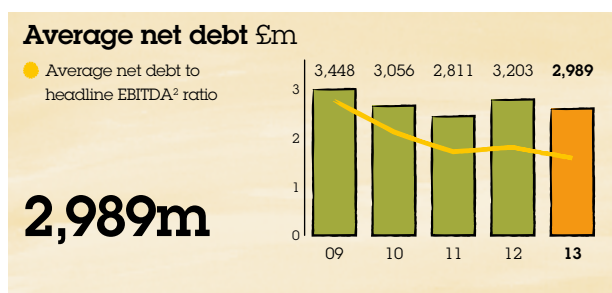


WPP out-performed all its major competitors and the FTSE 100.

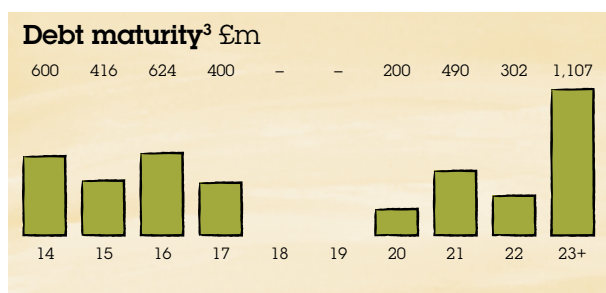
<sup>1</sup> The calculation of 'headline' measurements of performance (including headline EBITDA, headline PBIT, headline gross margin margin and headline earnings) is shown in note 31 of the financial statements.

<sup>2</sup> Calculated gross of goodwill and using profit after taxation before investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, revaluation of financial instruments, amortisation and impairment of acquired intangible assets, share of exceptional losses/gains of associates, Group restructuring costs and, in 2012, the gain on sale of freehold property in New York and costs incurred in changing the corporate structure of the Group, and adjusted to reflect taxes and net finance costs paid.

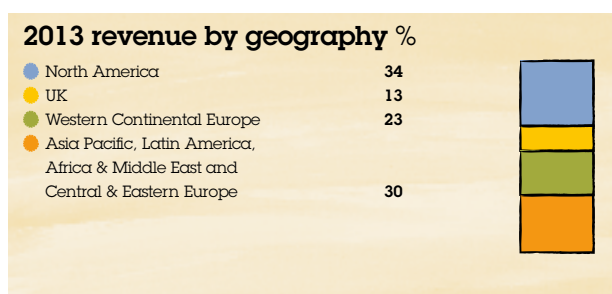




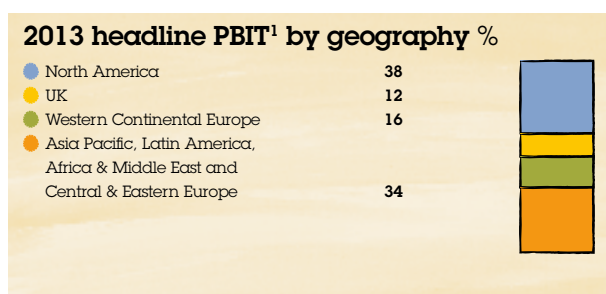
Net debt averaged £3.0 billion in 2013, down £0.2 billion at 2013 exchange rates. The average net debt to headline EBITDA ratio was 1.6 times, well within the Group's current target range of 1.5-2.0 times.



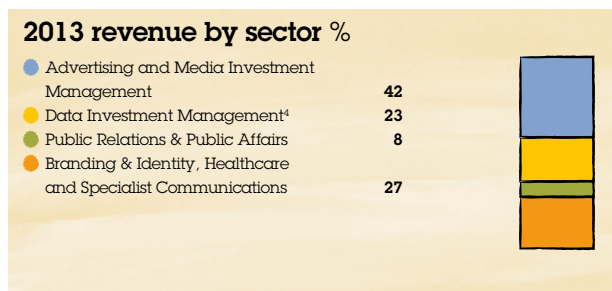
The Group continues to work to achieve continuity and flexibility of funding. Undrawn committed borrowing facilities are maintained in excess of peak net-borrowing levels and debt maturities are monitored closely.



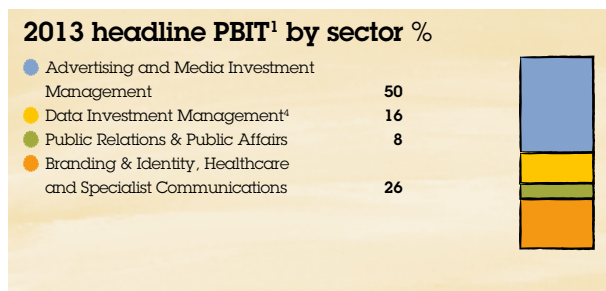
In 2013, 30% of the Group's revenues (30.5% on a constant currency basis) came from Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.



Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe showed strong margin growth in 2013 and now account for 34% of the Group's headline PBIT.



Marketing services comprised almost 60% of our revenues in 2013, a similar proportion to 2012. The strongest performing sector was Advertising and Media Investment Management with like-for-like revenue growth of well over 5%.



PBIT contributions were broadly in line with revenues, with Advertising and Media Investment Management showing significant margin growth.

<sup>1</sup> The calculation of headline PBIT is set out in note 31 of the financial statements.

<sup>2</sup> The calculation of headline EBITDA is set out in note 31 of the financial statements.

<sup>3</sup> Includes corporate bonds and bank loans payable at par value, excluding any redemption premium due, by due date.

<sup>4</sup> Data Investment Management was previously reported as Consumer Insight.

# Strategic report to share owners\*

## Dear share owner

**2** 013, our twenty-eighth year, was another record one, with revenue, profitability, headline margins and earnings per share all reaching new highs. For the third successive year, your Company was awarded a Cannes Lion for Creative Holding Company of the Year, in recognition of your Company's collective creative excellence; and for the second consecutive year, WPP was ranked Most Effective Holding Company in the Effie Global Effectiveness Index. At the same time, we have responded to the changing competitive landscape by accelerating the implementation of our strategic goals. Sector targets for faster-growth markets and new media have been raised to 40-45% of revenues over the next five years. We welcome the challenges and opportunities a post-POG (Publicis Omnicom Group) world will bring, if and when it happens.

Your share price rose sharply in 2013 – an increase of over 55% to 1,380.0p at year end. Since then, however, the share price has fallen to 1,218.0p at the time of writing, reflecting the weakness in global stock markets over recent weeks. Dividends increased by 20% to 34.21p, a record level. This represents a dividend pay-out ratio of 42% on headline diluted earnings per share, in line with the objective set after the 2013 Annual General Meeting of increasing the dividend pay-out ratio to approximately 45% over the following two years. We are targeting a pay-out ratio of 45% in 2014.

Reported billings increased by over 4% to £46.2 billion and were up well over 3% in constant currencies, driven by a strong leadership position in all net new business league tables. Revenues were up over 6% to £11.0 billion and up well over 5% in constant currencies. Gross margin, or net sales, increased by almost 6% and over 5% in constant currencies. Including 100% of associates, revenue is estimated to total £13.3 billion (almost \$21 billion). Headline PBIT was up well over 8% to £1.662 billion against £1.531 billion in 2012 and up 9% in constant currencies. Headline PBIT margins increased by 0.3 margin points to a new high of 15.1% and, on a constant currency basis, were up 0.5 margin points, in line with target.

We are seeing the increasing impact of digital inventory trading, where billings effectively become revenues in comparison to traditional media buying. Revenues are, therefore, likely to grow at a faster rate than gross margin or net sales. On gross margin, the headline PBIT margin was 16.5%, up 0.4 margin points on 2012 and up 0.5 margin points in constant currency. We will increasingly focus on this measure and growth in gross margin, or net sales, as they represent a more meaningful basis for competitive comparisons.

Reported profit before interest and tax rose almost 13% to £1.478 billion from £1.311 billion. Headline EBITDA increased by 8% to £1.896 billion. Headline profit before tax was up well over 10% to £1.458 billion and reported profit before tax was up well over 18% to £1.296 billion. Diluted headline

\* This strategic report to share owners should be read in conjunction with and as part of the Directors' report on pages 121 to 129 and the section headed How we comply on pages 175 to 188.

earnings per share were up over 10% to 80.8p (an all-time high) and diluted reported earnings per share rose by almost 11% to 69.6p.

Free cash flow strengthened to £1.220 billion in the year, over £1 billion for the third consecutive year. Net debt averaged £3.0 billion in 2013, a decrease of £0.2 billion at 2013 exchange rates, and net debt at 31 December 2013 was £2.2 billion, £0.6 billion less than 2012, reflecting improvements in working capital and the redemption of the £450 million Convertible Bond, reinforced by lower acquisition spending in 2013. Average net debt was around 1.6 times headline EBITDA in 2013 compared with 1.8 times in 2012, and well within the Group's current target range of 1.5-2.0 times.

In November 2013, the Group issued \$500 million of 30-year bonds at a coupon of 5.625%, together with €750 million of 10-year bonds at 3.0%. The bonds were well received by investors, with strong demand for both, and will reduce the Group's funding costs, as well as increase the average maturity of the Group's debt to almost eight years.

Headline interest cover in 2013 was 8.2 times. So far, in the first two months of 2014, average net debt was down approximately £0.6 billion at £2.3 billion against £2.9 billion for the same period in 2013, at 2014 exchange rates. Our long-term debt is currently rated Baa2 and BBB and our short-term debt P2 and A2, by Moody's and Standard & Poor's respectively.

With a current equity market capitalisation of approximately £16.4 billion, the total enterprise value of your Company is approximately £18.7 billion, a multiple of 9.9 times 2013 headline EBITDA.

### Revenue growth better in second half

Our reported revenue growth for the year was 6.2%, and on a constant currency basis, which excludes the impact of currency movements, revenues were up 5.7%. Changes in exchange rates increased revenue growth by 0.5%, chiefly reflecting the weakness of the pound sterling against the US dollar and euro in the first nine months, largely offset by the strength of the pound

sterling, particularly against the US dollar, Japanese yen, Australian dollar and Indian rupee in the final quarter.

On a like-for-like basis, which excludes the impact of currency and acquisitions, revenues were up 3.5%, with gross margin or net sales up 3.4%. In the fourth quarter, like-for-like revenues were up over 4%, following like-for-like growth in the third quarter of 5%, reflecting stronger growth in North America and Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, offset by lower growth in the UK. Like-for-like growth in the second half was therefore well over 4% compared with over 2% in the first.

### Latin America and Africa led the way

Like-for-like revenue growth in North America improved as the year progressed, from -1% in the first quarter to up over 5% in quarter four, with particularly strong growth in Advertising and Media Investment Management, Healthcare Communications and parts of the Group's digital operations, especially AKQA. Data Investment Management also performed well, with like-for-like growth of 5% in the final quarter. In constant currencies, full year revenue growth in this region was over 4%, while like-for-like revenues were up almost 3%.

In the UK, full year revenue growth was almost 11% in constant currencies and almost 5% like-for-like. The rate of growth slowed in the final quarter to over 5% in constant currencies, and over 2% like-for-like, partly due to strong comparative rates of growth in the final quarter of 2012.

The Group's Advertising and Media Investment Management, Public Relations & Public Affairs, direct, digital and interactive and Healthcare Communications operations all performed strongly, partly offset by lower revenue growth in Data Investment Management. However, overall gross margin (or net sales) in the final quarter increased by well over 5% on a like-for-like basis, with stronger gross margin growth in the custom research business. Full year gross margin (or net sales) in the

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UK increased by almost 7% on a like-for-like basis.

Western Continental Europe, like the UK, slowed slightly in the final quarter, with both constant currency and like-for-like growth of over 1%. For the year, Western Continental Europe revenues grew 0.5% like-for-like (almost 2% in the second half) compared with 0.1% in 2012. Italy, Turkey, the Netherlands and Germany all showed good growth in the final quarter, but Spain, Portugal, Belgium, Switzerland and Austria were tougher.

Our strongest regions in 2013 were again Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe, with constant currency growth of almost 8% and like-for-like growth of over 6%. Growth in the fourth quarter was similar to the full year and driven principally by Latin America, Australia and New Zealand, Central and Eastern Europe and Africa, the CIVETS and MIST countries. After a difficult first half, Central and Eastern Europe improved significantly, with like-for-like growth of over 10% in the second half (and over 12% in the fourth quarter), with strong growth in the Czech Republic, Russia and Poland. The Middle East slowed in the fourth quarter, while Africa grew by over 9% like-for-like. Latin America showed consistently strong growth for most of 2013, with like-for-like revenues up well over 8% in the final quarter and up 9% for the year.

Full year revenues for the BRICs<sup>1</sup>, which account for almost \$3 billion of revenues including associates, were up almost 7% on a like-for-like basis, with the Next 11<sup>2</sup> and CIVETS<sup>3</sup> up over 9% and over 15% respectively. The MIST<sup>4</sup> was up over 9%. In 2013, almost 30% of the Group's reported revenues came from Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe – slightly down compared with the previous year, as a result of

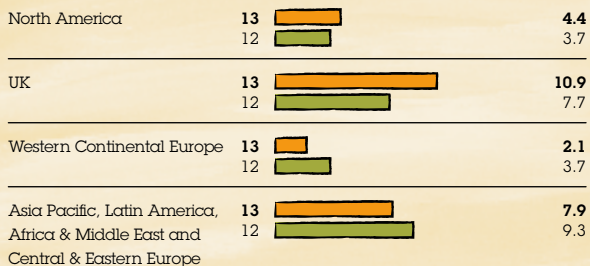
<sup>1</sup> Brazil, Russia, India and China.

<sup>2</sup> Bangladesh, Egypt, Indonesia, Mexico, Nigeria, Pakistan, the Philippines, South Korea, Turkey and Vietnam (the Group has no operations in Iran).

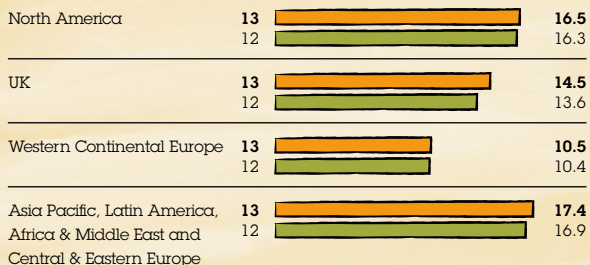
<sup>3</sup> Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa.

<sup>4</sup> Mexico, Indonesia, South Korea and Turkey.

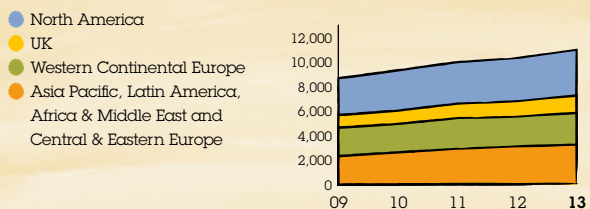
### Constant currency<sup>1</sup> revenue growth by geography %



### Headline PBIT<sup>2</sup> margins by geography %



### Revenue by geography £m



<sup>1</sup> See definition on page 246.

<sup>2</sup> The calculation of headline PBIT is set out in note 31 of the financial statements.

the strength of sterling against the currencies of many of the markets in these regions. On a constant currency basis, 30.5% of the Group's revenues came from these regions, up 0.7 percentage points compared with 2012 and against the Group's strategic objective of 40-45% in the next five years. Markets outside North America now account for 66% of our revenues.

## Strong growth in advertising and media

Advertising and Media Investment Management revenues were up almost 7% for the year in constant currencies and well over 5% like-for-like, the strongest-performing sector on this basis. In the final quarter, constant currency revenues were up almost 8% and like-for-like revenues were up well over 6%, very similar to like-for-like growth in the third quarter.

Of the Group's advertising networks, Ogilvy & Mather, JWT and Grey performed especially well in North America in the fourth quarter, with Y&R performing strongly in the UK. However, the Group's advertising businesses in Western Continental Europe generally remained challenged, with like-for-like revenues under pressure. Growth in the Group's Media Investment Management businesses has been very consistent throughout the year, with constant currency revenues up almost 11% for the year and like-for-like growth of almost 10%. tenthavenue, the 'engagement' network focused on out-of-home media, also performed strongly in the fourth quarter, with like-for-like revenue growth up over 16%. The strong revenue growth across most of the Group's businesses, together with good cost control, resulted in the combined headline PBIT margin of this sector improving by 0.3 margin points to 18.0%.

In 2013, Ogilvy & Mather, JWT, Y&R, Grey and United generated estimated net new business billings of £2.3 billion (\$3.7 billion). GroupM (the Group's Media Investment Management arm, which includes Mindshare, MEC, MediaCom, Maxus, GroupM Search and Xaxis), together with tenthavenue, generated estimated net new business billings of £3.2 billion (\$5.1 billion).

Data Investment Management (formerly Consumer Insight) revenues grew 3% on a constant currency basis, with like-for-like revenues up well over 1%, and the second half much stronger than the first half. More significantly, gross margin (or net sales) was up over 2% like-for-like, a turnaround of the trend seen in 2012. In the fourth quarter, revenues grew by almost 4% on a constant currency basis, with gross margin up 4%. On a like-for-like

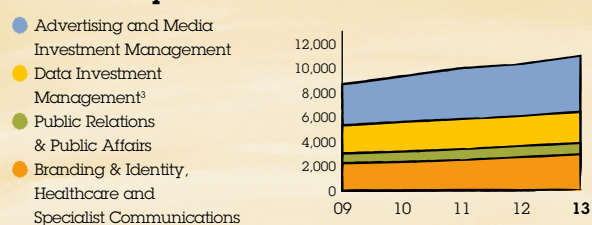
### Constant currency<sup>1</sup> revenue growth by sector %

Advertising and Media	13		6.9
Investment Management	12		5.2
Data Investment Management <sup>3</sup>	13		3.0
Management <sup>3</sup>	12		2.8
Public Relations & Public Affairs	13		(0.7)
	12		4.2
Branding & Identity, Healthcare and Specialist Communications	13		8.4
	12		10.2

### Headline PBIT<sup>2</sup> margins by sector %

Advertising and Media	13		18.0
Investment Management	12		17.7
Data Investment Management <sup>3</sup>	13		10.3
Management <sup>3</sup>	12		10.0
Public Relations & Public Affairs	13		14.5
	12		14.9
Branding & Identity, Healthcare and Specialist Communications	13		14.8
	12		14.4

### Revenue by sector £m



<sup>1</sup> See definition on page 246.

<sup>2</sup> The calculation of headline PBIT is set out in note 31 of the financial statements.

<sup>3</sup> Data Investment Management was previously reported as Consumer Insight.

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basis, revenues were up over 1% and gross margin up almost 2%. North America, Asia Pacific, Latin America, Africa and the Middle East performed well above the average in the fourth quarter, as they did for the year as a whole. The UK and Western Continental Europe were more difficult. There seems to be a growing recognition of the value of 'real' data businesses, rather than those that depend on third-party data. Headline PBIT margins improved 0.3 margin points to 10.3%, while headline gross margin or net sales margins (headline PBIT as a proportion of gross margin rather than revenue) also improved 0.3 margin points to 14.3%.

Although there has been marked improvement during 2013, the weakest sub-sector continues to be the custom businesses in mature markets (with North America maybe now an exception) where discretionary spending remains under review by clients. Custom businesses in faster-growth markets and syndicated and semi-syndicated businesses in all markets remain robust, with strong like-for-like revenue and gross margin or net sales growth.

**Almost 35% of the Group's 2013 revenues came from direct, digital and interactive, up over two percentage points from the previous year and growing well over 7% like-for-like**

The Group's Public Relations & Public Affairs businesses had a difficult year, particularly in North America, Continental Europe, Latin America and the Middle East. However, although revenues for the year fell by almost 1% on a constant currency basis and by almost 2% like-for-like, top-line growth returned in the fourth quarter with constant currency revenues up over 2% and like-for-like growth of over 1%. Despite careful cost management, Headline PBIT margins fell by 0.4 margin points to 14.5%.

At the Group's Branding & Identity, Healthcare and Specialist Communications businesses (including direct, digital and interactive), constant currency revenues grew strongly at over 8% with like-for-like growth of almost 4%. Like-for-like revenue growth slipped slightly in quarter four, due primarily to slower growth in parts of the Group's Branding & Identity and Specialist Communications businesses, but overall the second half was much stronger than the first half on a like-for-like basis. AKQA, the leading digital agency acquired in July 2012, performed particularly well with full year like-for-like revenues up over 20%, with the fourth quarter even stronger. For the sector as a whole, headline PBIT margins improved by 0.4 margin points to 14.8%.

Almost 35% of the Group's 2013 revenues came from direct, digital and interactive, up over two percentage points from the previous year and growing well over 7% like-for-like. Marketing services comprised almost 60% of our revenues in 2013, a similar proportion to 2012.

### Margins reach new high, but affected by strength of sterling

Headline PBIT margins were up 0.3 margin points to a new historical high of 15.1%, compared to 14.8% in 2012. The impact of exchange rates reduced reported margins by 0.2 margin points, but on a constant currency basis margins increased by 0.5 margin points, and on a like-for-like basis by 0.6 margin points, more than in line with the Group's margin target. Over the last three years, reported headline PBIT margins have improved by 1.9 margin points and by 2.3 margin points excluding the impact of currency.

Group revenues are more weighted to the second half of the year across all regions and functions, especially in the faster-growing markets of Asia Pacific and Latin America. The Group's profitability and margins continue to be skewed to the second half and, in particular, the final quarter. The strengthening of sterling in the final quarter, particularly against the currencies of the faster-

growing markets, therefore resulted in a reduction in the Group's operating margins. This currency effect is exacerbated by the fact that disproportionate amounts of central overheads and incentive costs are paid in sterling and US dollars.

Given the significance of Data Investment Management revenues to the Group, with none of our parent company competitors presently represented in that sector, gross margin or net sales is a more meaningful measure of comparative top-line growth. This is because Data Investment Management revenues include pass-through costs, principally for data collection, on which no margin is charged. In addition the Group's Media Investment Management sector is increasingly buying digital media on its own account and, as a result, the subsequent billings to clients have to be accounted for as revenue as well as billings. Thus, revenues and the revenue growth rate will increase, although gross margin and the gross margin growth rate will remain the same and the latter will present a clearer picture of underlying performance.

Because of these two significant factors, the Group, whilst continuing to report revenue and revenue growth, will focus even more on gross margin or net sales margins as well as operating margins in the future. Headline gross margin (or net sales) margins were up 0.4 margin points to 16.5%, achieving the highest reported level in the industry.

## Operating costs contained

During 2013, the Group continued to manage operating costs effectively, with improvements across most cost categories, particularly staff, property, commercial and office costs. On a like-for-like basis, total operating and direct costs rose by 2.9%, a slower rate of growth than for revenue.

On a like-for-like basis, the average number of people in the Group decreased by 0.1% in 2013. On the same basis, the number of people in the Group at 31 December 2013 increased by 0.7% compared with the end of 2012. These average and point-to-point figures reflect the continuing sound

management of headcount and staff costs in 2013 to balance revenues and costs. Also on a like-for-like basis, revenues increased by 3.5% and gross margin or net sales were up 3.4%.

Reported staff costs, excluding incentives, rose by well over 5% and by over 5% in constant currency. Staff costs included £27 million (\$43 million) of severance costs compared with £51 million (\$82 million) in 2012. Incentive costs amounted to £328 million (\$521 million) which was over 17% of headline operating profit before incentives and income from associates, compared with £291 million (\$462 million) or well over 16% in 2012.

Performance in parts of the Group's Data Investment Management custom businesses, Public Relations & Public Affairs, Healthcare Communications and direct, digital and interactive businesses fell short of the target performance objectives agreed for 2013, as the like-for-like revenue growth rate was slower in the first nine months of the year, although most improved in the final quarter. Our objective remains to pay out approximately 20% of operating profit before bonus and taxes at maximum and 15% at target and, in some cases, 25% at 'super-maximum'.

Headline PBIT margins, before all incentives and income from associates, were 17.3%, up 0.4 margin points, compared with 16.9% last year. The Group's staff cost to revenue ratio, including incentives, decreased by 0.1 margin point to 58.8% compared with 58.9% in 2012, indicating an improvement in productivity.

Part of the Group's strategy is to continue to ensure that variable staff costs (incentives, freelance and consultants costs) are a significant proportion of total staff costs and revenue, as this provides flexibility to deal with volatility in revenues and recessions or slowdowns. In 2013, the ratio of variable staff costs to total staff costs was 12.7%, compared with 11.4% in 2012 and 9.7% in 2009. As a proportion of revenue, variable staff costs were 7.5% in 2013 compared with 6.7% in 2012 and 5.7% in 2009. The business is, therefore, well positioned if current market conditions deteriorate.

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As a result of all this, headline PBIT rose by well over 8% to £1.662 billion from £1.531 billion, up 9% in constant currencies. Reported PBIT rose almost 13% to £1.478 billion from £1.311 billion, up well over 13% in constant currencies, in part due to exceptional gains of £36 million arising on the disposal of minority investments and the re-measurement of certain of our equity interests where we have acquired a majority stake.

Net finance costs (excluding the revaluation of financial instruments) were £204 million, down almost 5% from £214 million in 2012. This reflected the beneficial impact of lower net debt funding costs and higher income from investments, partially offset by the cost of higher average gross debt, due to pre-funding of 2014 debt maturities. Headline profit before tax increased by well over 10% (over 11% in constant currencies) to £1.458 billion and reported profit before tax was up well over 18% (over 19% in constant currencies) to £1.296 billion.

The Group's tax rate on headline profit before tax was 20.2%, compared with 21.2% in 2012, and on reported profit before tax was 21.9% against 18.1% in 2012. The difference in the reported tax rate is primarily due to significant deferred tax credits arising in the prior year in relation to acquired intangibles that were non-recurring items.

Diluted headline earnings per share rose over 10% (well over 9% in constant currencies) to 80.8p and diluted reported earnings per share increased by almost 11% (well over 10% in constant currencies) to 69.6p.

### A record year, but not without challenges

2013 was another record year for your Company. In some respects it was easier than 2012, with faster like-for-like revenue growth, 3.5% versus 2.9%. We reached our margin targets on a constant currency basis and did even better like-for-like. But following a major strengthening of sterling against most of the faster-growth markets' currencies, we missed our margin target in reportable sterling terms. Encouragingly, having budgeted around 3% like-for-

like revenue growth at the beginning of 2013, our forecast for full year growth became progressively stronger, and we finished the year with like-for-like growth of 3.5%. This, combined with intelligent control of headcount and discretionary spend, improved profitability and replenished bonus pools. However, pressures within the industry are becoming more and more intense, with clients understandably continuing to demand more for less and consolidating competitors discounting their pricing heavily, particularly in Media Investment Management.

So why was 2013, although another record year, still difficult? Clients were certainly in better shape with profits at an all-time high as a proportion of GDP, margins generally stronger, share prices rising as institutional investors rotated out of government securities and with clients sitting on, in the case of US-based multinationals, over \$4 trillion in cash with relatively unleveraged balance sheets. But, whilst clients are now certainly in stronger shape than post-Lehman in September 2008, they still lack the necessary confidence given that global GDP growth remains sub-trend and the 'grey swans', or known unknowns remain – although most, if not all, of the latter are whiter. Black swans are, by definition, the unknown unknowns.

There are at least four or five grey swans, perhaps even six now in the case of the UK.

● Firstly, the potential fragility of the Eurozone, certainly better since one of the Super Marios, Mario Draghi, took over as the President of the European Central Bank, but still subject to potential shocks, for example, from the implementation of banking stress tests during this year and the still socially and politically unacceptable levels of unemployment and youth unemployment, for example in Spain. The Eurozone has also been aided by others stressing the need to reduce unemployment and surrendering the inflation rate constraint, for example, by both the former and new Chairpersons of the Federal Reserve Bank in the US, the re-elected Prime Minister Abe in Japan and Mark Carney, the new Governor of the Bank of England in the UK. This has certainly helped equity securities too.



● Second, the prospects for the Middle East, are probably now, if anything, better than a year ago. Although Syria remains a mess and there remain challenges in Libya and between Israel and Palestine, the Russian-led intervention on the chemical weapons issue in Syria and President Rouhani's initiatives from Tehran have improved the political climate. Perhaps, the next election in Egypt will also bring more stability, although the region remains generally fragile to say the least.

● Third, a China or BRICs hard or soft landing. Most, if not all of these markets have suffered a slowdown in 2013 and, following the tapering noises from the US, significant currency weakness, with the exception of China. However, they still remain faster growth markets than the slower growth mature markets of the West.

*We reached our margin targets on a constant currency basis and did even better like-for-like*

We remain bullish on China. The new leadership has immediately addressed issues of corruption and the Third Plenum document reinforced the strategic directions of the 12th Five Year Plan, with an emphasis on lower quantum, higher quality GDP growth, a switch to consumption from savings, a healthcare and social security safety net and a strengthening of the service sector.

While we are traditionally bullish on Russia, and the Sochi Winter Olympics were an undoubted success, the crisis in Ukraine means that everyone is watching carefully to see how events unfold. Brazil and India both face elections shortly and politics and the economies are dominated by electoral considerations. It looks likely that President Dilma Rousseff will be re-elected, particularly if Brazil wins the 2014 FIFA World Cup. It should be a great tournament, despite infrastructure issues and social unrest, which will continue. After the election,

growth should resume on towards the Rio Olympics in 2016. India may be a different kettle of fish.

The election may not deliver a clear-cut result and although the BJP party looks stronger, there will be a coalition, which may result in continued stasis.

However, the continued increase of the hundreds of millions in the new middle classes in all these countries seems to be the real economic motive force, particularly for fast-moving consumer goods. On its 25th anniversary, CNBC, together with PricewaterhouseCoopers, took a look at the world in 25 more years. China was projected as the world's biggest economy with GDP of \$34 trillion versus \$8 trillion now, the US second at \$28 trillion (but still with markedly higher GDP per capita) versus \$16 trillion now, and India third. India would be the most populous nation with 1.6 billion people and China second with 1.4 billion. We continue to significantly focus our future on the growth of these markets.

● Fourth, dealing with the US deficit and a record level of \$16 trillion of debt in the most effective way. Despite the sequester, which slowed growth in the US in the first half of 2013 by 100 basis points or so and the Congressional agreement to kick the can down the road further than usual, these issues remain to be resolved. In addition, we have to come off the post-Lehman cheap money drug at some time and the scale and speed of tapering remains the key issue for the strength of equity and currency markets. This remains the elephant in the room, as the US is still currently twice the size of the Chinese economy.

● Fifth, and more parochially, the decisions to launch referenda for Scottish independence and Britain's European Union membership, whilst no doubt being astute political moves, add further uncertainty to the UK economy until and after the next UK General Election in 2015.

● Finally, whilst economic conditions may have generally slightly improved this year, a further geopolitical risk emerged at the World Economic Forum in Davos last January – the Sino-Japanese spat over the islands of Diaoyu/Senkaku and the willingness of both sides to engage in a 'limited' military action to resolve it. This reminded everyone

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of historical precedents, where seemingly small events triggered bigger ones. In addition, the Ukraine crisis has added further geopolitical risk.

So all in all, whilst clients may be more confident than they were in September 2008 post-Lehman, with stronger balance sheets, sub-trend global GDP growth combined with these levels of uncertainty and increased corporate governance scrutiny make them unwilling to take further risks. They remain focused on a strategy of adding capacity and brand building in both faster-growth geographic markets and functional markets, like digital and containing or reducing capacity, perhaps with brand building to maintain or increase market share, in the mature, slow growth markets.

This approach also has the apparent virtue of limiting fixed-cost increases and increasing variable costs, although we naturally believe that marketing is an investment not a cost. We see little reason, if any, for this pattern of behaviour to change in 2014, with continued caution being the watchword. There is certainly no evidence to suggest any such change in behaviour so far in 2014.

### Managing our risks

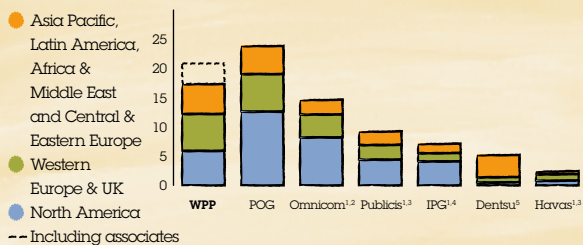
The Board has considered the principal risks and uncertainties affecting the Group as at 31 December 2013 and up to the date of this report. These are described in detail on pages 182 to 185.

### Outlook for 2014 continues to be demanding

2014 looks to be another demanding year, as a strong UK pound and weak faster-growth market currencies continue to take their toll on our reported margins.

The pattern for 2014 looks very similar to 2013, perhaps with slightly increased client confidence enhanced by the mini-quadrennial events of the Winter Olympics at Sochi and the FIFA World Cup in Brazil (which will re-position perceptions of Russia and Latin America, just like the Beijing

### 2013 revenue by geography vs peers \$bn



<sup>1</sup> Sourced from 2013 company presentations. Central & Eastern Europe estimated at 3% of revenue.

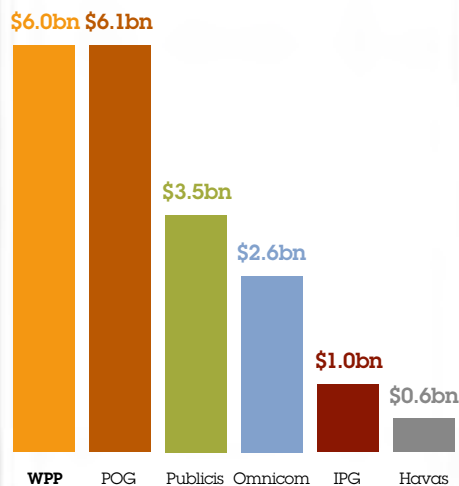
<sup>2</sup> Assumed non-Euro countries in Europe are 3% of revenue and Canada is 1.5% of revenue.

<sup>3</sup> Assumed \$1=€0.75 based on the average for 2013.

<sup>4</sup> Assumed Canada is 1.5% of revenue.

<sup>5</sup> Dentsu based on disclosed pro forma group revenue splits against 2013 reported revenue.

### 2013 digital revenue<sup>1</sup> vs peers \$bn



<sup>1</sup> Peer digital revenue according to Sanford Bernstein percentages applied to FY US\$ revenue.

Olympics did for China, the World Cup did for South Africa and London 2012 did for the UK) and the mid-term Congressional elections in the US.

**New markets, new media and Data Investment Management account respectively for 30%, 35% and 23% of the Group's revenues of \$17.3 billion, demonstrating the success of our strategic focus**

Forecasts of worldwide real GDP growth still hover around 3.6%, with inflation of 2.1% giving nominal GDP growth of around 5.7% for 2014, although they have been reduced recently and may be reduced further in due course. Advertising as a proportion of GDP should at least remain constant overall, although it is still at relatively depressed historical levels, particularly in mature markets, post-Lehman. Advertising should grow at least at a similar rate as GDP, buoyed by incremental branding investments in the under-branded faster-growing markets.

Although both consumers and corporates seem to be increasingly cautious and risk averse, they should continue to purchase or invest in brands in both fast- and slow-growth markets to stimulate top-line sales growth. As the former leading chief investment officer of one of the largest investment institutions said perceptively, companies may be running out of ways of reducing costs and have to focus more on top-line growth. Merger and acquisition activity may be regarded as an alternative way of doing this, particularly funded by cheap long-term debt, but we believe clients may regard this as a more risky way than investing in marketing and brand and hence growing market share.

In 2014, our prime focus will remain on growing revenues and gross margin or net sales faster than the industry average, driven by our leading position in the new markets, in new media, in Data Investment

Management, including data analytics and the application of technology, in creativity and 'horizontality' – the increasing opportunities for coordination and co-operation between activities both nationally and internationally, and at a client and country level. New markets, new media and Data Investment Management account respectively for 30%, 35% and 23% of the Group's revenues of \$17.3 billion, demonstrating the success of our strategic focus.

At the same time, we will concentrate on meeting our operating margin objectives by managing absolute levels of costs and increasing our flexibility in order to adapt our cost structure to significant market changes and by ensuring that the benefits of the restructuring investments taken in 2012 continue to be realised.

The initiatives taken by the parent company in the areas of human resources, property, procurement, IT and practice development continue to improve the flexibility of the Group's cost base. Additionally, as noted earlier, flexible staff costs (including incentives, freelance and consultants) remain close to historical highs of around 7.5% of revenues and continue to position the Group extremely well should current market conditions change.

The budgets for 2014 have been prepared on a cautious basis as usual (hopefully), but continue to reflect the faster-growing geographical markets of Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe and faster-growing functional sectors of Advertising, Media Investment Management and direct, digital and interactive to some extent moderated by the slower growth in the mature markets of the US and Western Europe. Our 2014 budgets show like-for-like revenue and gross margin growth of over 3% and a target operating margin and gross margin or net sales margin improvement of 0.3 margin points before the impact of currency.

Incentive plans for 2014 will continue to emphasise revenue, gross margin or net sales and operating profit growth in conjunction with operating margin improvement, although objectives

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will continue to include qualitative Group objectives, including coordination and co-operation, talent management and succession planning.

At the time of writing, we have revenue and profit data for the first two months of 2014. The Group has had a good start to the year, with like-for-like revenue growth up over 6% in the first two months and gross margin or net sales up over 4% on the same basis, again reflecting the divergence in revenue and gross margin or net sales in the Group's Media and Data Investment Management businesses.

All geographic regions were up, with growth in North America, the UK and Latin America up well above the average. All sectors, other than Branding & Identity, were up, with Advertising and Media Investment Management and direct, digital and interactive particularly strong.

These trends are in line with our budgets, which also indicate a broadly steady rate of growth throughout the year, albeit with the usual conservatism in quarter four. Operating profits and margins were above budget.

## Longer term looks favourable

In the long term, the outlook for the communications services industry appears favourable.

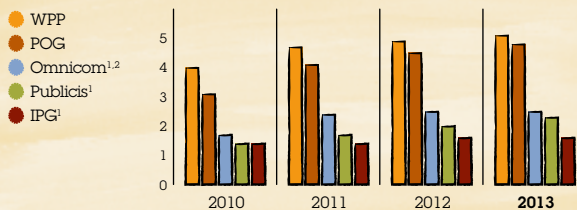
The shift in economic power to the East, South and South-East, overcapacity of production in most sectors and the shortage of human capital, the developments in new technologies and media, the growth in importance of internal communications, the rise of proximity retailing and e-commerce, the rise of procurement and finance, the focus on central and local organisation, the growth in government spending, further consolidation amongst clients, media owners and competitors, and the new focus on corporate sustainability issues such as climate change, underpin the need for our clients to continue to differentiate their products and services both tangibly and intangibly.

Moreover, the continuing growth of the BRICs, Next 11 and other faster-growing geographical markets will add significant opportunities in Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe – along with the growth of 'new-BRICs' such as Vietnam, Pakistan, Indonesia, Bangladesh, Nigeria, Colombia, Turkey and Mexico and even Myanmar, with Cuba and Iran to come. Advertising and marketing services expenditure as a proportion of GDP has started to resume its growth, although in these relatively low-inflationary times, where our clients have limited pricing power, we remain committed to working with our clients and their finance and procurement departments to improve the effectiveness and efficiency of their investments and spending.

Given these short- and long-term trends, your Company believes it has the correct strategic priorities – new markets, new media, Data Investment Management and 'horizontality' – and a focus on not only strategic planning, creative execution and distribution, but also on both the application of new technology and analysis of data, to the benefit of our clients and people.

Including associates, the Group currently employs almost 175,000 full-time people (up from over

### Revenue in faster-growing markets 2010-2013 \$bn



<sup>1</sup> Peer data sourced from annual results translated at average exchange rate for the year.

<sup>2</sup> Assumed non-Euro countries in Europe are 3% of revenue and Canada is 1.5% of revenue.

165,000 the previous year) in over 3,000 offices in 110 countries. It services 351 of the Fortune Global 500 companies, all 30 of the Dow Jones 30, 69 of the NASDAQ 100, 31 of the Fortune e-50, and some 770 national or multinational clients in three or more disciplines. Almost 490 clients are served in four disciplines and these clients account for 57.5% of Group revenues. The Group also works with nearly 400 clients in six or more countries.

These statistics reflect the increasing opportunities for 'horizontality' – developing client relationships between activities nationally, internationally and by function. We estimate that well over a third of new assignments in the year were generated through the joint development of opportunities by two or more Group companies.

'Horizontality' is clearly becoming an increasingly important part of client strategies, particularly as they continue to invest in brand in slower-growth markets, and both capacity and brand in faster-growth markets.

The Group continues to improve co-operation and coordination among its operating companies in order to add value to our clients' businesses and our people's careers, an objective which has been specifically built into short-term incentive plans. We may, in addition, decide that a significant proportion of operating company incentive pools are funded and allocated on the basis of Group-wide performance over the coming years. 'Horizontality' has been accelerated through the appointment of 41 Global Client Leaders for our major clients, accounting for over one-third of total revenues of \$17.3 billion, and 15 Sub-Regional and Country Managers in a growing number of 'test' markets and sub-regions amounting to nearly 50 countries. The Group continues to lead the industry in coordination geographically and functionally through parent company initiatives and winning Group pitches. For example, the Group has been very, very successful in the recent wave of consolidation in the pharmaceutical and shopper-marketing industries and the resulting 'Team' opportunities.

**Our 8 'Billion Dollar Brands'**  
 In 2013, eight wpp brands each generated revenues of \$1 billion or more

### Four core strategic priorities

Our reason for being, the justification for WPP's existence, continues to be to add value to our clients' businesses and our people's careers. Our goal remains to be the world's most successful communications services advisor to multinational, regional and local companies.

To that end, we have four core strategic priorities, as presented on pages 16 and 17.

**1** Increase the combined geographic share of revenues from the faster-growing markets of Asia Pacific, Latin America, Africa and the Middle East, and Central and Eastern Europe to 40-45%.

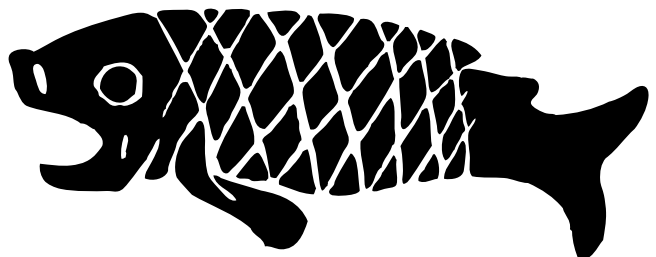
**2** Increase the share of revenues of new media to 40-45%.

**3** Maintain the share of more measurable marketing services – such as Data Investment Management and direct, digital and interactive – at 50% of revenues, with a focus on the application of new technology, big data and digital.

**4** Achieve 'horizontality' by ensuring our people work together for the benefit of clients, primarily through two horizontal integrators: Global Client Leaders and Country Managers.

If we implement this strategy effectively then our business will be geographically and functionally well positioned to compete successfully and to deliver on our long-term financial targets:

- Revenue and gross margin or net sales growth greater than the industry average, supplemented by acquisitions.
- Annual improvement in operating margin and gross margin or net sales margin of 0.3 margin points or more, excluding the impact of currency, depending on revenue and gross margin (net sales) growth, and staff cost to revenue ratio improvement of 0.2 margin points or more.
- Annual diluted headline EPS growth of 10% to 15% delivered through revenue and gross margin (net sales) growth, margin expansion, acquisitions and share buy-backs.



### Our six specific objectives

Here are six objectives which represent our key performance indicators (KPIs). For an assessment of how we performed against them in 2013, read on.

- 1 Continue to improve operating margins on revenue and gross margin (net sales).**
- 2 Increase flexibility in the cost structure.**
- 3 Use free cash flow to enhance share owner value and improve return on capital.**
- 4 Continue to develop the value added by the parent company.**
- 5 Emphasise revenue growth more as margins improve.**
- 6 Improve still further the creative capabilities and reputation of all our businesses.**

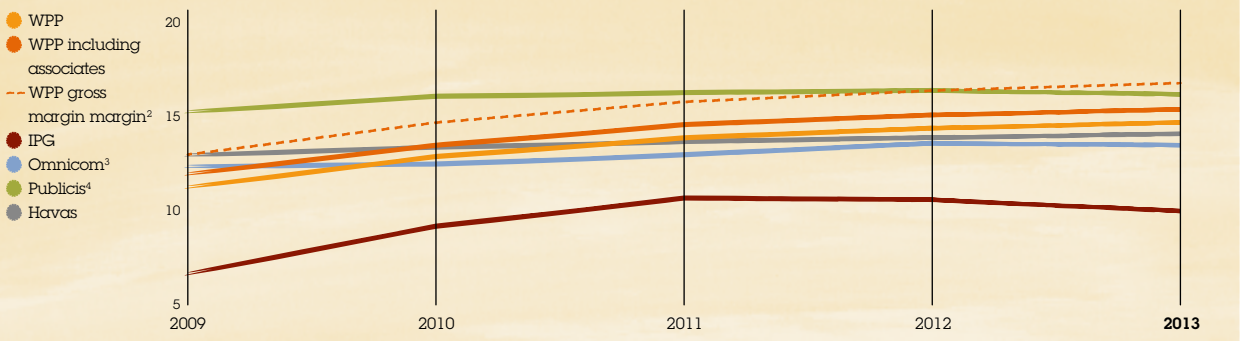
**1** First, to continue to improve operating margins. In 2013, we achieved a margin of 15.1% on revenue, a new high, and 16.5% on gross margin (net sales), the highest-reported level in the industry.

We continue to believe a margin of around 18% or more on revenue, and well over 19% on gross margin or net sales, is a tough, but realistic, objective given that our best-performing companies in each services sector have already demonstrated they can perform at a combined Group margin of 17% on revenue.

In the future, we will focus more on headline PBIT as a percentage of gross margin or net sales, given it is a more meaningful competitive comparison.

The Group has embarked on a number of programs to improve operational effectiveness including process simplification, shared service centres, offshoring certain tasks to lower-cost markets and outsourcing. We are consolidating IT infrastructure and centralising systems development and applications to create efficiencies and focus investment. These programs are projected to deliver a 1.0 margin point benefit (excluding the impact of currency) over the course of the next three to five years.

### Headline operating margins<sup>1</sup> vs peers %



<sup>1</sup> Based on headline operating profit as defined on page 247, excluding share of results of associates, and sourced from relevant public filings, adjusted to a comparable basis to WPP.

<sup>2</sup> Gross margin margin is set out in note 31 of the financial statements.

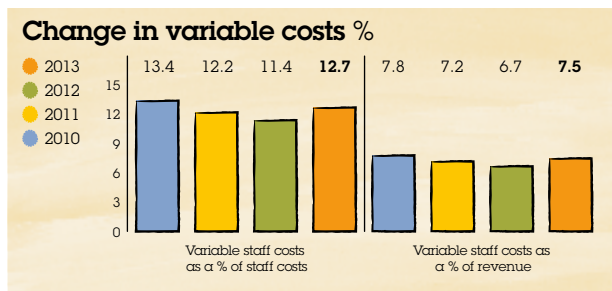
<sup>3</sup> Operating margin includes \$41 million of POG merger-related costs.

<sup>4</sup> Operating margin includes €38 million of POG merger-related costs.

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**2** Second, to increase flexibility in the cost structure. In 2013, flexible staff costs (including incentives, freelance and consultants) returned to historical highs of around 7.5% of revenues and continue to position the Group extremely well should current market conditions deteriorate.

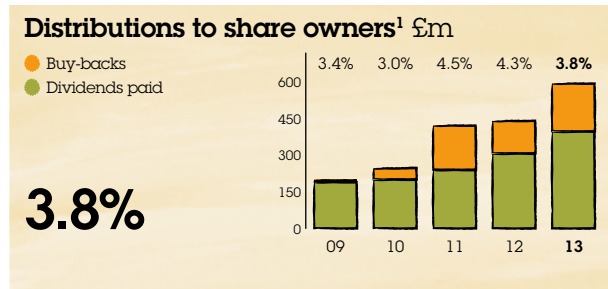


**3** Third, to enhance share owner value and maximise the return on investment on the Company's substantial free cash flow of over £1.2 billion (or almost \$2.0 billion) per annum. As capital expenditure remains relatively stable, there are broadly three alternative uses of funds: acquisitions, share buy-backs and dividends. We have increasingly come to the view, based on co-operative research with leading investment institutions that, currently, the markets favour consistent increases in dividends and higher sustainable pay-out ratios, along with anti-dilutive progressive buy-backs and, of course, sensibly-priced strategic acquisitions.

● **Mergers and acquisitions.** There is a very significant pipeline of reasonably priced small- and medium-sized potential acquisitions, with the exception of Brazil and India and digital in the US, where prices seem to have got ahead of themselves because of pressure on our competitors to catch up. This is clearly reflected in some of the operational and governance issues that are starting to surface elsewhere in the industry, particularly in faster-growing markets like Brazil, India and China.

Our acquisition focus in 2013 was again on the triple play of faster-growing geographic markets,

new media and Data Investment Management, including the application of new technology and big data, totally consistent with our strategic priorities in the areas of geography, new communication services and measurability. In 2013, the Group spent almost £200 million on initial acquisition payments, net of cash acquired and disposal proceeds. Net acquisition spend is currently targeted at around £300-£400 million per annum and we will continue to seize opportunities in line with our strategy, as in the first quarter of 2014.



<sup>1</sup> Sum of share buy-backs and dividends paid divided by average shares in issue for the relevant period, as a percentage of the average share price for the relevant period.

● **Dividends.** In 2011, the Board increased the dividend pay-out ratio objective to approximately 40% over time, compared to the 2010 ratio of 31%. This was largely achieved in 2012, some 18 months later, and ahead of schedule.

As outlined in the June 2013 AGM statement, the Board then gave consideration to the merits of further increasing the dividend pay-out ratio from 40% to between 45% and 50%. As a result of that review, the Board decided to target an increase in the pay-out ratio to 45% over the next two years and, following the strong first-half results, your Board raised the interim dividend by 20%, around 10 percentage points higher than the growth in headline diluted earnings per share and a pay-out ratio in the first half of 37%.

For the full year, headline diluted earnings per share rose by over 10% and the final dividend has also been increased by 20%, bringing the total dividend for the year to 34.21p per share, up 20%,



10 percentage points higher than the growth in headline diluted earnings per share. This represents a pay-out ratio of 42% for 2013 compared with 39% in 2012. Dividends paid in respect of 2013 will total almost £460 million for the year.

● Share buy-backs will continue to be targeted to absorb any share dilution from issues of options or restricted stock. However, given the reduced operating and gross margin (or net sales) margin targets of 0.3 margin points improvement, the targeted level of share buy-backs will be increased from around 1% of the outstanding share capital to 2-3%. If achieved, the impact on headline diluted EPS would be equivalent to an improvement of 0.2 margin points.

In addition, the Company does also have considerable free cash flow to take advantage of any anomalies in market values, particularly as the average 2013 net debt to EBITDA ratio is 1.6 times, at the low end of our market guidance of 1.5-2.0 times, and should come down further in 2014. Share buy-backs in 2013 cost £197 million, representing 1.4% of issued share capital.

**4** Fourth, we will continue to develop the value added by the parent company and build unique integrated marketing approaches for clients. WPP is not just a holding company focused on planning, budgeting, reporting and financial issues, but a parent company that can add value to our clients and our people in the areas of human resources, property, procurement, IT and practice development, including sustainability. We will continue to do this through a limited group of 400 or so people at the centre in London, New York, Tokyo, Hong Kong, Singapore, Shanghai and São Paulo. This does not mean that we seek to diminish the strength of our operating brands, but rather to learn from one another. Our objective is to maximise the added value for our clients in their businesses and our people in their careers.

Many of our initiatives are possible because of the scale on which we now operate. In the optimum use of property, in IT and in procurement generally, we are

able to achieve efficiencies that would be beyond the reach of any individual operating company. But it is also clear that there is an increasing requirement for the centre to complement the operating companies in professional development and client coordination. It is a relatively recent development for certain multinational marketing companies, when looking to satisfy their global communications needs, to make their initial approach not to operating companies, but directly to holding or parent companies.

Such assignments present major, and increasingly frequent, opportunities for the few groups of our size. It is absolutely essential that we have the professional resources and the practice development capability to serve such clients comprehensively, actively and creatively. Initiatives involving some of the world's largest marketers continue to gain momentum. The world's largest advertiser is itself integrating its efforts around brands, in the areas of advertising, media investment management, market research, packaging design and public relations. For our largest client, amongst others, we have implemented a seamless model, effectively a one-client agency within our Group. All our clients, whether global, multinational or local, continue to focus on the quality of our thinking, coordination of communications and price. In response, we focus on talent, structure and incentives.

### Managing talent is the priority

Talent and its management therefore remain at the heart of our reason to be: that is what our clients pay us for. Development of our people and the way we manage that talent is a critical determinant of performance and on that critical dimension, we continue to make significant progress.

In developing highly-competitive incentives combined with extremely attractive working environments, we increasingly differentiate ourselves from our competitors and improve the attractiveness of WPP companies as destinations for talent. Our quarterly reviews with the operating companies have

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been structured to give more time and attention to talent and to clients. Our recruiting efforts throughout 2013 were especially fruitful as we successfully targeted and recruited top talent within and beyond our industry, often competing with investment banking, management consulting, new media and private equity offers. The war for talent is fierce and will intensify further, and there is more to be done.

The blueprint for our executive development curriculum has been completed, and our flagship client leadership training program, *Maestro*, now in its 11th year, is being continuously developed. The parent company and each of our operating companies have installed their own approach to performance assessment and succession planning, aimed at developing the careers of their people, improving the quality of feedback, coaching and mentoring they receive and providing for orderly succession. A senior management mentoring and development program, 'The X Factor', run by Charlotte Beers, the former chairman and CEO of Ogilvy & Mather and chairman of JWT, continues to prepare women for the next level of leadership in the Group.

In 2011, your Company teamed up with the Shanghai Art & Design Academy (SADA) to establish the WPP School of Marketing and Communications. This jointly run school offers China's first professional marketing and communications three-year diploma program. This initiative continued in 2013, with the third intake of 100 students. After 19 years, the WPP Fellowship program remains (surprisingly) the only multi-disciplinary and multi-geographical recruitment and training initiative in the industry, with a lower acceptance rate than Harvard Business School's MBA program.

We continued to scrutinise and modify our compensation practices, both to offer competitive and appropriately based rewards to our people and to attract outstanding talent from elsewhere. This is a key strategic priority for us. Our competition is, sometimes, not so rigorous in evaluating and rewarding performance – for example, taking

advantage of sharp falls in share prices to re-price or issue options or giving limited disclosure to investors of compensation plan details. A failure of external, as well as internal, audiences to understand the importance of globally competitive incentive-based compensation will undermine the Company's leadership position. After all, we invest well over \$10 billion a year in human capital, as opposed to only \$500 million in fixed assets – 20 times more.

## Communications

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Of all businesses, a communications services company must be a model of excellent external and internal communications. To that end, we accelerate understanding of the Group's vast resources with a raft of regular communications online through our websites, social media channels and in print: our monthly public news bulletin, *e.wire*; our multi-awarded global newspaper and eBook, *The WIRE*; our annual *Atticus Journal* of original marketing thinking; our online *Fact Files* profiling Group resources/companies/products; regular communication on Group initiatives such as the WPP Worldwide Partnership Program and the WPP Fellowship Program; our annual Sustainability Report and this Annual Report, both consistently awarded, in print and online.

As part of the increased focus on 'horizontality', WPP's public website is being substantially refreshed to highlight the scope and scale of the Group as well as enhancing the overall user experience. The Group intranet is being continuously redeveloped to facilitate further internal strategic alliances and cross-company co-operation.

## Property management

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In 2013 we again reduced our core property portfolio, with absolute square footage falling by 0.6%, while revenues attributable to acquisitions added 2.2% and in total, revenues in constant currencies rose by 5.7%.

The average cost per square foot rose by 3.8% in 2013, largely due to the expiry of a number of below-market leases in the year, although this was still less than the increase in constant currency revenues. The combination of all these factors resulted in a reduction of the establishment cost-to-revenue ratio to 6.6% from 6.7% last year.

In 2014 we will continue to focus on consolidating the number of properties in the Group, further reducing square foot per head as we take on new leases, and introducing more 'agile working' (enabling companies to run at less than one workspace per person) to further reduce the establishment cost-to-revenue ratio.

Our operating companies' workplaces are often cited for their creativity and innovation. Recent accolades include first place at the 2013 International Property Awards – America for GroupM's Bogotá offices and Best of the Best for Interior Design at the 2013 Sydney Design Awards for Lightspeed. The offices of JWT Atlanta, Wunderman California and Ogilvy & Mather Jakarta all featured in a recent edition of *Interior Design's* 'Best of Office' book.

## Procurement

In procurement, our goal is to make savings, add value and minimise risk across all of WPP's external spend, with particular emphasis on opportunities to leverage our scale to the benefits of our clients and our companies.

In 2013, we continued to implement and develop a spend analytics system, which now provides supplier-level visibility of over \$5 billion of external spend, across nine of our largest markets – the US, UK, Germany, France, Spain, Italy, China, India and Brazil. Access to data of this detail is now driving procurement opportunity assessment and project activities across the Group. The procurement team have been re-organised to reflect the major opportunity areas.

As a consequence of better data, 2013 saw the completion of a risk assessment pilot in our supply chain for advertising production, during which over

400 suppliers in the UK and China completed a self-assessment questionnaire which enabled us to assess environmental, social and governance risks. Future plans include an extension of the advertising production risk assessment to the US, and a focus on other areas of our supply chains which we perceive may carry more inherent risk.

For 2014, we will continue our focus on the key drivers of supplier cost. For indirect procurement, our goal remains to have a minimum of 50% supplier spend in each major country covered by WPP preferred suppliers and contracts, and for these preferred suppliers to work with us to deliver year-on-year value improvement. Also in 2014, we are launching The Bridge Advanced Production Buying, a new initiative in advertising production procurement and the first of its kind in our industry.

## Information technology

In 2012, following the impact of Hurricane Sandy on some of the Group's IT infrastructure, we accelerated a major review of the Group's IT operations to make them better coordinated, more responsive to changing needs (both internal and external) and more cost-effective. Core to this strategy will be greater centralisation, standardisation and transformation of the Group's IT infrastructure and services, with the objective of delivering savings of at least 10% (or £50 million) on current delivery cost. We have recruited a highly-regarded CIO for the Group, Robin Dargue, whose first priority is to push this program of work forward. We estimate that implementation will take two to three years.

## Practice development

In practice development we continue to develop horizontal initiatives in a focused set of high-potential areas across our vertical operating brands: in media investment management, healthcare, sustainability, government, new technologies, new

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markets, retailing, shopper marketing, internal communications, financial services and media and entertainment. Specifically, we continue to invest in sharing insights and developing initiatives through WPP Digital (in digital marketing and media), The Store (in distribution and retail) and our new Government & Public Sector Practice.

*We have increased the number of WPP Global Client Leaders to coordinate our efforts on behalf of clients*

In key geographic markets we are increasingly coordinating our activities through WPP Country Managers. We continue to believe that increasing coordination is required between our brands at global and country levels, as the arguments for investment in regional management become weaker, largely because of improved technology. In addition, we have increased the number of WPP Global Client Leaders to coordinate our efforts on behalf of clients and to ensure they receive maximum benefit from their relationships with WPP operating brands.

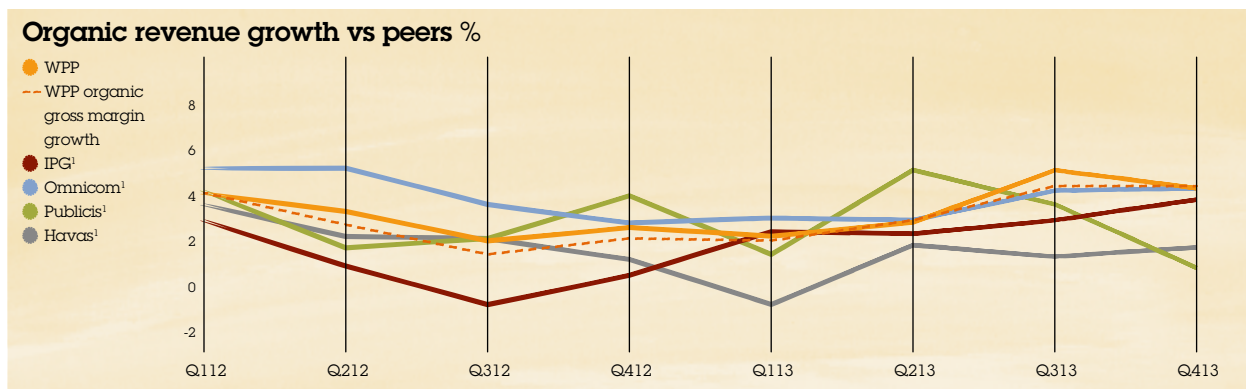
Furthermore, we continue to encourage internal strategic alliances and promote co-operation. Practice development initiatives have therefore

been reinforced in such areas as healthcare, retail, internal communications, corporate sustainability and media and entertainment. This has been especially important in developing our portfolio of direct investments in new media under WPP Digital and where our investments are working with our agencies and people to bring new technology capabilities and understanding to our clients.

All these initiatives are designed to ensure that we, the parent company, really do (as well as being perceived to) inspire, motivate, coach, encourage, support and incentivise our operating companies to achieve their strategic and operational goals.

**5** Fifth, to emphasise revenue and gross margin or net sales growth more as margins improve. One legitimate criticism of our performance against the best-performing competition is our comparative level of organic revenue growth, although the methods used to calculate rates of organic growth 'vary' to say the least and we may have put too much emphasis on margin improvement. In 2013, our like-for-like revenue growth of 3.5% led the industry. Our margin performance is consistently at the top end of the pack. We continue to believe that profitable growth is preferable to sacrificing margins.

Estimated net new business billings of £6.1 billion (almost \$10 billion) were won in 2013, up over 57% on 2012, placing the Group first in all independently-



<sup>1</sup> Peer data sourced from company presentations.

sourced net new business tables. The Group continues to benefit from consolidation trends in the industry, winning assignments from existing and new clients, including several very large industry-leading advertising, digital, media, pharmaceutical and shopper marketing assignments. These wins partly benefitted the second half of 2013, but the full benefit will be seen in 2014.

Our practice development activities are also aimed at helping us position our portfolio in the faster-growing functional and geographic areas. The Group completed 62 acquisitions in 2013: 38 acquisitions and investments were classified in new markets (of which 32 were in new media); 22 in Data Investment Management, including data analytics and the application of technology; with the remaining two driven by individual client or agency needs.

Specifically, in 2013, acquisitions and increased equity stakes were completed in Advertising and Media Investment Management in Canada, Kenya, Colombia, China, Hong Kong, Indonesia, Myanmar, the Philippines and Thailand; in Data Investment Management in the US, Brazil and Myanmar; in Public Relations & Public Affairs in the US, the UK, China and Hong Kong; in direct, digital and interactive in the US, the UK, Belgium, France, Germany, the Netherlands, Poland, South Africa, Turkey, Argentina, Brazil, Colombia, Uruguay, India, Singapore and Australia.

So far in 2014, the Group has made acquisitions or increased equity interests in Advertising and Media Investment Management in Russia, the Middle East and the Philippines; and in direct, digital and interactive in the US, the Netherlands, Poland, Russia, South Africa, China and Vietnam.

These acquisitions continue to target our previously-described strategic priorities; expanding the share of revenues of our businesses in Asia Pacific, Latin America, Africa and the Middle East, and Central and Eastern Europe to 40-45%; in new media to 40-45%; and in Data Investment Management, direct, digital and interactive, to one-half.

## Expansion plans

We intend to expand our strong networks – JWT, Ogilvy & Mather, Y&R, Grey, United, Bates CHI&Partners, Scangroup, Mindshare, MEC, MediaCom, Maxus, tenthavenue, TNS, Millward Brown, Kantar Media, Kantar Health, Kantar Retail, Kantar Worldpanel, Hill+Knowlton Strategies, Ogilvy Public Relations, Burson-Marsteller, Cohn & Wolfe, Brand Union, Landor, FITCH, Ogilvy CommonHealth Worldwide, Sudler & Hennessey, ghg, OgilvyOne Worldwide, Wunderman, Geometry, POSSIBLE and AKQA – in high-growth markets or where their market share is insufficient. In 2013, we announced the merger of OgilvyAction and G2 to form Geometry, the largest and most geographically-complete activation agency in the world, uniquely placed to exploit the intersection of the world's brands and distribution systems.

We will also enhance our leadership position in Data Investment Management by further development of our key brands with particular emphasis on North America, Asia Pacific, Latin America and Continental and Eastern Europe. We will continue our growth of research panels and have established a Kantar-wide operational capability. We will reinforce our growing position in media research through Kantar Media, which includes our investments in television and internet audience research and IBOPE, Marktest and CSM/CTR, which, combined, is the market leader outside North America. We currently measure television and/or internet audiences in 60 markets around the world.

In addition, we intend to reinforce our worldwide strength in direct and interactive marketing and research through our traditional channels such as Wunderman, OgilvyOne, Geometry, Blanc & Otus and Lightspeed. We will also invest directly in new channels through start-ups, particularly as US and French valuations in search, for example, are still prohibitive. Other opportunities will be sought to enhance our online capabilities.

Lastly, we will continue to develop our specialist expertise in areas such as healthcare, retail and interactive and to identify new high-growth areas.

### Creativity remains paramount

**6** Sixth, to build on, still further, the impressive creative reputation WPP now enjoys globally.

The creative capability of the Group is led by John O’Keeffe, WPP’s worldwide creative director. John reminded us last year, as indeed he does constantly, that whilst many issues facing WPP are very important – margin growth, acquisitions, geographical spread and the like – the creative quality of the work will always be priority No.1. We live or die by the ideas we deliver to our thousands of clients: design ideas, media and digital ideas, consumer insights and, of course, Millward Brown’s influential BrandZ studies.

Training and development programs remain a key focus, as of course does the judicious use of our M&A skills to identify the best and most like-minded creative businesses to join us.

In 2013, we celebrated our seventh annual internal WPPED Cream awards, showcasing what we consider our very best work. wppedcream.com is now a key online destination website for anyone searching for the very best in marketing creative excellence.

But beyond our own views, lest we appear inwardly focused, there is of course the Cannes Lions International Festival of Creativity. WPP’s achievement in securing back-to-back Creative Holding Company of the Year Awards in 2011 and 2012, which many thought the pinnacle, became a hat-trick in 2013. Cannes is acknowledged as the only truly global award, across all media, so to win there is to be the best. To do it three times in a row is a wonderful tribute to all of our people the world over and we congratulate every one of them.

Our main competitors, as we have seen, have now joined forces partly in response.

So the challenge for WPP is clear. And we are up for it.

### Sustainability matters

The Group’s commitment to, and investment in, sustainability initiatives supports major business wins. We estimate that clients who engaged with WPP on our approach to sustainability were worth £1.26 billion out of our total revenues of £11.02 billion to the Group in 2013.

We are in business for the long term and, like all leading companies today, we recognise our responsibilities to clients, our people and the world at large. Sustainability at WPP cuts across all areas of our business: from the work we do for clients, to the time we donate to causes through pro bono work, the way we run our Company and look after our people, and our commitment to respect human rights. Sustainability issues are ever more important to our clients, and our own track record gives us credibility as advisors on these topics.

A summary of the Group’s approach to sustainability can be found on pages 167 to 173, including our commitment to respect human rights on page 169. Please also see our annual Sustainability Report on the work our clients and our people do in this important area.

#### Sustainability performance summary

	2013	2012	2011
<b>Value of client business supported by our sustainability credentials<sup>1</sup></b>	<b>£1.26bn</b>	£0.77bn	£0.63bn
<b>Gender diversity (% female employees)</b>	<b>54%</b>	54%	54%
<b>Gender diversity (% female executive leaders)</b>	<b>32%</b>	32%	31%
<b>Investment in training and welfare</b>	<b>£64.4m</b>	£57.8m	£58.3m
<b>Carbon footprint (tonnes of CO<sub>2</sub> per person)</b>	<b>2.35</b>	2.45	2.44
<b>Social contribution<sup>2</sup></b>	<b>£39.4m</b>	£30.5m	£27.7m

<sup>1</sup> Value of clients who requested information on our sustainability policies and performance through their supplier management process.

<sup>2</sup> Includes free media space donations.

And finally...

Efficient marketing companies always watch their costs closely. And when they encounter difficult times, they examine them with a rigour bordering on ruthlessness. Over the last five years or so, there cannot have been a single WPP client who failed to interrogate their advertising and promotional costs to within an inch of their lives in the hope of finding what they were hoping to find: savings that carried no financial penalty.

There have, of course, been some reductions in advertising spend, and in other forms of marketing communication. But for an area of expenditure whose return has been historically more difficult to evaluate than many others, marketing communications has shown itself to be remarkably resilient.

In part, this has been because more sophisticated methods of measurement have allowed companies to authorise marketing expenditure with a higher level of confidence; and in part because of the stark reality of competitive life.

There is a limit to how much you can cut before you begin to eat away at the very brand on whose future profit stream you depend. There is no such limit to the degree to which you can make a brand more desirable; or if there is, it is a limitation not of financial resources but of the human imagination.

In the early part of the 20th century, Sir Ernest Rutherford, the father of nuclear physics, is reported to have told the staff of his laboratory, "We haven't any money so we've got to think."

Over the last few years, a similar demand, though thankfully not quite as draconian, has been made of our companies' people around the world; and they have responded magnificently. Better than any algorithm, the human mind can perform a kind of alchemy that turns ideas, words, pictures and stories into deeply satisfying objects that the world can take pleasure from.

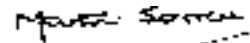
And, around the world, the tens of thousands of human minds that WPP is supremely fortunate to represent have helped create real wealth for our tens of thousands of appreciative clients.

As is always the case, and never more so than in testing times, any success that WPP may enjoy can be no more than the cumulative success of our talented people. We thank them all.

Philip Lader  
Chairman



Sir Martin Sorrell  
Group chief executive



Paul Richardson  
Group finance director



**Hamish Maxwell**

1926-2014

It is with great sadness that we report the passing of Hamish Maxwell, who was our chairman from October 1996 until February 2001. He was a fine gentleman, marked



by a mild, cheerful manner that hid a steely determination. He loved marketing and advertising and was the ideal chairman. He was knowledgeable, insightful for example on "hostile" takeovers, motivating, wise and comfortable in his own skin, refraining from grandstanding. We will miss him greatly, but we are very proud to have known him and to have had him as our chairman.

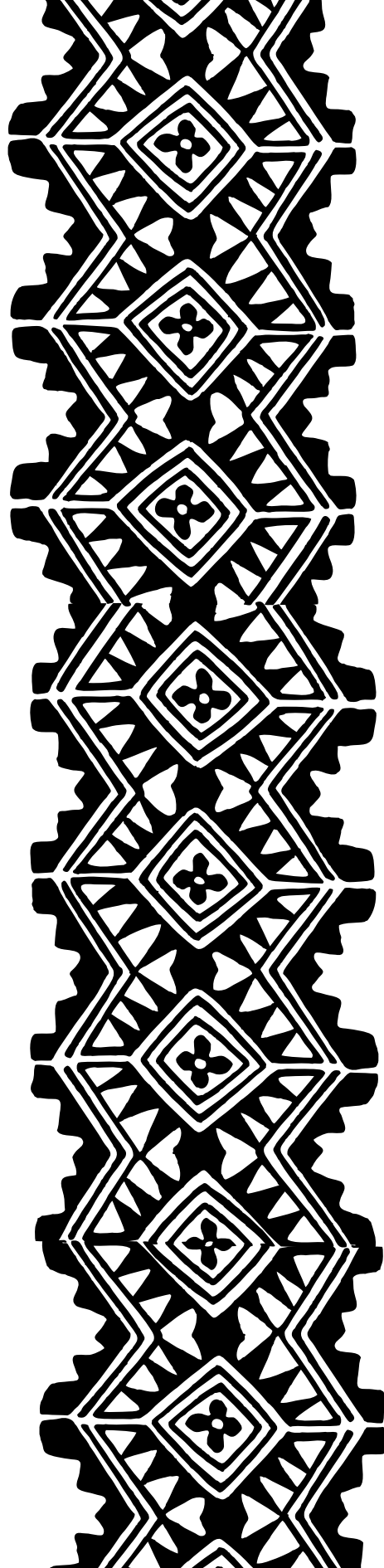
## How we're doing

Strategic report to share owners

### Forward-looking statements

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In connection with the provisions of the Private Securities Litigation Reform Act of 1995 (the 'Reform Act'), the Company may include forward-looking statements (as defined in the 'Reform Act') in oral or written public statements issued by or on behalf of the Company. These forward-looking statements may include, among other things, plans, objectives, projections and anticipated future economic performance based on assumptions and the like that are subject to risks and uncertainties. As such, actual results or outcomes may differ materially from those discussed in the forward-looking statements. Important factors which may cause actual results to differ include but are not limited to: the unanticipated loss of a material client or key personnel, delays or reductions in client advertising budgets, shifts in industry rates of compensation, regulatory compliance costs or litigation, natural disasters or acts of terrorism, the Company's exposure to changes in the values of other major currencies (because a substantial portion of its revenues are derived and costs incurred outside of the UK) and the overall level of economic activity in the Company's major markets (which varies depending on, among other things, regional, national and international political and economic conditions and government regulations in the world's advertising markets). In addition, you should consider the risks described under the caption principal risks and uncertainties on pages 182 to 185, which could also cause actual results to differ from forward-looking information. In light of these and other uncertainties, the forward-looking statements included in this document should not be regarded as a representation by the Company that the Company's plans and objectives will be achieved. The Company undertakes no obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.







# Reports from our company leaders

...and their selfies\*

**Our business is best understood through an understanding of its constituent parts. On the following pages, the leaders of our major companies give summary accounts of their performance and progress in 2013.**

Advertising	p48
Media Investment Management	p65
Data Investment Management	p71
Public Relations & Public Affairs	p74
Branding & Identity	p77
Healthcare Communications	p81
Specialist Communications	p85
WPP Digital	p88

\* This year we invited our business heads to provide informal shots of themselves taken on their own phones or tablets.

# Advertising

## Ogilvy & Mather

Report by **Miles Young** (below)

Worldwide chairman and chief executive officer



Last year, one of our pieces of work for Dove, ‘Real Beauty Sketches,’ became in a very short period of time the single most watched piece of advertising in the world, with 5.5 billion impressions<sup>1</sup> and 170 million views<sup>2</sup>. How did it do that? Of course, there was sophisticated social management behind it, but fundamentally it went around the web like wildfire because it touched something in our hearts, deeply and poignantly. All the academic evidence shows that sharing on the internet relates to a state of emotional arousal, and throughout the year we evidenced not just in Dove, but in many of our other brands, the power of socialised advertising, driven by creativity which arouses. Social has, in fact, become the new currency which differentiates the great from the merely good.

People are sometimes surprised to learn that Ogilvy has the largest network of social media experts in the world. Social@Ogilvy now has 740 staff in 40 locations working to serve clients and transform the agency. With another excellent year, and, now with Thomas Crampton at the helm, Social@Ogilvy is poised for more growth. Selective acquisitions have helped us reinforce unique areas, such as Social Lab in Europe for social media-related performance marketing and Pennywise in India, for social customer care.

Netizens represent the new judge and jury of greatness in our business, but the conventional juries still remain! Here, 2013 was a red-letter year. We won Network of the Year at Cannes by a margin bigger than ever recorded by any agency in its history; we once again were the most effective agency network measured by the Effies; and *Campaign* magazine voted us Network of the Year. Once again, thousands of our people worked so hard to put us at the top of what we call, shamelessly, the ‘Twin Peaks’ – of effectiveness and creativity.

“Social has, in fact, become the new currency which differentiates the great from the merely good”

Also of note in 2013 has been the very rapid expansion of OgilvyRED, our consulting business. Led by Carla Hendra, it provides strategic counsel of the highest kind focused on critical c-suite questions ranging from “how will we grow our brand portfolio in both share volume and profit?” to “can our legacy B2B brands stretch into a B2C e-commerce business model?” The answers that RED develops are helping our clients chart their future.

2013 represented the birth of Geometry Global, adding the talent and skills of the G2 network to the strengths of OgilvyAction. The world’s largest activation agency gives us the benefit of greater scale

<sup>1</sup> Media impressions: Edelman and local PR agencies tracked the media impressions (assisted by media tracking companies such as Cision and Burrelles).

<sup>2</sup> Views: The source is the publicly-presented stats shown on each video, accessed via the APIs available on the various platforms (YouTube, Vimeo, Tudou, Youku).

while preserving the benefits of proximity and integration. Its positioning of 'Precision Activation' is compelling, and speaks to the new world of data. Steve Harding describes Geometry in detail on page 84 of this report.

Speaking of data, we appointed a chief data officer in 2013, reporting directly to me. It reflects the primacy of data in our strategy, both 'structured' data and the new, 'unstructured' data which increasingly guides the crafting of messages and their precisely calibrated and timed delivery.

OgilvyOne, Ogilvy Public Relations and Ogilvy CommonHealth are covered in detail by Brian Fetherstonhaugh, Chris Graves and Matt Giegerich respectively. Suffice it for me to say that, together with Geometry, their capabilities represent an increasingly formidable force in delivery, not just of integration, but of really deep integration around a business need. As either Ogilvy itself or working in extended WPP teams, 2013 confirmed again that deft thinking and execution around a 21st century operating system is a powerful driver of success in the marketplace.

## OgilvyOne Worldwide

**Report by Brian Fetherstonhaugh** (right)  
Chairman and chief executive officer

As we enter 2014, the one question on every senior client's lips is: "how do I engage with customers in a world that has gone digital?" OgilvyOne Worldwide is uniquely poised to answer that question.

According to Forrester Research, OgilvyOne is the undisputed leader in the emerging discipline of Customer Engagement, defined as the bringing together of creativity and data to create compelling personal experiences that grow our clients' businesses.

In 2013, we undertook a global project to sharpen our Customer Engagement tools and processes, pioneering a new proprietary methodology to deliver solutions to clients. The tool has proven to be

invaluable in generating insights and analysis and offers an entirely fresh approach to engagement idea and platform development.

This new planning process has energized our work for current clients and driven significant new business wins in all regions. We've won major new clients across a diverse range of categories including CPG, finance, health & wellbeing, information & technology and telecommunications, helping us shape our client portfolio for future expansion.

Business growth brings fresh talent and energy into the network. We attracted skilled Customer Engagement practitioners, and appointed our first ever global chief data officer. In recognition of our global commitment to the training and development of talent, OgilvyOne Worldwide received the Marketing EDGE (formerly DMEF) Corporate Leadership Award this year.



## How we're doing

Advertising

Creativity is the centerpiece of Customer Engagement and is an area in which we continue to excel and improve upon each year. We extended our winning streak as the most awarded agency at the Direct Marketing Association's Echos, which recognize both creativity and effectiveness, scooping 28 awards. We improved our performance at the Caples, taking home 18 awards, and contributed to 18 Direct, Cyber and Mobile Lions at Cannes.

“As we look to the future, OgilvyOne is placing big bets on data and e-commerce”

We've been named Digital Agency of the Year in many markets, including Singapore, Vietnam and Greece, as well as the entire Asia Pacific region. OgilvyOne's trailblazing work for clients such as IBM contributed to North America being named B-to-B Agency of the Year by *Advertising Age*.

As we look to the future, OgilvyOne is placing big bets on data and e-commerce. We continue our thought leadership in data through the global expansion of *Sexy Little Numbers*, the book that demystifies data and analytics, written by OgilvyOne New York president, Dimitri Maex. At the start of 2014, we expanded our global Continuous Commerce practice, which is built on combining traditional e-commerce skills with a deep heritage in CRM.

We begin 2014 with all the ingredients and tools required to succeed. We have a fantastic client portfolio, a truly global footprint and a Customer Engagement offering that will be amplified through our three growth pillars: data, e-commerce and mobile.

## Ogilvy Public Relations

Report by **Christopher Graves** (below)

Global chief executive officer

2013 was the year when Ogilvy PR Asia Pacific became our largest region – for the first time, perhaps for any global network. It was also the year that Europe really came of age for us. New talent completely transformed our London office, triggering rapid growth and award-winning work such as Large Agency of the Year from the PRCA in the UK. Our South Africa office continued to soar and garner many accolades as well.

The industry arbiter, *The Holmes Report*, named Ogilvy PR No.1 in the world for creativity, and named us The Best Digital Consultancy in the World.



All told, Ogilvy PR scored more than 200 awards and honors around the world thanks to remarkable work. New, fresh and challenging campaigns for clients such as DuPont, BP, Ford, IBM, the US Federal Reserve, Crayola, Google, Nestlé, American Express and British Airways demanded our best creative and effective thinking.

“*The industry arbiter, The Holmes Report, named Ogilvy PR No.1 in the world for creativity, and named us The Best Digital Consultancy in the World*”

Meanwhile, Tony Morain and Kate Donahue out of our San Francisco office honored us by winning Ogilvy PR a Grand Challenges Exploration Grant from The Gates Foundation to pursue a global health and development research project.

Furthermore, we bolstered our global capabilities with Espresso, a communications offering designed specifically for start-ups and emerging brands born from our technology practice.

We are so grateful for the lifelong service of two top executives who retired in 2013 (Steve Dahllorf as regional CEO in APAC and Tom Beall as global MD of the Social Marketing practice). A new generation of top leaders stepped up, including veterans Scott Kronick and Robert Mathias moving up to serve as regional CEOs of Asia Pacific and North America respectively. Nathan Friedman transitioned from Chicago office lead to head our West Coast operations as regional MD. Thomas Crampton moved up to global managing director of Social@Ogilvy and Marshall Manson joined us as managing director, Social@Ogilvy for the EAME region, along with new hire April Scott to lead Social@Ogilvy in New York.

New office heads include: Ann Maes in Brussels and Richard Brett for Pulse in Australia. Jennifer

Scott moved from leading the Global Strategy & Planning group to now heading up the New York office.

What separates Ogilvy PR from the industry is our ability to quickly partner with in-house Ogilvy & Mather experts from advertising, social, direct marketing and entertainment, and gain insights from leaders in mobile and big data.

What's next? We're heading into a thrilling realm of content marketing led by data-driven intelligence. Our offices are rapidly skilling up and building resources to identify effective content opportunities for our clients, and to leverage our best-in-industry knowledge of behavioral science and narrative theory to move people on their behalf. ●

### Ogilvy CommonHealth Worldwide

See report on page 81



## How we're doing

Advertising

## JWT

Report by **Bob Jeffrey** (below right)

Worldwide chairman and chief executive officer  
with

**Gustavo Martinez** (below left)

Global president



As I write this in early 2014, our celebrations have already begun for our 150th anniversary. JWT is the longest standing agency in the world. But we are very clear that JWT is old because it is good, not good

because it is old. In an industry rightly obsessed with 'the new' it remains a source of great pride that JWT has remained relevant to the needs of clients across the decades – powerful brands including Bayer, Ford, HSBC, Johnson & Johnson, Kellogg's, Kimberly-Clark, Microsoft, Nestlé, Nokia, Pfizer, Rolex, Royal Caribbean, Schick, Shell, Unilever and Vodafone.

As Charles Darwin noted, "*It is not the strongest or the most intelligent who will survive but those who can best manage change.*" It has clearly been our ability to manage change that served us so well. We often talk about the agency's many *firsts*; the first agency to become international, the first to appoint a female creative director, the first with the account planning discipline, to name but a few. But it is the *spirit* that created those firsts that has been key to our irreplaceable success.

There is a spirit of endeavor, bravery and ambition that we see in JWT's history time and time again. It has led us to reinvent and renew ourselves to remain relevant in every era.

We call it *Pioneering*. The Pioneering spirit of JWT is what has created our past success and it is what we cherish and exploit for our future success too. Pioneers don't stand still; they keep moving and exploring. And this era of marketing communication needs that kind of agility more than any other we've seen.

The more we Pioneer, the more we are continuously relevant to clients' needs, the more we achieve financial growth.

Delivering organic growth from existing clients requires high quality and adventurous solutions for their brands. We aim to provide more of those *firsts* wherever we can. Our '*Fakka*' work for Vodafone in Egypt, for example, was the most awarded piece of strategy in the industry last year across the world's award shows. Inevitably it also swept the board in many of the industry's creative shows.

It was very pleasing to be awarded the global creative services for Nokia last year to complement the local activation work that we had been providing for them around the world. Equally, we were delighted to take on responsibility for handling the Tylenol brand for one of our biggest existing clients, Johnson & Johnson.

New business growth is an important signal of JWT's contemporary relevance as it often involves attracting clients from newer industries. Becoming the global agency of record for PUMA confirmed JWT's credibility in the booming section of sport and fashion. Other exciting new business wins included Energizer personal care brands, Air Canada and The Singapore Tourism Board.

It is extremely rare now for a communication solution not to involve digital channels and technology-led answers. JWT has demonstrated its ability to manage this digital change; much as we did with the invention of the television medium in the 1940s and 50s. We now have over 2,000 non-traditional specialists who spend more than 50% of their time delivering digital work for clients. The big

opportunity is to create an agency that is the perfect blend of timeless brand-building wisdom and modern tech-led execution.

Our recent work on one of the world's oldest confectionery brands shows us the way forward. Nestlé's Kit Kat was recently named by *TIME* magazine as one of the most influential candy bars of all time – a pioneering achievement worthy of a brand that embraces the blend of classic FMCG marketing with leading-edge technology.

Within the JWT group we are reinventing, or 'digitalizing', the JWT agency, and also acquiring pure-play digital agencies. Four of our recent digital acquisitions have taken on wider regional roles from their local beginnings. We now have anchor digital agencies across the world: Digitaria in North America, XM in Asia Pacific, Casa in Latin America, and Activeark in Europe and continue to acquire growing digital agencies with the purchase of Thomas Idea in Thailand, Post Visual in South Korea and DesignerCity in Hong Kong.

As the consumer journey and experience expands to include multiple online touchpoints across numerous devices, the power of the digital channel to influence purchasing decisions grows more important. Our specialist digital offerings – for example, Lunchbox, focusing on digital activation at point of sales – position us as the 'tip of the spear' to take advantage of these opportunities.

JWT is also an active collaborator with WPP's digital resources. We recently became one of the joint venture partners of WPP's The Data Alliance to help fuel our data strategy and capability.

JWT has enjoyed a huge influx of new digital talent in recent years. It is often the norm to see account teams that boast skills of digital strategy, social media and interactive design. If the agency is about Pioneering then our talent must be Pioneers.

JWT's geographical ability is one of our great strengths. Some parts of the world are still feeling the effects of the ongoing recession, while others are experiencing much faster development. One of the responsibilities of being a global agency is being able to manage that portfolio of business situations. It is

important we are investing in the growth markets where our clients need their own brands to do well. Equally it is important we can provide scale and innovation for our clients in the big, mature regions.

*Our Pioneering spirit is helping JWT reinvent and grow. We are diversifying our capabilities and managing our different geographies*

It was symbolic last year that JWT signed an affiliation agreement with Mango Marketing in Myanmar giving our global advertising network a Pioneering foothold in the region's newest emerging market.

JWT's APAC region saw a historic creative performance in 2013, winning more Lions than any other Asia Pacific network in history.

So our Pioneering spirit is helping JWT reinvent and grow. We are diversifying our capabilities and managing our different geographies. But at the end of the day we are creating value for our current and potential clients.

We welcome with great enthusiasm the arrival of Gustavo Martinez to the agency as global president. He will become our global CEO at the end of 2014 when I will become non-executive chairman.

Our 150th birthday year will be a platform for reinvigorating the agency with our spirit of inventiveness. We will be bringing back the original J. Walter Thompson logo as the anniversary icon – The Owl and the Lantern, a symbol of intelligence that we hold dear. But, as Darwin says, it is our ability to manage change that will ensure our future success. I have every confidence that Gustavo can manage that change better than anyone. ●

## How we're doing

Advertising

## Y&R Group

**Report by Peter Stringham** (below)  
Chairman and chief executive officer



As you will see in the following reports, Y&R Group companies continued to demonstrate their leadership as individual companies in 2013. But they also showed their collaborative strength. Of our top 20 clients, 17 work with three or more Y&R Group companies. And we partner with sister

WPP agencies on every one of those top 20 clients.

This ability to collaborate is not surprising. It is in our DNA, a key part of the origins of Y&R Group. For that, we honor Ed Ney, who passed away this past January. Ed served as chairman and CEO of Y&R from 1970 through 1989. He was the architect of Young & Rubicam Group, a visionary who saw the import of reaching consumers across multiple touchpoints. Out of this insight, he created integrated communications, acquiring companies like Wunderman, Burson-Marsteller, Sudler & Hennessey and Landor. It was a move that transformed the industry.

In 2013, there were many successful initiatives which advanced our ability to collaborate successfully, including the creation of a New Business Development Council. We continued our cross-disciplinary training through Rubicam University, using real client challenges.

We are also working towards the launch of a Y&R Group sustainability practice in 2014, a gateway into the considerable assets and expertise across all of our companies which focus on sustainability. We see increasing demand for

this in the marketplace and the diversity of our expertise gives us substantial differentiation.

**“Of our top 20 clients, 17 work with three or more Y&R Group companies. And we partner with sister WPP agencies on every one of those top 20 clients.”**

As we write about our individual and collective progress in this report, we remember Ed, who brought so much innovation and integrity to our industry. We strive daily to live up to his vision.

## Y&R

**Report by David Sable** (opposite, left)  
Chairman and chief executive officer

Last May, we celebrated Y&R's 90th anniversary.

When Raymond Rubicam opened a new agency with his name on the door in May 1923, he did so because he wanted to do things differently than was the custom of the day. He made creative core to the business. And he made research core to creative by hiring a little-known professor named George Gallup to create the very first Research Department.

Most importantly, he established our DNA with his favorite maxim, “Our job is to Resist the Usual on behalf of our clients,” which played out in his enthusiasm for innovation of all kinds. Innovation that lent itself to the highest standards of storytelling, using leading-edge channels of distribution available at any time. And, at 90, Y&R's DNA is still very much in evidence.

True to our DNA, we understand that creativity and innovation are inextricably bound. Creativity without innovation is ineffective. Innovation without creativity is boring.



So, we are still great believers in the power of storytelling. In 2013, we ranked among the top four global creative agencies, in part fueled by our best performance ever at Cannes. Significantly, our winning Lions were spread broadly across our global network. We launched our own internal crowd-sourcing platform, The Kitchen Table, sharing select creative briefs to everyone at the agency, which has resulted in some terrific new ideas from all over the world. And, as we go to press, Y&R Singapore was selected as one of eight winners out of 900 entries in the Cannes Chimera competition, which asks for innovative campaigns to address the issue of extreme poverty.

**“Our winning Lions were spread broadly across our global network”**

We continue to invest in our proprietary BrandAsset® Valuator, still the world's largest global database of consumer perceptions of brands and a brand management tool that is not only diagnostic but prescriptive. We also complement our data side with our eXploring practice, which immerses our planners into the real lives of consumers.

To bring our clients the best of new thinking, technology and products, we are in the third year of running our innovation incubator, Sparkplug, which offers interesting start-up residencies at our offices and connects them virtually to our entire global network. In 2013, we also formed a partnership with Shazam that gives us access to its proprietary



technology. And we continue to drive capabilities like shopper marketing, which help us connect with our clients' customers at the right touchpoints.

We are opening offices where our clients will benefit from an agency presence. We brought SicolaMartin fully into the Y&R fold, creating Y&R Austin, which makes us the first global agency brand in that vital market. We also launched Y&R in Myanmar, which offers great growth potential in the future.

Most critically, however, we continued to build VML globally, aligned with the Y&R Advertising footprint, to create new opportunities for our clients. For example, in Africa, we established Native VML by merging a top-flight digital agency with our local digital resources. Given the predominance of mobile in Africa, Native VML gives us an unparalleled platform for expansion across the entire continent. More on VML on page 56.

All of this added up to a strong year for Y&R – vital new business wins around the network and good growth from existing clients. New assignments came from Microsoft, Bel Fromagerie, the Bank of Montreal, Huawei, Queensland Government, Vodafone, Diageo and Erste Bank, to name just a few. Y&R North America's double-digit growth signaled recovery in that market, followed by strong performances in Latin America, Asia, Australia and New Zealand.

To celebrate our anniversary in May, we launched a social media campaign – #AdvertisingIs – that engaged our entire global network and industry by asking them what advertising meant to them. The campaign culminated on an interactive billboard in Times Square, using technology from one of our Sparkplug companies, Hyperactivate. All told we reached over eight million people.

We're a 90-year-old start-up, still innovating.

## How we're doing

Advertising

### VML

#### Report by Jon Cook (below)

Chief executive officer and president



Expanded global reach and capabilities drove VML to new heights over the past year. We proudly launched full-service VML operations in China, Japan and South Africa and established an Eastern European hub based in Poland, further strengthening VML's worldwide offering.

With more than 1,900 VMLers connected around the globe, we established new client engagements such as Bridgestone, Commonwealth Bank, Danone, Korean Air, MasterCard and State Street Global Advisors. In the sports arena, we added Australia's National Rugby League and U.S. Soccer alongside our Barclays Premier League partnership.

Our relationship with Kellogg's has expanded dramatically. VML is privileged to serve as Kellogg's North American and Australian Digital Agency of Record, working with iconic brands such as Kashi, Special K, Pop-Tarts and Pringles.

VML has always featured a strong social media offering – which we took to a new level with groundbreaking work for Wendy's. In just the first year of our partnership, VML-produced social media campaigns for Wendy's have been praised by *Adweek*, BuzzFeed, Creativity Online, Forbes, Forrester Research, *Mobile Marketer* and others.

As an active member of the Red Fuse and Cavalry integrated WPP teams, VML is privileged to partner with talented cross-agency groups on behalf of Colgate-Palmolive and MillerCoors.

In the Americas, we amplified scale and brand awareness through the conversion of Studiocom to

fully integrated VML-branded operations in Atlanta, Boston and Bogotá, Colombia, and with the acquisition of Biggs/Gilmore in Kalamazoo and Chicago in the US.

With full-scale operations across six continents, VML is delivering forward-thinking ideas for many of the world's most influential brands.

### Wunderman

#### Report by Daniel Morel (below)

Chairman and chief executive officer



Wunderman is one of the world's great marketing institutions, serving some of the best-known brands through 170 offices in 60 countries. *Advertising Age* ranked Wunderman the No.1 digital network in the world for the second year in a row. We have maintained our top position for nearly a decade by actively addressing and driving change. In 2013, we continued this legacy of transformation – forming four divisions bridging Brand Experience, Customer Engagement, Data & Insights and World Health that further align with our client needs.

Today, we stand apart from our competitors as the most connected agency, linking clients' customers with relevant information and experiences everywhere. We have earned the right to say this thanks to our most distinctive benefit – our mastery of data that links our ideas, creativity and resources.

Increased pressure in North America and the downsizing of two accounts weighed down performance. However, we grew by double digits in Latin America; achieved stability in Europe; and added significant new business including Shell, adidas, Blue Cross Blue Shield Louisiana and Alabama, WellCare and Sunovion, as well as expanded relationships with Microsoft, Land Rover, Coca-Cola and Mazda. By design, our structure now makes us stronger, more nimble and more connected to address dynamic market forces that influence performance.

Our win of Shell Retail's multi-million dollar global CRM business is a shining moment for our UK team headed by Mel Cruickshank. The account falls in our sweet spot of e-CRM and data, and has already grown beyond its initial scope. The same is true for adidas. Team United, formed by WPP for United Continental Holdings, also gives Wunderman a foundation of data, digital and CRM business on which to build.

Other important developments include BrandSnap<sup>SM</sup>, a social engagement measurement platform that connects social networking with brand valuation to capture snapshots of immediate brand performance, and our Technology Partnership Program with Adobe to better connect emerging marketing cloud technology with our digital solutions.

In November 2013, Lincoln Bjorkman joined Wunderman as global chief creative officer. In December, we launched CHOREOGRAPH, a joint venture offering with sister media agency MEC that connects various data sources in real-time, for dynamic content creation and distribution.

This year we will lay important groundwork for future growth. Looking ahead, we will remain true to a fundamental value championed by Lester Wunderman years ago: "Relentlessly pursue tomorrow." We will.

## Burson-Marsteller

**Report by Donald A. Baer (below)**

Worldwide chair and chief executive officer

Burson-Marsteller took full advantage of its 60th anniversary year to build on our strengths and continue moving forward in exciting directions. Introducing our new positioning – Burson-Marsteller, Being More – we reaffirmed our promise to our clients and to one another: To exceed expectations today and constantly improve for tomorrow.

Our teams working around the world brought this spirit to life as we won major new assignments from Amazon.com, Comcast, Peabody Energy and Rezidor, among many other major companies. We also built significant growth with clients Bank of America and Ford. The firm added important new talent, including UK-based Kevin Bell as global public affairs practice chair, former managing partner of Blue State Digital, Thomas Gensemer, as US chief strategy officer, former Ogilvy & Mather executive Michael Law as US president and former senior editor for Asia for *The Wall Street Journal* Mariko Sanchanta as Asia Pacific managing director.

We put the energy behind Burson-Marsteller, Being More into action on many fronts for our clients. These efforts included positioning Telefónica as a technology leader with a major new push among millennials and developing a new crisis communications process for SAP. Our China team launched adidas' #allinformygirls

campaign to support its female sports apparel line, which helped lead to a 40% increase in sales. In Brazil, we launched Heineken's most important new offering in that market.



## How we're doing

Advertising

All of our breakthrough work helped the firm win more industry awards in 2013 than in any previous year. All of this effort underscores that, in 2014, as we approach our 61st year, we know that the best days for Burson-Marsteller lie ahead.

### Landor Associates

**Report by Lois Jacobs (below)**

Chief executive officer

Landor enjoyed a good 2013 with stellar performance in a number of markets. We saw a tripling of revenue in our Moscow office, and our Southeast Asia & Pacific region returned exceptional growth in Indonesia, Japan and Australia. We gained new clients everywhere including Bayer, Hess, IGT and the Russian Copper Company, while continuing to support existing clients like Diageo, Kraft, and Procter & Gamble. In Russia we completed the identity for our 65th airline – indeed 2013 saw Landor offices around the world working on branding assignments for eight different airlines.

We dedicated considerable time to launching a new, more flexible approach to our strategy work. This included the introduction of an innovative prototyping tool that will provide clients more

certainty and engagement in our work, far earlier in the process.

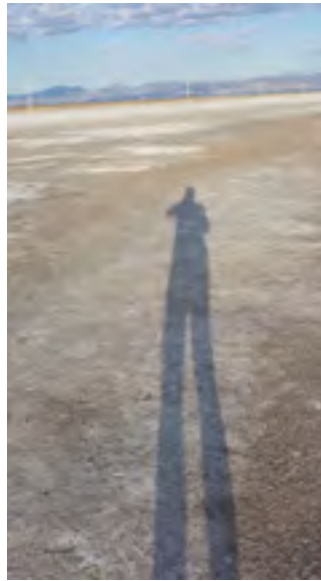
2014 is already shaping up well.



### Sudler & Hennessey

**Report by Jed Beitler (below)**

Chairman and chief executive officer worldwide



2013 was a very successful year full of fast-paced beginnings, including 20 brand launches in the US alone. Globally, our business continued to grow through our participation in cross-Group team wins.

Driven by the continued need for interactive innovation with iPads, cross-platform apps and interactive designs, our internal digital integration resulted in

digital growth that outpaced the agency growth in the US, and led to success throughout the network.

This year's Global Manager's Meeting focused on growing our business organically, refining our processes, and building tools to help us react more quickly to the changing environment.

New business initiatives, Primary Source (consulting) and Quality Matters (health management), quickly gained new clients with Quality Matters being acknowledged as one of the most "Innovative New Divisions" by industry trade publication *PM360*.

New managing directors were appointed in London and Sydney; a new chief digital officer and chief financial officer joined the New York office.

And, once again, numerous Sudler offices throughout our regions were recognized for their creative efforts.

## Bravo

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**Report by Eddie Gonzalez** (right, top)

Chairman and chief executive officer  
and

**Eric Hoyt** (right, below)

President and chief operating officer

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Bravo continues to excel by helping our clients capitalize on the growing US Hispanic population in the US. Our systematic approach of understanding through discipline, compelling through imagination and delivering with precision is providing clients with winning solutions across brand, digital and retail channels.

Key in 2013 has been partnering with sister WPP companies. For example, Bravo teamed up with Geometry, Lunchbox, Kantar and other WPP agencies to provide unparalleled shopper marketing solutions. And for Campbell's, Bravo teamed up with Y&R and MEC to activate the US Hispanic market to its fullest potential. ●

**Cohn & Wolfe** See report on page 75

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## How we're doing

Advertising

## Grey Group

### Grey

Report by **Jim Heekin** (right)

Chairman and chief executive officer

2013 was a watershed year for Grey. It marked our sixth year in a row of record new business and creative performance. We achieved a hat-trick as Grey was named *Adweek* Global Agency of the Year; *Advertising Age* Agency of the Year and No.1 on its A-List of the best agencies, as well as *Shoot* magazine's Agency of the Year.

*Advertising Age* summed up our progress best by writing, "That a big, holding company-owned beast of an agency can churn out double-digit growth and buzzy mass-recognized creative is rare. To outdo itself year after year is rarer." We are very proud of this track record and it proves you can renew a venerable agency brand for today's communications landscape.

We added to our blue-chip client roster, winning the most-watched review of the year for the global Gillette account. High-profile new business wins also included HSBC, Volvo, Hasbro, GE Healthcare, Symantec, Wella and Papa John's Pizza. Most of our long-time clients grew in revenue and we were awarded major new assignments from AARP, Allergan, Ally Financial, Boehringer Ingelheim, Canon, GlaxoSmithKline, Procter & Gamble, Pfizer, TJ Maxx, Eli Lilly and 3M.

“We achieved a hat-trick as Grey was named *Adweek* Global Agency of the Year; *Advertising Age* Agency of the Year and No.1 on its A-List of the best agencies”



Grey's mantra of 'Famously Effective' work fueled our soaring creative reputation. We won 36 Cannes Lions, our best showing ever across all regions. *Adweek* wrote, "Grey produced some of the most memorable work of any agency in 2013."

Grey's flagship agencies in New York and London accelerated their forward momentum. Our New York agency was awarded an Emmy for Best Prime-Time Commercial for Canon and made the shortlist at the Academy Awards, an advertising industry first. Highly-acclaimed integrated campaigns from New York for CoverGirl, Pantene, Febreze, NFL, DirecTV and Canon gained wide acclaim and nine Cannes Film Lions, more than any agency in the world.

Grey New York's president and chief creative officer, Tor Myhren, took on a global role as worldwide chief creative officer. Michael Houston

moved up from Grey New York's chief operating officer to become Grey North America chief executive officer. We also welcomed Joe Lampertius as the first global chief executive officer of Grey Shopper, our fast-growing shopper marketing practice.

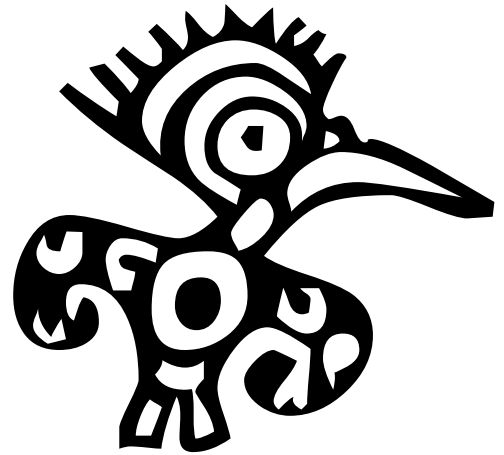
“Our New York agency was awarded an Emmy for Best Prime-Time Commercial for Canon and made the shortlist at the Academy Awards, an advertising industry first”

Grey EMEA, led by David Patton, was named the Euro Effie Agency of the Year for the second consecutive year. Grey London, under Chris Hirst, recorded one of its most impressive new business performances ever and ranked among *Campaign's* top agencies. The London agency won the Cannes Black Creative Effectiveness Lion for the British Heart Foundation, among many accolades.

Grey Greater China was named *Campaign Asia Pacific's* Agency of the Year. Our two top leaders in Asia Pacific, Nirvik Singh and TH Peng, oversaw a record new business performance in China and significant expansion of our capabilities in the region.

We continue to invest in the world's developing growth countries. A new Grey Brazil was launched, increasing our ranking in this critical market. We enhanced our global footprint in digital and shopper marketing with the acquisition of premier companies in Europe, Asia Pacific and Latin America and added to our healthcare resources.

We are well-positioned to build on Grey's success story and bullish on the future. ●



## How we're doing

Advertising

## United Group

Report by **Ewen Cameron** (right)

Chief executive officer

2013 was a year of focus on new business for United.

Our agencies in the US saw strong client acquisition with wins of Hawaiian Airlines for Cole & Weber United in Seattle and strong growth of the Capitol One business in New York.

In Europe, Señora Rushmore weathered one of the region's worst economic climates and delivered a very strong year with major wins for Vodafone and Diageo, taking it into the top five agencies by billing in Spain. In Italy, 1861 United grew new business from BNP Paribas and the prestigious Expo Milan 2015, while continuing its high-profile work for clients such as Sky and Vodafone. In Scandinavia, BTS United won new assignments from Hertz and KLP Insurance, and in Benelux LDV United continued to grow its business with Opel and added new assignments from Q8 Petroleum.

**“** *[New CEO] Matt will partner with me... to deliver on our mission of offering a vibrant micro network alternative* **”**

The big news for United came near the end of the year with the appointment of Matt Ryan as our new CEO. Headquartered out of New York, Matt will partner with me to drive the profile of New York as the hub of our micro network, and from there build a client base that will leverage the network to deliver on our mission of offering a vibrant micro network alternative to the larger agencies. ●





## Bates CHI&Partners

**Report by David Mayo** (near right)

Chief executive officer, Asia  
and

**Johnny Hornby** (far right)

Chief executive officer

Bates CHI&Partners launched in February 2013 across 14 offices in nine markets in Asia, following the joint venture between Bates Asia and CHI&Partners, the highly-respected UK agency, to create a nimbler, faster agency in Asia with a creative corridor from Shanghai to New York.

Our business focus in 2013 was simply on creativity and business development. Using our business model of collaborating more and competing less, we promise *Big Ideas for Ambitious Brands*<sup>TM</sup> by assembling talent from the open market for specific client briefs, giving a bespoke approach to creative ideas and a network to deliver.

From a new business perspective we started strongly, winning new multi-market relationships with ASUS, IHG, Diageo and Eva Air among others. We went on to produce some of our best work for these clients, which ran in over 90 countries around the world, establishing some strong creative credentials in the process.

We also had a strong new business performance at market level as our 14 offices leveraged our new positioning. In fact, it was our strongest new business year for 15 years.

As we rolled out the JV we took aggressive steps to increase our profile and reputation at all the major industry events as well as collaborations with sister companies The Futures Company and Ogilvy & Mather, and affiliate Global Counsel.



We installed fresh leadership in Shanghai, Singapore, The Philippines and Hong Kong and we launched a social and digital practice, hubbed in Singapore.

**“ We also had a strong new business performance at market level as our 14 offices leveraged our new positioning. In fact, it was our strongest new business year for 15 years ”**

In 2013, we set out to achieve quality creative campaigns, more satisfied clients and a stronger new business performance. In 2014, we aim to grow our business further through global client development, regional client growth and by continuing our focus on creativity through collaboration. ●

## How we're doing

Advertising

### Commarco

Report by **Christian Tiedemann** (right)  
Chief executive officer

In 2013, under challenging market conditions in Germany, the Commarco Group has further strengthened its digital footprint: increasing digital revenue in deepblue; an international account win at KKLD; and the launch of a new Scholz & Friends Hamburg digital unit, one:zero. We have invested in our content management profile and started a co-operation with sister company Hogarth Worldwide in Germany, offering our existing and potential clients international creative asset management.

Our top creative flagship brand, Scholz & Friends, won two of the largest accounts tendered in 2013; the creative work for one major client (a client since 2011) was highly awarded, with two Effies and ranked No.1 in the brand awareness ranking, leading campaign, in the “Jahrbuch der Werbung” [Advertising Yearbook]. The agency continues to be highly ranked by marketing decision makers in terms of strategy, creative and solutions.

“Our agency *Blumberry in Berlin* created the campaign for the re-election of *Angela Merkel, Chancellor of Germany*”

Our brands deepblue networks, United Visions and gkk DialogGroup are developing well. Our newly-launched agency Blumberry in Berlin created the campaign for the re-election of Angela Merkel, Chancellor of Germany in September 2013.



Commarco's ability to create tailor-made solutions for clients is well recognised in the industry. With iPS we set up a BMW CRM and sales support unit in Munich. RessourcenReich offers sales outsourcing and distribution services for the launch of new brands in Germany. We have also created a special unit for an international gardening client, integrating services across various communications disciplines. ●

# Media Investment Management

## GroupM

**Report by Irwin Gotlieb** (below)

Global chairman  
and

**Dominic Proctor** (below, right)

Global president



2013 was another strong year for GroupM and our agencies, which report on the following pages. The group exists to give our media agencies and their clients a major advantage in a very competitive market that is seeing the rapid convergence of media with technology and data. We consolidate those aspects of our business that benefit from scale – trading,

data and technology management, sports and entertainment, back office activity and product and practice development.

*As the media business evolves, we continue to develop and invest in technologies and data in conjunction with our data/technology-reliant WPP colleagues*

In 2013, we made several acquisitions in growing areas of our business with a very heavy focus on digital media and developing markets. Existing businesses such as Xaxis (the world's biggest audience buying company) also entered these new markets in response to heavy client demand. Our

Entertainment business also grew very strongly, especially in bringing new TV series to the market, both online and on conventional broadcast channels. Our agencies won more awards at Cannes than any other media holding company in 2013.

As our market continues to consolidate, it is crucial to have the right talent in place and deliver advantage to our agencies and their clients. Indeed, one of our key strategic priorities is to continue to bring in new talent from very diverse backgrounds as we grow and expand our services.

As the media business evolves, we continue to develop and invest in technologies and data in conjunction with our data/technology-reliant WPP colleagues. This work will provide GroupM and our agencies with increasingly differentiated capabilities. We also continue to proactively shape (and catalyze) our future and that of the media industry to ensure that it develops in a manner that is beneficial to our clients and our stakeholders. ●



## How we're doing

Media Investment Management

## Maxus

Report by **Vikram Sakhuja** (below)

Worldwide chief executive officer

As we completed five years as a global network, Maxus had another stellar year on all counts.

RECMA named us the world's fastest-growing media network fourth year running.

We added about 20% of our billings in new business. We won an M&M Global Award, a Cannes Silver and a Cannes Young Lion Gold. And we were a strong contributor to WPP's revenue growth. What probably sets us apart is the way in which we work. We are agile, operate as a global network of local agencies, and attempt to put data and creativity on a technology backbone. This is captured in our philosophy we call "leaning into change."



High points of the year was when this philosophy resonated with clients in successful pitches including L'Oréal UK, Ireland and India, ABF in UK/US and Mexico, Jetstar across Asia, parts of the Nestle' business in India, Bank of Montreal – Canada, Tesco – Malaysia, Sigma Alimentos – Mexico, Npower digital – UK, Deloitte – US, China Union Pay – China and Kikkoman – Europe.

*“We are agile, operate as a global network of local agencies, and attempt to put data and creativity on a technology backbone”*

In 2013, I moved from running GroupM South Asia to lead Maxus. Our focus in 2013 was to build systems for scale while retaining the soul of a start-up. And we added entrepreneurial muscle to new business and marketing, set up EMEA as a region, built talent systems including performance management, succession and nurturing young talent, and set the base for creating the Maxus brand of client leadership by creating the role of a global chief client officer.

The plan for 2014 is to build on this momentum by unlocking value in our approach to new business, client management, growth markets and in gearing up our clients to operate in the real-time era.

These are exciting times indeed to be in media and in Maxus. ●

## MediaCom

Report by **Stephen Allan** (below)

Worldwide chairman and chief executive officer



2013 was a strong year of progress for MediaCom. United by our ‘*People first*’ philosophy, our teams around the world collaborated to win new assignments of over \$2 billion annualised billings, including Sony Mobile and Electronics, Siemens, Symantec and FIA Formula E, and substantially extend our relationships with clients like GSK, Coca-Cola and Danone. This success has strengthened our position as the world’s third largest media agency and ranked us No.1 in RECMA’s Compitches.

We also established a series of new divisions – relaunching MediaCom Response, merging WPP’s Banner Corp into MediaCom Banner and creating MediaCom Beyond Borders to service international clients in the US. Additionally, we expanded our MediaCom Sport brand into Singapore, Russia and Australia, and signed deals for soccer legend Pelé to work with P&G, Volkswagen and Subway.

These initiatives further strengthened our commitment to world-class work. We topped the shortlist at the Global Festival of Media, won three Cannes Lions and Agency Network of the Year at the M&M Global Awards for the fourth time in five years.

Whilst proud of our achievements we are far from complacent and remain fully focused on 2014.

Responding to the increasing complexities and ‘silos’ of our industry, 2014 will see MediaCom evolve into a content and connections company underpinned by our MediaCom Beyond Advertising content team of 450 staff in 42 countries. We will serve the most relevant content (including advertising, brand content, events, partnerships, sport, social reputation and owned content) through the most connected communications ‘systems’ to ensure we deliver our clients effective campaigns across paid, owned and earned media.

“ Responding to the increasing complexities and ‘silos’ of our industry, 2014 will see MediaCom evolve into a content and connections company underpinned by our MediaCom Beyond Advertising content team of 450 staff in 42 countries ”

We appointed Matthew Mee as our global chief strategy officer to lead this product evolution. Toby Jenner, who took up the new role of global chief business development and marketing officer will oversee the communication of our enhanced offer to new and existing clients.

With the benefit of GroupM’s scale, global chief investment officer Dominic Guba will ensure our teams deliver continued competitive advantage for our clients’ marketing investment.

Exciting times ahead! ●

## How we're doing

Media Investment Management

## MEC

Report by **Charles Courtier** (below)

Chief executive officer



2013 brought twists and turns throughout the year. While this business certainly gets more exciting, it gets more challenging too. MEC had a positive year and we stuck well to our key priorities: growth of our clients' business, growth of our business and growth of our talent.

Strategic leadership, for our clients and our industry, remains a core principle behind our efforts in innovation. We launched MEC Momentum, our new approach to brand communications. Its ground-breaking work centered on the purchase pathway and measures the influences throughout the whole purchase journey. Our recent launch of

Choreograph, a joint venture with Wunderman, joins content, data and media together into a single integrated offer and is a first of its kind.

Pitching and defending new business was a near permanent feature of the year. We had some great multi-market successes: GE, Danone, Beiersdorf, Sony Electronics, Chanel as well as numerous local market life-changers like L'Oréal in Canada and Renault in Turkey, for example.

*An influx of market leaders, discipline leads, digital and strategic planners happened in all regions*

Our focus on talent has to be relentless. With the communications industry changing at this pace, our need to develop our talent as well as bring in new skills into the organization is crucial. An influx of market leaders, discipline leads, digital and strategic planners happened in all regions. We drove change at the top of the company too; not least bringing in Carl Fremont as chief digital officer, from Digitas.

Looking ahead, disproportionate effort is behind leadership in digital and data. Driving marketing solutions encompassing data, insights, technology and content is the goal.

We are brimming with confidence about the year ahead. No doubt 2014 will have its challenges, but the year has certainly opened at a fast and furious pace. MEC feels stronger than ever, especially when we are cranking at full speed.

And that, of course, is down to our people. Their hard work, loyalty and unswerving good grace make all of this happen. ●

## Mindshare

Report by Nick Emery (right)  
Chief executive officer

“Mindshare is the Media Network of the Year for breaking the mould of the traditional agency structure and rebuilding its foundations for the future.” This was *Campaign Asia Pacific* in December summarising why Mindshare was the Media Agency Network of the Year and it encapsulates our progress throughout 2013. A year which also saw Mindshare break the \$1 billion mark.

We set out to overhaul our approach and to become an adaptive, data-centric organisation, creating new media solutions by harnessing consumer behaviour, optimising cross-channel integration and adapting and refining marketing plans in real-time.

Really this means creating new things, having fun doing it and ensuring it's cost-effective. Media is the most exciting playground to work in – we sit at the heart of all data, technology, content and retail – its Arab Springs, WeChat and 21st Century Fox – who wouldn't want to be at the centre of this business?

“Media is the most exciting playground to work in – we sit at the heart of all data, technology, content and retail – who wouldn't want to be at the centre of this business?”

We have a clear proposition to be our clients' lead business partner based on the belief that everything begins and ends in media and we drive change through an adaptive approach to marketing.

To deliver on our change agenda we brought in new leadership in China, Australia, Singapore, Los Angeles, Chicago, North America, Germany, the UK and Europe, giving some of our youngest successes



and talent from almost purely digital backgrounds a chance to shape the future of Mindshare and the industry. We also drove diversity and an ambitious digital agenda with new skill sets and talents.

We launched a host of initiatives including: a partnership with Geometry Global to target the rural and emerging-class consumer across Asia; a joint venture with Shazam around audio mapping; a Twitter cross-platform research initiative with Kantar and, most recently, our real-time adaptive marketing rooms, *The Loop*, in hubs across the world. *The Loop* is different because it's about cultural change not just data trawling. It drives a change in working practices that in turn drives behavioural change, both for our clients' consumer relations but also how we work across client agency networks, creating one focused team working adaptively, reacting live and seeing trends ahead of the competition.

We were rewarded both in terms of new business and with MENA, Asia and Latin America Agency of the Year Awards, Cannes Gold, Effies across the world and the Goafest Grand Prix.

2014 will see us continuing to break moulds based on our ethos of speed, provocation and teamwork, coupled with a culturally relevant and adaptive agenda, to ensure that Mindshare sits at the centre of the convergence of media, content, data and technology. ●

## How we're doing

Media Investment Management

## tenthavenue

Report by **Rupert Day** (below)

Chief executive officer



As the physical and digital worlds converge we believe that tenthavenue is in a very strong position to address this new challenge for brands. In this new era of 'context', it is no longer enough to match an audience with efficiently 'bought' media. It's about understanding consumer behaviour and mindsets. It's about brands meeting people in the middle by providing user-centric content to deliver utility through reward or entertainment. It is the reintegration of creative and media in a way which is centred around the user, regardless of environment and device.

Our ability to deliver this proposition in 2013 was based upon a mixture of our own resources and collaboration with others.

We continue to embed our services in both WPP companies and other agencies to deliver specialist services aligned to their overall strategies. We grew our direct client relationships with the likes of Unilever, Tesco, Intercontinental Hotels, Vodafone, International Airlines Group (BA and Iberia) and Air Canada.

Companies within tenthavenue, such as **Spafax** and **Forward**, continuously focus on developing content strategies and creating ongoing content for brands in any and all environments.

Through our mobile media agency, **Joule**, we partnered with Candyspace as our strategic creative lead; distributing content on its own proprietary technology to any digital device. Candyspace is now aligning the creative executions across the entire digital world. Not only PC, smartphone, game console and tablet, but also the wider world of digital out of home (OOH), bringing content alive and connected.

Through **Kinetic**, we partnered with Gamaroff, which specializes in building OOH displays and events, creating excitement and engagement to then deliver specific activation programs through social media.

We are very excited by our acquisition of **TMARC**, tenthavenue's first foray into Africa. Based in South Africa, TMARC is a leading mobile activation company that delivers competitions and rewards via its proprietary technology. Working with South Africa's leading retailer and brands, TMARC is looking to expand its services across all of Africa.

*“We are very excited by our acquisition of TMARC, tenthavenue's first foray into Africa”*

In order to have a better understanding of how users engage with content and the mobile environment, we partnered with Mocean to create a purely mobile-centric Ad-serving and Trading Solution, currently operational in France where Joule is now the largest mobile media agency. This solution gives much more insight into clients' mobile campaigns than the traditional online solutions currently being adapted for mobile. In 2014, we aim to take this solution across our other markets.

In summary, three years in, tenthavenue is aligning content with devices and users in the environments we understand better than anyone else. To deliver real utility to users, and performance and insights to clients. ●



# Data Investment Management

## Kantar

### Report by Eric Salama

Chairman and chief executive officer

Earlier this year I found myself in a room with colleagues from Kantar and WPP, judging work on a hypothetical brief that had been given to 60 students from the Blavatnik School of Government at the University of Oxford. The students were high-potential civil servants working in a variety of government departments from over 40 countries from around the world. As part of their course they had been working with us for a few days to understand the role of insight and research in developing social policy and the way that those insights get translated into creative work which changes behaviour and the ways in which that work can be evaluated. Happily nine of those students will join a WPP company for a further internship later in the year.

Reflecting on that experience and the discussion around corporate social responsibility I was struck by how much and how often we use our research and

insight skills to drive social policy. Some companies, including our own, have extensive charitable giving and pro bono programs, but we are lucky that we can put our skills to work for the benefit of society in an even more extensive way and be paid for it!

In the past year alone, newly-acquired Benenson Strategy Group has worked on a host of climate change projects and political campaigns. Kantar Media has been delivering daily media intelligence to the EU and a host of government bodies across Europe. Kantar Health presented papers at ISPOR on assessing the burden on care givers for patients with lung cancer and on chronic pulmonary disease in Russia. TNS continued to be the EU's primary partner for understanding citizens' views on a range of subjects through the Eurobarometer work. It is also working with the German Federal Government and other EU bodies in monitoring and supporting the development of lifelong education programs, with the Lagos State Government to track citizen satisfaction with government services and in the UK on a range of government programs such as the British Crime Survey and the seminal Understanding

Society. IMRB is working with the Gates Foundation on message research and testing for its water sanitation and hygiene work in India and with the World Bank on evaluating technical assistance projects. The Futures Company worked with Mind Trust to improve the transition of servicemen and women to civilian life and had the report debated in the House of Lords.

It is not just that political and social work accounts for a substantial percentage of our revenue and is an opportunity for our people to work on these kind of projects, but that increasingly there is overlap between our corporate and government work – in areas such as behaviour



Above, left to right:  
**Eric Salama**, CEO Kantar, **Phil Smiley**, CEO EMEA and ASPAC Kantar Retail,  
**Thomas Puliyel**, CEO IMRB, **Joel Benenson**, CEO Benenson Strategy Group

## How we're doing

Data Investment Management

change and how best to drive it. It is no coincidence that we have been working with a socially-responsible client such as Unilever in its Millennium Villages project in Ethiopia and Kenya to help change washing behaviour, or in the UK to help understand how families are tackling issues around sustainability.

The work we do for social-related projects benefits from the way we run the business and our focus on thought leadership.

Added Value, IMRB and TNS won Research Agency of the Year in Hong Kong, India and the UK respectively, Kantar Worldpanel was voted as one of the best places to work in markets as diverse as the UK, Ireland, France, Spain, Mexico and Millward Brown received similar accolades in Mexico and Australia. This is a testament to our management teams in those countries and helps us get the best people in the industry working on our clients' business. We published many path-breaking studies including: the Millward Brown BrandZ studies globally and in markets such as China and India; the Kantar Worldpanel study on which brands are most bought around the world; the Added Value

study on cultural traction; and the Kantar Retail studies on how manufacturers and retailers perceive each other in markets such as the US and China and the strength of digital brands in retail. All these enhance our understanding of attitudes and behaviour in a corporate context but also help in developing a better understanding of purchase decisions in the context of social issues such as health, obesity and sustainability. We are showcasing the best of all this work to great effect via our recently-launched insights sites from which journalists and commentators are encouraged to re-use our data.

“Our deep-seated commitment to innovation and creativity helps all of our clients – corporate and societal alike”

Equally, our deep-seated commitment to innovation and creativity helps all of our clients – corporate and societal alike – and 2013 was a terrific year in developing and rolling out impactful innovations. Millward Brown has pioneered the widespread use of facial coding in understanding emotional responses to communication and advertising. Our growing use of mobiles and tablets to collect data enables us to work more effectively and efficiently in developing markets and rural situations. Our growing ability to combine purchase data from Kantar Worldpanel and Shopcom with media data from Kantar Media and Millward Brown enables us to understand the impact of media on consumption and enables clients to optimise media campaigns. And we have pioneered ways of taking segmentations from existing work



Above, left to right:  
**Lynnette Cooke**, CEO Kantar Health, **David Day**, CEO Lightspeed Research,  
**Richard Ingleton**, CEO TNS, **Steve Pattinson**, CEO Americas Kantar Retail

Below, left to right:

**Josep Montserrat**, CEO Kantar Worldpanel, **Will Galgey**, CEO The Futures Company, **Bart Michels**, CEO Added Value, **Andy Brown**, CEO Kantar Media, **Travyn Rhall**, CEO Millward Brown



Our partnerships with companies such as Twitter and the social media capabilities that are represented by CIC, Fisheye and Visible Technologies enable clients to understand how their brands are being talked about in real-time, while enhancing our ability to help clients predict consumer behaviour better and with shorter turnaround times.

We continue to put increasing emphasis on how we deliver our work, not just what we deliver. The partnerships and emphasis on data visualisation have continued apace (e.g. [informationisbeautifulawards.com](http://informationisbeautifulawards.com)) and enable us and our immediate clients to have greater impact in the organisations in which they work and to spur their colleagues to more action.

The lines between corporate and societal work are becoming increasingly blurred. Our ability to do each well enhances the other; our innovation agenda benefits both.

As one of our Futures Company directors, Andrew Curry, said in his award-winning *Admap* paper which was published in June 2013: “The concept of businesses purely chasing shareholder value is a relatively recent and flawed one. Those that have a social purpose stand out more, engender loyalty and focus on the long-term health of the business.” Our people should feel proud of the uses to which their skills are put and we feel proud of them. ●

and mapping them onto larger databases, enabling companies such as GroupM and Wunderman to plan media and CRM campaigns in innovative ways. All our companies have automated some of their solutions to enable a wider range of clients to self-service cost-effectively and make use of our IP while we continue to shorten and automate our questionnaires to enable clients to engage better with consumers and benefit from norms which we have built up around the world.

“Our growing use of mobiles and tablets to collect data enables us to work more effectively and efficiently in developing markets and rural situations”

## Public Relations & Public Affairs

### Hill+Knowlton Strategies

Report by **Jack Martin** (below)

Global chairman and chief executive officer



As an 80-year-old brand with a rich heritage, Hill+Knowlton Strategies has the opportunity to be a part of any conversation about interacting with the public across the globe. But, in this age of disintermediation and democratization, we earn a seat at the table because of our ability to offer wisdom about the future of communicating with the public.

Almost overnight, relatively speaking, there is a new pathway to the public: the internet. Now along with traditional avenues of communicating, such as television, radio and newspapers, the public has access to an unlimited amount of information and even more important, many of the traditional areas of public interaction, such as public relations, advertising, research, marketing and branding, are also adapting to this new world order. At Hill+Knowlton Strategies, our approach to this exciting future is called the 5th Seat. The 5th Seat puts us in the c-suite of our clients, next to the lawyers, accountants, management consultants and bankers.

With this opportunity comes a responsibility to offer the best talent and tools anywhere, not only for interacting with the public but to measure it. We have worked hard to identify, develop and promote this talent, both from within our own ranks and by recruiting new expertise from outside. We have invested in vital areas such as digital, a global research practice that is second to none, and developed a corporate practice that can turn on a dime, be it a global crisis or a merger. We put a premium on ensuring that we integrate these new tools into our core public relations business. We also have put major emphasis on creating a 21st century marketing communications practice that takes advantage of the new highway to the public, offering accountability and measurement of our work. But we have a ways to go. True innovators always do.

*“ We have invested in vital areas such as digital, a global research practice that is second to none, and developed a corporate practice that can turn on a dime, be it a global crisis or a merger ”*

Our commitment to leading the next generation of this business, driven by our entrepreneurial spirit, makes this an exciting and promising era for Hill+Knowlton Strategies. ●

## Cohn & Wolfe

Report by Donna Imperato (below)  
Chief executive officer

2013 was the year that put Cohn & Wolfe on the global stage, literally. Last March, our leadership team took the stage to accept *PRWeek's* Large Agency of the Year and Overall Agency of the Year. Competing with agencies many times our size, it was Cohn & Wolfe's success story – specifically our creative leadership and global expansion – that captured the judges' imaginations.

During 2013, we evolved our offering to capitalize on new marketplace demands. We drove global expansion by taking a minority stake in leading Middle East network BPG and adding a new Philippines office. With nine Asia Pacific offices, the region has quickly become a key growth driver.

Cohn & Wolfe enhanced our integrated marketing and insights capabilities, becoming the first and only PR member of WPP's The Data Alliance. The partnership allows us to drive engagement more effectively between consumers and brands by integrating deep data, digital strategy and creative and content offerings. Other new offerings include Paid Media, Mobile Marketing and Content Marketing.



Our outstanding people are at the heart of our success and three publications – *PRWeek*, *PR News* and *Crain's New York* – recognized Cohn & Wolfe as a Best Place to Work. We continued to recruit the best leaders to drive our regional offerings and invested in digital, creative,

integrated marketing, insights and paid media talent across markets. To evolve employee skills, we unveiled our new learning management system, with cloud-based, on-demand training using 'gaming' modules to facilitate learning.

Clients embraced our evolution, significantly increasing our integrated marketing work. It was also a historic year of new business across practices and geographies – major wins included: Choice Hotels, Coca-Cola, Google, Johnson & Johnson, Mondelēz, Nokia and Pfizer. Existing relationships proved powerful, as organic growth drove over 50% of new business.

Growth was notable in our global healthcare practice and our London, Austin, Sweden and Southeast Asia offices. Our global specialty companies, GCI Health (see page 83) and AxiCom, also performed well with significant new wins and strong organic growth.

*Clients embraced our evolution, significantly increasing our integrated marketing work. It was also a historic year of new business across practices and geographies*

We will continue to leverage our brand marketing heritage and stay one step ahead, investing in the right talent and tools to exceed client needs and deliver an outstanding 2014. ●

## How we're doing

Public Relations & Public Affairs

### RLM Finsbury

**Report by Roland Rudd** (below, left)

Chairman and

**Walter Montgomery** (below, right)

Chief executive officer



RLM Finsbury, which was created in 2011 from the merger of Robinson Lerer & Montgomery and Finsbury, works extensively with corporations in the Fortune 500, FTSE 100 and Eurofirst 300, as well as numerous public and independent companies around the world.

The firm's communications professionals bring a wealth of experience in finance, law, public policy and journalism, as well as the global expertise, insight and judgement to help clients make the greatest impact in their interactions with the media, financial markets, employees, policy makers and other vital stakeholders. Services include financial communications, investor relations, crisis communications, issues management, corporate affairs, public policy and regulatory affairs.

2013 demonstrated the benefits of the continuing effort to integrate services across the firm's global offices, including the engagement by Verizon Communications in connection with its purchase of Vodafone's 45% stake in Verizon Wireless, the largest US deal in history and second largest deal in global history. For the year, RLM Finsbury posted solid results, with an increase in revenues. ●

**Burson-Marsteller** See report on page 57

**Ogilvy Public Relations** See report on page 50

### HERING SCHUPPENER

**Report by Ralf Hering**

Principal partner and chief executive officer

HERING SCHUPPENER, Germany's market leader in corporate and financial communications with offices in Düsseldorf, Frankfurt, Berlin, Hamburg and Brussels, works closely with the senior management of more than 150 leading companies in Germany, Europe and beyond on all corporate issues, financial transactions and in mission-critical situations.

In 2013, we advised clients in 30 M&A transactions and in the largest IPO. High-profile assignments included: the largest investment ever made by a Japanese firm in Germany; CEO transition programs in the manufacturing, telecom and travel industries; major compliance and governance issues support and restructurings in the manufacturing, financial services and automotive sectors; insolvency communications programs in the real estate industry; and strategic corporate brand positioning programs in the manufacturing, automotive and retail industries.



We also have a strong public affairs practice that acts on a national and EU level regarding regulatory issues, and a

powerful healthcare arm advising the pharmaceutical industry on communications policies.

The consultancy has been consistently on top of the *mergermarket* rankings for M&A transactions now for a decade in volume, and in value since 2007. It also advises clients on IPOs and other capital raisings, investor relations, restructurings, and CEO transitions as well as crisis communications and other special situations in every industry sector.

In the past year, based on independent research, *The Holmes Report* named the firm again EMEA Best Consultancy to Work For, for the fifth time. ●

# Branding & Identity

## B to D Group

### Report by Simon Bolton

Worldwide chief executive officer, Brand Union and FITCH,

### Lois Jacobs

Chief executive officer, Landor Associates and

### Rob Horjus (below)

Chief finance officer and chief operating officer, B to D Group

The B to D Group expanded via acquisition in 2013, as Addison joined forces with The Group, the UK's leading provider of corporate websites.

In addition, Brand Union, PeclersParis and The Partners all delivered impressive profit growth, while FITCH generated growth in North America and EMEA and Landor saw exceptional growth in Russia, Indonesia, Japan and Australia.

Many respected brands added B to D Group companies to their roster, including Aeroflot, Argos, Colgate-Palmolive, Det Norske Veritas, Dunkin' Brands, Ford, Land Rover, Merck, Qtel Group, Royal Bank of Scotland, Royal London Group, Russian

Copper Company, Toyota/Lexus and Walgreens.

2014 will be an exciting year for the B to D Group as we continue to focus on doing great work, making acquisitions, expanding our offer and entering new markets.



## Addison Group

Addison had a transformational year with the acquisition of The Group, adding further strength to the agency's digital capabilities. Now rebranded as Addison Group, it continues to grow both in the UK and across Europe, attracting new projects with its enhanced integrated offer.

**Brand Union** See report on page 79

**FITCH** See report on page 80

## Lambie-Nairn

Lambie-Nairn increased its focus on media, telecommunications and sport, and building its presence in faster-growth markets by winning projects for FIFA, Saudi Telecom, Red Chillies Entertainment (India) and Green Networks (Africa). The agency continues to work as the global brand guardian for Telefónica.

**Landor Associates** See report on page 58

## The Partners

Led by an exceptionally good new business performance, The Partners experienced strong revenue growth across its network. The agency's growth with Colgate and its win of the XL Telecom assignment in Indonesia reinforces that their strategically-led, creatively-focused approach is compelling and sets The Partners up for continued growth in 2014.

More overleaf



## How we're doing

Branding & Identity

### PeclersParis

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2013 was another good year for PeclersParis, our consulting agency in trends, style and innovation. Trend book revenue grew strongly, helped by the launch of new products and positive sales momentum worldwide. The company's consulting offer has resonated in China, resulting in double-digit growth in that market.

### VBAT

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2013 was a challenging year for Amsterdam-based VBAT, as the region's economic difficulties impacted the business. However, the agency strengthened its relationships with key clients including Heineken, DE Master Blenders and ING Bank, while opening an office in Mexico City and building its business there. ●





## Brand Union

Report by **Simon Bolton** (right)

Worldwide chief executive officer

“The experience of the brand is the brand” is the central belief that underpins the Brand Union network. Conceived in 2012, this now drives our entire offer.

Our proprietary methodology, the Experience Imprint, is a manifestation of this belief and provides a framework for evaluation, diagnosis and future-proofing of brands. It has proved to be a flexible approach that works across categories, markets and disciplines and has helped us welcome many new clients.

**“Growth was fuelled in markets such as China, South East Asia, the Middle East and the UK”**

Growth was fuelled in markets such as China, South East Asia, the Middle East and the UK. We were also successful in winning assignments from major new clients: Jaguar Land Rover, CFLD, SABMiller, CBRE and Prudential America.

2013 saw many of our offices recognised for outstanding achievements: we were voted agency of the year in both Singapore and India; our offices in Stockholm and Hong Kong contributed to the group's success at the Cannes Lions Festival and Digit won the prestigious Royal Television Society award for Design & Craft Innovation for ‘D-Day: As It Happens’ which fused traditional TV with the web and social media in a highly-engaging new format.



We also won RedDot and Eurobest Awards for our work with Absolut and the Midas award for World's best Financial Advertising for Bank of America.

There were a number of notable talent changes including: Toby Southgate transferred from London to become CEO of our North American operation based in New York in August; Catherine Gale joined in October as CEO for our London and Dublin operations; Tab Lai was appointed MD for our Shanghai operation; and Arvind Hegde MD for our India business. At the time of going to press, I am delighted to welcome John Shaw's experience and intellect to our company as worldwide director of strategy and planning.

My thanks go to all of the people from Brand Union for their contribution to such a memorable year. ●

## How we're doing

Branding & Identity

### FITCH

**Report by Simon Bolton** (see preceding page)

Worldwide chief executive officer

Delivering seamless retail experiences through bold thinking is FITCH's driving ambition for its clients around the globe.

Good progress was made against this objective in 2013 as FITCH continued to deploy its Physical, Human and Digital (PHD™) process and toolkit on client assignments.

Whereas discontinuity remains a constant in the global economy, we were able to generate growth through our key hub offices in Columbus, Phoenix (representing North America) and London (covering EMEA). Significant new contracts were secured in the banking, automotive, fashion, FMCG and hospitality sectors.

**“We scooped 30 awards in 2013, for our work and our teams”**

We scooped 30 awards in 2013, for our work and our teams; Design Firm of the Year for the third year running from *DDI* magazine and Design Team of the Year for the second time at the Retail Interior Awards.

*Chain Store Age* awarded FITCH for the signature experiences we created for PIRCH, City Target and Buffalo Wild Wings in the US and Ann Summers in the UK.

Asian Paints' flagship stores continue to be recognized, with accolades from the DBA and Retail Design Institute. Vodafone EBEZ was awarded twice over in India's VMRD Retail Design Awards.

In November 2013, my colleague and CFO, Alex Spark, and I proudly transitioned into leadership roles with FITCH. We have been joined by Lesley Brady (global human resources director) and I have recently promoted Tim Greenhalgh to chairman and chief creative officer, reflecting the depth of his knowledge and influence across our network.

Our strategy in 2014 is to continue to boldly deliver seamless retail experiences and thinking and to secure FITCH's reputation as the undisputed 'kings' of retail design. ●

# Healthcare Communications

## Ogilvy CommonHealth Worldwide

Report by **Matt Giegerich** (below)  
Chairman and chief executive officer



As the world continues to focus on improving the quality of healthcare while lowering costs, cultivating a more engaged patient and demanding more accountability from healthcare providers, it's clear that clients need Ogilvy CommonHealth Worldwide's (OCHWW) global

health behavior-change capabilities more than ever. By strengthening our digital, multi-channel and global offerings, we aim to help a more diverse base of health-oriented clients respond most effectively to these trends.

Led by exceptional growth in our UK offices, OCHWW had a strong year in 2013, fueled by new business wins and our ongoing focus on operational excellence. The OCHWW brand continues to be in high demand: we participated in nearly 200 new business pitches across the globe. The global agency consolidation at Pfizer drove a large portion of our growth, adding several new assignments to our roster, which has a diverse array of health-oriented clients, including a variety of WPP team accounts within the biopharmaceutical industry.

Our global connectivity continues to be a strong differentiator. Ogilvy CommonHealth in Russia celebrated its first anniversary with a healthy and growing client base. We finalized our joint venture with Ogilvy Public Relations in the Asia

Pacific region, rebranding as Ogilvy CommonHealth Asia Pacific, and ably led by Rohit Sahgal.

In an ongoing effort to direct the future of healthcare marketing, OCHWW commanded the dais at many industry events in 2013. We also published widely on topics ranging from content strategy to marketing analytics, and our thought leaders penned over 80 online articles on a variety of hot-topic issues. In particular, the *Ogilvy RedPort* entitled *Your health, yourself* addresses the topic of personalized health data and how health corporations and their brands can achieve better health outcomes through effective behavior-change programs; and the *2013 Healthcare Marketers Trend Report*, developed in collaboration with Ogilvy PR and published in *Medical Marketing & Media*, defines the changing paradigm of the US healthcare industry by unveiling insights into such topics as healthcare reform, Big Data and the evolving regulatory environments.

*“We will continue to strengthen the global connectivity of our network, building even more integrated teams and offerings to help our clients drive healthy behavior change.”*

2013 was also yet another strong year in our quest to achieve the ‘Twin Peaks’ of creativity and effectiveness: a total of 40 creative industry awards were won across the globe.

We will continue to focus on diversifying our client roster, leveraging our connectivity to both Ogilvy & Mather and WPP, and investing in the dynamic areas of our business, including digital and multi-channel marketing. We will also continue to strengthen the global connectivity of our network, building even more integrated teams and offerings to help our clients drive healthy behavior change in the continuously evolving, but always vital healthcare ecosystem. ●

## How we're doing

Healthcare Communications

ghg

Report by Lynn O'Connor Vos (below)

Chief executive officer

ghg marked its fifth year of consecutive worldwide growth in 2013 – with double-digit growth across our five US offices – driven by the expansion of assignments with current clients, and by maximizing a robust new business pipeline. Our success was fueled by brand launches in oncology, women's health, vaccines, animal health and specialty care. ghg continued to broaden our client base to include a fully diversified portfolio of healthcare clients, and added new multi-channel products and services to meet the pressing needs of the changing healthcare market.

The healthcare landscape continues to evolve with health IT, mobile engagement, emerging market expansion and consolidation across health-delivery systems, creating exciting new challenges and opportunities. We continue to invest in digital applications, data visualization and innovative patient education programs to help our clients assist healthcare providers in delivering improved patient care.

To address the industry's need to respond to the Affordable Care Act, value-based pricing and the health outcomes-based model of care, WG Consulting – our EU market-access division – opened a new office in the US. We added senior executives in digital, strategy, medical education and health economics in the US and EU,

and created digital centers of excellence in order to incubate new communications platforms that are inextricably linked to increasing healthcare professional and consumer engagement, and therefore, improving health. Additionally, we restructured our global offices into EU and APAC centers of excellence, to better meet global client needs.

Today's challenges call for new strategies and different ways of thinking, and ghg goes beyond just participating in conversations about the future by actively investing in innovations that will improve healthcare communications for years to come. We are establishing partnerships to address our clients' challenges, including: improving the physicians' workflow with electronic health records; impacting patient behavior through consumer health media; addressing health literacy, focused communication with women who are most often the key healthcare decision maker; and optimizing mobile technology to achieve better health outcomes. Additionally, we continue to develop thought leadership that engages healthcare influencers.

*“The healthcare landscape continues to evolve with health IT, mobile engagement, emerging market expansion and consolidation across health-delivery systems”*

ghg continued a strong tradition of philanthropy in 2013 by contributing our insights, strategic guidance and breakthrough creative to the Jed Foundation, the Jerico Project and the Helen Keller Foundation in the US. We created a digital strategy for INMED Partnerships for Children, and continued to support *Text4Baby*, the most successful mobile health initiative in the US. Globally, we developed award-winning creative for Australia's Animal Management in Rural and Remote Indigenous Communities (AMRRIC). ●



## GCI Health

Report by Wendy Lund (right)

Chief executive officer

GCI Health, WPP's global specialty healthcare PR agency, drove continued momentum throughout 2013, establishing a larger geographic footprint, expanding key practice areas and growing our account base. A key focus was continued collaboration with WPP client teams to develop and execute integrated programming, with excellent results. We were also extremely honored this year to be named one of the Top Five Healthcare Agencies in the World by *The Holmes Report*. In 2014, our vision continues to concentrate on being the No.1 specialty healthcare PR agency.

*A key focus was continued collaboration with WPP client teams to develop and execute integrated programming, with excellent results*

To support the increasing demand for a global network, GCI Health opened its London office in 2013, bringing exceptional talent to our work outside the US. This expansion allows us to better serve our growing global and European client base and further build on our agency's reputation for unsurpassed results, our emphasis on exemplary client service, unrivaled talent and forward-thinking capabilities.

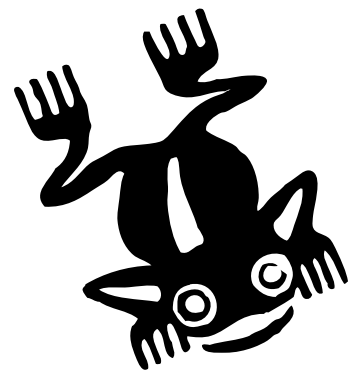
As digital integration into traditional healthcare public relations becomes more essential, we broadened the strategic vision of GCI Health's digital and social media offerings by enhancing our products and services and expanding our focus on social and mobile engagement. In adding a new digital lead, we are ensuring that our teams are able to be at the forefront of these dynamic digital elements of healthcare communications.



In 2014, GCI Health continues to focus on 'putting patients first.' With access to more information than ever before, patients are now more empowered. For some time, we have been shifting our traditional approaches of brand- or disease-state focus to one centered on patient

engagement and activation, and we continually ask ourselves the important questions that will best ensure that we stay on a path with the patient at its core, while continuing to support critical scientific discoveries, commercially available treatments and providers and insurers. ●

**Sudler & Hennessey** See report on page 58



## Geometry Global

Report by **Steve Harding** (below)

Global chief executive officer



It was a momentous inaugural year for Geometry Global. We began 2013 as three separate companies – OgilvyAction, G2 and JWTAction – and ended the year as the largest agency network of its kind. The three businesses were as complementary

to each other as anticipated and our go-to-market strategy emerged naturally from the strengths of each agency brand.

On our way to becoming the world's premier global activation agency, we needed to set the foundation for a brand new company and ultimately manage through a challenging transition. We created a breakthrough offer – Precision Activation – and both our clients and the world's leading search consultants agree that we're redefining activation with our approach to shopper, digital, promotions, data, relationship marketing and experiential. We established an operations infrastructure for our new company, transitioning 80+ offices to new branding and introducing 3,800+ staff to a new way of working. All of our efforts to embed Precision Activation in our people are already showing dividends.

Through all the change, we gained some notable new clients while strengthening existing relationships. We landed some impressive brands including Mattel,

Pirelli and Bacardi and expanded our relationship with our key global clients like Kimberly-Clark and GSK. Lastly, our winning of Unilever's US agency of record for shopper marketing is proof-positive the merger fills in a big gap for global clients.

I am most proud of our new company's progress in improving our creative product. Since launching in June, Geometry Global has won 71 creative and effectiveness awards and we're looking to continue our level of performance going into the 2014 awards season.

**“ Our winning of Unilever's US agency of record for shopper marketing is proof-positive the merger fills in a big gap for global clients ”**

With Geometry Global's expanded capability, award-winning work, and industry-defining approach, we're in a great position to achieve our ambitions of being the world's most imaginative, effective and influential activation agency network. ●



**Toby Hoare** (left),  
Chairman,  
**Carl Hartman** (above),  
WPP Global Client  
Leader, Kimberly-Clark  
and chief executive  
officer, Geometry  
Global North America

# Specialist Communications

**Report by Mary-Ellen Howe** (below)

Chief operating officer  
Specialist Communications, North America  
and

**Laurence Mellman** (right)

Chief operating officer  
International Specialist Communications

WPP's Specialist Communications division comprises individual business units with separate and distinct marketing expertise by industry, audience segment or medium. Our clients benefit from the depth of knowledge and strategic focus of these specialists; the Group benefits through the flexibility these companies offer as partners for sister WPP companies when serving clients' integrated marketing needs. Our role in managing this portfolio is to help these companies grow on their own terms and to support co-operation opportunities across the Group.

Our report illustrates some of these companies and their capabilities and achievements during 2013.

Post production company **The Farm Group** had another busy and successful year in 2013. Activity at its Soho sites in London remained very high with award-winning and high-profile output such as *Downton Abbey*, Brian Cox's *Wonders of Life*, *The X Factor* and *Britain's Got Talent*. The Los Angeles operation continued to grow and worked



on shows including *The X Factor US*, *Hotel Hell* and *Jim Henson's Creature Shop Challenge*.

US-based corporate events business **MJM** created inspiration and impact for top-tier clients including



Kimberly-Clark, Deloitte, Pfizer and AstraZeneca, with creative strategy and production for some of their clients' most significant internal-facing events.

**Metro** continued to provide technical event production services for long-term clients including Deloitte, Citi, RBS, Roche, Experian and Shell.

Risk management specialist **Mando** continued to expand its business in Europe with key campaigns for brands such as Powerade, Bose, Mondelēz and GSK whilst maintaining a strong position in the UK.

**Pace Communications'** digital and social media services and video content capabilities continue to position the agency favourably. The Florida divisions exhibited strong growth in healthcare, education and gaming, and resurging demand for residential real estate contributed to Green Advertising's success. In the New York metropolitan area, clients K. Hovnanian and Robert Wood Johnson Medical Center are continuing to develop as they plan significant expansions.

**The Food Group** expanded its reach to include the growing North American organic and functional food market, while continuing to serve the foodservice and retail sectors.

UK outsourced communications service provider **EWA** continued to focus on improving relationships between clients and their customers, adding value through the combination of expert communications strategy, insight and delivery techniques. Key projects included adidas, the Liberal Democrats, the Communications Workers Union and Merisant.

**BDG architecture + design** had a strong year in 2013 working with existing clients such as EDF Energy and BNY Mellon. BDG was also particularly

## How we're doing

Specialist Communications

proud to be appointed to the roster of design agencies working for Sky's property portfolio.

*Alongside collaboration with sister agencies, Scangroup will continue to assess acquisition opportunities to broaden both its service and geographical offerings across Africa*

At the end of 2013 we increased our interest in **Scangroup** in Africa to majority ownership with the company retaining its listing on the Nairobi Stock Exchange. Scangroup offers a comprehensive and integrated range of advertising and communication services in the areas of traditional advertising, digital, media investment management, marketing consultancy, public relations and experiential marketing. It employs over 790 people in its offices in Kenya, Ghana, Nigeria, Rwanda, South Africa, Tanzania, and Uganda and it buys media in Ethiopia, Rwanda, Burundi, Zambia, Malawi, Mozambique, Angola, Gabon, DRC and Mauritius. While Scangroup operates as a holding company, the businesses operate separately with autonomous management structures, allowing for the independence and confidentiality required in handling diverse client projects.

Since we made our initial investment in 2007, Scangroup has partnered with sister companies Grey, H+K Strategies, JWT, Millward Brown, MediaCom and Ogilvy & Mather. These arrangements have allowed Scangroup to support a more diverse client base with a more diverse proposition, and have provided sister WPP companies with a platform for growth in the region. Our step up to majority shareholder will create further opportunities for collaboration across the WPP network.

Alongside collaboration with sister agencies, Scangroup will continue to assess acquisition opportunities to broaden both its service and geographical offerings across Africa. ●





## AKQA

Report by Ajaz Ahmed (below)

Founder and chief executive officer



AKQA exists for two reasons: to help create the future for our clients; and to inspire excellent leadership from our people. In the last 12 months – our first full year with WPP – it's good to have plenty of evidence of both. With a pitch success rate of 90%,

we took on 14 new clients. We also achieved a 100% client retention of existing relationships.

The work continues to do the talking with the goal of elevating our clients' brands, and their customers, to new places. Applying the latest technologies we created a world-first virtual reality car configuration experience that proved a massive hit at the Tokyo Motor Show. The Nike Training Club app achieved over 15 million downloads with more than 300 million workout minutes. Two otherwise undiscovered footballers went on to graduate from The Nike Academy and are now destined to represent their countries at this year's FIFA World Cup in Brazil. The Fly Delta Mobile platform exceeded 10 million downloads and contributed to Delta moving from 10th position to No.1 position in the *The Wall Street Journal* airline rankings league.

AKQA won a highly coveted Apple Design Award for the stunning World Wildlife Together app. We have been fortunate to have our work and thinking recognised with some of the industry's top awards. The most prestigious of these is the Queen's Award for Enterprise Innovation, the highest official recognition for UK businesses. AKQA is honoured to have won this award in 2014.

*The work continues to do the talking with the goal of elevating our clients' brands, and their customers, to new places*

We don't take it for granted that to create genre-redefining work we are fortunate to have collaborative client relationships, the best talent and hard-working teams. Our staff retention metrics are among the best in the industry. Looking to the future, we have invested in a new AKQA Graduate Programme in partnership with the world's best universities. We also encourage and celebrate international creative talent with our Future Lions initiative at Cannes. We are delighted that Google is our partner for the 2014 competition.

Most of all we are inspired about where we are going to next – when you're in the business of creating the future, there's limitless potential. ●

## WPP Digital

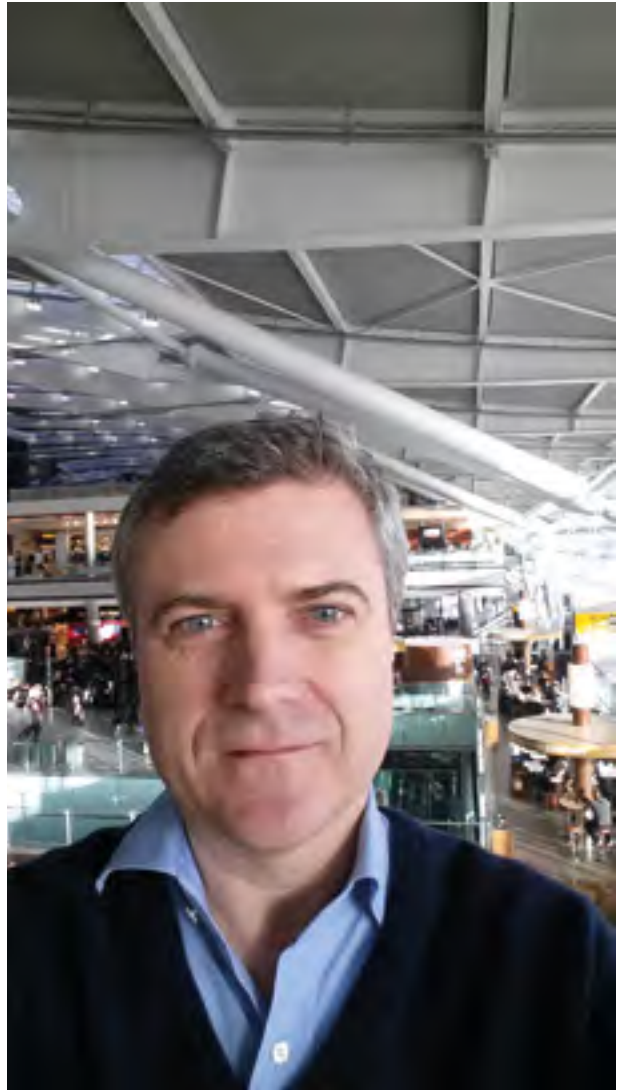
Report by **Mark Read** (right)  
Chief executive officer

WPP Digital had strong performance in 2013, both financially and strategically, supporting the Group's ever-greater focus on the application of technology and the growth in its digital business to 35% of its revenues today. Our key priority areas within digital remain the same: mobile, e-commerce, content, data and analytics, and social, and we have made progress in each of them.

24/7 Media, the marketing technology company, focused on providing new technology services to its fast-growing sister company, Xaxis, a company that was started by 24/7 Media in 2011. A cutting-edge Trading Data Management Platform was implemented, providing a competitive buying advantage for Xaxis. The Microsoft Advertising Exchange partnership, formed in 2012, delivered strong growth to 24/7's media business and, by year end, 24/7 had integrated over 60 technology companies into its technology stack. In December 2013, 24/7 and Xaxis announced that they would merge and become one again under the Xaxis name, establishing the world's largest programmatic media and technology platform, and confirming our original premise, when 24/7 Media was acquired, that the application of technology to the buy-side of digital media could bring substantial strategic and financial benefits to WPP and its clients.

**“**Our key priority areas within digital remain the same: mobile, e-commerce, content, data and analytics, and social, and we have made progress in each of them**”**

For POSSIBLE, 2013 marked a year of worldwide collaboration and momentum as this global digital agency built its culture and vision of delivering creative that works. Its growing office network supported its



ability to win business at a global level with brands such as Gillette and Microsoft and, most significantly, with Shell to become its Global Digital Agency of Record. POSSIBLE continued to invest in developing innovative services, including its Emerging Platforms Practice. This practice will focus on Amazon and LinkedIn and help clients navigate the complex paths of influence and purchase on the web. In December 2013, confirming this momentum, *Advertising Age* named

POSSIBLE as one of its top 10 agencies to watch in 2014.

Digital advertising and marketing agency **Rockfish** also continued its growth streak in 2013, opening new offices in Atlanta, Portland and Chicago. Through delivery of innovative work that combines strategic insight with technology expertise, Rockfish doubled its client roster. It received nearly 70 industry awards for its work, including OMMA Agency of the Year for Design 2013. It changed the game for Walmart's suppliers and store managers by creating the technology behind Walmart's SPARC app, which gives suppliers real-time access to in-store inventory information. Rockfish also continued to innovate, launching Media Multiplier, a proprietary rich-media technology for managing and delivering digital advertising content in real-time.

**Blue State Digital**, our digital strategy agency, strengthened its leadership position as one of the world's best agencies for cultivating and mobilizing communities of supporters. Eighty new people joined; six billion targeted emails were sent; \$124 million was raised for causes and campaigns; 38 web platforms launched (including Connect Ford, Michelle Bridges, Malaria No More, Rockefeller Foundation: 100 Resilient Cities, People for Bikes); its technology arm launched Quick Donate through which causes raised \$120 million by year end, increasingly using mobile phones; and millions of actions were taken on behalf of clients including Google, Ford, NAACP, Freedom to Marry, The Body Shop and the Coalition to Protect America's Health Care. BSD received multiple awards, including two Webbys for its Human Rights Campaign website and Born This Way Foundation website.

**Johannes Leonardo**, based in New York, develops impactful campaigns around the world via a creatively-ambitious culture of 51 people from 14 countries. This digitally-fluent advertising agency combines "big ideas" with the ability to channel them via all earned and paid media. It achieves big brand successes for clients such as Coca-Cola and Google and Mondelēz.

Marketing implementation agency, **Hogarth**, continued to grow strongly in both revenue and

profit, ending the year with 30 offices in 13 countries. New business wins and new assignments from existing clients also contributed. The performance has been underpinned by strong interest amongst multinational clients in Hogarth's innovative technology and production systems that deliver substantial savings in marketing implementation. In particular, there has been growing interest in doing digital work more efficiently resulting in major wins in large-scale, offshore digital production.

**Acceleration**, a marketing technology consulting and systems integration company, brought its expertise to a number of WPP clients. It enjoyed very good growth in 2013 with major wins including Royal Caribbean, SABMiller and Vodacom (Vodafone), opening an office in Miami to support increasing demand from Latin America.

In January 2013, WPP Digital acquired **Salmon**, an omni-channel commerce agency and Europe's largest Websphere services business with over £3 billion in sales going through its sites annually. Salmon won major assignments from seven new clients and was recognized with a number of awards, including an IBM Beacon Award for Outstanding

**David J. Moore** (below, left)

Chairman, Xaxis and president, WPP Digital

**Shane Atchison** (below, right)

Chief executive officer, POSSIBLE



## How we're doing

WPP Digital

Smarter Commerce Solution, the PayPal Etail Awards for Best Large Multichannel Retailer (Argos) and Best Customer Experience (Morrisons Cellar). It took sixth place in the Econsultancy/NMA UK Top 100 Digital Agencies 2013, and was No.2 in the Design and Build category.

*We are only part way through the digital transformation that is changing our world and many analysts expect the next few years to be even more innovative*

Some two years ago **The Data Alliance** was established to enable coordination of the Group's approach to data and greater connection of data across the Group, as well as external data partnerships. It made great progress in 2013, signing new data partnerships with Twitter and FourthWall, consulting to a number of WPP's largest clients and helping the Group to connect its various data sets to yield greater insights and better actions for clients.

As we look back on 2013, we can see excellent progress in delivering on our overall strategy and strategic priorities. In addition to the acquisition of Salmon and the organic developments above, we took an investment in **Fullscreen**, a leading online video company and one of the top content producers on YouTube, by some way the web's largest video destination, and a 25% investment in **Mutual Mobile**, a mobile product development agency, based in Austin, Texas.

Looking forward into 2014 and beyond, the opportunities for WPP Digital companies remain substantial. We are only part way through the digital transformation that is changing our world and many analysts expect the next few years to be even more innovative as an explosion of new digital devices support much greater investment in digital technologies, not just in marketing but built into the products and

services offered by companies. Our job is to help our clients, both the 'traditional' and the 'new' ones, to manage the opportunities and threats inherent in this transition. To do this, we need great people and we are lucky that we have many of them and that they did a fantastic job in 2013 – for which we thank them. ●







# What we think

## Grey swans and Chinese innovation

WPP CEO Sir Martin Sorrell reports

It is perhaps unusual that a Chinese entrepreneur should cite Abraham Lincoln as inspiration. The entrepreneur in question is Lei Jun, chief executive of smartphone maker Xiaomi and a man with a democratic way with product development.

Xiaomi consults its customers on design and software, issuing weekly updates based on their feedback. A million internet engineer fans and friends continually evaluate products to improve service. This crowd-sourced innovation, Lei says, is “by the people, for the people”.

Such inventive commerce is in contrast to the mood in many Western boardrooms. More than five years have passed since the collapse of Lehman Brothers, but the cataclysmic events of September 2008 still haunt us. →

## What we think

Grey swans and Chinese innovation

**T**he result: stasis and an ultra-conservative attitude. So much so that corporates are sitting on an extraordinary \$4.2 trillion in cash and relatively unleveraged balance sheets, unwilling to take risks. All too often they are making their numbers not by investing in top-line growth but by cutting costs.

Understandable perhaps, when the average American chief executive lasts four-and-a-half years and the average chief marketing officer just two-and-a-half.

So it remains a slow crawl out of the Lehman slump, even if global real GDP growth forecasts for 2014 are stronger than last year, at around 3.5% to 4%, with nominal GDP forecasts between 5.5% and 6.5%.

*Corporates are sitting on an extraordinary \$4.2 trillion in cash and relatively unleveraged balance sheets, unwilling to take risks*

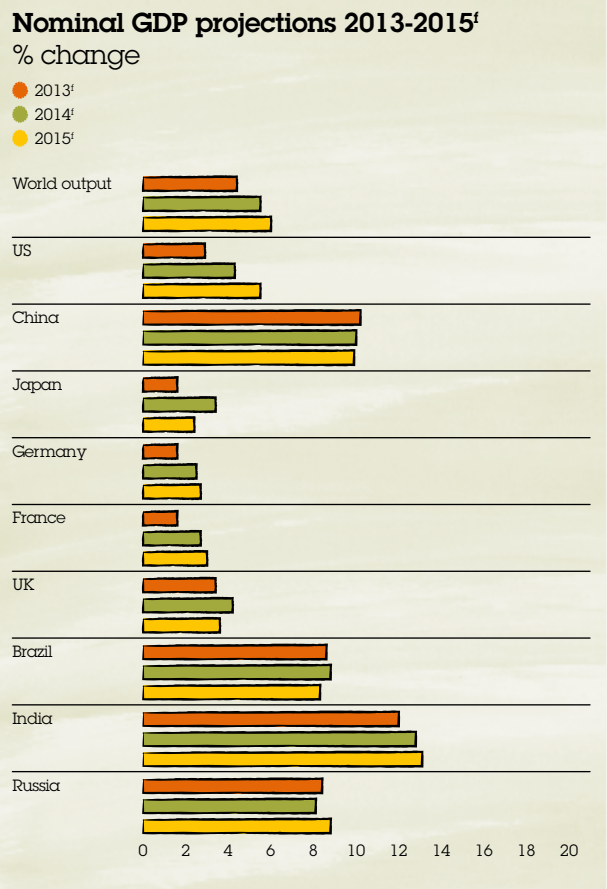
The forecasts reflect higher (but recently slowing) growth rates in Asia Pacific, Latin America, Africa and the Middle East, and Central and Eastern Europe, and lower (but improving) growth rates in the US and Western Europe, where Britain and Germany are undoubtedly the strong men of the region.

The markets between these two western European bookends, principally France, Italy and Spain, continue to be difficult. If the European downturn is U-shaped, France remains on the downstroke, Italy is bumping along the bottom and a recovering Spain is on the upstroke, although with socially-unacceptably high levels of unemployment, particularly amongst the youth.

The post-Lehman slump has also been a cold bath for Britain – but it is finally climbing out. The Coalition government had a choice when it came to power in 2010: pursue higher-spending Keynesian programs, like the US, or go for cuts. George Osborne, the UK Chancellor, chose the latter



Source: GroupM  
f: Forecast.



Source: GroupM  
f: Forecast.



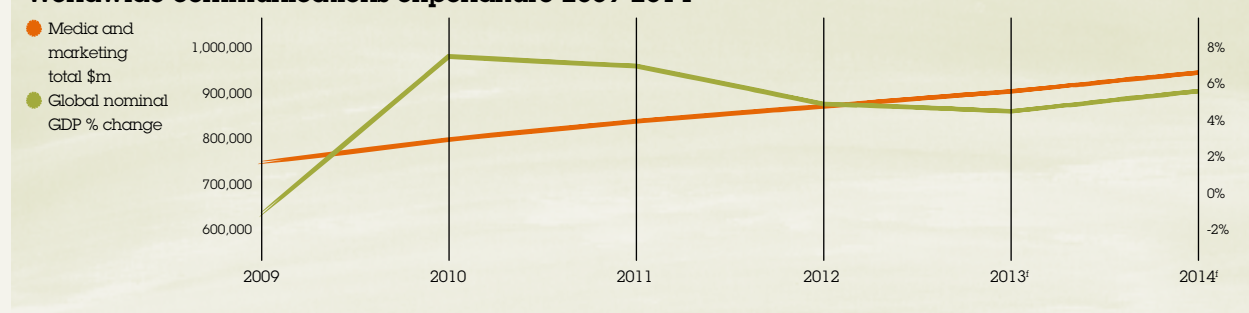
**Worldwide communications services expenditure 2013 \$m**

	Advertising	Market research	Public relations	Direct & specialist communications	Sponsorship	Total
North America	169,246	14,830	4,030	99,056	19,900	<b>307,062</b>
Latin America	32,711	2,100	435	32,544	4,000	<b>71,790</b>
Europe	122,621	15,750	2,465	102,718	14,500	<b>258,054</b>
Asia Pacific	164,401	6,630	4,350	50,850	12,600	<b>238,831</b>
Africa & Middle East	18,839	730	140	1,892	2,300	<b>23,901</b>
<b>Total</b>	<b>507,818</b>	<b>40,040</b>	<b>11,420</b>	<b>287,060</b>	<b>53,300</b>	<b>899,638</b>

Source: GroupM

Note: Healthcare communications (\$4.8 billion) is distributed pro rata in Direct & specialist communications.

**Worldwide communications expenditure 2009-2014<sup>f</sup>**



Source: GroupM

f: Forecast.

(although it's worth remembering that government spending has not actually fallen in nominal terms).

The UK Prime Minister, David Cameron, has been castigated for the harshness of his economic policy. Undoubtedly, the medicine has been bitter, but it does seem, at last, to be working and the political climate appears to be moving in the government's favour – as the positive reaction to this year's Budget showed. We should be careful not to nip this fragile recovery in the bud.

The prospects for electoral success in 2015 seem considerably better for the Conservatives perhaps, not with an overall majority but, more likely, in another coalition. There is perhaps one caveat: that David Cameron manages to ensure Britain remains at the heart of Europe, given his promise to initiate a referendum in 2017.

**The outlook for WPP**

So, all in all, the growth climate is tough, but manageable. If advertising and marketing services retain their existing share of GDP globally – with under-advertised faster-growth markets still outpacing slow-growth mature markets – then spending should rise by 4.5% at nominal prices. The mini-quadrennial events – the Sochi Winter Olympics, the FIFA World Cup in Brazil and the US mid-term Congressional elections – have and will all help. However, clients remain cautious, with procurement and finance functions holding sway over marketing.

Strategically, we continue to focus on four priorities: new markets; new media; data investment management and quantitative disciplines; and horizontality.

New markets are already almost a third of our business; within the next five years we want them to be 40 to 45%.

## What we think

Grey swans and Chinese innovation

Digital or new media is almost 35% of our business; we also want that to be 40 to 45% within five years.

Data investment management, what we used to call market research or consumer insight, is 23% of our business and that is roughly where it should stay. Collectively, quantitative disciplines – data and digital – account for 51% of our revenues.

And last but not least is horizontality: the imperative to leverage the knowledge and ability possessed by 175,000 people (including associates) in 110 countries across the world more effectively and efficiently for the benefit of our clients.

### Forget the vertical

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WPP was, at least initially, formed by acquisition. We have a number of distinct operating companies with offices all around the world, and a parent company of only 400 or so people. So ensuring co-operation and collaboration between verticals – those different businesses and marketing disciplines – can be a challenge. Happily, it is one we have risen to.

Our individual company brands are a huge strength, but increasingly we are also using bespoke teams, drawn from those companies and convened solely to serve a single client, big or small. Integrated teams already advise more than 40 clients worldwide. Among them are Ford, Colgate, Mazda, Bank of America, MillerCoors and Pfizer. More recent additions to the ‘Team’ model include GlaxoSmithKline, Huawei and Chanel.

The second manifestation of horizontality is the Country Manager. We now have 15 country and regional managers, covering nearly 50 countries, whose job is to marshal resources and foster collaboration across all our marketing disciplines for the benefit of clients, to help identify local new business opportunities and potential acquisitions and investments, and to support efforts to attract and retain the best talent.

These developments are in response to clients’ changing needs. The ‘Team’ model addresses three key areas. First, clients want access to the best talent and resources wherever they sit within WPP.

Second, they want efficiency as well as effectiveness – value for money alongside great work. And third, a bespoke team makes life easier for the client. Everything she or he needs is supplied by one organisation through one point of contact: no more managing multiple agencies.

Horizontality is equally important within WPP. From the start, we have believed in the power of bringing resources together and integrating diverse offerings on a common platform. We have to be alert, fast and non-bureaucratic.

We are not alone in thinking this. In general the biggest challenge for chairmen and chief executives probably remains communicating strategic and structural change inside their own organisations and encouraging a more joined-up approach.

### The science of creativity

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What some would call traditional advertising is now less than half of our business. We are no longer just Mad Men, but Maths Men too (in fact, the majority of us are neither, because 54% of our people are women). For many reasons Don Draper would hardly recognise much, perhaps as much as three-quarters, of our business today.

Of course, advertising and media investment management remain substantial and incredibly important, but there are new areas that are crucial to us as well. One such area is data investment management.

Data investment management is similar to media planning and buying, in that we manage an investment fund for our clients and have to make sure we maximise their return on it.

Clients buy a lot of data. They develop a lot of data. They own a lot of data. They obtain it from many sources, but they rarely integrate those different sources. We’re doing that job for them: joining the dots and improving the effectiveness and reach of every campaign.

Our role is to help clients find the Holy Grail – figuring out how much they should spend and where they should spend it to maximise their return on

investment. In other words, it is media investment management. The more complicated it becomes, especially in digital, the more important we will become, particularly as we have the data and that consumer insights can be integrated into strategic planning and creative executions.

As a result of the new emphasis on big data, the part of a client company we do business with is shifting. We must increasingly engage not only with the chief executive and chief marketing officer, but also with the chief information officer or chief technology officer, along with the chief procurement officer and chief financial officer.

*Last year we were listed as one of the world's 10 most successful digital companies*

Just as clients have changed, so have we. Back in 2002, digital was around 15% of our business. Today digital marketing, media investment management and data investment management account for about \$12 billion of our \$17.3 billion of revenues, and last year we were listed as one of the world's 10 most successful digital companies, alongside Apple, Yahoo and Thomson Reuters.\*

We are the owners of, and investors in, a broad range of leading digital and technology-based firms.

Xaxis is the world's largest programmatic media and technology platform. It directs more than \$750 million of audience-targeted media buys across 32 markets in North America, Europe, Asia Pacific and Latin America and manages over two trillion impressions annually. On the basis of current market valuations, Xaxis would be worth \$4.5 billion on its own.

In AKQA, Wunderman, OgilvyOne and VML we have four of the world's leading digital agencies. And we have investments in a range of exciting tech and digital companies, from global youth media brand Vice and YouTube network Fullscreen to Latin American software developer Globant, US content

provider Percolate and e-commerce businesses mySupermarket and eCommera.

### Not forgetting art

Some have taken our emphasis on technology and data to mean that creativity has been relegated to the lower leagues. This couldn't be further from the truth.

There's certainly no shortage of exceptional work in TV, press, outdoor, radio and other so-called 'traditional' media. It continues to be hugely effective for clients, and hugely important for our business.

But, in today's world especially, it would be nonsense to suggest that creativity exists solely within the creative departments of advertising agencies. Imagination, inventiveness, wit, ingenuity and talent are just as at home in media, PR, software development, data and research as they are in art and copy.

Creativity remains the beating heart of our business. There is no business without it. But it doesn't belong exclusively to one discipline or another.

### Who's watching?

No discussion of data would be complete without touching on privacy and data security. The allegations about Prism, the global eavesdropping operation run by America's National Security Agency, were game-changing, and have alerted people's attention to privacy – even among younger people, who generally take a more relaxed attitude to placing their private lives and personal data online. In fact, security may be a more important issue than privacy.

The erosion of trust between individuals and organisations on this subject is a major issue for a vast array of businesses – everyone from tech companies and retailers to marketing agencies and banks. Indeed, anyone anywhere who handles personal data.

So businesses, like governments, will have to work harder to show the benefits big data brings to consumers and economies, to educate the public about how their data is protected and to demonstrate that companies are responsible custodians of people's information which can be distributed anywhere in the world.

\* GigaOM's 2012 paidContent 50.

## What we think

Grey swans and Chinese innovation

### Grey swans getting whiter?

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Unlike black swans, the ‘unknown unknowns’ that no-one sees coming, grey swans are ‘known unknowns’. We know they exist, but we are not sure what their impact will be.

Of these, a number have whitened. First, the Eurozone. While risks and potential fragility remain – not least because of unacceptably high levels of unemployment – the outlook is improving (thanks in no small part to European Central Bank President Mario Draghi).

Second, there have been positive developments in the Middle East, in particular with Iranian rapprochement, although Syria and Egypt (maybe to a lesser extent now) are, of course, still major concerns.

### A softer landing for the BRICs?

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Third, the BRICs hard/soft landing. The slowdown in the BRICs economies has resulted in mostly soft landings so far.

Despite its slowing growth, the prospects for China remain strong. The new leadership has made a good start. The economic policy laid out in the 12th Five Year Plan and now in the Third Plenum document augurs strong growth. Not as strong as before, but at about 7.5% per annum, which we would kill for in the West.

India is still a bit of a puzzle. We have to wait and see what happens in the election. It’s likely to be a coalition and therefore deadlock and compromise rather than decisive leadership may follow, unless Modi’s BJP gains a significant advantage.

I am traditionally a bull on Russia, but for the time being everyone is watching and waiting to see what happens next over events in Ukraine, which have overshadowed what was a successful Sochi Winter Olympics.

We’ve said before that this is the decade of Latin America and, while Brazil has seen slowing growth like the other BRICs nations, it will continue to be hugely important, especially as it plays host to both the 2014 FIFA World Cup and 2016 Summer Olympics. We

can’t ignore, though, the fact that Brazil faces more than simply infrastructural challenges as it prepares for these extremely high-profile events. There may be significant activism over growing inequality.

### Kicking the can down the road (again)

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Fourth, the US budget and deficit issues – still among the biggest grey swans that loom over business. There is little prospect of a final resolution. More procrastination is the order of the day, even if the budget deficit itself has shrunk. The mid-term Congressional elections can only add to the uncertainty.

### No time for Britain to quit Europe

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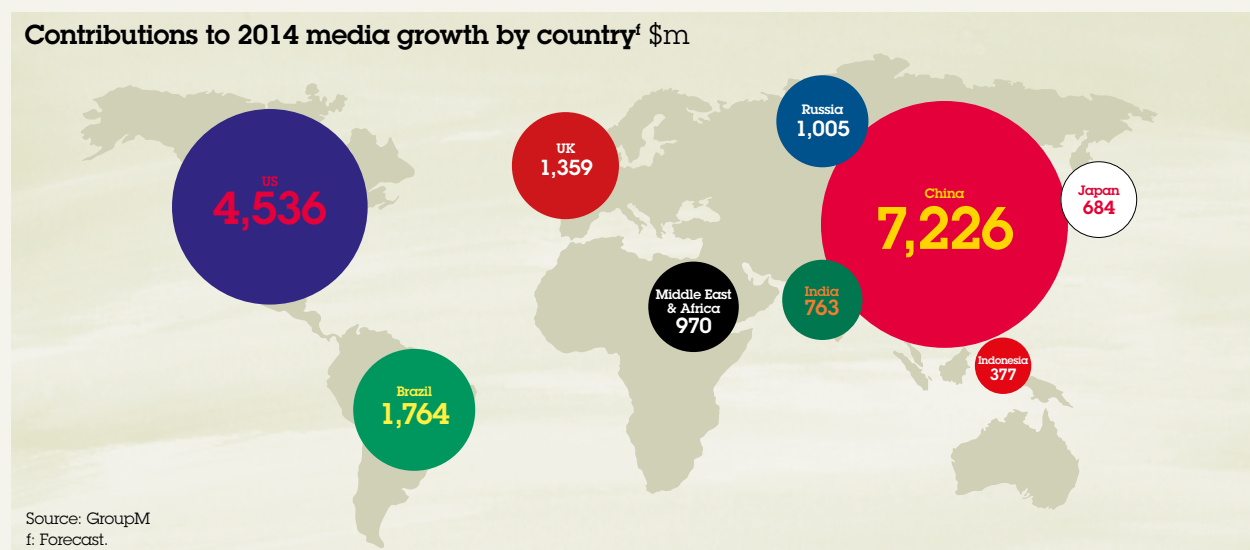
Fifth, the two UK referenda (on Scottish independence and, critically, membership of the EU), both of which bring unwelcome uncertainty for business.

All signs suggest the Eurozone may be emerging from recession, with Mario Draghi’s strong hand on the tiller. It is all the more puzzling, then, that Britain should be debating whether it stays in the EU.

When Japan calls the country a ‘reliable partner’ if it stays in the EU, the message could not be clearer. Businesses choose to build factories and invest in Britain because of its access to the Single Market. This is important: Britain is the world’s third largest recipient of foreign direct investment after China and the US. The stock of inward investment is equal to half of UK GDP, the highest among the world’s biggest 10 economies.

*‘All signs suggest the Eurozone may be emerging from recession, with Mario Draghi’s strong hand on the tiller’*

Contributions to 2014 media growth by country<sup>1</sup> \$m



Principal sources of annual media growth

Contribution %

	2013 <sup>1</sup>	2014 <sup>1</sup>
<b>Asia-Pacific (all)</b>	61.8	47.9
North Asia	40.7	37.0
China	36.9	30.7
<b>North America</b>	19.0	20.3
US	17.4	19.2
<b>Latin America</b>	11.8	12.9
UK	9.1	5.8
Japan	8.7	2.9
Brazil	7.6	7.5
<b>Central &amp; Eastern Europe</b>	7.5	6.7
Russia	6.6	4.3
<b>ASEAN</b>	6.0	3.4
<b>Middle East &amp; Africa</b>	5.6	4.1
India	3.5	3.2
Turkey	2.1	1.3
Colombia	2.0	1.3
Vietnam	2.0	1.1
Mexico	1.9	1.8
Egypt	1.6	0.2
Indonesia	1.6	1.6
South Africa	1.5	0.9
Nigeria	1.1	0.6
GCC and Pan Arab	0.3	0.4
South Korea	0.1	2.4
Argentina	-0.1	2.3
<b>Western Europe</b>	-5.7	8.2

Source: GroupM  
f: Forecast.

Principal sources of annual media growth

Contribution \$m

	2013 <sup>1</sup>	2014 <sup>1</sup>
<b>Asia-Pacific (all)</b>	9,884	11,280
North Asia	6,508	8,718
China	5,899	7,226
<b>North America</b>	3,038	4,777
US	2,787	4,536
<b>Latin America</b>	1,894	3,037
UK	1,460	1,359
Japan	1,399	684
Brazil	1,222	1,764
<b>Central &amp; Eastern Europe</b>	1,202	1,578
Russia	1,053	1,005
<b>ASEAN</b>	956	795
<b>Middle East &amp; Africa</b>	898	970
India	560	763
Turkey	337	304
Colombia	321	303
Vietnam	317	253
Mexico	303	413
Egypt	261	56
Indonesia	248	377
South Africa	239	221
Nigeria	181	139
GCC and Pan Arab	54	88
South Korea	15	561
Argentina	-12	549
<b>Western Europe</b>	-919	1,930

Source: GroupM  
f: Forecast.

## What we think

Grey swans and Chinese innovation

The EU Single Market is the world's largest trading bloc, the destination of half Britain's exports, with 500 million consumers and a GDP of \$16 trillion. When it is part of this bloc, Britain has the ear of global partners. When the Obama administration says a strong British voice in the EU is in the American interest, it means it.

### Ukraine and East China Sea cast a shadow

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And, finally, two further major geopolitical risks: the Sino-Japanese territorial dispute and the international crisis sparked by events in Ukraine and Crimea. The escalation of rhetoric between Japan and China has lifted the spat over the islands of Diaoyu/Senkaku in the East China Sea up the risk register. It reminds everyone that seemingly small disputes can spark much bigger ones. Like the situation in Ukraine, it weighs significantly on global business sentiment.

### Geography reigns

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Our role in the BRICs, Next 11 and other faster-growth markets continues to be one of WPP's core strengths and we are determined to raise their concentration from the current 30%-plus to between 40% and 45% of our revenues within five years.

While still outpacing that of mature markets, growth has slowed, and currency devaluations have had a negative impact on businesses such as ours.

**Globalisation never fails to surprise and excite. Indonesia, Mexico, Colombia and Nigeria are already enticing prospects**

That said, at WPP we focus on the long term. I find it slightly extraordinary that six months ago exposure to faster-growth markets was considered a virtue, and now it is fashionable to characterise it as a vice.

Regardless of short-term fluctuations in market sentiment, these territories will be a major part of everyone's future and if I could double our business in China overnight, for example, I would do it in an instant.

### Honourable mentions to...

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Globalisation never fails to surprise and excite. Indonesia, Mexico, Colombia and Nigeria are already enticing prospects. Argentina and Venezuela offer interesting opportunities.

In 2013, we opened for business in Myanmar, taking us to 110 countries. In the fullness of time, we may even see opportunities in Iran, Cuba and maybe even North Korea.

### Back to China

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There are those who continue to see China purely in terms of inward-looking state monopolies focused on an inexhaustible home market. They believe the conditions for innovation don't exist there, that innovation is somehow a Western preserve. Smarter minds, however, are looking East – and learning.

The notion that China is merely an imitative manufacturer has already been shown to be unfair and untrue. Much the same was once said of Hong Kong, Japan and South Korea – and their critics were equally mistaken.

The variety, scale and power of Chinese companies are revealed in Millward Brown's latest BrandZ list of China's top 100 brands. As these companies grow, they will seek to differentiate themselves (with the help of marketing services businesses) from Western brands both in China and worldwide. We'll see the equivalent of Samsung, Toyota and Sony coming out of the Middle Kingdom.

Chinese tech companies are especially interesting and exciting. Some are talking about Alibaba having a market capitalisation of \$150-200 billion, with Tencent already at \$140 billion and Baidu at \$60 billion.

Baidu, which operates almost exclusively in China, processes more than five billion search

**BrandZ™ Top 10 most valuable Latin American brands 2013**

Rank	Brand	Brand value \$m	Year-on-year change %
1	Corona	6,620	29
2	Telcel	6,577	-22
3	Skol	6,520	39
4	Petrobras	5,762	-45
5	Falabella	5,611	7
6	Bradesco	5,492	-18
7	Ecopetrol	5,137	21
8	Claro	4,454	3
9	Itaú	4,006	-39
10	Aguila	3,903	n/a

Source: BrandAnalytics/Millward Brown Optimor

requests a day, putting it on a par with Google’s global figure. Tencent’s WeChat messaging facility, launched two years ago, is used by around 400 million. Its revenues and profits are greater than Facebook’s. All this in a country where more than half the population has yet to go online.

Huge demand is driving not only volume in these businesses, but new thinking about how services are delivered in a hyper-connected world.

Given the growth in digital activity, it is no surprise that technology companies are looking at financial services. Alibaba, Tencent and Baidu are shaking up banking with their own financial transaction platforms.

Deposits to Baidu Wallet, a new wealth management service, reached their limit of one billion yuan within five hours of launch. Alibaba is almost a bank already: by July last year, it had made short-term loans totalling more than \$16 billion to businesses selling merchandise on its sites.

If anyone should doubt China’s ability to generate original ideas, we need only to return to privately-owned smartphone manufacturer Xiaomi.

Lei Jun, its chief executive, is often referred to as the Steve Jobs of China – a tribute he dislikes. Xiaomi is worth \$10 billion after three years (more than Nokia’s handset business when sold to Microsoft) and it has recently overtaken Apple’s market share in China.

**BrandZ™ Top 10 most valuable global brands 2013**

Rank	Brand	Brand value \$m	Year-on-year change %
1		185,071	1
2		113,669	5
3		112,536	-3
4		90,256	-5
5		78,415	6
6		75,507	10
7		69,814	-9
8		69,383	-6
9		56,060	46
10		55,368	18

Source: Millward Brown Optimor (from data compiled in March 2013)  
Note: 2014 rankings available after 21 May 2014.

**BrandZ™ Top 10 most valuable Chinese brands 2014**

Rank	Brand	Brand value \$m	Year-on-year change %
1	China Mobile	61,399	21
2	ICBC	39,658	-2
3	Tencent	33,879	68
4	China Construction Bank	25,510	6
5	Baidu	19,986	-12
6	Agricultural Bank of China	19,318	12
7	Bank of China	13,636	0
8	PetroChina	13,433	12
9	Sinopec	13,133	5
10	China Life	12,702	-12

Source: Millward Brown Optimor (from data compiled in September 2013)

## What we think

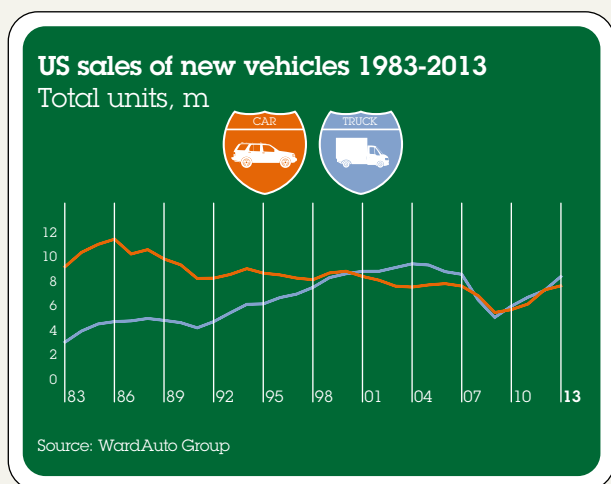
Grey swans and Chinese innovation

### Top 20 US advertisers 2013

Advertising spend \$m

2013 rank	2012 rank	Advertiser	2013	2012	% change
1	1	Procter & Gamble	3,173	2,839	11.8%
2	3	General Motors	1,794	1,631	10.0%
3	4	AT&T	1,793	1,557	15.2%
4	2	Comcast	1,647	1,694	-2.8%
5	5	L'Oréal	1,549	1,462	5.9%
6	8	Toyota	1,267	1,238	2.4%
7	9	Berkshire Hathaway	1,252	1,178	6.2%
8	6	Verizon Communications	1,219	1,406	-13.3%
9	16	Pfizer	1,138	897	26.8%
10	11	Time Warner	1,130	1,065	6.1%
11	12	Ford Motor Co	1,124	1,068	5.2%
12	10	Chrysler Group	1,043	1,083	-3.7%
13	20	Johnson & Johnson	1,010	833	21.3%
14	13	McDonald's	992	969	2.3%
15	-	Softbank	928	817	13.6%
16	-	Wal-Mart Stores	892	726	22.8%
17	14	Walt Disney	876	928	-5.6%
18	-	Nissan	870	783	11.1%
19	19	PepsiCo	860	816	5.5%
20	-	Yum Brands Inc	858	783	9.6%

Source: Kantar Media



Rather than copying Western rivals, the company is forging its own path with an open approach to product development and a business model based on ongoing services to its handset owners, such as accessories and apps. It has also launched a TV box, before Apple.

If I were running a Chinese company, I would stay focused on the domestic market with its 1.3 billion consumers, until reaching saturation. But that doesn't mean Chinese companies won't develop the itch to expand abroad. Already some garner 20% to 30% of their sales from outside China.

While we were in China recently, Fosun, a leading Chinese conglomerate, backed a management-led bid to take Club Med private and Shuanghui, a Chinese meat company, bid for the UK's Smithfield.

Chinese innovation, creativity and brands that want to play on the world stage are already here. Expect much more.

### Brand America reasserts itself

There are several reasons to be cheerful about the future of the US. Confidence is returning to the world's largest economy and, importantly, the fundamentals are strong.

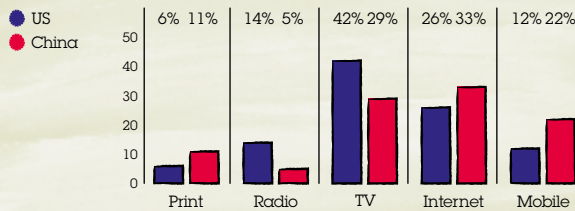
The US has unrivalled strategic, cultural and environmental strengths. It has a world-class entrepreneurial spirit and a strong immigration-based society. It has tremendous natural resources and is looking to an energy self-sufficient future through shale gas.

It also stands to benefit significantly from revolutions in manufacturing such as 3D printing, and is home to the world's greatest centre of innovation in Silicon Valley, with innovation in sustainability also developing.

These developments in manufacturing and technology will reposition America in comparison with lower-cost offshore options. Indeed, there are indications already of clients moving manufacturing back onshore to the US, as capital becomes a more important manufacturing input and energy costs fall.



**Percentage of time spent in media US vs China\***



Source: KPCB  
\* 2012 data.

**Digital (including mobile) on the move**

In its latest *This Year, Next Year* report, WPP’s media investment management arm GroupM declared that “the mobile advertising floodgates are open”.

The metaphor is spot on. In the UK in 2013, mobile advertising spend doubled as a proportion of the total digital advertising investment managed by GroupM.

Half of Facebook’s global advertising revenue was mobile in the third quarter of 2013, up from 14% in the same period in 2012. GroupM estimates that Twitter’s advertising is already 70% mobile in the UK. A quarter of YouTube’s traffic is mobile and Google predicts 80% of all its traffic will eventually come from mobile.

The faster-growth markets provide fascinating intimations of what’s to come globally in mobile. In China, mobile has already overtaken the desktop as the primary means of accessing the web, with 460 million internet users accessing the web via mobile devices.

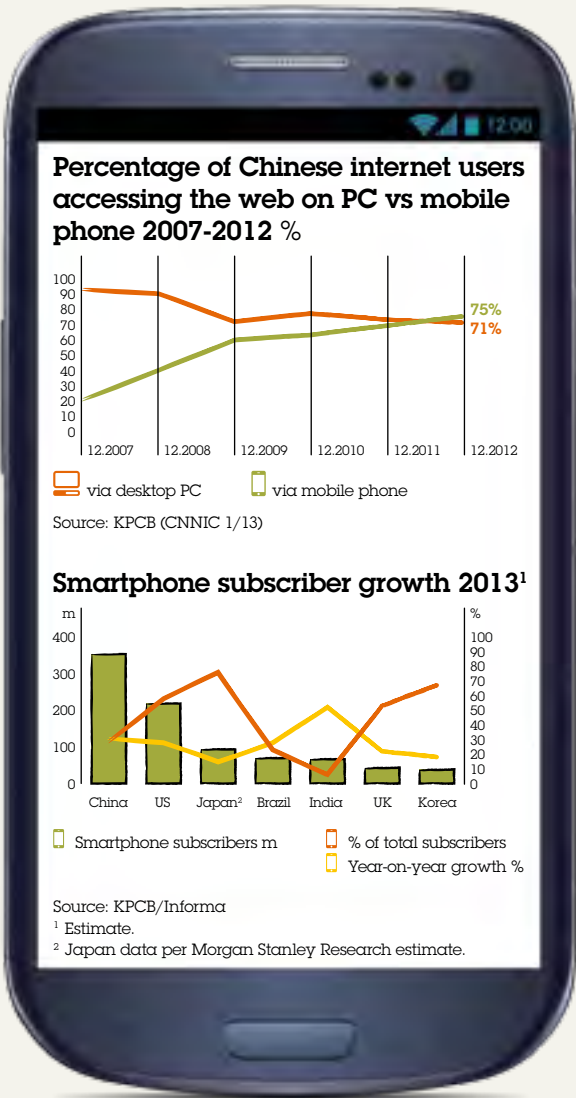
*“The faster-growth markets provide fascinating intimations of what’s to come globally in mobile”*

In 2013, Chinese smartphone subscribers grew to an estimated 350 million. China Mobile, which tops the top 100 Chinese brands list, with a brand value of \$61 billion, has 770 million customers. That number is expanding by five million a month.

Mobile, finally, is on the up and up.

**Friendlier frienemies**


Many years ago we started calling Google a ‘frienemy’. Not everyone agrees with me, but I see it as a friendlier frienemy these days. We invested more than \$2.5 billion of clients’ money with it last year. Google is now ranked inside the top 50 on WPP’s client list, making our relationship even more symbiotic.





## What we think


Grey swans and Chinese innovation


### Growth of media in major markets 2009-2014 %


 Internet	2009	2010	2011	2012	2013 <sup>f</sup>	2014 <sup>f</sup>
North America	11.3	11.6	12.4	10.0	9.3	9.0
Latin America	27.1	36.5	32.5	22.5	18.8	19.5
Western Europe	8.2	17.4	12.6	9.8	10.7	9.5
Central & Eastern Europe	8.9	48.5	34.5	23.4	20.1	16.9
Asia Pacific (all)	8.2	23.1	24.6	25.1	23.1	21.9
North Asia <sup>1</sup>	17.9	45.1	47.2	38.7	32.7	30.9
ASEAN <sup>2</sup>	36.9	47.2	7.7	60.0	59.1	37.0
Middle East & Africa	56.8	9.0	5.9	56.3	6.8	3.3
<b>World</b>	<b>9.9</b>	<b>17.8</b>	<b>16.9</b>	<b>15.6</b>	<b>14.8</b>	<b>14.1</b>


 Television	2009	2010	2011	2012	2013 <sup>f</sup>	2014 <sup>f</sup>
North America	-6.1	4.4	3.6	4.1	1.0	2.6
Latin America	4.8	20.6	6.1	9.1	8.1	11.6
Western Europe	-11.1	8.6	0.3	-6.0	-1.0	2.0
Central & Eastern Europe	-17.9	11.5	12.4	3.8	6.1	7.1
Asia Pacific (all)	0.6	8.1	7.8	5.7	4.1	3.7
North Asia <sup>1</sup>	6.6	9.3	11.2	6.0	3.0	3.5
ASEAN <sup>2</sup>	10.8	16.9	12.7	14.2	9.6	7.3
Middle East & Africa	12.4	22.4	6.6	15.1	9.4	5.9
<b>World</b>	<b>-4.2</b>	<b>8.3</b>	<b>5.1</b>	<b>3.9</b>	<b>2.9</b>	<b>4.1</b>

 Outdoor	2009	2010	2011	2012	2013 <sup>f</sup>	2014 <sup>f</sup>
North America	-4.6	1.4	2.7	3.5	2.8	2.7
Latin America	3.9	13.4	12.3	11.3	6.9	9.8
Western Europe	-9.2	2.1	-2.6	-5.2	-0.8	0.8
Central & Eastern Europe	-33.3	9.3	10.2	5.4	6.4	6.9
Asia Pacific (all)	-8.2	7.5	10.9	12.2	6.4	6.8
North Asia <sup>1</sup>	-1.8	17.2	23.8	18.4	7.7	9.8
ASEAN <sup>2</sup>	4.3	18.2	9.1	17.7	4.5	2.2
Middle East & Africa	-1.7	19.8	43.6	22.2	-3.0	4.2
<b>World</b>	<b>-9.6</b>	<b>5.7</b>	<b>6.9</b>	<b>6.6</b>	<b>4.0</b>	<b>5.1</b>

 Magazines	2009	2010	2011	2012	2013 <sup>f</sup>	2014 <sup>f</sup>
North America	-15.0	-3.3	-0.1	1.9	0.0	0.9
Latin America	-18.6	10.6	6.9	-1.6	-5.0	-1.4
Western Europe	-22.4	-2.4	-5.2	-11.3	-8.2	-3.8
Central & Eastern Europe	-38.5	-1.5	2.0	-3.0	-7.8	-4.2
Asia Pacific (all)	-16.1	2.1	1.4	0.8	-1.5	-1.5
North Asia <sup>1</sup>	-1.4	17.4	13.1	5.5	-1.6	0.1
ASEAN <sup>2</sup>	-4.6	11.6	4.2	-1.9	-4.7	-4.0
Middle East & Africa	-5.0	5.4	2.9	-11.4	5.3	4.4
<b>World</b>	<b>-18.3</b>	<b>-1.8</b>	<b>-1.0</b>	<b>-2.3</b>	<b>-2.6</b>	<b>-0.7</b>

 Radio	2009	2010	2011	2012	2013 <sup>f</sup>	2014 <sup>f</sup>
North America	-7.6	-2.5	2.3	4.7	0.1	1.1
Latin America	8.1	11.3	15.5	-6.7	2.9	-0.3
Western Europe	-9.1	1.1	-0.5	-3.6	-2.4	0.8
Central & Eastern Europe	-22.3	4.8	7.0	9.5	6.7	8.7
Asia Pacific (all)	-0.4	11.3	3.1	4.3	3.2	2.3
North Asia <sup>1</sup>	8.3	23.8	7.9	7.0	2.3	3.6
ASEAN <sup>2</sup>	11.9	15.7	1.8	9.2	7.4	2.7
Middle East & Africa	13.6	24.7	16.6	35.7	6.9	11.6
<b>World</b>	<b>-5.2</b>	<b>3.7</b>	<b>3.8</b>	<b>3.3</b>	<b>1.2</b>	<b>2.2</b>

 Cinema	2009	2010	2011	2012	2013 <sup>f</sup>	2014 <sup>f</sup>
North America	-4.8	10.5	0.0	2.4	2.3	0.0
Latin America	-8.8	-5.1	25.1	10.2	14.9	14.2
Western Europe	-7.0	6.0	-0.4	3.0	-4.4	4.0
Central & Eastern Europe	-21.2	25.8	12.1	10.3	11.5	9.4
Asia Pacific (all)	1.6	15.8	9.2	16.5	7.6	6.4
North Asia <sup>1</sup>	0.0	5.0	3.9	0.0	4.2	4.0
ASEAN <sup>2</sup>	10.3	18.1	15.3	10.8	-1.2	3.4
Middle East & Africa	-17.2	8.0	42.7	-1.2	8.4	-4.2
<b>World</b>	<b>-7.2</b>	<b>8.1</b>	<b>6.3</b>	<b>6.6</b>	<b>2.1</b>	<b>5.5</b>

 Newspapers	2009	2010	2011	2012	2013 <sup>f</sup>	2014 <sup>f</sup>
North America	-17.9	-8.4	-6.8	-4.8	-1.8	-1.9
Latin America	-1.8	15.2	4.8	7.9	-1.2	3.3
Western Europe	-15.7	-2.4	-3.5	-9.8	-8.9	-4.7
Central & Eastern Europe	-26.0	2.6	1.6	-0.2	-6.0	-0.9
Asia Pacific (all)	-8.2	9.3	0.2	-2.3	-2.3	-0.7
North Asia <sup>1</sup>	1.9	17.2	4.1	-4.1	-3.7	-0.5
ASEAN <sup>2</sup>	-0.3	20.0	6.6	1.1	2.7	2.5
Middle East & Africa	-3.6	-1.1	-1.0	-4.3	-4.2	1.3
<b>World</b>	<b>-13.7</b>	<b>-0.1</b>	<b>-2.7</b>	<b>-4.8</b>	<b>-4.2</b>	<b>-1.8</b>

Source: GroupM

f: Forecast.

<sup>1</sup> China, Hong Kong, South Korea, Taiwan.

<sup>2</sup> Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam.

(Figures rounded up.)

Google will become ever more powerful, extending its reach into more and more areas. It is already the industry leader in two new areas of disruptive technology: wearable computing and driverless cars. Its investment in health is also fascinating.

And every time we do a search, we improve the quality and predictive ability of Google's core product, and make it stronger still, in line with its intelligent search strategy.

**Content-ment?**

Historically, there have been restrictions on advertisers developing material for television, especially in the West. There are fewer such restrictions on the creation of online editorial content for clients, presenting opportunities.

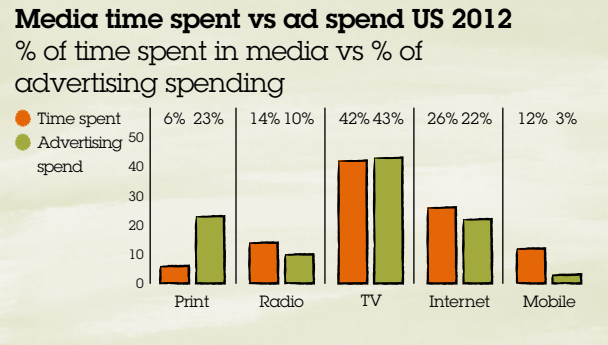
New media owners such as Vice offer different and original ways to reach audiences unmoved by traditional display and television creative. WPP owns a minority stake in Vice, which produces travel, sport, entertainment, food, business and news material from offices in Brooklyn, New York, London and Venice Beach, California. Enter its offices at midnight on a Saturday and you will see young journalists putting together content.

WPP has also invested in Media Rights Capital, which distributes *House Of Cards* on Netflix, and Fullscreen, a company run by George Stropoulos, formerly of Google, YouTube, CNET and *WIRED*, which manages 100 channels on YouTube.

This is the beginning. Native advertising, sponsored content, branded content – call it what you will – are all a response to the same basic need: to use our talent to evolve fresh, measurable ways to help position and sell clients' goods and services.

**Changing times**

Despite the ever-greater expansion of digital and interactive media, apparent discontinuities remain. In a revealing presentation, respected trend-watcher Mary Meeker suggested that spending on traditional



Source: KPCB 2013

media is disproportionately high compared to the amount of time consumers devote to them.

For example, our industry in the US invested 23% of the media book on newspapers and magazines in 2012, yet consumers spent only 6% of their media time on them. The same consumers spent 38% of their time online and on mobile, where the industry invested 25%. This is likely to change.

Of course it's not as simple an equation as all that. What counts for advertisers (and what our media investment management business is focused on) is value and effectiveness, rather than how much time consumers spend with each form of media.

Free-to air-television, for example, especially in developed markets, is as important as ever, even if viewers are using a tablet or mobile at the same time as sitting in front of a bigger screen. We believe television in its old forms and in its new forms in developed markets will continue to grow and remain stable at around 40%.

The discreet charm of the 'old' media isn't necessarily lost on new media magnates. Not least Amazon founder Jeff Bezos, who bought the *Washington Post* in August last year for \$250 million. It was an era-defining moment, ending four generations of Graham family ownership. We'll have to see how the Washington Kindle fares and whether an Amazon treatment can turn analogue dimes into more than digital pennies.

## What we think

Grey swans and Chinese innovation

Support for newspapers is to be applauded. The depth, expertise and high journalistic standards of traditional media cannot be matched, so far, by the new media owners and aggregators.

Losing traditional media would be a blow to commerce, culture and democracy. So in the absence of a whole herd of billionaire backers, three things have to happen. First, consumers will have to get used to paywalls for the content they value. Second, there has to be more consolidation. And third, as others such as the *Guardian*'s Alan Rusbridger have argued, governments will have to consider state subsidies for quality journalism.

‘*Losing traditional media would be a blow to commerce, culture and democracy*’

The prognosis is different depending on where you are sitting. In mature markets, traditional media is shrinking but digital continues to prosper. In faster-growth markets, the BRICs and Next 11, both traditional and digital media are blooming.

### Got talent?

Our business, like many, relies on a constant influx of talented people. In a world that is becoming more and more affluent and educated, it might seem that such talent would be in copious supply. Not so, or certainly not so in the West.

As birth rates decline and family sizes shrink, the supply of good people can only tighten. It's especially difficult for large companies, whose often complex hierarchies and siloed work practices are anathema to young people. Instead, they gravitate towards smaller, technologically focused, more networked, less bureaucratic companies. It is hard now; it will be harder in 20 years.

In common with many sectors, advertising and marketing must invest in new people, rather than just poaching. WPP intends to continue finding and nurturing young talent. In September 2013, we announced a new partnership with the global association for creative advertising and design, D&AD, with the aim of doing just that.

Led on our side by WPP's worldwide creative director, John O'Keeffe, this partnership will provide a range of opportunities for students through D&AD's New Blood Academy and paid apprenticeships with WPP companies.

Alongside other initiatives like our long-standing Fellowship program and the WPP School of Marketing and Communications in Shanghai, it's one of the many ways in which we'll discover and support the next generation of marketing services professionals.

### False economies

In the searing aftermath of the Lehman collapse, it was inevitable that corporates would become more risk averse, and that finance and procurement, rather than marketing departments, would have the upper hand.

Caution rules and, in this environment, finance has greater influence. In fact, half of the FTSE 100's current chief executives are former chief financial officers (including me!).

We're biased, of course, but the only way in the long run for companies to survive and prosper is by growing the top line rather than focusing exclusively on costs – and that means investing in marketing.

Investment in brand is all the more essential as consumer goods manufacturers come under ever-greater price pressure from retailers. Walmart, Tesco and Carrefour amongst others continue to focus on leveraging their buying power on a global level. However, they now face pressure from online retailers, who will give manufacturers a new opportunity to build direct relationships with consumers.

There are few manufacturers who do not feel pressed to reduce prices and commodify their brands.

**The world's 30 largest companies\***

Rank	Company	Market cap \$m	Country
1	Apple Inc.	475,314	US
2	Exxon Mobil Corporation	407,536	US
3	Google Inc.	397,562	US
4	Microsoft Corporation	333,328	US
5	Berkshire Hathaway Inc.	308,826	US
6	Johnson & Johnson	271,321	US
7	Wells Fargo & Company	258,462	US
8	Roche Holding Aktiengesellschaft	254,997	Switzerland
9	General Electric Company	254,635	US
10	Wal-Mart Stores, Inc.	246,716	US
11	Nestlé S.A.	234,461	Switzerland
12	Royal Dutch/Shell Group	228,423	Netherlands
13	JPMorgan Chase & Co.	226,005	US
14	PetroChina Co Ltd	225,502	China
15	Chevron Corporation	220,753	US
16	Procter & Gamble Company (The)	211,164	US
17	Pfizer Inc.	205,744	US
18	Industrial And Commercial Bank Of China Ltd	200,104	China
19	Novartis AG	199,561	Switzerland
20	International Business Machines Corporation	194,387	US
21	Verizon Communications Inc.	194,056	US
22	HSBC Holdings plc	188,207	UK
23	Bank of America Corporation	185,576	US
24	AT&T Inc.	178,595	US
25	Visa Inc.	173,306	US
26	BHP Billiton Limited	172,004	Australia
27	Facebook, Inc.	171,445	US
28	Coca-Cola Company (The)	169,363	US
29	Oracle Corporation	168,975	US
30	Toyota Motor Corporation	168,154	Japan

Source: CorporateInformation.com  
 \* Market values as at 21 March 2014.

Equally, there is continued overproduction in many industries. True, Detroit makes fewer cars and trucks, but any shortfall has been taken up by Tata, Hyundai, Kia and Geely.

There is only one solution in a crowded, stressed market suffering from overcapacity: differentiation – from continuous product innovation (tangible) and stronger branding through marketing communications (intangible).

**Art of the state**

Our industry's relationship with politics is a crucial one. Government is here to stay as a regulator, investor and client. In fact, the idea of the state as client grows apace. Already, WPP companies work for the public sector in more than 60 countries; this can only increase as governments realise that policies are more likely to succeed with good communications. Human understanding and creativity should, after all, lie at the heart of successful policymaking.

That is why WPP has launched a global Government & Public Sector Practice to drive excellence in state communications. Of course, WPP companies have worked with governments for decades, but the new practice will give governments a single point of access to WPP's combined resources, bringing together multi-disciplinary teams of agencies, academics and innovators to meet clients' needs and offer our best thinking on public sector communications.

The practice will concentrate on communications for development; communications for public policy and services; public sector recruitment; country branding and tourism, trade and investment marketing; and digital government. In the 21st century, governments increasingly see the virtue of working in partnership with their citizens. The new practice, led by Dr Michelle Harrison, CEO of TNS BMRB, the UK's leading social research agency, will be crucial to that process.

## What we think

Grey swans and Chinese innovation

### When local trumps regional

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In an era of globalisation, a paradox. The universal brand is in the ascent, but at the same time local, country-level tastes, knowledge and needs remain crucial. That means the local manager becomes more important, often at the expense of the regional executive. The result: a dumbbell-shaped hierarchy, with powerful global heads at one end and flexible, fast-moving managers with their ears to the ground at country level. Hardly surprising, when a regional manager could only hope to cover the beat effectively with a suitcase perpetually at hand.

### Sustaining ethics

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Scarcely a month goes by without discussion of business ethics – be it food hygiene and safety, profit margins enjoyed by energy companies or banks, or industry's attitude to the environment.

Sustainability is now at the heart of corporate strategy. It can no longer be seen as contradicting the profit motive. Instead, it goes hand-in-hand with long-term growth and profitability.

As virtually every CEO and chairman recognises, you ignore all the stakeholders at your peril – if you're trying to build brands for the long term.

### Consolidation and new competition

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What constitutes competition is ever-changing. It's not just direct competitors like Publicis, Omnicom, Havas, IPG and Dentsu; it's Nielsen, Ipsos, GfK in data and, more broadly, Adobe, Salesforce.com, Google, Facebook, Amazon, Apple, Twitter, Tencent, Deloitte Consulting et al. The differences between us will continue to narrow.

Bigger companies will have the advantage of size, clout, technology and investment. Smaller companies will have the advantage of more responsive structures, and more entrepreneurial, flexible people.

It remains to be seen what will happen after the

mega-merger between Publicis of France and Omnicom of America ('POG'). Some have asked whether WPP will respond by acquiring major rivals to bolster its size. There are no plans to do so.

The client and people instability and uncertainty created by the POG merger represents our biggest opportunity. We are already seeing the benefits as we increase our share of new business wins and attract unsettled talent from the protagonists to WPP companies. On the client side, it will be interesting to see what the financial cocktail of cheap long-term finance, family private equity offices with longer-term investment horizons and world-class managements (e.g. 3G Capital and Heinz), together with activist shareholders (e.g. Carl Icahn), will do in sectors such as fast-moving consumer goods.

### Tough, but manageable

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As I said in my introduction, this year will be tough but manageable. Post-Lehman caution and the uncertainty created by black swans such as the crisis in Ukraine will be a drag on worldwide GDP growth, but marketing spend has and will be bolstered by the mid-term US Congressionals, the Sochi Winter Olympics and the FIFA World Cup in Brazil.

WPP's long-term growth will continue to be driven by horizontality, data, and the unstoppable expansion of new markets and new media. ●



# Why it's Time to Say Goodbye to IKTHTMISOAIW\*

(\*I know that half the money I spend on advertising is wasted ...)

By Jeremy Bullmore



One of the world's most widely held beliefs about advertising is based on a remark, allegedly made about a hundred years ago, by one or other of four men, none of whom may in fact have made it, and which, when examined, makes little sense.

Most people in Europe know that William Hesketh Lever (1851-1925), founder of Unilever and later the first Viscount Leverhulme, once said, "I know that half the money I spend on advertising is wasted. My only problem is that I don't know which half."

Most people in the United States of America know that John Wanamaker (1838-1922), department-store magnate, once said, "Half the

money I spend on advertising is wasted; the trouble is, I don't know which half."

Other people know that this remark was first uttered by Henry Ford; or if not him, then by J.C. Penney.

There are at least a dozen minor variations of this sentiment that are confidently quoted and variously attributed but they all have in common the words 'advertising', 'half' and 'waste'. Google the line and you'll get about nine million results.

And as long as you don't think about it too carefully, it does seem to contain a kind of rustic wisdom; a bit like, "There's no smoke without fire".

As it happens, there's little hard evidence that either William Lever or John Wanamaker (or indeed

## What we think

Why it's Time to Say Goodbye to IKTHTMISOAIW

Ford or Penney) ever made such a remark. Certainly, neither the Wanamaker nor the Unilever archives contains any such reference. Yet for a hundred years or so, with no accredited source and no data to support it, this piece of folklore has survived and prospered. And it's interesting to speculate why.

People trot out sage old sayings in order to give specious credence to what they already think. "There's no smoke without fire" is a good example. It's a way of saying, "I know that technically he's innocent until proved guilty but, well, where there's smoke, you know..."

So it seems more than likely that IKTHTMISOAIW has survived for so long not because it's self-evidently true but because at least some people want it to be true; or at the very least, want it to contain a germ of truth. Originally, this group would have included the 'good wine needs no bush' or 'better mousetrap' school of thought; those who firmly believed not only that good products sold themselves but also believed the apparent corollary: that products that were reduced to using advertising must almost by definition be of inferior quality. For fifty years or so, their Patron Saint was Milton S. Hershey who built the Hershey Bar into America's best-selling candy with no significant help from advertising. "What about Hershey, then?" was the triumphant challenge from advertising sceptics everywhere. When Mr Hershey's successors experimented with advertising, they found that both sales and profitability went up substantially, at which point the sceptics grew strangely silent.

That a retailer should be credited with the belief is particularly odd. Retail advertising in the days of John Wanamaker was mostly placed in local newspapers and was mainly used to shift specific stock. An ad for neckties read, 'They're not as good as they look, but they're good enough. 25 cents.' The neckties sold out by closing time and so weren't advertised again. Waste, zero. Experiment was commonplace. Every element of an advertisement – size, headline, position in paper – was tested for efficacy and discarded if found wanting. Waste, if not eliminated, was ruthlessly hounded.

Claude Hopkins published *Scientific Advertising* in 1923. In it, he writes, "Advertising, once a gamble, has... become... one of the safest of business ventures. Certainly no other enterprise with comparable possibilities need involve so little risk." Even allowing for adman's exuberance, it strongly suggests that, within Wanamaker's lifetime, there were very few advertisers who would have agreed that half their advertising money was wasted. However, the phrase "once a gamble" is interesting. Perhaps in the very early years of the 20th century there had been enough truth in IKTHTMISOAIW for it to have found widespread agreement. But that was a hundred years ago.

Today, taken literally, it's virtually meaningless. It's difficult to spend the last half of your advertising budget without having spent the first half. So those who continue to quote it probably include CFOs engaged in hand-to-hand combat with their CMOs over next year's marketing budget. "Since we all know that half the money spent on advertising is wasted, Brendan, I take it you'd be perfectly happy with 50 per cent of what you're asking for?"

More charitably, IKTHTMISOAIW probably still strikes a chord with those who worry about the apparent waste in the reach of mass media. There are few brands, however mass market, that can hope to appeal to everyone. An expensive television commercial for pet food or disposable diapers will be seen by millions who have neither dogs nor babies. Surely that's waste?

In one sense, yes; but it's been more and more widely recognised that *targeting* – which attempts to limit the exposure of advertising to those already or potentially in the market for any given product – may not be quite as efficient as it may seem. Or to put it another way: what may seem at first glance to be waste may in commercial reality have a value.

A common attribute of all successful, mass-market, repeat-purchase consumer brands is a kind of fame. And the kind of fame they enjoy is not targeted, circumscribed fame but a curiously indiscriminate fame that transcends its particular market sector. Coca-Cola is not just a famous soft



drink. Dove is not just a famous soap. Ford is not just a famous car manufacturer. In all these cases, their fame depends on their being known to just about everyone in the world: even if they neither buy nor use. Show-biz publicists have understood this for ever. When The Beatles invaded America in 1964, their manager Brian Epstein didn't arrange a series of targeted interviews in fan magazines; he brokered three appearances on the Ed Sullivan Show with an audience for each estimated at 70 million.

Far fewer than half of that 70 million will have subsequently bought a Beatles record or a Beatles ticket; but it seems unlikely that Epstein thought this extended exposure in any way wasted.

If the implication behind IKTHTMISOAIW was borne out in real life, it would seem reasonable to expect there to have been, in the course of the last hundred years, several cast-iron case studies of companies that had spent twice as much as they needed to on advertising and had suffered seriously as a result. There seem to be none.

There are, of course, many examples of companies that have spent advertising money on inadequate products. That's certainly wasteful – and not just half of it but all of it. There are also examples of brands being over-supported; often as part of deliberate media pressure tests to help arrive at something approaching the optimal level of support. It's never been easy to work out exactly how much is enough and probably never will be.

IKTHTMISOAIW implies, entirely without evidence, that 50 per cent of all advertising money – irrespective of role or medium – should never have been spent. And though no one, of course, takes it literally, this sneaky suggestion, this ancient adage (“No smoke without fire”) has been allowed to hang unchallenged in the air.

But does it really matter? Is it worth getting upset about? At one level, not in the least. Since IKTHTMISOAIW was first uttered (or not, as the case may be) the value of advertising has been put to the test, over and over again, in good times and bad, and its use continues. No advertiser spends money on advertising unthinkingly: it either earns its keep or it

gets the elbow. If advertisers were offered the chance to be just as successful without it, they'd snatch at it. And given modern measurements and the growth of digital channels, it's easier than ever for advertising to be held accountable; to be seen to be more investment than cost.

And yet and yet. It must surely also be true that the unthinking parroting of IKTHTMISOAIW over the years must, at some level of consciousness, have deterred competitive enterprises – whether brands, financial institutions or charities – from making more profitable use of this invigorating activity. And there must be many smaller companies, the ones on whom even large national economies depend, who could have been even more successful had they not been almost unconsciously discouraged from using advertising by nothing more than unfounded superstition.

It's probably too much to hope that IKTHTMISOAIW will ever meet the oblivion it deserves; but if we all join in, we can maybe start to make its perpetrators feel as ignorant as they are. ●

**Jeremy Bullmore is a member of the WPP Advisory Board**

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# Who runs WPP

## Board of Directors

### Non-executive chairman

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**Philip Lader**

Chairman of the Nomination and Governance Committee

### Executive directors

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**Sir Martin Sorrell**

Chief executive

**Paul Richardson**

Finance director

Chairman of the Sustainability Committee

**Mark Read**

Chief executive, WPP Digital

### Non-executive directors

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**Roger Agnelli**

Member of the Audit Committee, Compensation Committee and Nomination and Governance Committee

**Jacques Aigrain**

Member of the Audit Committee and Compensation Committee

**Charlene Begley**

Member of the Audit Committee and Nomination and Governance Committee

**Colin Day**

Chairman of the Audit Committee and member of the Compensation Committee

**Esther Dyson**

Member of the Nomination and Governance Committee

**Orit Gadiesh**

Member of the Nomination and Governance Committee

**Dr John Hood**

Member of the Compensation Committee

**Ruigang Li**

Member of the Compensation Committee and Nomination and Governance Committee

**Daniela Riccardi**

Member of the Compensation Committee

**Jeffrey Rosen**

Chairman of the Compensation Committee

Member of the Audit Committee and Nomination and Governance Committee

Senior independent director

**Nicole Seligman**

Member of the Compensation Committee

**Hugo Shong**

Member of the Audit Committee, Compensation Committee and Nomination and Governance Committee

**Timothy Shriver**

Member of the Compensation Committee and Nomination and Governance Committee

**Sally Susman**

Member of the Nomination and Governance Committee

**Sol Trujillo**

Member of the Audit Committee and Compensation Committee

### Members of the Advisory Board

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**Jeremy Bullmore****John Jackson****Bud Morten****Koichiro Naganuma****John Quelch****Richard Rivers****Cuneyd Zapsu**

### Company Secretary

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**Marie Capes**

## Who runs WPP

Board of Directors

### Board of Directors

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#### Philip Lader **Non-executive chairman** Age 68

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Philip Lader was appointed chairman of WPP in 2001. The US Ambassador to the Court of St James's from 1997 to 2001, he previously served as a member of the US President's Cabinet, White House Deputy Chief of Staff and Deputy Director of the Office of Management & Budget. Before entering government service, he was executive vice president of the late Sir James Goldsmith's US holdings and president of both a prominent American real estate company and universities in the US and Australia. A lawyer, he is also a senior advisor to Morgan Stanley, a director of Marathon Oil, Rusal and AES Corporations, a trustee of RAND Corporation, the Smithsonian Museum of American History and the Atlantic Council, and a member of the Council on Foreign Relations.

#### Sir Martin Sorrell **Chief executive** Age 69

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Sir Martin Sorrell joined WPP in 1986 as a director, becoming Group chief executive in the same year. He is a non-executive director of Formula One and Alcoa Inc.

● msorrell@wpp.com

#### Paul Richardson **Finance director** Age 56

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Paul Richardson became Group finance director of WPP in 1996 after four years with the Company as director of treasury. He is responsible for the Group's worldwide functions in finance, information technology, procurement, property, treasury, taxation, internal audit and sustainability.

He is a chartered accountant and fellow of the Association of Corporate Treasurers. He is a non-executive director of STW Communications Group Limited in Australia, which is a company associated with the Group.

● prichardson@wpp.com

#### Mark Read **Chief executive, WPP Digital** Age 47

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Mark Read was appointed a director in March 2005. He is chief executive of WPP Digital and was WPP's director of strategy from 2002 to 2011. He is a director of CHI&Partners. He worked at WPP between 1989 and 1995 in both parent company and operating company roles. Prior to rejoining WPP in 2002, he was a principal at the consultancy firm of Booz-Allen & Hamilton and founded and developed the company WebRewards in the UK. He is a trustee of the Natural History Museum Development Trust.

● mread@wpp.com

#### Roger Agnelli **Non-executive director** Age 54

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Roger Agnelli was appointed a non-executive director of WPP on 13 May 2013. He is the founding partner and CEO of AGN Holding, a Brazilian company focused on mining, logistics and bioenergy in Brazil, Latin America and Africa. He is also the chairman of B&A, a joint venture between BTG Pactual and AGN, focused on the exploration and development of fertilizer, iron ore and copper assets. He was CEO and president of VALE from July 2001 to May 2011. He was vice president of ANBID (Brazil's National Association of Investment Banks) and member of the International Advisory Committee of the New York Stock Exchange (NYSE). He has served on the board of directors of CPFL, Rio Grande Energia, Serra da Mesa Energia and VCB Energia in Brazil and Duke Energy in the US; in oil and gas, Petrobras and Suzano Petroquímica in Brazil and Spectra Energy in the US; in steel, CSN and LATASA; in automotive and auto parts, Mahle Metal Leve; in home appliances, Brasmotor and in cable TV, UGB Participações. In September 2010, he joined the International Business Leaders Advisory Council (IBLAC) to the Mayor of Shanghai. He has served on the International Advisory Council of South Africa to the President Thabo Mbeki. He has been a member of the board of directors of ABB Ltd since 2002 and of the

International Advisory Council to the President of Mozambique, Dr Armando Guebuza. In addition, he is a member of Anadarko's Global Advisory Board and McKinsey International Advisory Council. He is a member of the International Expert Advisory Board of the Sultanate of Oman. In Brazil, he is a member of the Strategic Advisory Council of FIESP (Federation of Industries of the State of São Paulo) and honorary director of ACRJ (Commercial Association of Rio de Janeiro).

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**Jacques Aigrain** **Non-executive director** Age 59

Dr Jacques Aigrain was appointed a non-executive director of WPP on 13 May 2013. He is currently chairman of LCH.Clearnet Group Limited. He was CEO of Swiss Re from 2006 to 2009, and prior to that, he spent 20 years with JP Morgan Chase in New York, London and Paris. In addition, he is a non-executive director of London Stock Exchange Group Plc and a Supervisory Board Member of Lyondell Bassell NV, Deutsche Lufthansa AG and its subsidiary, Swiss International Airlines AG. He is also an advisory director of the Qatar Financial Centre Authority and a Senior Advisor to Warburg Pincus. He is a dual French and Swiss citizen. He holds a PhD in Economics from Sorbonne University, and a MA degree in Economics from Paris Dauphine University.

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**Charlene Begley** **Non-executive director** Age 47

Charlene T Begley was appointed a non-executive director of WPP on 1 December 2013. Most recently, Ms Begley served as a Senior Vice President of General Electric Company and the Chief Executive Officer and President of GE Home & Business Solutions at General Electric Company. In this role, she had responsibility for \$9 billion of revenue with the GE Appliances, Lighting and Intelligent Platforms businesses, as well as served as the company's Chief Information Officer and led the Sourcing Council and Corporate Leadership Staff. As CIO, she managed a budget of \$3.7 billion and led 10,000 IT professionals with a strong focus

on business process excellence, simplification, collaboration and security and compliance. Over her career at GE, she served as President and Chief Executive Officer of GE Enterprise Solutions, GE Plastics, and GE Transportation. In addition, she led GE's Corporate Audit Staff and served as the Chief Financial Officer for GE Transportation and GE Plastics Europe and India. Ms Begley currently serves as a non-executive director of NASDAQ OMX. Ms Begley was a director of Morpho Detection, Inc. and GE Fanuc JV. She also served on the board of the National Association of Manufacturers and the Business Advisory Council at the University of Vermont. She was recognized as a Young Global leader on the World Economic Forum and Fortune's "Most Powerful Women in Business." Ms Begley graduated Magna Cum Laude from the University of Vermont in 1988 with a B.S. Degree in Business Administration.

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**Colin Day** **Non-executive director** Age 59

Colin Day was appointed a non-executive director of WPP in July 2005. He is the Chief Executive of Essentra plc and a non-executive director of Amec and FM Global. He was the group finance director of Reckitt Benckiser plc until April 2011, having been appointed to its board in September 2000. Previously he has been group finance director of Aegis Group plc and held a number of senior finance positions with the ABB Group plc and De La Rue Group plc. He was a non-executive director of Vero Group plc until 1998, Bell Group plc until 2004, Imperial Tobacco plc until February 2007, easyJet plc until September 2005 and Cadbury plc until 2010.

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**Esther Dyson** **Non-executive director** Age 62

Esther Dyson was appointed a director of WPP in 1999. She is the founder of HICcup (Health Initiative Coordinating Council, hiccup.co), a non-profit dedicated to the production of health as opposed to care for the unhealthy. In 2004, she sold her business, EDventure Holdings, to CNET

## Who runs WPP

Board of Directors

Networks, the US-based interactive media company now owned by CBS. She left CNET at the end of 2006 and now operates as an independent investor and writer, again under the name EDventure. She has been highly influential for the past 30 years on the basis of her insights into online/information technology markets and their commercial/social impact worldwide, including the emerging markets of Central & Eastern Europe, Asia and Africa. An active investor as well as an analyst/observer, she participated in the sale of Flickr to Yahoo!, of Medstory and Powerset to Microsoft, and of Viztu to Nielsen, among others. She sits on the boards of Russia's leading search company Yandex (YNDX) and outsourcing company Luxoft (LXFT), and also of non-listed start-ups including 23andMe, Eventful.com, Meetup, NewspaperDirect (Canada), PA Consulting (UK), Voxiva (US) and XCOR Aerospace (US). Her current investments include Evernote, Gridpoint, LinkedIn, Nomanini, Omada Health, Space Adventures and Square. She is also active in public affairs and was founding chairman of ICANN, the domain name policy agency, from 1998 to 2000. She currently sits on the board of the Sunlight Foundation, which advocates transparency in government, and writes a monthly column for Project Syndicate (<http://www.project-syndicate.org/contributor/esther-dyson>) which is distributed worldwide.

### **Orit Gadiesh** *Non-executive director* Age 63

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Orit Gadiesh was appointed a director in April 2004. She is chairman of Bain & Company Inc., and a world-renowned expert on management and corporate strategy. She holds an MBA from Harvard Business School, was a Baker Scholar and was also presented the Brown Award. Ms Gadiesh is a member of the Foundation Board for the World Economic Forum as well as a member of the International Business Council of the World Economic Forum. She is on the Board of Directors of The Peres Institute for Peace, sits on the International Advisory Board of The Atlantic Council of the United States, and the Advisory

Board for the British-American Business Council. She is the Chairman of the International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC) and sits on the International Advisory Board at HEC School of Management in France.

### **Dr John Hood** *Non-executive director* Age 62

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Dr John Hood was appointed a director on 1 January 2014. An international education and business leader, he was formerly Vice-Chancellor of the University of Oxford and of the University of Auckland. In his native New Zealand, he served as Chairman of Tonkin & Taylor Ltd and as non-executive director of Fonterra Co-operative Group, ASB Bank Ltd, and other companies. He currently serves as Chairman of URENCO Ltd and of Study Group Ltd, as a non-executive director of BG Group plc, as President of the Robertson Foundation and as Chairman of Rhodes Trust. Dr Hood earned his PhD in Civil Engineering from the University of Auckland and then won a Rhodes Scholarship to Oxford, where he was awarded an MPhil in Management Studies.

### **Ruigang Li** *Non-executive director* Age 44

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Ruigang Li was appointed a director of WPP in October 2010. He is Founding Chairman of CMC Capital Partners (CMC), China's first and most prestigious Media and Entertainment dedicated private equity fund. Through Li's chairmanship, CMC acquired the controlling stake of former News Corporation's China assets – Star China, together with the management team. CMC has also invested in Oriental DreamWorks – a joint venture with DreamWorks Animation; TVBC – a joint venture with leading Chinese language TV content provider and broadcaster TVB, and China's largest TV shopping company OCJ, all of which are of profound significance in China and beyond. CMC also leads China's highly eye-catching urban leisure and entertainment destination – the Dream Center in Shanghai through a multi-party international

partnership. Li is also the Chairman of Shanghai Media Group (SMG), which he led as the CEO for 10 years and grew it into China's second largest media conglomerate with the most diversified media assets of national reach.

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**Daniela Riccardi** **Non-executive director** Age 54

Daniela Riccardi was appointed a director on 12 September 2013. A prominent FMCG, retail-and-fashion products executive, she is Chief Executive Officer of Baccarat, the international luxury goods company, and was Chief Executive Officer of Diesel Group, the innovative fashion business. She was an executive at Procter & Gamble for 25 years, including service as President of Procter & Gamble Greater China, with 7,000 employees, and Vice President-General Manager for Eastern Europe & Russia. Ms Riccardi is a Magna Cum Laude graduate in Political Science and International Studies at Sapienza University of Rome and completed a Fellowship in Marketing at Yale University.

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**Jeffrey A. Rosen** **Non-executive director** Age 66

Jeffrey Rosen was appointed a director of WPP in December 2004. He is a deputy chairman and managing director of Lazard with over 40 years' experience in international investment banking and corporate finance. He is a member of the Council on Foreign Relations and is President of the Board of Trustees of the International Center of Photography in New York.

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**Nicole Seligman** **Non-executive director** Age 58

Nicole Seligman was appointed a director on 1 January 2014. A senior Sony executive since 2001, she is Executive Vice President and General Counsel of Sony Corporation and President of Sony Corporation of America. Previously, as a partner in the Washington law firm of Williams & Connolly, she counselled a wide range of clients, including major media companies, on complex litigation and

commercial matters. She was a law clerk for US Supreme Court Justice Thurgood Marshall and was associate editorial page editor for the *Asian Wall Street Journal*. She was a Magna Cum Laude graduate of both Harvard College and Harvard Law School.

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**Hugo Shong** **Non-executive director** Age 58

Hugo Shong was appointed a director on 13 May 2013. He is the executive vice president of International Data Group (IDG), a private technology media, research and events company, and president of IDG Asia/China. He joined IDG in 1991 as an associate to IDG's founder and chairman, Patrick J. McGovern, for Asian business development after working for three years as a reporter and editor at *Electronic Business* and *Electronic Business Asia* magazine, where he launched over 40 magazines and newspapers in Asian countries, such as *PC World Vietnam*, the Chinese editions of *NetworkWorld*, *Electronic Products*, *Cosmopolitan*, *Harper's Bazaar*, *National Geographic*, *FHM* and *Men's Health*. In 1993, he helped IDG to set up the first technology venture fund in China, IDG Capital Partners, which now has \$3.8 billion under management and an investment portfolio including Baidu, Tencent (QQ), Sohu, Ctrip and Soufun. He currently serves on the boards of China Jiu hao Health Industry Corp, which focuses on health maintenance and retirement community projects in China, and Mei Ah Entertainment Group, an entertainment company with interests in television, film and theatre listed on the Hong Kong Stock Exchange. Hugo has been a member of the board of trustees of Boston University since 2005. After completing his undergraduate studies at Hunan University, he attended the Chinese Academy of Social Sciences and earned a Master of Science from Boston University in 1987. He conducted graduate studies at the Fletcher School of Law and Diplomacy and has also completed the Advanced Management Program at Harvard Business School.

## Who runs WPP

Board of Directors

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### **Timothy A. Shriver** Non-executive director Age 54

Tim Shriver was appointed a director of WPP in August 2007. He is a social leader, educator, activist, film producer and business entrepreneur. As Chairman and CEO of Special Olympics, he serves nearly four million Special Olympic athletes in 180 countries all working to promote health, education, and unity through the joy of sports. Before joining Special Olympics in 1995, he was (and remains) a leading educator focusing on the social and emotional factors in learning. He co-founded and currently chairs the Collaborative for Academic, Social and Emotional Learning (CASEL), the leading research organisation in the field of social and emotional learning. He is a member of the Council on Foreign Relations. He chairs the board of Lovin' Scoopful a cause-related consumer products brand specialising in ice cream that 'loves you as much as you love it'.

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### **Sally Susman** Non-executive director Age 52

Sally Susman was appointed a director on 13 May 2013. She is currently executive vice president, Corporate Affairs for Pfizer, the world's largest biopharmaceutical company. Sally also heads the firm's corporate responsibility group and plays a key role in shaping policy initiatives. Before joining Pfizer in 2007, she was EVP of Global Communications at Estée Lauder, where she directed global corporate affairs strategy and served as a member of the Executive Committee. She also held several senior corporate affairs posts at American Express, working in both London and the US. She started her career in government service focused on international trade issues and her positions included Deputy Assistant Secretary for Legislative and Intergovernmental Affairs in the US Department of Commerce. She serves on the board of the International Rescue Committee and the US Department of State's International Council on Women's Business Leadership. Sally holds a BA in Government from Connecticut College in the US and has studied at the London School of Economics.

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### **Sol Trujillo** Non-executive director Age 62

Sol Trujillo was appointed a director of WPP in October 2010. He is an international business executive with three decades' experience as CEO of large market cap global companies in the US, the EU and Asia Pacific, including US West (now CenturyLink), Orange (now France Telecom) and Telstra, the Australian communications company. A digital pioneer operating in the telecommunications, technology, and media space, he has been a long-time champion of high-speed broadband and a pioneer and innovator of smartphone and the mobile internet to stimulate productivity and innovation across all sectors of the economy. He has managed operations in more than 25 countries – including developed and emerging markets from the EU and North America to China, South Asia, Africa and the Middle East. He currently sits on corporate boards in the US, EU and China – including Western Union and ProAmerica Bank in the US and in Asia, Silk Road Technologies in China, where he is Board chairman. In the public sector, Mr Trujillo served as trade policy advisor to the Clinton and Bush administrations and remains active on public policy issues related to immigration, trade, productivity and fiscal affairs.







# How we behave and how we're rewarded

## Directors' report

### Dear share owner

**A**nother record year for WPP, we are pleased to report. The Board joins me in commending all the people across the globe who helped our Company achieve new levels of revenue, profitability, headline margins, and earnings per share, our leadership in all net new business league tables, and the very top international creative awards.

We trust this enthusiasm about 2013's results is shared by our share owners. The year's 55% rise in WPP's share price, 20% dividend increase, and lift of our dividend pay-out ratio to 42% evidence that much is going well with your Company.

Your Board, meeting after meeting, re-visits and tests the Group's strategic objectives:

- greater penetration of the world's faster-growing geographic markets;
- increase in revenues from new media;
- continued rapid growth in data investment management and the application of technology; and
- horizontality in the provision of our operating companies' services.

We are convinced, while nudging and championing management's real-time tactical adjustments, that this aggregate strategy remains best for WPP's responsible growth and profitability.

Yet – as noted elsewhere in this report – client confidence in external conditions is not fully restored, the competitive landscape is changing significantly, geopolitical events are unsettling, none of our leadership is getting younger, and management's continually revised agenda for



Report by Philip Lader

(left)

Chairman of the Company and chairman of the Nomination and Governance Committee

performance improvement remains long. And you have charged us, as directors, with the *long-term* stewardship of this remarkable company.

That is why, at this time of noteworthy achievement, major changes in our Board were undertaken.

We instituted a mandatory retirement policy for non-executive directors, recruited and appointed a large slate of extraordinary new non-executive directors, significantly changed the composition of Board committees, initiated transitions in their leadership, and will announce my successor as chairman in the coming months.

Two highly respected colleagues, consequently, will leave your Board at our Annual General Meeting. Esther Dyson, the eminent authority on all matters digital and successful investor in infant web-based businesses, has been a WPP director since 1999; Orit Gadiesh, the Chair of Bain & Company and strategic advisor to CEOs in diverse fields around the globe, since 2004. They have devoted countless hours and miles on your behalf, had tangible influence on decisions large and small, and personally will be very much missed.

For an organisation as complex and dispersed as WPP, institutional memory is critically important. That is why an unusually large number of new directors was appointed at this time and committee rosters have swelled. In the next few years, newcomers' familiarity with our businesses and people can progress as veterans cycle off the Board.

## How we behave and how we're rewarded

Directors' report

During these new colleagues' probable tenure, senior management transitions and dramatic technological, as well as industry, changes may occur; and the longer these directors' service on the Board, the better informed their judgements likely will be.

Those of us who have long been privileged to serve this Company believe that our share owners will find in these new non-executive directors, individually and as a group, the experience, wisdom, disciplines, independence, and vision necessary to challenge and support management, seize opportunities, make tough choices, honour commitments to our people and the clients and places WPP serves, and act in your best interests. Their credentials illustrate the direct relevance of their backgrounds to the Group's core competencies and strategic objectives, suggesting the potential contributions we veterans anticipate from their service:

● **Roger Agnelli:** Latin America's and Africa's strategic importance to WPP makes the appointment of Roger to our Board invaluable, given his in-depth, region-wide perspective and relationships as one of Brazil's most respected business leaders. His candid, independent judgement, moreover, is based on a decade as CEO of VALE, a diverse prior career in banking, and his extensive experience as a director of numerous international companies.

● **Jacques Aigrain:** Jacques brings to our Board not only the intellectual force illustrated by his Sorbonne Economics PhD, but also keen finance and regulatory, as well as institutional and private equity, insights from his chairmanship of LCH.Clearnet Group, role as Swiss Re's CEO, two decades with JP Morgan Chase, and advisory work for Warburg Pincus. While 'European', his work on boards from the Middle East to Texas, as well as in Europe, are the basis for his particular audit, acquisition, and compliance competencies.

● **Charlene Begley:** Several decades of senior executive leadership at the General Electric Company – including as its Chief Information Officer, head of its Sourcing Council, CEO of its Home & Business Solutions/Appliances, Lighting & Intelligent Platforms, as well as CEO of GE divisions ranging

from Enterprise Solutions to Plastics to Transportation, and leader of GE's Corporate Audit Staff – enable Charlene to share GE's relevant disciplines and practices with WPP's management. The breadth of her roles at this distinguished company has developed in her an extraordinarily keen eye for business risks and opportunities.

● **John Hood:** From his student days as a Rhodes Scholar to his current chairmanship of the Rhodes Trust – including the leadership of Oxford and Auckland Universities, John has demonstrated rare combined capacities for thought and action. And he contributes to our boardroom seasoned commercial judgement earned from executive and board roles in his native New Zealand, as URENCO's and Study Group Ltd's Chairman and a BG Group director, and president of a major US-based foundation.

● **Daniela Riccardi:** 'Client perspective' is extremely helpful to a client-services company like ours. That is why Daniela – a long-time WPP client as a Procter & Gamble executive, including her leadership of its China, Eastern Europe and Russian businesses, before becoming CEO of the Diesel fashion business and now of Baccarat, the luxury goods company – speaks with particular authority as a new director. This Paris-based Italian's prominence across the FMCG/retail-and-fashion world also enhances WPP's real-time interaction with these important sectors.

● **Nicole Seligman:** After work as a journalist in Asia, a clerkship with the US Supreme Court, and widely recognized advocacy in complex media and other litigation as a partner in a major American law firm, Nicole has served as General Counsel of Sony Corporation and President of Sony Corporation of America. From Tokyo to New York, she has participated in many of the past decade's entertainment, communications and technology changes that impact WPP's businesses.

● **Hugo Shong:** WPP's growth in China has been, and will continue to be, instrumental to our Company's performance. Few individuals in that country have had more WPP-relevant responsibility and experience than our Board colleague Ruigang Li

and his new fellow countryman/director Hugo Shong. Over Hugo's nearly 25 years with International Data Group (IDG) and as president of IDG Asia/China, he launched more than 40 magazines and newspapers, established a pioneering \$3.8 billion Chinese technology venture fund, and serves on the boards of major Chinese healthcare and entertainment companies.

● **Sally Susman:** In addition to Public Affairs/Public Policy constituting a significant line of WPP business, developments in this arena affect our Group profoundly. Sally, in this field, is both a consumer of services and a veteran professional. After several senior corporate affairs posts at American Express in London and the US and service with the US Department of Commerce, she was Estée Lauder's Executive Vice President of Global Communications and is now Pfizer's Executive Vice President for Policy External Affairs and Communications.

Notwithstanding their contributions related to brands, geographic and product markets, understanding of consumers, clients, new technologies and regulatory issues, this expanded Board will have no greater responsibility than ensuring the continued emphasis on management development.

Throughout this past year, your Board continued our succession-planning program, with review of some 100 individuals, including all the business leaders named in this report, other senior talent, and 'rising stars'. We insist on the confidentiality of this process lest 'horizontal' between our operating companies be impaired or, as the future requirements of positions change, individuals be misguided.

My last year's letter, referring to that Annual Report artist's elephants, summarised the issue of WPP CEO succession: "[There's] no elephant in this room." Our new non-executive directors and veterans alike are unanimous in the view that – and here I repeat my last year's comment – "Martin Sorrell is the best chief executive officer in this industry – and the person who can best serve the interests of share owners in this role *at this time*."

What about tomorrow? Notwithstanding Martin's client-helpful, high media profile, it is some

dozen group heads and functional leaders, reporting to him, who run all WPP businesses day-to-day, with far more authority than occasional observers suggest. Clients certainly value Martin's friendship and insights; but on business matters, they look principally to the resourceful people more directly responsible for WPP's services.

We, nonetheless, are prepared for emergencies and – again as I expressed last year – "Ultimately confronting the 'succession elephant' will be part science, part art... There is no more important responsibility of your Board; and we earnestly endeavor to remain prepared for this inevitable [CEO] transition. That time, however, is not now."

I hope that the careful selection of our new non-executive directors and of my successor as chairman will strengthen share owners' confidence that, whenever "that time" comes, your interests, as well as clients' and WPP's people's, will be very well served.

The Mexican artist featured in this year's report, Diego Rivera, is famous for his stylised figures, engaged in everyday life, making their respective contributions to momentous achievements. Although corporate annual reports necessarily focus on individual leaders and quantified results, perhaps Rivera's illustrations can remind us that WPP's performance is, essentially, the work of 175,000 dedicated people: individuals going to work every day, serving clients, their families, and our share owners, and thereby building an ever-greater company.

**Philip Lader**

16 April 2014



## How we behave and how we're rewarded

Directors' report

### Review of the Company's governance and the Nomination and Governance Committee

#### Report by Philip Lader Chairman of the Nomination and Governance Committee

##### Nomination and Governance Committee members

	Meetings
Philip Lader (chairman)	6
Charlene Begley <sup>2</sup>	–
Esther Dyson	6
Orit Gadiesh	5
Roger Agnelli <sup>1</sup>	3
Ruigang Li <sup>1</sup>	2
Jeffrey Rosen <sup>1</sup>	3
Hugo Shong <sup>1</sup>	2
Tim Shriver <sup>1</sup>	3
Sally Susman <sup>1</sup>	3

<sup>1</sup> Appointed to the committee in June 2013.

<sup>2</sup> Appointed to the committee on 19 February 2014.

## Dear share owner

### Committee responsibilities and how they were discharged in 2013

**T**hroughout 2013, succession planning – not only for senior management, but also for non-executive directors – and Board performance were the principal focus of the Nomination and Governance Committee's six formal meetings and frequent informal exchanges between committee members and our fellow directors.

All non-executive directors were invited to participate in most of these sessions, with the committee's recommendations to the Board generally reflecting the consensus of such larger number of opinions.

### Board refreshment

Initiated in 2012, refreshment of the Board's composition and leadership has dominated this committee's past year's activity. To this end, we reaffirmed our policy that requires all WPP directors to stand for annual re-election by share owners and established a new tenure policy for non-executive directors:

- Newly-elected non-executive directors shall not stand for re-election after having served for the period of their 'independence' under applicable US and UK governance authority, that presently being 'the nine-year rule' (i.e., under current general governance policy, a non-executive director will not stand for re-election at the AGM that follows the completion of nine full years' service after the first AGM at which he or she was first elected by share owners; nor will such non-executive directors subsequently stand for election to this Board).

Applying this policy to currently-serving non-executive directors results in the retirement of long-serving colleagues over the next several years and, this year, of two non-executive directors:

- Orit Gadiesh, the Chair of Bain & Company, who has served for 10 years as a WPP non-executive director; and
- Esther Dyson, a leading authority on digital communications and an international investor in web-based businesses, who has served in this capacity for 15 years.

They will not stand for re-election to the Board and will be very much missed. And as I proposed in last year's Annual Report, I shall retire from the Board at the end of this calendar year. The Board intends to announce my successor as chairman in sufficient time to provide an orderly transition.

### Process, criteria and appointments

We then undertook an exhaustive process of considering the skills and experience of an extremely broad range of potential candidates. Supplementing the many names proposed by then-current Board

members, the executive recruitment firm, Egon Zehnder International, utilised its consultants around the globe to identify, evaluate, and screen a highly diverse universe of individuals.

Our criteria focused on diversity in its broadest sense: geography, gender, career discipline, professional perspective, and technical skills. Traditional qualifications, financial competencies, media-related, marketing-services and developing-markets experience, independence, time availability and the level of commitment were scrutinised, leading to many current directors' interviews of several dozen candidates.

From this process, the Board appointed, during 2013-2014 as the individuals became available, the following new non-executive directors (whose biographies can be found on pages 114 to 118):

- Roger Agnelli
- Dr Jacques Aigrain
- Charlene Begley
- Dr John Hood
- Daniela Riccardi
- Nicole Seligman
- Hugo Shong
- Sally Susman

### Committee leadership and service

Under our new non-executive director tenure policy, one of those non-executive directors retiring in the next few years is WPP's senior independent director, Jeffrey Rosen, who has devoted enormous time and effort to chairing its Compensation Committee. The planned succession of this committee chairmanship from him to Dr John Hood was delayed – by the Board's unanimous judgement – until the 2014 Annual General Meeting because of Dr Hood's unavailability for earlier appointment to the Board, the need for a brief transitional period after such appointment, and the need for major revision of the Group's complex remuneration plans this past year and the preparation of the prospective Executive Remuneration Policy. Jeffrey now stands for re-election as a non-executive director and would continue to apply his international

financial experience to the work of the Audit Committee and the Nomination and Governance Committee, as well utilize his in-depth understanding of the Group as senior independent director.

Colin Day has served on this Board and its Compensation and Audit Committees since 2005 and as chairman of the Audit Committee since June 2013. He has only been chairman of the Audit Committee since June 2013, however; and the Board, notwithstanding his length-of-service as a director, considers him truly independent and has asked him to continue as chairman of this committee until such time as his successor is appointed.

To ensure an effective Board transition, both Jeffrey and Colin – notwithstanding their prospective service for more than nine years – are proposed for re-election as directors, but will not stand for re-election at the 2015 AGM.

With the appointment of the aforementioned new non-executive directors and subject to their AGM election, the composition of our three main committees has also been significantly revised:

Committee composition 2014	Audit Committee	Compensation Committee	Nomination and Governance Committee
Philip Lader			chair ●
Roger Agnelli	●	●	●
Jacques Aigrain	●	●	
Charlene Begley	●		●
Colin Day	chair ●	●	
John Hood		chair ●	
Ruigang Li		●	●
Daniela Riccardi		●	
Jeffrey Rosen	●		●
Nicole Seligman		●	
Hugo Shong	●	●	●
Tim Shriver		●	●
Sally Susman			●
Sol Trujillo	●	●	

From the Audit Committee's enlarged membership, a new committee chair is expected to emerge and succeed Colin; and it is likely that the new Board chairman will replace me as chairman of the Nominations and Governance Committee.

## How we behave and how we're rewarded

Directors' report

### Board and committee evaluation

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The annual evaluation of the Board's and all committees' effectiveness was conducted, with reference to questions utilised in prior years' interviews of directors, through candid Board discussion at two Board meetings and two non-executive directors' dinners, as well as consultations with Egon Zehnder International. That firm's consultants presented thorough evaluations of the Board's and this committee's performance and, while offering specific recommendations for improvement, concluded that both the Board and this committee continued to operate effectively and had made considerable progress in Board refreshment. Observations from these discussions and presentations will be intensely reviewed by this committee in upcoming meetings, with proposals to the full Board as to improving Board effectiveness.

### Fair, balanced and understandable

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During the year, the Board considered the changes to the UK Corporate Governance Code, especially the requirement for directors to confirm that they consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable. The Audit Committee discussed the appropriate criteria with members of the Disclosure Committee and reviewed the process for compilation and assurance of the report's information. The Audit Committee then received an early final draft of the report for review and comment, as well as a report from the Disclosure Committee as to the governance relating to compilation of the report. The Board subsequently considered the Annual Report and Accounts as a whole and discussed the report's tone, balance, and language for compliance with these standards. The Board's statement on the report is on page 188.

### Sustainability

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Paul Richardson, chairman of the Company's Sustainability Committee, presented a comprehensive assessment of the Group's sustainability performance and risks to the committee for 2013. Particularly noteworthy was WPP's CDP score of 95B and our inclusion in the CDP FTSE 350 Climate Disclosure Leadership Index and the Dow Jones Sustainability Index. WPP continued to help its operating companies by providing a series of webinars and briefings on sustainability issues. We established a WPP privacy policy group of senior agency representatives and added privacy and security to ethics training as well as holding a training event on the EU cookies directive.

### Terms of reference

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The committee's terms of reference, which are reviewed with the Board annually and most recently in July 2013, are on the Company's website at [wpp.com/investor](http://wpp.com/investor).

### Chairman's continuing role

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In addition to customary governance, management oversight and representational duties, I shall be assisting our new colleagues in their familiarisation with this Company's many dimensions, continuing share owner consultations to resolve any outstanding compensation and governance issues, and participating in the work of committees. Until the transition to my successor, I shall lead the Board in its determination and periodic revision of confidential, potential emergency leadership plans and ensure that there is ongoing emphasis on management development and CEO succession planning.

**Philip Lader**

16 April 2014

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## Review of the Audit Committee

### Report by Colin Day

#### Chairman of the Audit Committee

#### Audit Committee members

	Meetings
Paul Spencer (chairman until 12 June 2013)	4
Colin Day (chairman from 12 June 2013)	7
Sol Trujillo	7
Jeffrey Rosen	6
Roger Agnelli <sup>1</sup>	3
Jacques Aigrain <sup>1</sup>	3
Charlene Begley <sup>2</sup>	1
Hugo Shong <sup>1</sup>	3

<sup>1</sup> Appointed to the Committee on 13 May 2013.

<sup>2</sup> Appointed to the Committee on 1 December 2013.

## Dear share owner

We held seven meetings during the year, which were attended by the external auditors, the Company's chairman, the Group finance director, Bud Morten, the director of internal audit, the Group chief counsel and the Company Secretary.

Preparatory meetings were also held with the internal and external auditors as well as members of the Company's senior management. The committee received presentations from the heads of internal audit, finance, tax, compliance and legal. The committee also received reports from the Disclosure Committee on financial reports. The Board received regular reports on all matters of particular significance arising at the committee meetings.

The committee's terms of reference, which are reviewed with the Board annually and most recently in December 2013, are on the Company's website at [wpp.com/investor](http://wpp.com/investor).

The committee and its members were formally assessed by the chairman of the Company as part of the annual evaluation process described on page 126 for their technical suitability to be members and also for its overall effectiveness. The Board has designated me as the committee's financial expert for Sarbanes-Oxley Act (SOX) purposes and as having recent and relevant financial experience for the purposes of the UK Corporate Governance Code. The members of the committee have financial and/or financial services experience as set out in their biographies on pages 114 to 118.

#### Committee responsibilities and how they were discharged in 2013

The main matters we dealt with during 2013 were as follows:

- monitoring the integrity of the Company's financial statements and reviewing significant financial reporting judgements;
- reviewing internal financial control and internal audit activities;
- assisting the Board in meeting its responsibilities in respect of reviewing and reporting on the systems and key elements of risk management as they affect the Group;
- reviewing the Group Treasury policy with particular focus on debtors, funding foreign exchange and cash management and the continued ability of the Group to adopt the going concern basis in preparing financial statements;
- reviewing reports on any material litigation or regulatory reviews involving Group companies;
- reviewing the Group's mergers and acquisitions strategy, any significant acquisitions, due diligence procedures and integration processes and the debt financing by the Group;
- reviewing GroupM's trading model and its risk assessment processes;
- reviewing the Group's tax strategy;
- monitoring the accounting and legal reporting requirements, including all relevant regulations

of the UK Listing Authority, the SEC and NASDAQ and the Jersey Financial Services Commission;

- overseeing continued compliance with Section 404 of SOX, through regular status reports submitted by the internal and external auditors;
- reviewing the Group's reporting systems and shared services and IT integration initiatives;
- reviewing issues raised on our Right to Speak helpline and the actions taken in response to those calls; and
- reviewing the Group's initiatives and policies on data privacy and internet security.

The committee examined whether the annual report and accounts for 2013 was fair, balanced and understandable and provided the information necessary for share owners to assess the Group's performance, business model and strategy. The process the committee, the Disclosure Committee and the Board undertook is outlined in the Nomination and Governance Committee report on page 124.

### Financial reporting and significant financial judgements

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The management team make key decisions and judgements in the process of applying the Group's accounting policies. These key judgements were detailed in reports to the committee in respect of 2013 which were then examined by the committee and discussed with management.

Deloitte also reported to and discussed with the committee whether suitable accounting policies had been adopted in the financial statements for the year ended 2013 and whether management had made appropriate estimates and judgements. The areas of significant judgement considered by the committee and how these were addressed included:

- the assessments made for goodwill impairment. The committee confirmed, based on management's expectations of future performance of certain businesses, the level of goodwill impairment charges required in 2013;
- the judgements made in respect of revenue recognition particularly as these relate to media

volume income and media trading income. The committee received briefings from Deloitte and management on the appropriateness of the policies adopted and the controls in place;

- the valuations of non-controlled investments which are based on local management forecasts, recent financing rounds and other supporting information such as industry valuation multiples. The committee examined the valuations with management and considered the sample testing of the investments performed by Deloitte and agreed that the valuations performed were appropriate;
- the accuracy of forecasting the potential future payments due under earnout agreements in respect of acquired businesses. The committee considered the forecasting with management and the testing undertaken by Deloitte and agreed that earnouts have been accounted for on a consistent basis to previous periods;
- the approach taken to calculating fair value adjustments in respect of acquired businesses and specifically provisions for non-corporate tax, property and legal exposures which the committee considered was appropriate;
- the valuation of year-end provisions in respect of working capital. The committee received briefings on the approach taken by management in assessing the level of exposure across the Group and agreed it was consistent and appropriate;
- accounting for the judgemental elements of remuneration, including, pensions, bonus accruals, severances and share-based payments. The committee agreed that the assumptions applied by management are reasonable;
- the judgements made in respect of tax, in particular deferred tax assets including their recoverability and the level of tax provisioning. The committee supported management's assumptions in both these areas and believe the current level of provisions is reasonable; and
- the going concern assessment and key forecast assumptions. The committee concur with management's going concern assumptions as set out on page 187.

## External audit

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Deloitte has been WPP's auditor since 2002. The lead partner rotates every five years and the last rotation was in 2010. In 2013, the effectiveness of the audit process was evaluated through a committee review of the audit planning process and discussions with key members of the Group's finance function. The 2013 evaluations concluded that there was a good quality audit process and constructive challenge where necessary to ensure balanced reporting. The committee held private meetings with the external auditors and the committee chair met privately with the external auditors before meetings. The committee continues to be satisfied with the performance of Deloitte and confirmed that Deloitte continues to be objective and independent. The committee recommends the reappointment of Deloitte at the AGM on 25 June 2014.

The committee considered the Group's position on its audit services contract following changes to the UK Corporate Governance Code and European Union regulations concerning the audit market. In view of the uncertainty regarding the form and impact of these regulations, the committee will recommend a course of action to the Board during 2014 in respect of the tender of the audit contract.

## Non-audit fees

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The committee has established a policy regarding non-audit services that may be provided by Deloitte, which prohibits certain categories of work in line with relevant guidance on independence, such as ethical standards issued by the Auditing Practices Board and SOX. Other categories of work may be provided by the auditors if appropriate and if pre-approved by the committee, either as individual assignments or as aggregate amounts for specified categories of services. All fees are summarised periodically for the committee to assess the aggregate value of non-audit fees against audit fees. The level of fees for 2013 is shown in note 3 on page 209.

## Committee membership

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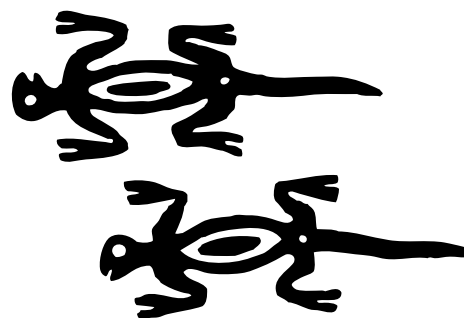
This is my first year as chairman of the committee which has been a year of transition as the committee now has a majority of new members as part of the Board refreshment process.

I would like to thank my colleagues on the committee, the parent company executives and the external advisors for their hard work in 2013.

**Colin Day**

16 April 2014

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# Letter from the chairman of the Compensation Committee

## Dear share owner

**O**n behalf of the Compensation Committee, I am pleased to present the Compensation Committee Report for 2013. This year's Compensation Committee Report has been drafted with the new UK remuneration reporting regulations in mind. The Report therefore comprises three parts: my cover letter and summary of the key events that occurred in 2013, our Executive Remuneration Policy, and an Implementation Report. The latter two will be put to share owners at the forthcoming AGM for approval.

### Key changes in 2013

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Following an extensive consultation program with our share owners during 2012 and 2013, we implemented a revised remuneration package for the Group chief executive, partly in 2012 and fully in 2013. At the beginning of 2013, the base salary and pension allowance of the Group chief executive were reduced in line with the amended policy, as was advised to share owners in the last Annual Report. A new long-term incentive plan, the Executive Performance Share Plan (EPSP), was approved by share owners at the 2013 AGM. The first awards under that plan were made in June 2013. These awards have a five-year performance period, with performance being assessed using stretching targets over TSR, EPS and ROE measures. These substantial revisions to our remuneration policy resulted in a materially increased level of support from our share owners and the advisory bodies, as demonstrated by the share owner vote in favour of the Compensation Committee report at the 2013 AGM.

In July 2013, we undertook the review of the pay packages of the Group financial director and the Chief executive of WPP Digital, whose pay packages were previously reviewed in January 2011. These 2013 reviews resulted in modest increases to base salary and

fees of 1.8% and 3.5% respectively and, in the case of the chief executive of WPP Digital, a modest increase in his pension allowance to 15% of base salary and fees in order to align his position with that of other UK executives. Employees across the Group who were subject to a salary review received an average annual salary increase of approximately 3%.

In drafting the Executive Remuneration Policy, we have maintained the structure of compensation as discussed extensively with share owners in 2012 and 2013 and implemented in 2013. An addition for 2014 is the inclusion of a recruitment policy, as set out in the new UK remuneration reporting regulations. This recruitment policy, found on page 144, has been drafted while taking into consideration input received from share owners last year. The policy represents a lower level of incentive opportunity than that provided to the incumbent Group chief executive, while seeking to retain the flexibility required to recruit talent of the level necessary to run such a complex global group.

### Pay for performance in 2013

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In 2013, the operational performance of the Group was strong, with like-for-like revenue growth of 3.5%, headline PBT growth of almost 11% and headline diluted earnings per share up over 10%. In addition, the last year has seen very strong share price growth and a considerable increase in TSR. The share price increased 55% from 888p at the end of 2012 to 1,380p at the end of 2013, versus a 14% gain in the FTSE 100 from 5,898 to 6,749, reflecting a high level of investor confidence in the Group's future prospects.

The annual bonuses awarded to the executive directors for 2013, of which 70% is based on financial performance, take into account not only the impressive performance of the Group but also the stretching targets set by the committee. The executive directors' bonus awards average 143% of target. Half of the annual bonus is paid in cash and

half in deferred shares which vest in 2016, thereby reinforcing the alignment of the executive directors' interests with those of share owners.

WPP was an early adopter of long-term incentives that measure performance over the longer five-year period. Each of the three LEAP plans and the replacement plan, the EPSP, are based upon a five-year performance period. In addition, participation in the LEAP plans has required executives to commit shares that could be matched, up to five times, dependent upon the Group's performance over the five-year period. The long-term incentive awards that were granted in 2009 under LEAP III vested in February 2014. The exceptional share price and relative TSR performance over the performance period of the 2009 LEAP award cycle has resulted in awards vesting at 87% of maximum. While the level of vesting will undoubtedly attract public attention, the close relationship between WPP's pay and performance is again demonstrated by the considerable value that has been created for share owners during that period. Indeed, over the five years from 1 January 2009 to 31 December 2013, the share price increased by 243%, which translates to 28% per annum on a compound basis. WPP's TSR of more than 241%, averaged over six months at the start and end of the investment and performance period in accordance with the plan rules, ranks the Company in the top decile of the FTSE 100 over the same period. On the next page, I have set out some charts that illustrate the strong performance of the Company over the short and long-term.

### Compensation and policy issues for 2014

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There are no planned changes to the way in which the Executive Remuneration Policy will be implemented in 2014. For the executive directors, base salaries and fees will be unchanged as will annual bonus opportunity and EPSP award levels. The committee has undertaken its regular review of measures and has set new targets for the 2014

annual bonus. The impact of the proposed merger between Publicis and Omnicom on the LEAP and EPSP TSR peer groups will be considered on completion of the transaction (a date for which is yet to be confirmed); details of the impact on the LEAP and EPSP comparator group and TSR calculation approach will be confirmed in next year's Compensation Committee Report. The nature of benefits provided in 2014 will also be unchanged, although the value may be higher or lower depending upon individual circumstances during the year. The fees for the current chairman and non-executive directors will also be unchanged.

### Committee membership 2014

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John Hood replaces me with effect from close of the AGM. He will chair a committee of engaged directors whose contributions have been constructive and supportive over the tenure of my chairmanship, especially those of Philip Lader and Esther Dyson, who are retiring from the committee.

John will also inherit the strong and able support of Mark Linaugh, chief talent officer, Derek Steptoe, worldwide compensation & benefits director, and the indefatigable Marie Capes, Company Secretary. Their professionalism and good humour makes for the smooth functioning of the committee and adds pleasure to the job of chairing it. I thank them all for their service.

**Jeffrey Rosen**

**Chairman of the Compensation Committee**

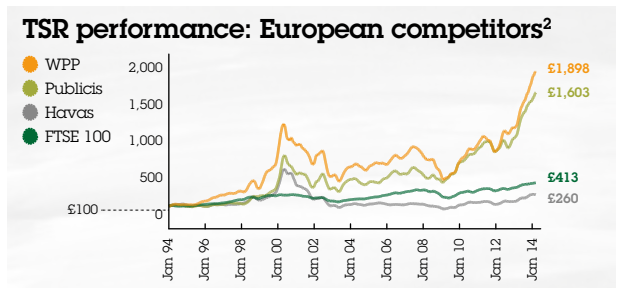
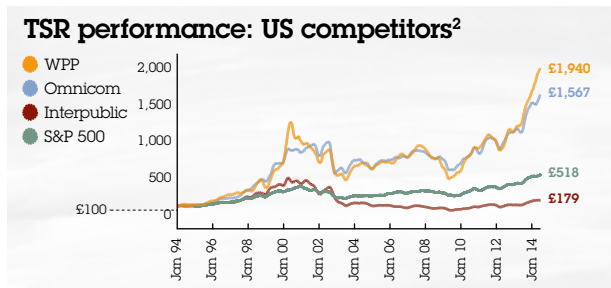
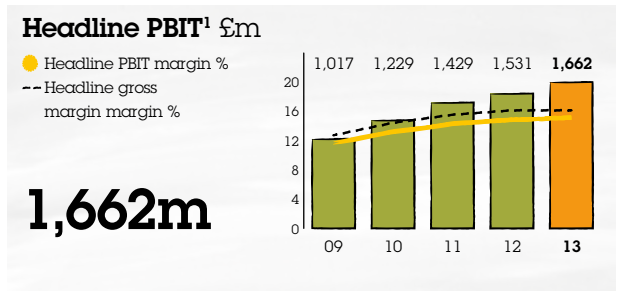
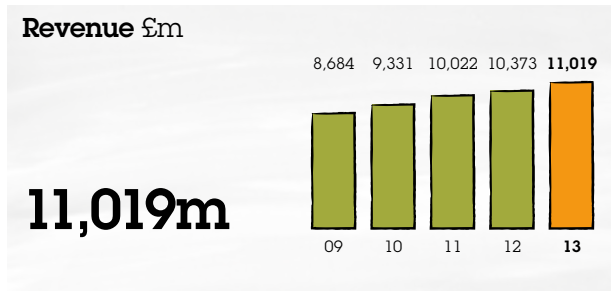
16 April 2014

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# How we behave and how we're rewarded

Letter from the chairman of the Compensation Committee

## How we have performed

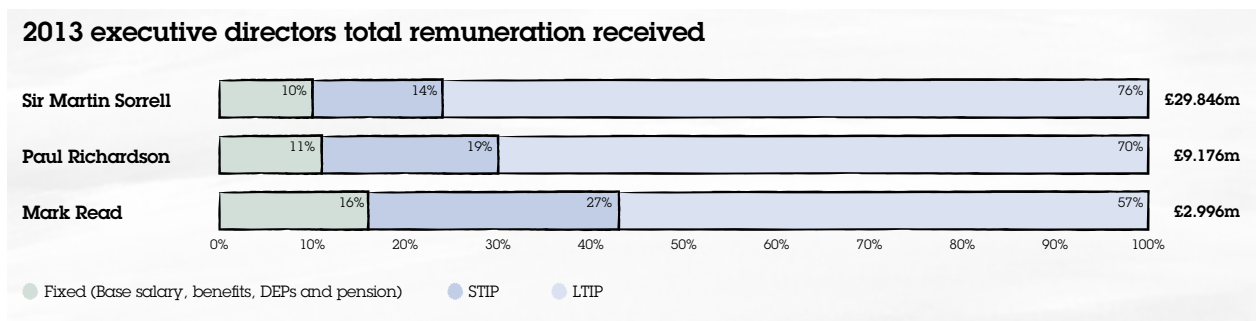


<sup>1</sup> The calculation of headline PBIT is set out in note 31 of the financial statements.

<sup>2</sup> Growth in the value of a hypothetical £100 holding over 20 years. TSR calculated using a three-month rolling average in common currency. Source: DataStream

The above graphs compare WPP's 20-year TSR performance relative to our primary peers and the major indices in both the US and Europe. Over this period, a £100 investment in January 1994 in WPP ADRs would be worth £1,940 in January 2014 and a £100 investment in January 1994 in WPP ordinary shares would be worth £1,898 in January 2014, with both investments out-performing our competitors and the local indices. An identical investment in either the S&P 500 or the FTSE 100 would be worth £518 or £413 respectively.

## How much the executive directors earned in 2013

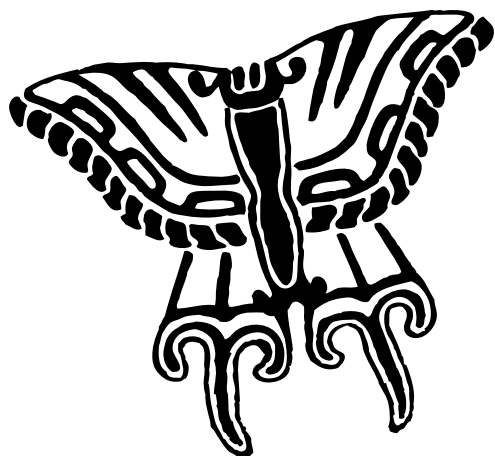


## Executive Remuneration Policy

The Compensation Committee presents the Executive Remuneration Policy, which will be put to share owners for approval at the Annual General Meeting (Resolution 4). This policy is intended to comply with the UK Companies Act 2006 despite the fact WPP plc is a Jersey incorporated company and therefore not subject to that legislation (or the associated regulations). The policy will take effect immediately following the AGM and is consistent with the arrangements in place from the start of the 2014 financial year. It is the intention of the committee that this policy will be in effect for three years from the date of approval and subject to periodic review during its operation to ensure it continues to align with the Company's mission statement and business objectives.

**The report that follows is split into a number of sections, which in summary are as follows:**

- Details of the contextual information that the committee considers when setting, reviewing and implementing the directors' pay policy **Pages 134 and 135**
- An Executive Remuneration Policy table for the executive directors **Pages 135 to 141**
- A summary of other executive director policies that relate to compensation **Pages 143 to 147**
- An Executive Remuneration Policy table for the chairman and non-executive directors **Page 147**
- A summary of other non-executive director policies that relate to compensation **Page 148**



## How we behave and how we're rewarded

Executive Remuneration Policy

### WPP's compensation philosophy

Our mission statement and our six business objectives shape our compensation philosophy. Broadly, our Executive Remuneration Policy is determined by three guiding principles:

- performance driven reward;
- competitiveness; and
- alignment with share owner interests.

Specifically, our six business objectives (as set out on page 37) are reflected in the design of our compensation plans as set out below:

	WPP's six business objectives	Alignment with compensation structure
1	Continue to improve operating margins on revenue and gross margin (net sales)	Short-term incentive measure for the Group chief executive and Group finance director
2	Increase flexibility in the cost structure	Short-term incentive measure for the Group finance director
3	Use free cash flow to enhance share owner value and improve return on capital	TSR, EPS growth and average ROE are long-term incentive measures for the executive directors
4	Continue to develop the value added by the parent company	Short-term incentive measures (parent company-led efficiency projects) for the Group finance director
5	Emphasise revenue growth more as margins improve	Short-term incentive measures for the Group chief executive and Group finance director (Group) and Chief executive, WPP Digital (Digital)
6	Improve still further the creative capabilities and reputation of all our businesses	Short-term incentive measure for the Group chief executive

The Executive Remuneration Policy is designed to attract and retain the best-in-class talent. The policy looks to incentivise the directors to develop the skills of the Group's employees in order to consistently exceed our clients' expectations. The policy's objective is to drive and reward sustainable and exceptional performance, thereby producing long-term value for share owners. In applying this policy, the committee takes into account the pay and conditions elsewhere in the Group, which in turn are informed by general market conditions and internal factors such as the performance of the Group or relevant business unit.

### Considerations taken into account when setting our Executive Remuneration Policy

#### Employment conditions at WPP

When reviewing changes to the compensation levels for the directors, the committee considers any changes in light of the increases awarded across the Group over a relevant period of time, in conjunction with the other factors set out in the policy table. The committee did not consult employees when drawing up this Executive Remuneration Policy.



## Share owner views

WPP continues to engage openly with share owners and institutional investors to discuss matters relating to compensation. The feedback received during these conversations is valuable and is among the factors that inform the decisions made by the committee.

During 2013, the committee consulted with share owners on the design of the EPSP. The selection of performance measures took account of the feedback received (as detailed on page 130). More generally, formal and informal share owner feedback has been used by the committee when drafting this Executive Remuneration Policy.

## Glossary

The following are acronyms used throughout the policy:

Acronym	Definition
DEPs	Dividend Equivalent Payments
DSUs	Deferred Stock Units
EPSP	Executive Performance Share Plan – long-term incentive plan introduced in 2013
ESA	Executive Share Award – the part of the STIP that is deferred into shares
ExSOP	Executive Stock Option Plan
Good Leaver	Broadly, when an individual is dismissed other than for cause (the particular meaning applicable to each share plan can be found in the relevant rules)
LEAP	Leadership Equity Acquisition Plan – long-term incentive plan used to grant awards until the end of 2012
RSP	Restricted Stock Plan
STIP	Short-term Incentive Plan – the annual incentive plan comprising a cash bonus and an ESA

## Executive Remuneration Policy table – executive directors

The following table sets out details of the on-going compensation elements for WPP's executive directors.

Component and Purpose	Operation	Performance	Maximum Annual Opportunity
<b>Fixed elements of compensation</b>			
<b>Base salary and fees</b> To maintain package competitiveness and reflect skills and experience.	Base salary and fee levels are reviewed every two years or following a significant change in the scope of a role.	Company and personal performance will be taken into account during the review process.	Under normal circumstances base salary and fees will increase by no more than the local rate of inflation over the period since last review.
	Levels are determined by taking a number of relevant factors into account including individual and business performance, level of experience, scope of responsibility, compensation practices across the Group and the competitiveness of total compensation against both our competitors and companies of a similar size and complexity.		

## How we behave and how we're rewarded

Executive Remuneration Policy

Component and Purpose	Operation	Performance	Maximum Annual Opportunity									
<b>Short-term incentives (details of how performance measures and targets are set are included in the notes to this table on pages 140 and 141)</b>												
<b>Cash bonus, Executive Share Awards ('ESA')</b> To drive the achievement of business priorities for the financial year and to motivate, retain and reward executives over the medium term, while maximising alignment with share owner interests.	<b>Overview</b> The committee may invite executives to participate in the STIP under which a bonus can be made subject to performance measured over the financial year. Bonus opportunity is determined as a percentage of salary and fees.  Performance measures and targets are reviewed and set annually to ensure continuing strategic alignment. Achievement levels are determined following year-end by the committee, based on performance against targets.  Executive directors' bonuses are delivered in the form of a cash award and a deferred share award (ESA), the latter constituting at least 50% of the total bonus achieved. The ESA will vest after a minimum of two years subject to continued employment, together with additional shares in respect of accrued dividends.	70% subject to financial performance, either at a Group and/or divisional level depending on the role.  30% subject to personal objectives linked to the strategy of WPP or the relevant business area.  The committee will use its judgement in assessing performance relative to targets and expectations communicated at the start of the year and will consider unforeseen factors that may have impacted performance during the period.	Group chief executive: 435% of base salary and fees.  Other executive directors: 300% of base salary and fees.  The value of any accrued dividends will vary depending on the size of the ESA awarded, dividends declared and share price over the deferral period.									
	<b>Judgement</b> The committee will use its judgement to set the performance measures and targets annually.  <b>Malus provisions (ESA)</b> The committee has the ability to reduce any unvested ESA in certain situations, including when fraud or a material misstatement has affected the level of any performance-related remuneration.	<b>Vesting schedule</b> The following table sets out the level of bonus payable for threshold and target performance as a percentage of maximum. Vesting operates on a straight-line basis between these points.	<table border="1"> <thead> <tr> <th></th> <th>Threshold</th> <th>Target (as percentage of maximum)</th> </tr> </thead> <tbody> <tr> <td>Sir Martin Sorrell</td> <td>0%</td> <td>50%</td> </tr> <tr> <td>Other executive directors</td> <td>0%</td> <td>67%</td> </tr> </tbody> </table>		Threshold	Target (as percentage of maximum)	Sir Martin Sorrell	0%	50%	Other executive directors	0%	67%
	Threshold	Target (as percentage of maximum)										
Sir Martin Sorrell	0%	50%										
Other executive directors	0%	67%										

Component and Purpose	Operation	Performance	Maximum Annual Opportunity
<b>Long-term incentives (details of how performance measures and targets are set are included in the notes to this table on pages 140 and 141)</b>			
<p><b>Executive Performance Share Plan ('EPSP')</b> To incentivise long-term performance and to focus on long-term retention and strategic priorities, while maximising alignment with share owner interests.</p>	<p><b>Overview</b> Executives may receive an annual conditional award expressed as a percentage of base salary and fees. Executives may also receive an award in respect of the number of reinvested dividends proportionate to the amount of the award vesting, the dividends declared during the performance period and the share price at the time the dividend is declared. Awards will vest subject to performance, measured over a period of five consecutive financial years.</p> <p>In respect of merger and acquisition activity within the peer group, the committee has an established and operated policy that TSR outcomes should not be impacted by the speculation or actuality of takeovers of peer group companies (including WPP). This policy includes a minimum listing requirement, an approach for the reinvestment of proceeds from shares of companies that delist during the performance period and parameters for companies subject to bid speculation. Details of how this policy is implemented will be disclosed each year in the relevant Annual Report.</p> <p><b>Discretions</b> In accordance with the EPSP rules that were approved by share owners at the 2013 AGM, if the committee considers that there has been an exceptional event or that there have been exceptional circumstances during a performance period that have made it materially easier or harder for the Company to achieve a performance measure, the committee may adjust the extent to which an award vests to mitigate the effect of the exceptional event or circumstances.</p> <p><b>Malus provisions</b> The committee has the ability to reduce any unvested EPSP award in certain situations, including when fraud or a material misstatement has affected the level of any performance-related remuneration.</p>	<p>One-third relative TSR One-third headline EPS growth One-third average ROE</p> <p>All measures are assessed independently of each other.</p> <p>TSR is measured on a market-capitalisation weighted basis against a peer group of business competitors that are selected according to size and relevance. This peer group is reviewed annually at the start of each cycle to ensure it remains robust, appropriate and relevant in light of WPP's business mix. Half of the TSR element is measured on a local currency basis, half on a common currency basis.</p> <p>EPS is defined as WPP's headline, fully diluted, earnings per share. The EPS performance is calculated by taking the aggregate EPS over the performance period and calculating the compound annual growth from the financial year preceding the start of the period.</p> <p>ROE is calculated as fully diluted EPS divided by the average balance sheet per share value of share owners' equity during the year.</p> <p><b>Vesting schedule</b> Awards will vest on a straight-line basis from 20% for threshold performance and 100% for maximum performance.</p>	<p>Conditional awards: Plan maximum: 9.75 times base salary and fees. Group chief executive: 9.75 times base salary and fees. Other directors: four times base salary and fees.</p> <p>The value of accrued dividends will vary depending on the level of vesting, dividends declared and share price over the performance period.</p>

# How we behave and how we're rewarded

Executive Remuneration Policy

Component and Purpose	Operation	Performance	Maximum Annual Opportunity						
<b>Long-term incentives (legacy plans with unvested awards)</b>									
<p><b>Leadership Equity Acquisition Plan III ('LEAP III')</b></p> <p>To incentivise long-term performance and to focus on long-term retention and strategic priorities, while maximising alignment with share owner interests.</p>	<p><b>Overview</b></p> <p>Executives were invited to participate in the plan annually by the committee. In order to participate, individuals must have committed to hold an investment level in WPP shares which is determined by the committee, subject to an overall maximum, and must be held for the full five-year performance period. Investment levels were determined by the committee, subject to an overall maximum. A final number of matching shares will be awarded, proportionate to the investment, dependent on the performance of WPP. Executives may also receive an award in respect of the number of reinvested dividends proportionate to the amount of the award vesting, the dividends declared during the performance period and the share price at the time the dividend is declared. The Plan was closed to the grant of new awards at 31 December 2012.</p> <p><b>Discretions</b></p> <p>Following the end of the performance period, the committee undertakes a 'fairness review' to determine whether any exceptional events have impacted the outcome and that the resulting match is in line with financial performance relative to the comparator group and the underlying financial performance of the Group. Merger and acquisition activity will be treated in accordance with the policy set out under the EPSP above.</p> <p><b>Malus provisions</b></p> <p>The committee has the ability to reduce any unvested LEAP III award in certain situations, including when fraud or a material misstatement has affected the level of any performance-related remuneration.</p>	<p>100% relative TSR measured on a market-capitalisation weighted, common currency basis.</p> <p><b>Vesting schedule</b></p> <p>The following table sets out the level of award that will vest for threshold and target performance as a percentage of maximum.</p> <table border="1"> <thead> <tr> <th></th> <th>Threshold</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>All executive directors</td> <td>30%</td> <td>100%</td> </tr> </tbody> </table> <p>To achieve threshold vesting WPP must outperform at least 50% of the market-cap weighted peer group; to achieve maximum vesting WPP must outperform at least 90% of the market-cap weighted peer group.</p>		Threshold	Maximum	All executive directors	30%	100%	<p>The following maximum levels applied at the time of grant. No further awards can be granted under LEAP III, and none have been made since 2012.</p> <p>Investment: one times an executive director's total target earnings (base salary and fees plus target bonus).</p> <p>Award: Five times an executive director's investment.</p> <p>The value of accrued dividends will vary depending on the level of vesting, dividends declared and share price over the investment and performance period.</p>
	Threshold	Maximum							
All executive directors	30%	100%							

Component and Purpose	Operation	Performance	Maximum Annual Opportunity
<b>Other items in the nature of compensation</b>			
<p><b>Dividend Equivalent Payments ('DEPs') on the DSUs</b></p> <p>To ensure that Sir Martin Sorrell receives an amount equal to the dividends that would be payable if he had taken receipt of and retained the shares underlying the DSUs.</p>	<p>The Company has previously received share owner approval to allow Sir Martin Sorrell to defer receipt of the DSUs. The Company makes a cash payment to Sir Martin Sorrell of an amount equal to the dividends that would have been due on the shares comprising the DSUs.</p>	<p>No longer subject to a performance requirement as this was assessed at the point of vesting in 1999.</p>	<p>The value of any accrued dividends will vary depending on the dividends declared during the deferral period.</p>
<p><b>Benefits</b></p> <p>To enable the executives to undertake their role by ensuring their well-being and security.</p>	<p>The following benefits are payable in relation to travel and the dual headquarter split between the UK and the US to some/all of the executive directors. The provision of these benefits reflects external competitive practice, the complex nature of the Group and the significant amount of time spent travelling by the executives.</p> <p>The typical benefits that executive directors receive may include a car and/or car allowance plus the use of a driver as required; medical, life and disability insurance; accommodation allowance in lieu of hotel expenses; tax and legal advice; home office support; club memberships deemed necessary for the role; and spousal travel.</p> <p>Other benefits, such as those linked to the relocation of an executive, may be provided depending on the prevailing circumstances.</p>	<p>Not applicable.</p>	<p>Set at a level that the committee feels is required in order for the executive to carry out their role. The maximum payable will not significantly exceed the payments made in 2013, although the committee may pay more than this if the cost of providing the same benefits increases, or if the executive relocates.</p>
<p><b>Pension</b></p> <p>To enable provision for personal and dependant retirement benefits.</p>	<p>Pension is provided by way of contribution to a defined contribution arrangement, or a cash allowance, determined as a percentage of base salary and fees.</p>	<p>Not applicable.</p>	<p>Group chief executive: 40% of base salary and fees.</p> <p>Other executive directors: 30% of base salary and fees.</p>

## How we behave and how we're rewarded

Executive Remuneration Policy

### Notes to the policy table

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#### Plan rules

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Copies of the various plan rules are available for inspection at the Company's registered office and head office. The Executive Remuneration Policy table provides a summary of the key provisions relating to their ongoing operation. The committee has the authority to ensure that any awards being granted, vested or lapsed are treated in accordance with the plan rules which are more extensive than the summary set out in the table.

#### Selection of performance measures

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##### STIP

Performance measures are selected by the committee on the basis of their alignment to Group strategy and are the key measures to oversee the operation of the business. Measures are reviewed annually by the committee taking into account business performance and priorities.

##### EPSP

EPS growth is a measure that is important for both management and our share owners, capturing growth in revenue and earnings. ROE is similarly important, and provides a positive counterbalance and risk management mechanism through the focus on both growth and capital efficiencies. With the inclusion of relative TSR, the plan also takes account of share owner views of how WPP has performed relative to the companies in the peer group.

#### Calibration of performance targets

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##### STIP

The performance targets for the STIP are set to incentivise year-on-year growth and to reward strong, sustainable performance. Strategic targets

are based upon the annual business priorities. The committee is of the view that the targets for the STIP are commercially sensitive and it would be detrimental to the Company to disclose them in advance of or during the relevant performance period. The committee will disclose those targets at the end of the relevant performance period in that year's Annual Report, if those targets are no longer commercially sensitive.

##### EPSP

Operational targets under the EPSP are set taking into account a combination of factors, but primarily internal forecasts, analysts' expectations (albeit, the period over which analysts forecast is generally shorter than the five-year performance period) and historical performance relative to budgets.

Relative TSR targets are set to ensure they are more stretching than UK norms and require out-performance of our peers at median before any reward is triggered.

#### Cascade to WPP Group pay policy

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As well as setting the policy for the executive directors, the Compensation Committee is also responsible for reviewing the policy for the most senior people at WPP outside the Board.

Compensation packages for these individuals are normally reviewed every 18-24 months. As with the Executive Remuneration Policy, the WPP Group pay policy ensures a clear and direct link between the performance of the Group or relevant operating company and compensation. Substantial use of performance-driven compensation not only ensures the continued alignment of the interests of share owners and senior individuals within the Group, but also enables the Group to attract, retain and motivate the talented people upon whom our success depends.

WPP is committed to encouraging strong performance through a reward system that aligns management's interests with those of share owners.

From a compensation perspective, this is encouraged in a number of ways:

- senior executives participate in the same long-term incentive plan as the executive directors which is designed to incentivise growth, capital efficiency and share price appreciation; and
- share ownership is encouraged for the WPP Leaders (approximately the top 240 executives), all of whom have stretching ownership goals.

Across the workforce more broadly, many employees participate in bonus and commission plans based on the performance of their employing company. In addition, where locally competitive, employees are provided with company-sponsored pension plans and life assurance plans and a range of other benefits. In addition to these compensation elements, the Company also uses share-based compensation across the workforce to incentivise, retain and recruit talent which encourages a strong ownership culture among employees. The main share plans are described below.

### Restricted Stock Plan

The RSP is used to satisfy awards under the short-term incentive plans (including ESAs) as well as to grant awards to management under the WPP Leaders, Partners and High Potential program. In the program, awards are made to participants that vest three years after grant, provided the participant is still employed within the Group. Executive directors are eligible to receive ESAs under the RSP but ineligible to participate in any other aspect of the management share award program.

### Executive Stock Option Plan

The ExSOP is used to make special grants of options in order to attract or retain key talent. Awards are made infrequently and executive directors are ineligible to participate, other than in a recruitment situation (see page 144).

### All-employee plan

The Worldwide Ownership Plan is an all-employee plan that makes annual grants of stock options to employees with two years of service who work in wholly-owned subsidiaries. Executive directors and management in receipt of other share awards are ineligible to participate in this plan.



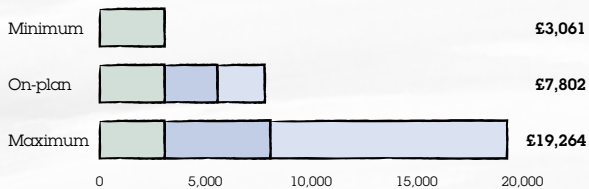
# How we behave and how we're rewarded

Executive Remuneration Policy

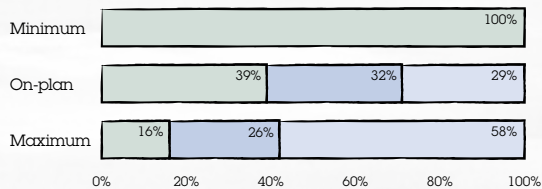
## How do these pay policies affect potential compensation packages?

These graphs seek to demonstrate how pay varies with performance. The graphs are reflective of the current pay policy as summarised in the Executive Remuneration Policy table set out on pages 135 to 141.

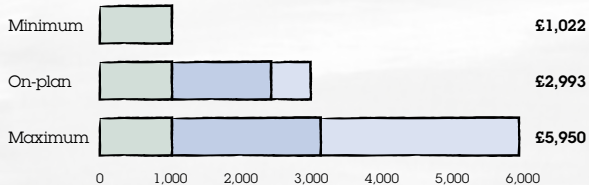
### Sir Martin Sorrell £000



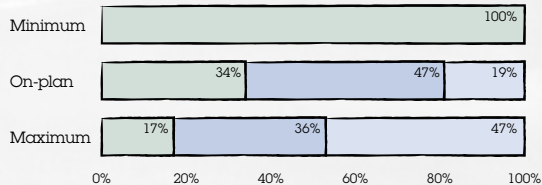
### Fixed and variable pay mix



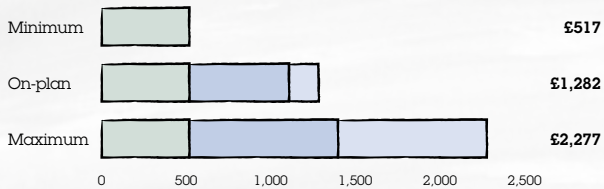
### Paul Richardson £000



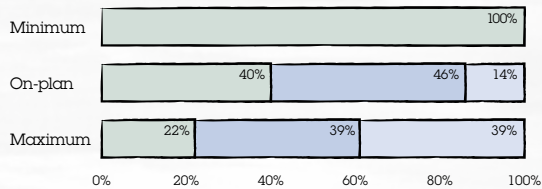
### Fixed and variable pay mix



### Mark Read £000



### Fixed and variable pay mix



● Fixed ● Short-term incentives ● Long-term incentives



The graphs are informed by three performance scenarios and these, along with the assumptions used, are summarised below.

<b>Fixed elements</b>	Consists of base salary and fees, benefits (including DEPs) and pension				
	Base salary and fees reflect current levels (which are unchanged from FY2013)				
	Benefits and DEPs are consistent with the single figure table for FY2013				
	Pension reflects current levels (which are unchanged from FY2013)				
	<b>£000</b>	<b>Base salary &amp; fees</b>	<b>Benefits (inc. DEPs)</b>	<b>Pension</b>	<b>Total fixed</b>
Sir Martin Sorrell	1,150	1,451	40%	3,061	
Paul Richardson	704	107	30%	1,022	
Mark Read	440	11	15%	517	
<b>Short-term incentives</b>	On-plan scenario assumes target bonus is paid				
	Maximum scenario assumes the full bonus is paid				
	<b>% of salary and fees</b>	<b>Below threshold</b>	<b>On-plan</b>	<b>Maximum</b>	
	Sir Martin Sorrell	0%	217.5%	435%	
	Paul Richardson	0%	200%	300%	
Mark Read	0%	134%	200%		
<b>Long-term incentives</b>	On-plan scenario assumes threshold vesting of an award at the current policy level				
	Maximum scenario assumes full vesting of an award at the current policy level				
	<b>% of salary and fees</b>	<b>Below threshold</b>	<b>On-plan</b>	<b>Maximum</b>	
	Sir Martin Sorrell	0%	195%	974%	
	Paul Richardson	0%	80%	400%	
Mark Read	0%	40%	200%		

## Other executive director policies

### Legacy share awards and obligations

Under the Executive Remuneration Policy, outstanding awards under LEAP III, the long-term incentive plan that pre-dated the EPSP, and Sir Martin Sorrell's deferred awards will be paid in accordance with the terms agreed at the time and set out in previous Compensation Committee reports. The key terms of Sir Martin's deferred awards are summarised below.

#### Deferred awards (Sir Martin Sorrell only)

The Company has previously received share owner approval to allow Sir Martin Sorrell to defer receipt of his UK and US 2004, 2005 and 2007 LEAP awards and the UK part of his 2006 and 2009 LEAP awards. The UK awards are options that can be

exercised at any time until November 2017. The US awards will vest on the earlier of the end of Sir Martin's employment with the Company, a change in control of the Company and 30 November 2017. Additional shares will continue to accrue in respect of dividends paid up to the point of exercise (UK) or vesting (US).

The Company has also previously received share owner approval to allow Sir Martin Sorrell to defer receipt of the UK and the US Deferred Stock Units Awards Agreements ('DSUs'). These are the awards that originally vested in 1999, having been granted in 1995 under the Capital Investment Plan. The UK DSU is an option that can be exercised at any time until November 2017. The US DSU will vest on the earlier of the end of Sir Martin's employment with the Company, a change in control of the Company and 30 November 2017. In accordance with share owner approval, Sir Martin Sorrell receives cash dividend equivalent payments ('DEPs') in respect of these deferred awards as noted in the policy table.

## How we behave and how we're rewarded

Executive Remuneration Policy

### Share ownership guidelines

With effect from 2013, executive directors and other members of the senior management team are subject to share ownership guidelines. The implementation of these guidelines seeks to reinforce the WPP principle of alignment of management's interests with those of share owners.

The following levels of ownership are required to be achieved by the executive directors:

	% of base salary & fees
Group chief executive	600%
Group finance director	300%
Chief executive, WPP Digital and minimum for any other new executive appointed to the Board	200%

Executive directors will be permitted a period of seven years from the date of their appointment to achieve the guideline level.

In the event that an executive director fails to achieve the required levels of share ownership, the committee will decide what remedial action or penalty is appropriate. This may involve a reduction in future share awards or requiring the director to purchase shares in the market to meet the ownership guidelines.

### Appointments to the Board

This section sets out details with respect to the appointment of a new executive director to the Board of WPP, whether it is an external or internal appointment.

#### Fixed compensation

Base salary and fees will be set taking into account a range of factors including the profile and prior experience of the candidate, internal relativities, cost and external market data. If base salary and fees are set at a lower initial level contingent on individual performance, the committee retains the discretion to realign the base salary and fees over a phased period of one to three years following appointment, which

may result in an exceptional rate of annualised increase in excess of that set out in the policy table.

Other elements of fixed pay will be set in accordance with the policy table, and a new appointment may require the committee to rely on the authorised discretion (as set out on page 139) to make payments related to relocation, for example, in order to facilitate the appointment.

#### Ongoing variable compensation

The committee will seek to pay only that level of reward necessary to recruit the exceptional talent needed to lead such a complex global group. The actual level of incentive offered will be dependent on the role and existing package of the candidate. The aggregate maximum face value for annual short- and long-term variable compensation will be 10 times base salary and fees, which is materially lower than the current Group chief executive maximum level. The committee retains the discretion to make awards on recruitment, within the policy limits, to provide an immediate alignment of interest with the interests of share owners.

#### Buy-out awards

The committee may consider buying-out remuneration entitlements that the individual has had to forfeit by accepting the appointment. The structure and value of the awards will be informed by the structure and value of those entitlements being forfeited, and the performance targets, time horizon and vehicle will be set in an appropriate manner at the discretion of the committee. The intention of the committee is that any award will take the form of WPP shares and will be subject to performance as far as possible.

An announcement of the director's appointment, detailing the incumbent's compensation will be made on a timely basis through a regulatory information service and posted on the Company's website.

#### Service contracts

The following terms will apply for any new executive role appointed to the Board in the future.

- Executives will normally be appointed on a notice period of up to 12 months, although the committee retains the discretion to appoint an external candidate on a notice period of up to 24 months reducing on a rolling basis to 12 months (such that after 12 months' service the notice period would have reverted to the standard 12 months).
- At the committee's discretion, any payment in lieu of notice will be restricted to base salary, fees, benefits and pension.
- On termination there will be no entitlements when classified as a bad leaver (defined within the incentive plans). Otherwise base salary, fees, benefits and pension allowance are payable as per the notice period and the committee will have the power to make phased payments that would be reduced or stopped if alternative employment is taken up.

**Terms specific to internal appointments**

The committee can honour any pre-existing commitments if an internal candidate is appointed to the Board.

**Service contracts**

The Company's policy on executive directors' service contracts is that they should be on a rolling basis without a specific end date.

The effective dates and notice periods under the current executive directors' service contracts are summarised below:

	Effective from	Notice period
Sir Martin Sorrell	19 November 2008	'At will'
Paul Richardson	19 November 2008	12 months
Mark Read	19 November 2008	6 months

Sir Martin Sorrell's service contract may be terminated by either the Company or Sir Martin without any notice, and without any payment in lieu of notice.

The executive directors' service contracts are available for inspection at the Company's registered office and head office.

**Loss of office provisions**

**Fixed compensation elements**

As noted above, the service contracts of Messrs Richardson and Read provide for notice to be given on termination. The fixed compensation elements of their contracts will continue to be paid in respect of any notice period. There are no provisions relating to payment in lieu of notice. If an executive director is placed on garden leave, the committee retains the discretion to settle benefits in the form of cash. The executive directors are entitled to compensation for any accrued and unused holiday although, to the extent it is possible and in share owner interests, the committee will encourage executive directors to use their leave entitlements prior to the end of their notice period.

Except in respect of any remaining notice period, no aspect of any executive director's fixed compensation is payable on termination of employment. Sir Martin Sorrell's service contract contains an indemnity, subject to certain conditions relating to previously deferred awards, from WPP in respect of any US tax which is charged under section 280G as a result of a termination linked to a change in control of WPP. Further details are on page 146.

**Short- and long-term compensation elements**

If the executive director is dismissed for cause there is not an entitlement to a STIP award, and any unvested share-based awards will lapse. Otherwise, the table on page 146 summarises the relevant provisions from the directors' service contracts (cash bonus) and the plan rules (RSP, EPSP and LEAP III) which apply in other leaver scenarios. As noted on page 140, the committee has the authority to ensure that any awards that vest or lapse are treated in accordance with the plan rules which are more extensive than the summary set out in the table on page 146.

## How we behave and how we're rewarded

### Executive Remuneration Policy

Cash bonus	The executive directors are entitled to receive their bonus for any particular year provided they are employed on the last date of the performance period, except in the case of Mark Read where he gives notice of termination or is dismissed for cause before the payment date.
ESA	Provided the executive director is a Good Leaver, unvested awards will be reduced on a time pro-rata basis and paid on the vesting date.
EPSP	<ul style="list-style-type: none"><li>▪ The award will lapse if the executive leaves during the first year of a performance period.</li><li>▪ Provided the executive director is a Good Leaver, awards will vest subject to performance at the end of the performance period and time pro-rating. Awards will be paid on the normal date.</li><li>▪ In exceptional circumstances, the Compensation Committee may determine that an award will vest on a different basis.</li><li>▪ Generally, in the event of death, the performance conditions are to be assessed as at the date of death. However, the committee retains the discretion to deal with an award due to a deceased executive on any other basis that it considers appropriate.</li><li>▪ Awards will vest immediately on a change-of-control subject to performance and time pro-rating unless it is agreed by the committee and the relevant executive director that the outstanding awards are exchanged for equivalent new awards.</li></ul>
LEAP III	<ul style="list-style-type: none"><li>▪ Awards will vest subject to performance at the end of the performance period and time pro-rating.</li><li>▪ In the event of death or serious illness, the performance conditions are to be assessed as at the date of cessation of employment.</li><li>▪ Awards will vest immediately on a change in control subject to performance and time pro-rating unless the committee decides that awards are to be exchanged for equivalent new awards.</li><li>▪ In the event of a merger, the committee can require participants to release any outstanding award in consideration of the grant of an equivalent award by the newly formed entity.</li></ul>

### Other pre-existing terms that apply to Sir Martin Sorrell

- Sir Martin Sorrell's deferred LEAP awards and his DSUs (as set out on page 143) will be paid out unconditionally on termination of employment. The performance requirements in respect of these awards have already been met, the awards have vested and are therefore no longer subject to any leaver provisions.
- In the event any payments due to Sir Martin would be treated as 'deferred compensation' in accordance with US legislation and subject to section 409A requirements, those payments will be delayed. If those payments are delayed, an amount in respect of interest as a result of the delay will be due from the Company to Sir Martin.
- In the event of a change of control of WPP, the Company has agreed to indemnify Sir Martin, with the prior approval of share owners, with respect to any related personal US tax liability under the provisions of section 280G. This indemnity is subject to certain limitations that exempt the Company from liability for any tax related to the share owner approved deferrals of certain awards. Based on the most recent review by the committee in December 2013 of the potential impact of this clause, it is unlikely that any 280G payment would be due from the Company based on an analysis, using standard assumptions, that was reviewed by independent counsel.

### Other committee discretions not set out above

- Leaver status: the committee has the discretion to determine an executive's leaver classification in light of the guidance set out within the relevant plan rules, except with respect to Sir Martin Sorrell. Unless Sir Martin Sorrell is terminated for cause, he will be treated as having retired on leaving the Company and therefore be treated in accordance with the plan rules as a Good Leaver.
- Compromise agreements: the committee is authorised to reach compromise agreements with departing executives, informed by the default position set out above.

## External appointments

Executive directors are permitted to serve as non-executives on the boards of other organisations. If the Company is a share owner in that organisation, non-executive fees for those roles are waived. However, if the Company is not a share owner in that organisation, any non-executive fees can be retained by the office holder.

## Executive Remuneration Policy table – chairman and non-executive directors

The following table sets out details of the on-going compensation elements for WPP's chairman and non-executive directors. No element of pay is performance-linked.

Component and Purpose	Operation	Maximum Annual Opportunity
<p><b>Base fees</b> To reflect the skills and experience and time required to undertake the role.</p>	<p>Fees are reviewed at least every two years and take into account the skills, experience and time required to undertake the role, as well as fee levels in similarly-sized UK companies.</p> <p>The chairman and non-executive directors receive a 'base fee' in connection with their appointment to the Board.</p>	<p>An overall cap on all non-executive fees, excluding consultancy fees will apply consistent with the prevailing and share owner approved limit in the Articles of Association (which, subject to share owner approval at the AGM, will be £3m from June 2014).</p>
<p><b>Additional fees</b> To reflect the additional time required in any additional duties for the Company.</p>	<p>Non-executive directors are eligible to receive additional fees in respect of serving as:</p> <ul style="list-style-type: none"> <li>▪ Senior independent director</li> <li>▪ Chairman of a Board Committee</li> <li>▪ Member of a Board Committee</li> <li>▪ Consultancy fees in respect of other work that falls outside the remit of their role for the Company.</li> </ul>	<p>An overall cap on all non-executive fees, excluding consultancy fees will apply consistent with the prevailing and share owner approved limit in the Articles of Association (which, subject to share owner approval at the AGM, will be £3m from June 2014).</p> <p>Consultancy fees will be set on a discretionary basis, taking account of the nature of the role and time required.</p>
<p><b>Benefits and allowances</b> To enable the chairman and non-executive directors to undertake their roles.</p>	<p>The Company will reimburse the chairman and non-executive directors for all reasonable and properly documented expenses incurred in performing their duties of office.</p> <p>In the event that the reimbursement of these expenses gives rise to a personal tax liability for the chairman or non-executive director, the Company retains the discretion to meet this cost (including, where appropriate, costs in relation to tax advice and filing).</p> <p>While not currently offered, the Company retains the discretion to pay additional benefits to the chairman including, but not limited to, use of car, office space and secretarial support.</p>	<p>Benefits and allowances for the chairman will be set at a level that the committee feels is required for the performance of the role.</p>

## How we behave and how we're rewarded

Executive Remuneration Policy

### Other chairman and non-executive director policies

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#### Letters of appointment for the chairman and non-executive directors

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Letters of appointment have a two-month notice period and there are no payments due on loss of office.

#### Appointments to the Board

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Letters of appointment will be consistent with the current terms as set out in this Annual Report. The chairman and non-executive directors are not eligible to receive any variable pay. Fees for any new non-executive directors will be consistent with the operating policy at their time of appointment. In respect of the appointment of a new chairman, the committee has the discretion to set fees taking into account a range of factors including the profile and prior experience of the candidate, cost and external market data.

### Payments in exceptional circumstances

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In truly unforeseen and exceptional circumstances, the committee retains the discretion to make emergency payments which might not otherwise be covered by this policy. The committee will not use this power to exceed the recruitment policy limit, nor will awards be made in excess of the limits set out in the Executive Remuneration Policy table. An example of such an exceptional circumstance could be the untimely death of a director, requiring another director to take on an interim role until a permanent replacement is found.



## Implementation report

This third section of the Compensation Committee report (entitled the Implementation report) contains details of how the Company's Executive Remuneration Policy was implemented in 2013. First, we present the details of the Compensation Committee – those setting and implementing the Executive Remuneration Policy – along with contextual information that has been made available to the committee. We then present a summary of the 2013 executive remuneration together with a summary of pay across the Group.

### Governance in relation to compensation

#### Compensation Committee members

	No. of meetings attended in 2013
Jeffrey Rosen (chairman)	7
Roger Agnelli <sup>1</sup>	3
Jacques Aigrain <sup>1</sup>	3
Colin Day	7
Esther Dyson <sup>2</sup>	6
Philip Lader <sup>2</sup>	7
Ruigang Li <sup>1</sup>	2
Daniela Riccardi <sup>3</sup>	2
Hugo Shong <sup>1</sup>	2
Tim Shriver	7
Sol Trujillo <sup>1</sup>	3

<sup>1</sup> Appointed to the committee on 12 June 2013.

<sup>2</sup> Stepped down from the committee on 31 December 2013.

<sup>3</sup> Appointed to the committee on 12 September 2013.

Dr John Hood and Ms Nicole Seligman were appointed as non-executive directors of the Company and members of the committee with effect from 1 January 2014, subject to the confirmation of their appointment by share owners at the AGM.

During 2013, the Compensation Committee met seven times on a formal basis, as noted above, with additional ad hoc meetings held as needed. These largely related to formalising policies as required under the new remuneration reporting regulations.

None of the committee members has any personal financial interest (other than as a share owner as disclosed on page 161) in the matters to be decided by the committee, potential conflicts of interest arising from cross-directorships or day-to-day involvement in running the Group's businesses.

The terms of reference for the Compensation Committee are available on the Company's website and will be on display at the AGM, as set out in the Notice of AGM.

### Advisors to the Compensation Committee

The Compensation Committee regularly consults with Group executives. In particular, the committee will invite certain individuals to attend meetings, including the Group chief executive (who is not present when matters relating to his own compensation or contracts are discussed and decided), the Company Secretary, the chief talent officer and the worldwide compensation & benefits director. The latter two individuals provide a perspective on information reviewed by the committee and are a conduit for requests for information and analysis from the Company's external advisors.

### External advisors

The committee continued to retain Towers Watson throughout 2013 as independent advisors. Towers Watson is engaged to provide advice to the Compensation Committee and to work with management on matters related to our Executive Remuneration Policy and practices. Towers Watson is a member of the Remuneration Consultants Group and has signed up to the code of conduct relating to the provision of advice in the UK. In light of this, and the level and nature of the service received, the committee remains satisfied that the advice is indeed objective and independent. No other services are

## How we behave and how we're rewarded

Implementation report

provided by Towers Watson at a Group level, although some of the operating companies may engage at a local level. In 2013, Towers Watson received fees of £144,575 in relation to the provision of advice to the committee. The committee also receives external legal advice, where required, to assist it in carrying out its duties.

### Statement of share owner voting

The 2013 AGM was preceded by an extensive share owner consultation process that addressed matters of concern raised by share owners in 2012. As a result of the consultation, significant changes were made to the Group chief executive's compensation package and a new long-term incentive plan was introduced. Whilst some share owners continued to express dissatisfaction with the remuneration structure and the levels of incentive opportunity, a significant majority felt that the committee had listened to, and addressed, the concerns that had been raised previously regarding the remuneration structure and quantum, as evidenced in the material increase in share owner support of the Compensation Committee Report at the AGM last year.

Resolution	Votes for		Votes against		Votes cast	Votes withheld
	Number	%	Number	%	Number	Number
To approve the Compensation Committee Report	725,366,040	80.58	174,811,202	19.42	900,177,242	86,651,380
To approve the EPSP	798,616,899	83.62	156,420,404	16.38	955,037,303	31,791,319

There have been no changes to the Executive Remuneration Policy, and no substantive changes to the manner of its implementation, during 2013 or planned for 2014. In light of this and the significant improvement in share owner support following the last engagement in 2012/13, the committee determined that further share owner consultation after the 2013 AGM was not required. The committee was aware, prior to the 2013 AGM, of the reasons why some share owners felt unable to support the resolution to approve the Compensation Committee Report. However, the committee considered that the revised policy was in the best interests of the Company which was subsequently corroborated by the support of a significant majority of share owners.



## Executive directors' total remuneration received (audited)

### Single total figure of remuneration in 2013 and 2012

		Base salary and fees	Benefits <sup>3</sup>	DEPs <sup>4</sup>	Pension	Short-term incentives <sup>5</sup>	Long-term incentives <sup>6</sup>	Total annual remuneration
		£000	£000	£000	£000	£000	£000	£000
Sir Martin Sorrell <sup>1,2</sup>	2013	1,150	350	1,101	460	4,115	22,670	29,846
	2012	1,300	271 <sup>7</sup>	940	586	3,078	11,368	17,543 <sup>7</sup>
Paul Richardson <sup>2</sup>	2013	698	107	–	210	1,753	6,408	9,176
	2012	684	96	–	205	1,401	5,684	8,070
Mark Read	2013	433	11	–	54	800	1,698	2,996
	2012	425	3	–	43	570	1,137	2,178

<sup>1</sup> As noted on page 130, effective 1 January 2013, the Group chief executive's remuneration package was reduced with decreases to base salary, pension allowance and short- and long-term incentive opportunities.

<sup>2</sup> Any US dollar amounts received in 2013 have been converted into sterling at an exchange rate of \$1.5646 to £1.

<sup>3</sup> Details of benefits are set out on page 152.

<sup>4</sup> Sir Martin Sorrell receives payments in accordance with the approval granted by share owners of amounts equal to the dividends that would be payable during 2013 totalling £1,100,578 (£940,480 during 2012) in respect of the shares reflected in the UK and US Deferred Stock Units Awards Agreements (which are the agreements that now comprise the awards granted under the Capital Investment Plan in 1995).

<sup>5</sup> This is the aggregate amount awarded for the 2013 (and 2012) financial years' performance. The awards are delivered equally in a deferred share bonus in the form of an ESA (which vests two years from date of grant subject to continued employment) and cash.

<sup>6</sup> This is the value of the 2009 (and 2008) LEAP Awards which vested in 2014 (and 2013) following the end of the five-year performance period on 31 December 2013 (and 31 December 2012).

<sup>7</sup> In this table, the value of benefits shown as having been received by Sir Martin Sorrell for 2012 is £85,259 less than was disclosed in last year's Annual Report. This is because a non-taxable life insurance premium was included in the benefits figure disclosed in last year's Annual Report and, following the implementation of the new UK directors' remuneration reporting requirements, only taxable benefits should be disclosed. A corresponding adjustment has been made to the 2012 total annual remuneration figure for Sir Martin.

## Fixed elements of remuneration (audited)

### Base salary and fees

	Effective/review date	Contractual salary and fees 000	Base salary and fees received in 2013 000
Sir Martin Sorrell <sup>1</sup>	1 Jan 2013	£1,150	£1,150
Paul Richardson <sup>2</sup>	1 July 2013	\$945 and £100	\$935 and £100
Mark Read <sup>2</sup>	1 July 2013	£440	£433

<sup>1</sup> In accordance with Sir Martin Sorrell's contract of employment, 40% of his salary is paid in US dollars. Due to the fluctuations in the US dollar: sterling exchange rates in the year, retranslating the amounts paid at the exchange rate of \$1.5646 to £1 gives a total of £1,164,817.

<sup>2</sup> The amount disclosed as the base salary and fees received in 2013 for Paul Richardson and Mark Read is a combination of two contractual amounts given the increase that took place effective 1 July 2013.

Each executive director receives a fee of £100,000 in respect of their directorship of WPP plc, which is included above. Share owners will be aware that the Group chief executive's base salary is one aspect of his overall remuneration that has been reduced following consultation in 2012/13. Effective 1 January 2013, Sir Martin Sorrell's base salary and fee was reduced by 12% to £1.15 million.

The base salary and fees for Paul Richardson and Mark Read, which had not changed since January 2011, were reviewed and increased with effect from 1 July 2013 by 1.8% and 3.5% respectively. Employees across the Group who were subject to a salary review received an average annual salary increase of approximately 3%.

## How we behave and how we're rewarded

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### Benefits, dividend equivalent payments and pension

	2013 Benefits £000	2013 DEPs £000
Sir Martin Sorrell	350	1,101
Paul Richardson	107	–
Mark Read	11	–

The benefits shown are those provided to the executive directors that are deemed taxable in the UK (or those that would be taxable if Paul Richardson were resident in the UK). These benefits primarily include car and/or car allowance, healthcare, life assurance, long-term disability allowance, spousal travel costs and housing allowance. The table above also includes share owner-approved dividend equivalent payments of £1,100,578 (£940,480 during 2012) which are due on certain of Sir Martin Sorrell's deferred share awards. The following table provides a breakdown of the key taxable benefits in respect of 2013:

	Car benefits £000	Healthcare £000	Spousal travel £000	Housing allowance £000	Other expenses £000
Sir Martin Sorrell	30	43	167	63	47
Paul Richardson	24	15	–	44	24
Mark Read	–	3	–	–	8

	Contractual pension	2013 Pension £000
Sir Martin Sorrell	40%	460
Paul Richardson	30%	210
Mark Read	15%	54

All pension benefits for the executive directors are provided on either a defined contribution or a cash allowance basis. Only the aggregate of base salary and fees is pensionable. As part of the alterations to the Group chief executive's remuneration package following share owner consultation, his pension allowance was reduced to 40% with effect from 1 January 2013. Paul Richardson's pension contribution remained unchanged at 30%. Mark Read's pension contribution was increased from 10% to 15% with effect from 1 July 2013, aligning it with the standard level of provision for executive roles within the UK.

## Variable elements of pay (audited)

### Short-term incentives

The following tables summarise the measures and performance assessment by the Compensation Committee in respect of the bonus awarded for 2013. The committee has determined that the disclosure of annual performance targets on a retrospective basis would put the Company at a competitive disadvantage and that the information is commercially sensitive. However, in the spirit of the new UK remuneration reporting regulations, details of the actual performance achieved over the year are set out below, along with an indication of where this achievement sat relative to the targets which were set. All financial measures in the short-term incentive plan are calculated on a like-for-like, constant currency basis.

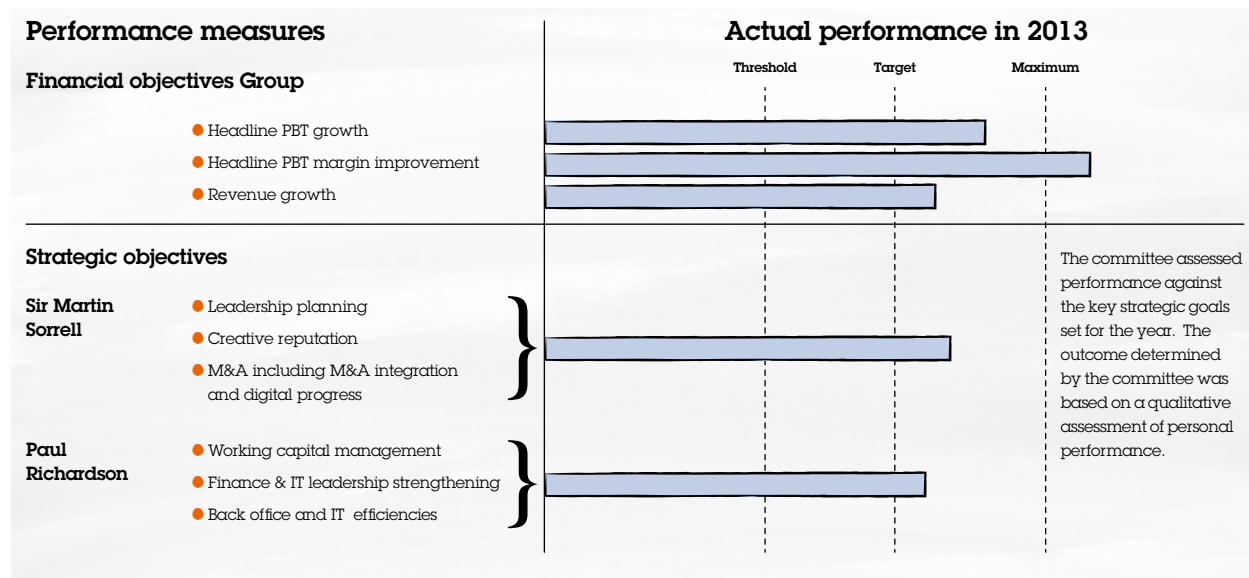
Short-term incentives are determined based on performance across two areas:

<b>Financial objectives (Group or WPP Digital)</b>	<b>Individual strategic objectives</b>
70%	30%

### Financial and individual strategic objectives

#### Sir Martin Sorrell and Paul Richardson

The operational performance in the Group was very strong in 2013 and the challenging targets set by the committee in the beginning of the year were exceeded. Like-for-like Headline PBT increased by 9.7% resulting in a performance level between target and maximum. Like-for-like Headline PBT margin increased by 0.76% resulting in a performance level above the maximum and the like-for-like revenue growth of 3.5% was just above target level.

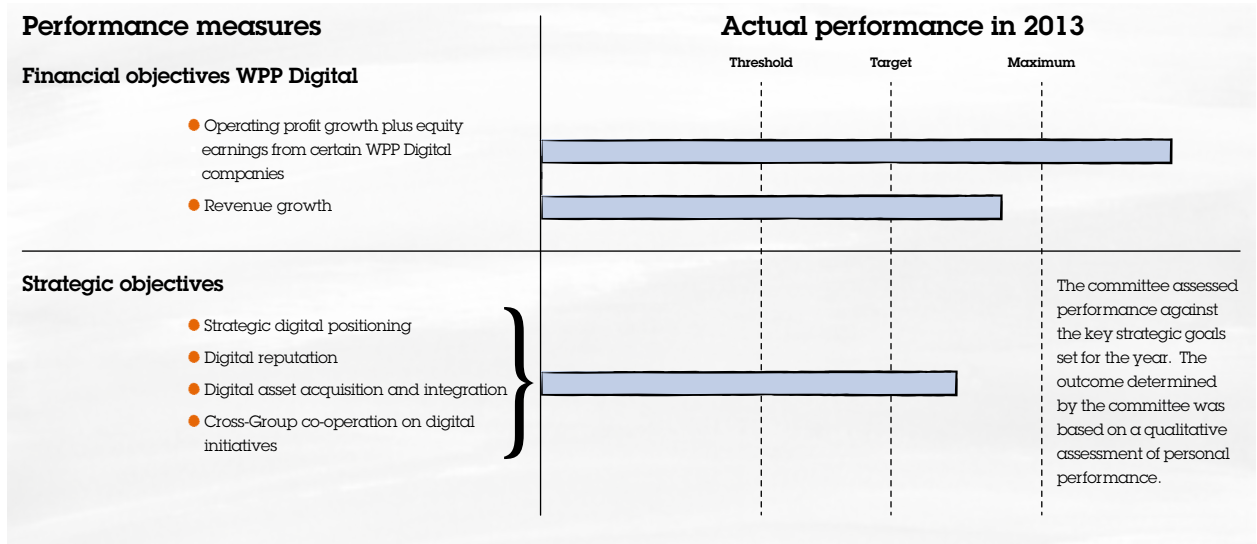


## How we behave and how we're rewarded

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### Mark Read

The performance of WPP Digital is not in the public domain and is deemed to be commercially sensitive. However, the chart below illustrates that the operational performance of WPP Digital was very strong and above the maximum level set. The revenue growth was also strong and was positioned between the target and maximum performance level.



Based on the performance set out above, the resulting bonus for each executive relating to 2013 was:

	2013 actual bonus (% of base salary and fees)					2013 actual bonus delivery (% of bonus)		2013 Short-term incentive
	Target (financial and individual strategic objectives)	Maximum (financial and individual strategic objectives)	Actual			Cash	ESA	
			Financial objectives	Individual strategic objectives	Total bonus			
Sir Martin Sorrell	217.5%	435%	252%	106%	358%	50%	50%	4,115,251
Paul Richardson	200%	300%	186%	68%	254%	50%	50%	1,752,652
Mark Read	134%	200%	132%	50%	182%	50%	50%	800,067

As noted above, 50% of the 2013 bonus is delivered in the form of shares as an Executive Share Award ('ESA'). These will be granted during 2014 following publication of this Annual Report and will vest, subject to continued employment, two years later.

## Short-term incentive weightings and measures for 2014

The committee has reviewed the performance measures and weightings for 2014 to ensure continued alignment with Company strategy. While the weighting of financial objectives (70%) and individual strategic objectives (30%) will remain unchanged, the Group financial measures have been adjusted. The 2014 measures will be Headline PBT growth, Headline gross margin (net sales) margin improvement and gross margin (net sales) growth. The financial objectives established for WPP Digital will be consistent with last year and the individual strategic measures will continue to focus on strategic priorities for the relevant business area.

As stated in the Executive Remuneration Policy, the committee is of the view that the targets for the STIP are commercially sensitive and it would be detrimental to the Company to disclose them in advance of or during the relevant performance period. To the extent targets are no longer commercially sensitive, they will be disclosed at the end of the relevant performance period in that year's Annual Report.

## Long-term incentives (audited)

### 2009 – 2013 LEAP III awards vesting

The 2009 awards were the first granted under LEAP III. The vesting was solely dependent on WPP's relative TSR performance measured in common currency, against a custom group of WPP's comparators (Aegis, Arbitron, Dentsu, GfK, Havas, Interpublic, Ipsos, Omnicom and Publicis) weighted by market capitalisation.

Over the five-year investment and performance period, WPP out-performed 82% of the weighted peer group, delivering TSR of 241%. In other words, a shareholding of £100 at the start of the period would be worth £241 at the end, including reinvested dividends.

Aegis and Arbitron, two of the comparator companies, were taken over during the investment and performance period by Dentsu and Nielsen respectively. In line with the guidelines established by the committee, the two companies remained in the comparator group as they were both listed for more than 40% of the investment and performance period. Their TSR performance was calculated assuming reinvestment into a synthetic stock of the remaining comparators with effect from the date immediately prior to which it was independently determined that the share price was unaffected by either a takeover premium or speculation.

On a relative basis, financial and operational performance was strong, consistent with the TSR outcome and no 'exceptional events' were identified. As a result, the committee found no reason to make any adjustment to the vesting outcome.

WPP's TSR performance relative to the comparator group resulted in a match of 437%, equating to 87% of the maximum award.

	Number of shares vesting	Share price on vesting £	Value of match at grant price of £6.1025 £000	Value added due to share price appreciation and dividends £000	2013 Long-term incentives £000
Sir Martin Sorrell	1,777,173	12.7564	10,845	11,825	22,670
Paul Richardson	502,352	12.7564	3,066	3,342	6,408
Mark Read	133,118	12.7564	812	886	1,698

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### 2013 EPSP awards granted

In 2013, all three executive directors, along with a select number of senior managers within the Group, were granted awards under the new long-term incentive plan that was approved by share owners at the 2013 AGM, the Executive Performance Share Plan (EPSP). The 2013 awards are subject to three equally weighted independent performance conditions, being relative TSR, EPS and ROE. Performance is measured over the five financial years starting in 2013 as follows:

Measure	Total Shareowner Return ('TSR')	Earnings Per Share ('EPS')	Return On Equity ('ROE')
Weight	One-third	One-third	One-third
Nature	Relative to peers	WPP growth	WPP absolute
Performance zone (threshold to maximum)	Median to upper decile	7% – 14% compound annual growth	10% – 14% average
Payout	Below threshold: 0% of element vests Threshold: 20% of element vests Maximum or above: 100% of element vests Straight-line vesting between threshold and maximum		
Performance period	Five years ending on 31 December 2017		

As in previous years, WPP's TSR performance is compared to companies representing our most relevant, listed global competitors, weighted by market capitalisation. In 2013, the comparator group comprised Arbitron, Dentsu, GfK, Havas, Interpublic, Ipsos, Nielsen, Omnicom and Publicis. Subsequent to the grant of the 2013 awards, Arbitron was acquired by Nielsen and, in accordance with the guidelines established by the committee, Arbitron has been removed from the comparator group as it was listed for less than 40% of the investment and performance period. In light of feedback from share owners, TSR performance will be calculated on both a common currency and local currency basis, with each outcome weighted equally.

The following interests were awarded on 28 June 2013 at the preceding five-day average share price of £10.848 (ordinary shares) or \$83.4186 (ADRs).

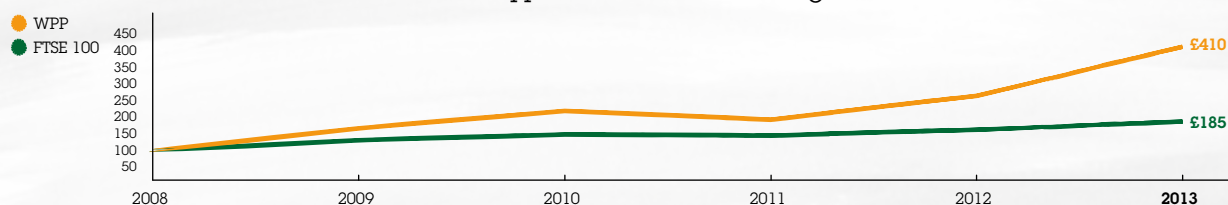
	Basis and level of award (% of salary and fees)	Award over	Number of interests awarded	Face value at date of grant 000
Sir Martin Sorrell	974%	Ordinary shares	1,032,540	£11,201
Paul Richardson	400%	ADRs	52,026	\$4,340
Mark Read	200%	Ordinary shares	78,355	£850

## Aligning pay and performance

As set out in the Executive Remuneration Policy, the committee seeks to align the variable remuneration with the key strategic priorities of WPP, therefore maximising the dynamic between pay and performance.

This dynamic is contingent upon the committee setting challenging targets each year. The following graph and table demonstrate the relation between pay and performance over the last five years for the Group chief executive.

### Historical TSR Performance<sup>1</sup> Value of hypothetical £100 holding



Financial Year 31st December

<b>Group chief executive total remuneration (£000)<sup>2</sup></b>	7,199	11,597	11,941	17,543	<b>29,846</b>
<b>Year-on-year change in Group chief executive total remuneration</b>	63%	61%	3%	47%	<b>70%</b>
<b>Short-term incentives award against maximum opportunity</b>	32%	95%	77%	62%	<b>82%</b>
<b>Long-term incentives award against maximum opportunity</b>	50%	83%	46%	86%	<b>87%</b>
<b>Change in annual TSR<sup>3</sup></b>	66%	32%	-13%	38%	<b>56%</b>
<b>Change in five-year TSR<sup>4</sup></b>	10%	37%	13%	45%	<b>241%</b>

Source: DataStream Return Index

<sup>1</sup> Growth in the value of a hypothetical £100 holding in WPP ordinary shares over five years against an equivalent holding in the FTSE 100 (the broad market equity index of which WPP is a constituent) – comparison based on one month average of trading day values. Source: DataStream.

<sup>2</sup> Calculated using the single figure methodology.

<sup>3</sup> TSR calculated using a one-month trading day average, consistent with the data shown in the graph.

<sup>4</sup> TSR calculated using a six-month averaging period, consistent with the calculation methodology under LEAP/EPSP.

## Relative importance of spend on pay

The following table sets out the percentage change in total staff costs, headcount, dividends and share buy-backs.

	2013	2012	% change
Total Staff costs	£6,477.1m	£6,106.1m	+6.08%
Headcount – average over the year	117,115	114,490	+2.29%
Dividends and share buy-backs	£594.3m	£441.1m	+34.73%

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### Relative change in pay for the Group chief executive

As required under the new UK remuneration reporting regulations, the following table summarises the change in the Group chief executive's base salary and fees, taxable benefits and annual bonus, compared to that of all full-time employees within the Group.

	Base salary and fees	Taxable benefits <sup>1</sup>	Annual bonus <sup>2</sup>
Group chief executive	-13.0%	+29.1%	+33.7%
All employees	+1.5%	+6.8%	+9.5%

<sup>1</sup> Taking into account the worldwide structure and size of the Group, and given the need to calculate benefits on the basis that an individual is resident in the UK for tax purposes, collating data on all employees was not practicable. As a result, the population for the taxable benefits consists of UK employees only.

<sup>2</sup> The annual bonus data used for the Group chief executive uses the short-term incentive figures set out on page 151.

### Non-executive directors' fees

During 2013, a review of the fees due to non-executive directors was undertaken. As a result of that review, the fees for non-executive directorship, the chairman of the Company and for membership of the Nomination and Governance Committee were increased from 1 July 2013. The fees following that review are set out below (£000).

Chairman	475
Non-executive director	70
Senior independent director	20
Chairmanship of Audit or Compensation Committee	40
Chairmanship of Nomination and Governance Committee	15
Member of Audit or Compensation Committee	20
Member of Nomination and Governance Committee	10

### Non-executive directors' total remuneration received (audited)

The single total figure of remuneration table below details fee payments received by the non-executive directors while they held a position on the Board. During both 2012 and 2013, the company met the cost (including national insurance and income tax, where relevant) of expenses that were incurred by the non-executive directors in performing their duties of office, in accordance with the policy set out on page 147. In 2013, the disclosable value of the expenses that would be chargeable to UK income tax totalled £131,390 (including £38,477 of national insurance and income tax, where relevant). In 2012, because all Board meetings were held outside of the UK (and therefore the non-executive directors did not incur a UK income tax liability in respect of their expenses), there is no disclosable value for that year.



	Fees £000	
	2013	2012
Philip Lader	450	425
Roger Agnelli <sup>1</sup>	74	–
Jacques Aigrain <sup>1</sup>	68	–
Charlene Begley <sup>2</sup>	8	–
Colin Day	119	108
Esther Dyson	95	90
Orit Gadiesh	75	70
Ruigang Li	83	65
Stanley (Bud) Morten <sup>3,6</sup>	43	85
Koichiro Nagamura <sup>3,5</sup>	–	–
John Quelch <sup>3,6</sup>	39	71
Daniela Riccardi <sup>4</sup>	27	–
Jeffrey Rosen	153	145
Hugo Shong <sup>1</sup>	74	–
Timothy Shriver <sup>6</sup>	106	85
Paul Spencer <sup>3</sup>	53	106
Sally Susman <sup>1</sup>	49	–
Sol Trujillo	98	85

<sup>1</sup> Appointed to the Board on 13 May 2013.

<sup>2</sup> Appointed to the Board on 1 December 2013.

<sup>3</sup> Stepped down from the Board on 12 June 2013.

<sup>4</sup> Appointed to the Board on 12 September 2013.

<sup>5</sup> Received no fees in 2013.

<sup>6</sup> Fee includes additional payments for presentation, ex officio or consulting services as follows: John Quelch £6,496 (£6,218 in 2012), Stanley Morten £10,000 (£20,000 in 2012) and Tim Shriver £13,428 (nil in 2012).

No payments for loss of office were due to those non-executive directors that stepped down during the year.

## Past directors (audited)

During 2013, payments were made to past directors who continued to provide advisory services to the Company. Payments were made to Stanley (Bud) Morten and John Quelch after they stepped down from the Board in June 2013. A payment of £40,396 was made to Mr Morten in respect of advisory services provided to the WPP Group. A payment of £55,137 was made to Mr Quelch in respect of educational presentations he gave to companies within the WPP Group and also due to advisory services provided to the WPP Group. A payment of £30,000 was made to John Jackson in respect of his advisory role to WPP, which enables the Company to benefit from his considerable knowledge and experience in the communications and marketing services sector.

## How we behave and how we're rewarded

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### Executive directors' interests (audited)

Executive directors' interests in the Company's ordinary share capital are shown in the following table. Save as disclosed in this table and in the Compensation Committee Report, no executive director had any interest in any contract of significance with the Group during the year. Each executive director has a technical interest as an employee and potential beneficiary in shares in the Company held under the ESOPs. More specifically, the executive directors have potential interests in shares related to the outstanding awards under LEAP III, the EPSP and ESAs, as set out below. As at 31 December 2013, the Company's ESOPs (which are entirely independent of the Company and have waived their rights to receive dividends) held in total 24,048,113 shares in the Company (22,570,364 in 2012).

Director		Total beneficial interests and deferred awards <sup>1</sup>	Scheme interests			Share options without performance conditions exercised <sup>8</sup>
			Shares (without performance conditions)	With performance conditions (unvested)	Without performance conditions (vested but unexercised)	
<b>Sir Martin Sorrell<sup>9</sup></b>	At 31 Dec 2013	18,556,204	492,535 <sup>2</sup>	10,656,225 <sup>4</sup>	7,813,783 <sup>6</sup>	–
	At 16 Apr 2014	19,010,399	132,139 <sup>3</sup>	8,826,835 <sup>5</sup>	8,773,456 <sup>7</sup>	–
<b>Paul Richardson</b>	At 31 Dec 2013	681,370	172,850 <sup>2</sup>	2,171,730 <sup>4</sup>	–	–
	At 16 Apr 2014	762,850	62,875 <sup>3</sup>	1,654,615 <sup>5</sup>	–	–
<b>Mark Read</b>	At 31 Dec 2013	115,713	72,906 <sup>2</sup>	609,000 <sup>4</sup>	–	20,494
	At 16 Apr 2014	120,713	24,452 <sup>3</sup>	471,970 <sup>5</sup>	–	–

<sup>1</sup> Shares held outright together with shares due pursuant to awards that have vested but receipt of which have been deferred with share owner approval (see footnote 6).

<sup>2</sup> Shares due pursuant to the 2011 and 2012 Executive Stock Awards, full details of which can be found on page 162. Additional dividend shares will be due on vesting.

<sup>3</sup> Shares due pursuant to the 2012 Executive Stock Awards, full details of which can be found on page 162. Additional dividend shares will be due on vesting.

<sup>4</sup> Maximum number of shares due on vesting pursuant to the outstanding LEAP III and EPSP awards, full details of which can be found on page 163. Additional dividend shares will be due on vesting.

<sup>5</sup> As noted at footnote 4 above, less the maximum due under the 2009 LEAP III Award, which vested on 28 February 2014 (full details can be found on page 155).

<sup>6</sup> Shares (1) pursuant to the vesting of awards under Renewed LEAP (namely the 2004 and 2005 awards, part of the 2006 award and the 2007 award) and (2) which originally formed part of the Capital Investment Plan (an award made in 1995, which vested in 1999, in respect of 4,691,392 shares in total, some of which have been received by Sir Martin Sorrell) and which now comprise the share owner-approved UK and US Deferred Stock Units Awards Agreements. The receipt of all of these awards has been deferred until November 2017 in accordance with share owner approval. Dividend shares will be due on the exercise of these options.

<sup>7</sup> As noted at footnote 6 above, with the addition of the shares due pursuant to the vesting of the UK part of the 2009 LEAP III Award. The receipt of this award has been deferred until November 2017 in accordance with share owner approval. Dividend shares will be due on the exercise of this option.

<sup>8</sup> Shares acquired during the year pursuant to the exercise of options, full details of which can be found on page 164.

<sup>9</sup> On 28 March 2014, Sir Martin Sorrell gifted 1,100,000 ordinary shares to The JMCMRJ Sorrell Charitable Foundation. At 16 April 2014, The JMCMRJ Sorrell Charitable Foundation is interested in 2,105,936 ordinary shares. Sir Martin has no beneficial interest in these shares.

## Share ownership guidelines

As detailed in the Executive Remuneration Policy, the executive directors are required to achieve a minimum level of share ownership of WPP shares. The Group chief executive, Group finance director and chief executive, WPP Digital are required to hold shares to the value of 600%, 300% and 200% of base salary and fees respectively.

At the end of 2013 and at the date of this Compensation Committee Report, all executive directors exceeded their share ownership guidelines.

## Non-executive directors' interests (audited)

Non-executive directors' interests in the Company's ordinary share capital are shown in the following table. Save as disclosed in this table and in the Compensation Committee Report, no non-executive director had any interest in any contract of significance with the Group during the year.

Non-executive director	Total Interests at 31 Dec 2013	Total Interests at 16 Apr 2014
Roger Agnelli	–	–
Jacques Aigrain	–	4,000
Charlene Begley	–	–
Colin Day	15,240	15,240
Esther Dyson	35,000	35,000
Orit Gadiesh	–	–
John Hood <sup>1</sup>	n/a	–
Philip Lader	11,950	11,950
Ruigang Li	–	–
Daniela Riccardi	–	–
Jeffrey Rosen	12,000	12,000
Nicole Seligman <sup>1</sup>	n/a	3,750
Hugo Shong	–	–
Tim Shriver	10,000	10,000
Sally Susman	–	–
Sol Trujillo	10,000	10,000

<sup>1</sup> Appointed to the Board on 1 January 2014.

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### Outstanding share-based awards

In the interests of transparency, the following tables summarise all unexercised share options and share-based awards either vesting in the year or subject to ongoing performance conditions.

#### Executive Share Awards (ESA) held by executive directors

All Executive Share Awards made under the Restricted Stock Plan are made on the basis of satisfaction of previous performance conditions and are subject to continuous employment until the vesting date. The table does not include the 2013 ESAs as these will not be granted until after publication of this Annual Report. Unless otherwise noted, awards are made in the form of WPP ordinary shares.

		Grant date	Share/ADR price on grant date	No. of shares/ADRs granted <sup>4</sup>	Face value on grant date <sup>3</sup> 000	Additional shares granted in lieu of dividends	Total shares vesting	Vesting date	Share/ADR price on vesting	Value on vesting 000
<b>Sir Martin Sorrell</b>	2009 ESA	04.05.10	£6.7775	80,560	£546	5,510	86,070	01.05.13	£10.6485	£917
	2010 ESA	31.03.11	£7.6825	123,657	£950	7,421	131,078	01.05.13	£10.6485	£1,396
	2011 ESA	30.04.12	£8.3325	360,396	£3,003	–	–	06.03.14	–	–
	2012 ESA <sup>1</sup>	30.05.13	£11.6450	132,139	£1,539	–	–	06.03.15	–	–
<b>Paul Richardson<sup>2</sup></b>	2009 ESA	04.05.10	\$51.5900	11,813	\$609	826	12,639	06.03.13	\$80.9678	\$1,023
	2010 ESA	31.03.11	\$61.7600	19,121	\$1,181	1,173	20,294	06.03.13	\$80.9678	\$1,643
	2011 ESA	30.04.12	\$67.8200	21,995	\$1,492	–	–	06.03.14	–	–
	2012 ESA <sup>1</sup>	30.05.13	\$88.3100	12,575	\$1,110	–	–	06.03.15	–	–
<b>Mark Read</b>	2009 ESA	04.05.10	£6.7775	23,164	£157	1,584	24,748	01.05.13	£10.6485	£264
	2010 ESA	31.03.11	£7.6825	38,138	£293	2,289	40,427	01.05.13	£10.6485	£430
	2011 ESA	30.04.12	£8.3325	48,454	£404	–	–	06.03.14	–	–
	2012 ESA <sup>1</sup>	30.05.13	£11.6450	24,452	£285	–	–	06.03.15	–	–

<sup>1</sup> During 2013, ESAs were granted in respect of annual bonuses for the year ending 31 December 2012. The grants represent 50% of the total bonus earned and are not subject to a secondary performance requirement, other than continued employment.

<sup>2</sup> Paul Richardson's 2009, 2010, 2011 and 2012 ESAs were granted in respect of ADRs.

<sup>3</sup> Face value has been calculated using the average closing share price for the five trading days preceding the date of grant (as set out in the table).

<sup>4</sup> Dividend shares will be due on these awards.

### Long-term incentive plans – Leadership Equity Acquisition Plans

The following table summarises all of the awards outstanding under Renewed LEAP and LEAP III. Awards granted in 2008 were granted under Renewed LEAP. Awards granted in 2009, 2010, 2011 and 2012 were granted under LEAP III.

Name	Award date	Investment and performance period	Number of investment shares/ ADRs committed by executive	Share/ADR price on grant date	Maximum number of matching units at 1 Jan 2013	During 2013			Maximum number of matching units at 31 Dec 2013	Share/ADR price on vesting	Value on vest/ deferral date 000
						Granted/ (lapsed) units	Additional dividend shares	Vested or deferred shares			
<b>Sir Martin Sorrell</b>											
	31.10.08	01.01.08 – 31.12.12	218,596	£3.7490	1,092,980	(155,203)	115,688	1,053,465	–	£10.7907	£11,368
	15.12.09	01.01.09 – 31.12.13	365,878	£6.1025	1,829,390	–	–	–	1,829,390	–	–
	24.11.10	01.01.10 – 31.12.14	416,666	£7.2475	2,083,330	–	–	–	2,083,330	–	–
	07.12.11	01.01.11 – 31.12.15	711,159	£6.6475	3,555,795	–	–	–	3,555,795	–	–
	10.12.12	01.01.12 – 31.12.16	431,034	£8.5975	2,155,170	–	–	–	2,155,170	–	–
<b>Paul Richardson</b>											
	31.10.08	01.01.08 – 31.12.12	109,298	£3.7490	546,490	(77,602)	57,842	526,730	–	£10.7907	£5,684
	15.12.09	01.01.09 – 31.12.13	103,423	£6.1025	517,115	–	–	–	517,115	–	–
	24.11.10	01.01.10 – 31.12.14	100,968	£7.2475	504,840	–	–	–	504,840	–	–
	07.12.11	01.01.11 – 31.12.15	100,344	£6.6475	501,720	–	–	–	501,720	–	–
	10.12.12 <sup>1</sup>	01.01.12 – 31.12.16	15,517	\$69.2500	77,585	–	–	–	77,585	–	–
<b>Mark Read</b>											
	31.10.08	01.01.08 – 31.12.12	21,859	£3.7490	109,295	(15,520)	11,566	105,341	–	£10.7907	£1,137
	15.12.09	01.01.09 – 31.12.13	27,406	£6.1025	137,030	–	–	–	137,030	–	–
	24.11.10	01.01.10 – 31.12.14	25,281	£7.2475	126,405	–	–	–	126,405	–	–
	07.12.11	01.01.11 – 31.12.15	30,166	£6.6475	150,830	–	–	–	150,830	–	–
	10.12.12	01.01.12 – 31.12.16	23,276	£8.5975	116,380	–	–	–	116,380	–	–

<sup>1</sup> Paul Richardson's 2012 LEAP award was granted in respect of ADRs.

### Long-term incentive plans – Executive Performance Share Plan

The following table summarises all of the awards outstanding under Executive Performance Share Plan.

	Grant date	Performance period	Maximum Number of nil cost options over shares/ADRs awarded	Share/ADR price on grant date	During 2013			Maximum number of nil cost options over shares/ADRs at 31 Dec 2013 <sup>1</sup>
					Options vested/ (lapsed)	Additional dividend shares	Options exercised or deferred	
<b>Sir Martin Sorrell</b>	28.06.13	01.01.13 – 31.12.17	1,032,540	£10.8480	–	–	–	1,032,540
<b>Paul Richardson<sup>2</sup></b>	28.06.13	01.01.13 – 31.12.17	52,026	\$83.4186	–	–	–	52,026
<b>Mark Read</b>	28.06.13	01.01.13 – 31.12.17	78,355	£10.8480	–	–	–	78,355

<sup>1</sup> Dividend shares will be due on these awards.

<sup>2</sup> Paul Richardson's 2013 EPSP award was granted in respect of ADRs.

Full Details of the 2013 EPSP award, including performance measures and targets, can be found on page 156.

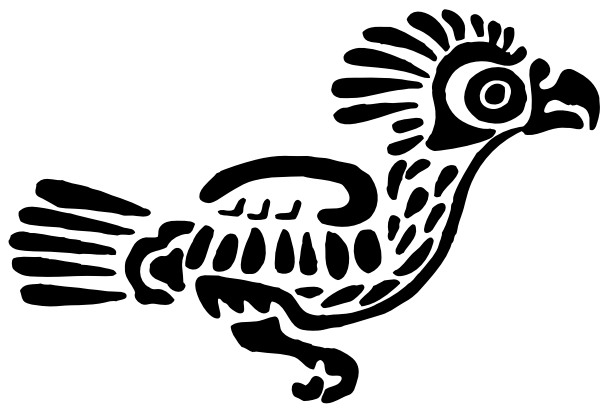
## How we behave and how we're rewarded

Implementation report

### Options held by executive directors (audited)

The options held by Mark Read at 1 January 2013 were granted prior to him becoming a director of the Company and were not subject to any performance conditions. All outstanding options were exercised on 12 September 2013.

	Grant/ award date	End of exercise period	Exercise price	At 1 Jan 2013 (no. of shares)	Granted (Lapsed) 2013 (no. of shares)	Exercised 2013 (no. of shares)	Share price on exercise	At 31 Dec 2013 (no. of shares)
<b>Mark Read</b>	17.11.2003	17.11.2013	£5.5950	10,615	–	10,615	£12.7700	–
	29.10.2004	29.10.2014	£5.5350	9,879	–	9,879	£12.7700	–



## Implementation of reward policy for management outside the Board

As noted on pages 140 and 141, the Company uses share-based compensation across the workforce to incentivise, retain and recruit talent which encourages a strong ownership culture among employees. The use of the main share plans in 2013 is described below.

### **The Restricted Stock Plan**

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The WPP Leaders, Partners and High Potential program was used to provide awards to about 1,600 of our key executives. Awards will vest three years after grant, provided the participant is still employed within the Group.

### **The Executive Stock Option Plan**

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An award was granted to one person in 2013 (one in 2012). This plan is not generally used.

### **All-employee plan**

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During 2013, Worldwide Ownership Plan awards were made to over 50,000 employees, including over 11,000 new participants. By 31 December 2013, options under this plan had been granted to approximately 129,000 employees over 61 million shares since March 1997.

### **Share incentive dilution for 2003 to 2013**

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The share incentive dilution level, measured on a 10-year rolling basis, was at 3.1% at 31 December 2013 (3.7% – 2012). It is intended that awards under all plans, other than share options, will all be satisfied with purchased shares held either in the ESOPs or in treasury.

**Jeffrey Rosen**

**Chairman of the Compensation Committee  
on behalf of the Board of Directors of WPP plc**  
16 April 2014

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# Sustainability review

Our commitment to sustainability has a direct impact on our financial performance and our ability to achieve our business strategy. It is integral to our relationships with our clients, employees, investors and other stakeholders.

We focus on the following areas that are significant to WPP's business strategy and reflect our stakeholders' priorities:

Our sustainability priorities	Relationship to our business strategy
<b>The impact of our work</b> <ul style="list-style-type: none"> <li>Sustainability services for clients</li> <li>Social marketing and cause-related marketing</li> </ul>	Revenue growth: clients increasingly look to our companies for advice on sustainability issues. Clients who engaged with us on sustainability were worth over £1.26 billion to the Group in 2013.
<b>Marketing standards</b> <ul style="list-style-type: none"> <li>Business ethics</li> <li>Privacy and data security</li> </ul>	Risk management: our ethical policies and culture reduce risks to our business, including those associated with growth into new markets.  Data investment management and digital marketing: leading privacy and data security practices underpin our access to digital marketing and data investment management business opportunities.
<b>Employment practices</b> <ul style="list-style-type: none"> <li>Diversity and inclusion</li> <li>Training and skills development</li> <li>Remuneration</li> <li>Health and well-being</li> </ul>	Talent: our leading employment practices and commitment to sustainability enable us to recruit and retain the best talent.  Skills: our investment in professional development enables us to grow our business in areas such as digital marketing and in new markets such as the faster-growing economies. It equips our people to achieve horizontality – working together for the benefit of clients. Our support for education and apprenticeships helps to build the skills base and our future pipeline of talent.
<b>Environmental performance</b> <ul style="list-style-type: none"> <li>Energy and climate change</li> <li>Waste and resources</li> </ul>	Client relationships: managing our environmental impacts enhances our credibility as advisors to our clients on sustainability.  Cost efficiency: cutting our energy use and business air travel helps to reduce costs.
<b>Supply chain management</b> <ul style="list-style-type: none"> <li>Integrating sustainability into procurement decisions</li> </ul>	Risk management: integrating sustainability criteria into our procurement process reduces risks to our business.
<b>Social investment</b> <ul style="list-style-type: none"> <li>Pro bono work</li> <li>Charitable donations</li> <li>Volunteering</li> </ul>	Talent and skills: pro bono work and volunteering activities support the engagement and development of our people.  Client relationships: our many award-winning pro bono campaigns enhance the creative reputation of our companies.

We received a number of sustainability-related awards and rankings in 2013:



- Carbon Disclosure Project (CDP) – score of 95B and listed in the CDP FTSE 350 Climate Disclosure Leadership Index.
- Identified as best in class in the advertising sector by Triodos Bank.
- IVCA Fellowship Award 2013 – recognised WPP's chief executive Sir Martin Sorrell for championing corporate social responsibility.
- PwC Building Public Trust awards – Winner in the People Reporting in the FTSE 100 category.
- Shortlisted in the Investor Relations Society Best Practice Awards for 'Best communication of sustainability in the annual report'.

### Sustainability management

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Paul Richardson, WPP's Group finance director, is the Board director responsible for corporate sustainability. Reflecting our decentralised structure, the practical work of implementation is devolved to WPP companies around the world, with strategic direction and policy principles – notably the WPP Code of Conduct and Group Sustainability Policy – set at Group level.

Our Sustainability Committee, chaired by Paul Richardson, is made up of senior representatives from our companies and Group functions. The committee meets annually to review progress on a variety of sustainability issues.

Our central sustainability function develops strategy and coordinates data collection. It communicates on sustainability matters on behalf of the Group and works with Group functions (such as our talent team, legal, real estate, IT and procurement). The head of sustainability reports directly to the Group finance director.

### Risk and opportunity

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Sustainability risks – including social, environmental and ethical risks – are integrated into the Group's risk identification, management and monitoring processes. This includes:

- Annual assessment of sustainability risks and performance presented by the Group finance director at the AGM.
- Brand Check – a review of WPP business operations and risk profiles presented by the Group chief executive at Board meetings.
- Selected internal audits which may cover sustainability risks.
- Due diligence during acquisitions – a review of risks relating to bribery and corruption or ethical issues associated with client work. We have a process to make sure that acquired businesses embed our policies and undertake our ethics training.

Improving our sustainability performance creates opportunities for WPP and our companies. It generates new revenue streams associated with sustainability-related marketing and results in cost efficiencies.

### Data and reporting

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WPP companies report their sustainability data to the parent company quarterly through our Group financial reporting system. Data in this section covers the period from 1 January 2013 to 31 December 2013. We will publish our 12th social and environmental performance report (Sustainability Report) in June 2014, with selected environmental and employment data externally assured by Bureau Veritas.

We undertook a formal materiality assessment in January 2014, to enable us to prioritise the issues we cover in our reporting. This reflects the views of WPP senior management and our stakeholders and the results are explained in our Sustainability Report.

### Stakeholder engagement

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We engage with our stakeholders – including clients, investors and our people – to communicate what we are doing and identify potential improvements to the way we manage sustainability issues.

We receive regular requests for information from clients on our approach to sustainability and we collaborate with them on topics of common interest.

We engage with investors and rating agencies such as Amundi, Chevreux, Dow Jones Sustainability Index, Ethibel, FTSE4Good, Natixis, oekom, Trucost and Vigeo on sustainability issues. To raise investor awareness of our activities, we submit this section of our Annual Report for share owner voting at our AGM. We are included in the DJSI World and Europe Indices and the FTSE4Good Index. We participate in the Carbon Disclosure Project (CDP) and received a score of 95B in 2013. We are listed in the CDP FTSE 350 Climate Disclosure Leadership Index.

## Human rights

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We aim to respect human rights wherever we operate in line with the principles of the UN Universal Declaration on Human Rights, the International Labour Organisation's fundamental conventions on core labour standards and the UN Guiding Principles on Business and Human Rights.

Our Code of Business Conduct, which applies to all WPP employees, companies and suppliers, states our commitment to respect human rights. It sets requirements for both our own potential human rights impacts in areas such as non-discrimination and labour practices as well as those potentially associated with our work for clients. Our most senior managers and all our business partners and suppliers are asked to sign a copy of the WPP Code of Business Conduct to confirm they will abide by its principles.

We comply with all relevant sanctions regimes.

Our companies create pro bono campaigns for several human rights organisations. See our *Pro Bono Book* for examples.

## The impact of our work

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Across all sectors, a growing proportion of our work is related to sustainability themes, alongside social marketing and cause-related marketing campaigns, and we invest in building our companies' expertise.

Many of our companies have established specialist sustainability offerings. These include Burson-Marsteller's Global Corporate Responsibility Practice, Hill+Knowlton Strategies' CR + Sustainability Communications offering, JWT Ethos, OgilvyChange, OgilvyEarth, P&G's S-Team, and PSB Green.

Examples of recent work are included in our Sustainability Report.

## Marketing standards

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Our companies are expected to meet high ethical standards in the work that they produce for their clients and the way they work with others.

The WPP Code of Conduct and Group Sustainability Policy help our people in dealing with a wide range of ethical, social and environmental subjects. They apply to all employees in all locations and are available on our website and intranet. Compliance is monitored by our internal audit team. We have a compliance officer to oversee our approach to ethics and compliance, and provide support and guidance to our companies. Every year, the senior management of each WPP company are required to sign a statement confirming that they comply with WPP's Code of Conduct.

## Business ethics

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WPP companies have a review and referral process for work that may present an ethical risk. Before accepting potentially-sensitive work, employees are required to elevate the decision to the most senior person in their office and then to the most senior executive of the WPP company in the country concerned, who will decide if further referral to a WPP executive is required. We have a Group-level committee which meets at least quarterly to discuss cases of concern, potential compliance issues and new risk areas.

All our people must complete our compulsory ethics training, 'How we behave', which has been completed by over 120,000 employees to date. The course was refreshed in 2013. Employees must also complete our online training on anti-bribery and corruption, which covers the Foreign Corrupt Practices Act and UK Bribery Act and issues such as hospitality and gifts.

Employees can report any concerns or suspected cases of misconduct in confidence through our third party-managed Right to Speak facility, overseen by our internal audit department and reported to our Audit Committee.

## Privacy

Our companies collect, store and use consumer data on behalf of clients. We take action at a Group and company level to make sure that consumer privacy is protected.

In 2013, we launched the WPP Data Code of Conduct, which provides a clear framework for privacy practices across all WPP companies, as well as global IT Security, Privacy and Social Media policies that all WPP companies must implement.

In 2013, we also launched the first global WPP Data Health Checker to review the privacy risks within the Group and to assess the privacy practices at each of our companies. It was completed by 73% of all companies, and assessed both privacy risks, such as how much data is held and the types of data collected, as well as mitigation measures – the steps taken by agencies to secure and protect data.

The results of the Health Checker showed that 88% of the companies involved have taken mitigation measures that match or exceed their level of privacy risk. On average, our companies were found to have a risk score of 2.73 out of 5 with 5 being the highest level of risk, compared to the average score for mitigation measures at 3.39 out of 5 with 5 being the highest level of mitigation. This means our companies had an average level of risk but with a higher than average level of mitigation.

## WPP as an employer

There is intense competition for talent in our industry. To make sure we get the best, we have developed rigorous recruitment processes, attractive working conditions, rewarding training opportunities and the ability to harness the rich diversity that our 175,000 people (including associates) around the world offer. The central WPP talent team supports companies to implement and share best practices.

## Diversity and inclusion

Our emphasis on inclusion and diversity enables us to widen our talent pool and, with a client base that is itself enormously diverse, we are better placed to meet client needs and to understand and connect with consumers in every market and every niche.

Our non-discrimination and anti-harassment policies are included in our Group Code of Conduct. In the case of disability, our policy is to provide continuing employment and training wherever practicable.

It is essential that women are able to fulfil their potential during their careers with Group companies, including reaching the upper echelons of management in the Group. Women make up 29% of the WPP Board, 32% of executive leaders and 47% of senior managers. We have launched a number of innovative programs to further enable their development, at both the local and global levels.

To reach out to a diverse candidate pool, many of our companies offer apprenticeships and internships, use specialist recruitment agencies and publications, and attend minority recruitment fairs.

### Gender diversity 2009-2013

	2013	2012	2011	% women	
				2010	2009
WPP Board	29	19	19	19	21
Executive leaders	32	32	31	31	32
Senior managers	47	47	47	48	46
Other employees	56	57	57	57	57
Total employees	54	54	54	54	54

### Gender diversity 2013

	Male	Female	Total	Male	Female
				%	%
WPP Board	12	5	17	71	29
Executive leaders	3,465	1,634	5,099	68	32
Senior managers	9,318	8,145	17,463	53	47
Other employees	42,341	54,213	96,554	44	56
Total employees	55,124	63,992	119,116	46	54

## Training and skills

We invest in a huge range of high-quality bespoke training opportunities to develop our people's skills,

and to help our business grow in areas such as digital marketing. Our spend on training and well-being programs amounted to £64.4 million in 2013 (2012: £57.8m).

Group-wide training programs include:

- **Maestro: Orchestrating Client Value:** a week-long program for senior client leaders, held in 26 countries, with more than 3,100 participants from 108 WPP companies since its launch in 2003.
- **The WPP 'Mini MBA':** an online and classroom course to build business skills. 1,875 participants have benefited from the program.
- **WPP Spectrum:** a program that connects and develops multidisciplinary global client leaders.
- **First Chair:** aimed at rising talent.
- **Digital Way Forward:** covers what's new in digital marketing.
- **The X Factor:** prepares women for the next level of leadership in the Group.

### Education and social mobility

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Our businesses support education to help build the skills we need into our future talent pool and to encourage more young people from all backgrounds to take up careers in marketing services. This includes internships, apprenticeships and partnerships such as our support for the WPP School of Communications and Marketing in Shanghai, which is building skills in a critical and growing market for WPP.

### Remuneration and share ownership

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We have designed our compensation packages to secure the best people and we benchmark them against those of other companies in our markets and sectors.

Many employees participate in performance-related incentive plans on top of their base pay. Senior employees may participate in share-based compensation plans. Incentive plans are designed to reward excellent performance in the senior employee's operational business area or in the share price performance of the Company. The Company also provides a range of other benefits, including

pensions and private health insurance, in accordance with local practice.

Since 1997, we have operated a Worldwide Ownership Plan that has granted share awards to more than 129,000 employees. In 2013 approximately 50,000 eligible employees received awards in over 69 countries.

### Health and well-being

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Our companies help their people to remain healthy and work to mitigate any health and safety risks. As an office-based business, the main health and safety risks to our people are injuries connected to workstation ergonomics and work-related stress.

Companies operate their own health and safety management systems, which may include Health and Safety Committees, regular audits and risk assessments and training for employees. Over 74% of our companies have nominated someone with specific responsibility for health and safety.

In 2013, there were on average 3.5 days per employee lost to due to sickness.

### Employee external appointments

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We recognise that our companies' executives may be invited to become non-executive directors of other companies, and that such experience may be beneficial to the Group. Consequently, executives are allowed to accept non-executive appointments with non-competing companies, subject to obtaining the approval of the Group finance director in the case of senior executives.

### Environmental performance

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We are working to make WPP a low-carbon and resource-efficient Group, with benefits to the environment, our own costs and our credibility with clients. Improving our performance enables us to meet the environmental requirements included in a growing number of client procurement processes.

## How we behave and how we're rewarded

Sustainability review

### Energy and climate change

Our strategy to reduce our carbon footprint focuses on:

- **Office energy use:** Improving the energy efficiency of our buildings and IT systems.
- **Air travel:** Reducing non-essential flights by promoting videoconferencing and collaboration tools and offsetting carbon emissions, equivalent to those from our business air travel, by supporting renewable energy generation in fast-growing economies.
- **Green energy:** Purchasing green-tariff electricity for our offices where available.

Since setting our carbon reduction target in 2006, we have reduced our per head emissions by 31% towards our very ambitious goal of 1.2 tonnes of CO<sub>2</sub> per person by 2020. Despite this progress, achieving reductions at the rate required to meet our 2020 target has proved more challenging than expected.

This year we reviewed our carbon strategy and revised our 2020 carbon reduction target to 1.8 tonnes of CO<sub>2</sub> per person, a 47% reduction from 2006. The revised target is in line with others in our industry and with professional services firms in other sectors.

In 2013, our carbon footprint per person was 2.35 tonnes, down 4% on 2012 and 31% lower than 2006.

#### WPP's carbon emissions breakdown (in tonnes of CO<sub>2</sub>e)

Emission source	2013	2012	2011	2010	Base 2006
Scope 1 – Fuel used to heat WPP offices	11,305	9,840	9,714	9,967	2,628
Scope 2 – Total purchased electricity	157,471	164,212	152,968	149,055	149,728
Scope 3 – Air travel and other estimated impacts	132,382	133,034	137,121	119,690	116,825
<b>Total gross</b> (excluding carbon reduction of renewable electricity)	301,158	307,086	299,803	278,712	269,181
Carbon reduction of purchased renewable electricity	(21,299)	(23,765)	(22,572)	(23,028)	–
<b>Total net</b> (including carbon reduction of renewable electricity)	279,859	283,321	277,231	255,684	269,181
<b>Percentage change from 2006 (net)</b>	4%	5%	3%	-5%	–

#### WPP's carbon intensity (in tonnes of CO<sub>2</sub>e)

Intensity metric	2013	2012	2011	2010	Base 2006
<b>Tonnes per employee (net)</b>	2.35	2.45	2.44	2.46	3.39
Percentage change from 2006	-31%	-28%	-28%	-27%	–
<b>Tonnes per £m of revenue (net)</b>	25.40	27.31	27.66	27.40	45.56
Percentage change from 2006	-44%	-40%	-39%	-40%	–

#### Note to tables:

Our carbon data covers the year ended 31 December 2013 in line with the Group's financial reporting period. Data has been prepared in accordance with the World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (the GHG Protocol).

All greenhouse gases emissions figures are in metric tonnes of carbon dioxide equivalents (CO<sub>2</sub>e). They include three of the six greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). Perfluorocarbons (PFCs), hydrofluorocarbons (HFCs) and sulphur hexafluoride (SF<sub>6</sub>) emissions have been omitted from our reporting as they are not a material source of greenhouse gases for WPP.

Emissions data is included for all operations for which WPP and its subsidiaries have operational control. Associate companies are excluded.

When calculating our carbon footprint, we rate purchased renewable electricity as zero emissions. For full transparency, we also disclose total electricity purchased at grid average carbon intensity.

Our carbon data is reviewed and assured by Bureau Veritas, an independent assurance provider. Read the full carbon emissions statement 2013 in our Sustainability Report.

### Office energy use

We aim to improve energy efficiency in existing buildings, to select new buildings that meet high environmental standards and to consolidate our real estate portfolio and IT infrastructure to reduce energy demand. These measures could help to reduce our carbon intensity by 18% from 2012 levels by 2020. Energy efficiency is part of our property acquisition and capital expenditure process. We estimate that 10% of our total floor space is now certified to advanced sustainability standards.

We have integrated environmental targets into our approach to managing IT systems across the Group. Our managed print program is helping to reduce energy used for printing by 30% in each location.

### Air travel

To reduce non-essential flights we have invested in our videoconferencing network, which now incorporates 672 units, including four telepresence rooms, in over 158 cities. We offset our unavoidable emissions from air travel by investing in renewable energy generation projects via our offset provider, South Pole Carbon Asset Management.

### Green energy

We purchase green-tariff electricity where we can. This reduces our footprint by 21,299 tonnes of CO<sub>2</sub>e. Around 15% of the total electricity we purchase is generated from renewable sources.

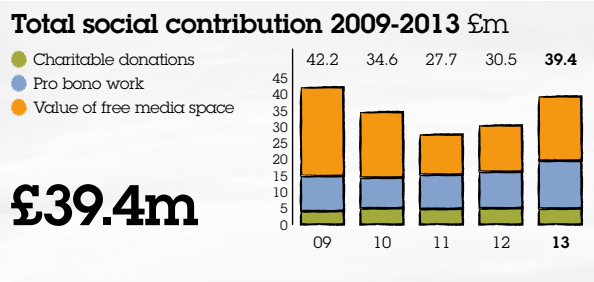
### Supply chain

We aim to select suppliers that protect the environment, meet high standards on employment practices and commit to acting ethically in all aspects of their business. This reduces risks for the Group and its clients. All our business partners and suppliers are required to sign a copy of the WPP Code of Business Conduct to confirm they will abide by its principles, including those relating to

sustainability. In 2013, we piloted a supplier risk assessment process in partnership with Sedex, the Supplier Ethical Data Exchange.

### Social investment

We provide creative services to many charities, NGOs and voluntary groups on a pro bono basis (for little or no fee). These campaigns facilitate the work of charities and provide exciting creative opportunities for our people. Our companies negotiate free media space on behalf of charities and also support their work through donations and volunteering. In 2013, our social investment was worth £19.6 million (2012: £16.2 million). This is equivalent to 1.5% of profit before tax. WPP media agencies negotiated free media space worth £19.8 million on behalf of pro bono clients, making the total social contribution £39.4 million.



### Read more

Find out more about sustainability at WPP in our Sustainability Report, which will be published in June 2014. See [wpp.com/sustainability](http://wpp.com/sustainability).







# How we comply

## **Corporate governance: How the Company is governed, including risk management and activities of the Board**

### **Statements of compliance**

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#### **UK Corporate Governance Code compliance**

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The Board considers that WPP complied in all material respects throughout 2013 with the provisions of the UK Corporate Governance Code.

#### **Internal control**

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WPP operates a system of internal control, which is maintained and reviewed in accordance with the UK Corporate Governance Code and the guidance in the Turnbull Report as well as Rules 13a-14 and 15 under the Securities Exchange Act 1934. In the opinion of the Board, the Company has complied throughout the year and up to the date of the approval of this Annual Report and Accounts with the Turnbull Report and has also complied with the relevant provisions of the Securities Exchange Act 1934.

## How we comply

Corporate governance

## How we comply

For ease of reference we have structured this section around the main principles of the UK Corporate Governance Code.

### Leadership

#### The role of the Board

The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's policy and strategy and is responsible to share owners for the Group's financial and operational performance. Responsibility for the development and implementation of Group policy and strategy and for day-to-day management issues is delegated by the Board to the Group chief executive and the other executive directors. The list of matters reserved to the Board can be downloaded from the website [wpp.com/wpp/investor](http://wpp.com/wpp/investor).

During 2013, the Board met seven times formally and held 20 committee meetings throughout the year.

Attendance of directors at meetings	Board	Audit Committee	Compensation Committee	Nomination and Governance Committee
Philip Lader <sup>1</sup> (chairman)	7	7	7	6
Sir Martin Sorrell	7	–	–	–
Paul Richardson	7	–	–	–
Mark Read	7	–	–	–
Roger Agnelli <sup>4</sup>	4	3	3	3
Jacques Aigrain <sup>4</sup>	5	3	3	–
Charlene Begley <sup>6</sup>	1	1	–	–
Colin Day	7	7	7	–
Esther Dyson	7	–	6	6
Orit Gadiesh	5	–	–	5
Ruigang Li <sup>7,8</sup>	7	–	2	2
Bud Morten <sup>2,3</sup>	3	4	4	2
Koichiro Naganuma <sup>3</sup>	–	–	–	–
John Quelch <sup>3</sup>	2	–	–	–
Daniela Riccardi <sup>5</sup>	3	–	2	–
Jeffrey Rosen <sup>8</sup>	7	6	7	3
Hugo Shong <sup>4</sup>	5	3	2	2
Paul Spencer <sup>3</sup>	3	4	–	–
Tim Shriver <sup>3</sup>	7	–	7	3
Sally Susman <sup>4</sup>	5	–	–	3
Sol Trujillo <sup>7</sup>	7	7	3	–

<sup>1</sup> By invitation, the chairman attended all of the Audit Committee meetings.

<sup>2</sup> By invitation, Bud Morten attended certain committee meetings.

<sup>3</sup> Paul Spencer, Bud Morten, John Quelch and Koichiro Naganuma retired in June 2013.

<sup>4</sup> Roger Agnelli, Jacques Aigrain, Hugo Shong and Sally Susman were appointed on 13 May 2013.

<sup>5</sup> Daniela Riccardi was appointed on 12 September 2013.

<sup>6</sup> Charlene Begley was appointed to the Board on 1 December 2013 and appointed to the Nomination and Governance Committee on 17 February 2014.

<sup>7</sup> Ruigang Li and Sol Trujillo were appointed to the Compensation Committee in June 2013.

<sup>8</sup> Ruigang Li, Jeffrey Rosen and Tim Shriver were appointed to the Nomination and Governance Committee in June 2013.

### The role of the chairman

The Board is chaired by Philip Lader, who chairs the Nomination and Governance Committee and during 2013 was a member of the Compensation Committee and at the invitation of the Audit Committee chairman, attended all meetings of that committee. The chairman provides the leadership of the Board and is the main point of contact between the Board and the management team. The chairman represents the Board in discussions with share owners, investor bodies, ensures that systems are in place to provide directors with timely and accurate information, represents the Company in extensive external gatherings, and is also responsible for the Board governance principles. He has led the Board recruitment and appointment process, determination and periodic revision of confidential leadership plans for potential emergencies, and the ongoing emphasis on management development and CEO succession planning. Ambassador Lader plans to retire from the Board at the end of December 2014, after the Board's announcement of a chairman-designate and an orderly transition.

### The role of the senior independent director

The senior independent director is Jeffrey Rosen who is available to share owners and acts as a sounding board for the chairman and as an intermediary for the other directors with the chairman when necessary. The senior independent director's role includes responsibility for the chairman's appraisal and succession. Jeffrey Rosen has been the senior independent director since April 2010.

### Non-executive directors

The non-executive directors have a diverse range of skills, experience and backgrounds. As detailed in their biographies on pages 114 to 118, the non-executive directors work across the globe in media and advertising, investment banking and investment management, pharmaceuticals, mining, logistics and bioenergy, airlines, FMCG, international management consulting, private equity and angel investing, business education, manufacturing, consumer products and retail management, internet start-ups, government and non-profit organisations. They provide constructive challenge and assistance to the Group chief executive in developing the

Group's strategy. All directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties. The Company provides insurance cover for its directors and officers.

### Effectiveness

#### The composition of the Board

The Board is now composed of 19 directors, with at least five non-executive directors, including the Board chairman, planning to retire within the next several years under a new Board tenure policy. Three current members are executive directors and 15, plus the chairman, are non-executive directors. The independence of each non-executive director is assessed annually by the Board. The Board has confirmed that all of the non-executives standing for re-election at the 2014 AGM continue to demonstrate the characteristics of independence.

#### Succession: Board and committee membership

In 2012, WPP commenced a comprehensive review of the Board's composition and effectiveness, directed by the Nomination and Governance Committee with the assistance of Egon Zehnder International, a prominent Board recruitment and advisory firm. Geographic and gender diversity together with skills and experience in marketing services, finance and pertinent technologies are among the priorities of our Board succession.

As a consequence of this review the composition of the Board and the committees has been refreshed. Four of the longest serving non-executive directors, Bud Morten, John Quelch, Paul Spencer and Koichiro Naganuma did not stand for re-election at the 2013 AGM. Eight new non-executive directors have been appointed during the course of 2013 and 2014:

- Roger Agnelli
- Jacques Aigrain
- Charlene Begley
- Dr John Hood
- Daniela Riccardi
- Nicole Seligman
- Hugo Shong
- Sally Susman

## How we comply

Corporate governance

The Compensation Committee chairman, Jeffrey Rosen, will step down from the committee at the 2014 AGM and subject to his election, will be succeeded by Dr John Hood. Esther Dyson and Philip Lader also stepped down from the Compensation Committee at the end of December 2013.

Roger Agnelli, Jacques Aigrain, Dr John Hood, Daniela Riccardi, Nicole Seligman and Hugo Shong have joined Colin Day, Sol Trujillo, Tim Shriver and Ruigang Li on the Compensation Committee.

Colin Day succeeded Paul Spencer as chairman of the Audit Committee, and continuing members, Sol Trujillo and Jeffrey Rosen, have been joined by Jacques Aigrain, Roger Agnelli, Hugo Shong and Charlene Begley.

Roger Agnelli, Charlene Begley, Tim Shriver, Jeffrey Rosen, Ruigang Li, Hugo Shong and Sally Susman have joined Esther Dyson and Orit Gadiesh on the Nomination and Governance Committee, with Philip Lader as chairman. The chairman of the Board participates as an ex-officio member of all Board committees.

### Time commitment

Letters of appointment for non-executive directors do not set out a fixed time commitment for Board attendance and duties but give an indication of the likely time required. It is anticipated that the time required by directors will fluctuate depending on the demands of the business and other events.

### Development

On joining WPP, non-executive directors are given an induction which includes one-to-one meetings with management and the external auditors, briefings on the duties of directors of a Jersey company, the Model Code, WPP Code of Conduct and the UK Corporate Governance Code. The induction also covers the Board committees that a director will join. All directors are fully briefed on important developments in the various business activities which the Group carries out worldwide and regularly receive extensive information concerning the Group's operations, finances, risk factors and its people, enabling them

to fulfil their duties and obligations as directors. The directors are also frequently advised on regulatory and best practice requirements which affect the Group's businesses on a global basis. At the Board meeting held in Turkey in 2013, the Board received briefings from all the heads of the Group's Central & Eastern Europe, Middle East and Africa operations.

### Evaluation

WPP undertakes an annual review of the Board, its committees and individual directors. In 2013, the annual evaluation was undertaken alongside the Board recruitment process. Egon Zehnder's consultants rendered candid evaluations of our Board and committees' performance. From these findings, we concluded that the Board and its committees had been effective and are prepared for a variety of potential macroeconomic, industry, client and personnel challenges but must continue to seek additional ways that their effectiveness might be enhanced.

### Re-election

The directors submit themselves for annual re-election at each Annual General Meeting, if they wish to continue serving and are considered by the Board to be eligible. Directors may be appointed by share owners by ordinary resolution or by the Board on the recommendation of the Nomination and Governance Committee and must then stand for re-election at the next Annual General Meeting where they may be re-elected by ordinary resolution of the share owners.

With only specific exceptions to ensure Board continuity (as noted in the Nomination and Governance Committee report), non-executive directors shall not stand for re-election after they have served for the period of their *independence*, as determined by then-applicable UK and US standards; that currently being a period of nine years.

### Diversity

WPP recognises the importance of diversity, including gender, at all levels of the Group as well as the Board.

WPP is committed to increasing diversity across its subsidiaries and supports the development and

promotion of talented individuals, including women. In 2013, women comprised 29% of the WPP Board, 32% of Board members and executive leaders in the subsidiaries, 47% of senior managers and 54% of total employees. Following the appointment of Nicole Seligman on 1 January 2014, women now comprise 31% of the WPP Board in line with our aspiration last year to increase the female representation on the Board to 30% of non-executive directors as part of the Board refreshment process.

### Directors' conflicts of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company (Situational Conflicts). The Board has a formal system in place for directors to declare Situational Conflicts to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a Situational Conflict, the non-conflicted directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate.

Any Situational Conflicts considered, and any authorisations given, are recorded in the relevant minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise Situational Conflicts and the Board believes that the systems it has in place for reporting and considering Situational Conflicts continue to operate effectively.

## Accountability

### Internal control

The Board (which receives advice from the Audit Committee) has overall responsibility for the system of internal control and risk management in the Group and has reviewed the effectiveness of the system during the year and up to the date of this report. In the context of the scope and complexity

of this system, the Board can only give reasonable, not absolute, assurance against material misstatement or loss. The system of controls is designed to manage, but may not eliminate, the risks of failure to achieve WPP's objectives. For certain joint ventures and associates, WPP operates controls over the inclusion of their financial data but places reliance upon the systems of internal control operating within our partners' infrastructure and the obligations upon partners' boards relating to the effectiveness of their own systems.

The principal elements of internal control are described below.

### Control environment

The quality and competence of our people, their integrity, ethics and behaviour are all vital to the maintenance of the Group's system of internal control.

The Code of Business Conduct (which is regularly reviewed by the Audit Committee and the Board and was updated in 2012), sets out the principal obligations of all employees. Directors and senior executives throughout the Group are required to sign this Code each year. The WPP Policy Book (which was updated in 2011) includes the Code of Business Conduct and human resource practices, as well as guidance on practices in many operational areas. Breaches or alleged breaches of this Code of Conduct are investigated by the director of internal audit, head of compliance and the Group chief counsel. In 2013 WPP issued the Data Code of Conduct and updated the Supplier Code of Conduct.

The Group has an independently-operated helpline, Right to Speak, to enable our people to report issues that they feel unable to raise locally. A number of issues have been raised during 2013 through 54 calls to this helpline, all of which have been followed through and investigated where appropriate and reported to the Audit Committee.

### Risk assessment

Risk monitoring of all of the Group's operations throughout the world is given the highest priority by the Group chief executive, the Group finance director,

## How we comply

Corporate governance

the chairman of the Audit Committee and the Board, as it is essential to the creation and protection of share owner value and the development of the careers of our people. The Board realises that WPP is a communication services company and its ongoing prosperity depends on being able to continue to provide a quality service to its existing and potential clients in a creative, efficient and economic way.

Identification, management and monitoring of sustainability risks (including social, environmental and ethical risks) is fully integrated into the Group's risk management processes.

At each Board meeting, the Group chief executive presents a Brand Check review of each of the business' operations, including an assessment of the risk in each business, providing feedback on the business risks and details of any change in the risk profile since the last Board meeting.

The Brand Check covers such issues as:

- the possibility of winning or losing major business (e.g. as a result of a change of senior management at a major client);
- the addition or loss of a key executive of the Group;
- introduction of new legislation in an important market;
- sustainability, including risks relating to marketing ethics, privacy and employment;
- political instability in an important market; and
- changes in accounting or corporate governance practice.

Each operating group undertakes monthly and quarterly procedures and day-to-day management activities to review their operations and business risks. These are formally communicated to the Group chief executive, other executive directors and senior executives in monthly reports and quarterly review meetings and, in turn, to the Board.

Paul Richardson provides a formal annual assessment of sustainability risks and performance to the Nomination and Governance Committee.

The Board is firmly of the opinion that the monitoring of risk is strongly embedded in the culture of the Company and of the operating companies, in a manner which the Board considers

goes beyond the Turnbull recommendations and the requirements of Rules 13a-14 and 15 under the Securities Exchange Act 1934.

### Control activities and monitoring

Policies and procedures for all operating companies are set out and communicated in the WPP Policy Book, internal control bulletins and accounting guidelines. The application of these policies and procedures is monitored within the individual businesses and by the Company's director of internal audit and the Group chief counsel.

Operating companies are required to maintain and update documentation of their internal controls and processes. This documentation incorporates an analysis of business risks, detailed control activities and monitoring, together with controls over security of data and the provision of timely and reliable information to management. IT and financial controls are also included.

The internal audit department was responsible for reviews and testing of the documentation and the relevant controls for a majority of the Group during 2013, the results of which were reported to the Audit Committee.

### Financial reporting

Each operating company annually updates a three-year strategic plan which incorporates financial objectives. These are reviewed by the parent company's management and are agreed with the chief executive of the relevant operating company.

The Group operates a rigorous procedure for the development of operating company budgets which build up the Group's budget. During the final quarter of each financial year, operating companies prepare detailed budgets for the following year for review by the parent company. The Group's budget is reviewed by the Board before being adopted formally. Operating company results are reported monthly and are reviewed locally, regionally and globally by the business groups and by Group management on a consolidated basis and ultimately by the Board. The results are compared to budget and the previous

year, with full-year forecasts prepared and updated quarterly throughout the year. The Company reports to share owners four times a year.

At each year-end, all operating companies supply their full-year financial results with such additional information as is appropriate. This information is consolidated to allow the Group to present the necessary disclosures for International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Disclosure Committee gives further assurance that publicly-released information is free from material omission or misstatement.

## Remuneration

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### The level and components of remuneration

Non-executive directors do not participate in the Company's pension, share option or other incentive plans.

The Board considers that the non-executive directors' remuneration conforms with the requirements of the UK Corporate Governance Code.

The fees payable to non-executive directors represent compensation in connection with Board and Board committee meetings and where appropriate for devoting additional time and expertise for the benefit of the Group in a wider capacity.

Details of directors' remuneration and service contracts form part of the report of the Compensation Committee which commences on page 130.

## Relations with share owners

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### Dialogue with share owners

The relationship with share owners, potential share owners and investment analysts is given high priority by the Company.

The Company has a well-developed and continuous program to address the needs of share owners, investment institutions and analysts for a regular flow of information about the Company, its strategy, performance and competitive position. Given the wide geographic distribution of the

Company's current and potential share owners, this program includes regular visits to investors, particularly by the Group chief executive, the Group finance director, the deputy Group finance director and the head of investor relations, in the UK, Continental Europe and the major financial centres in North America and also in Asia Pacific and Latin America. The Company's non-executive chairman is available to meet with investors and regularly consults with investors' governance representatives and advisory bodies. The Company provides a preliminary announcement, an interim management statement at the end of the first and third quarters which includes a trading update, an interim report at half year and a trading update and presentation at the Annual General Meeting.

The Company ensures that it has a proper dialogue with share owners and their representative bodies through executive and non-executive directors in relation to remuneration and corporate governance matters. In 2013 and 2014, the chairman and senior independent director held extensive rounds of discussions with share owners and advisory groups regarding senior executive compensation, and CEO and Board succession planning. The chairman and senior independent director provide thorough feedback to the Board on issues raised with them by share owners.

WPP's website, [wpp.com](http://wpp.com), provides current and historical financial information, including trading statements, news releases and presentations and the Company's statement of its corporate governance practices.

### The Annual General Meeting

The 2014 AGM will be held on Wednesday 25 June 2014 at 12 noon at The Shard, London. A separate notice convening the meeting is distributed to share owners and will be published on WPP's website, [wpp.com](http://wpp.com). All resolutions for which notice has been given will be decided on a poll.

# Managing our risks

## Principal risks and uncertainties

The Board has considered the principal risks and uncertainties affecting the Group as at 31 December 2013 and up to the date of this report. These are described below. The Group has specific policies in place to ensure that risks are properly evaluated and managed at the appropriate level within the Group.

Issue	Potential impact	How it is managed
<b>Clients</b>		
<p>The Group competes for clients in a highly-competitive industry and client loss may have a material adverse effect on the Group's market share and its business, revenues, results of operations, financial condition or prospects.</p>	<p>Competitors include large multinational advertising and marketing communication companies and regional and national marketing services companies, database marketing and modelling companies, telemarketers, social media and consulting internet companies.</p> <p>Service agreements with clients are generally terminable by the client on 90 days' notice and many clients put their advertising and communications business up for competitive review from time to time. The ability to attract new clients and to retain or increase the amount of work from existing clients may also in some cases be limited by clients' policies on conflicts of interest.</p>	<p>Operating companies seek to establish reputations in the industry that attract and retain clients, including by improving the quality of their creative output.</p> <p>The Group's different agency networks limit potential conflicts of interest and the Group's cross-discipline team approach seeks to retain clients.</p> <p>Brand Check at every Board meeting.</p>
<p>The Group receives a significant portion of its revenues from a limited number of large clients and the net loss of some of these clients could have a material adverse effect on the Group's prospects, business, financial condition and results of operations.</p>	<p>A relatively small number of clients contribute a significant percentage of the Group's consolidated revenues. The Group's 10 largest clients accounted for 17.8% of revenues in the year ended 31 December 2013. Clients generally are able to reduce advertising and marketing spend or cancel projects on short notice. 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 financial condition.</p>	<p>Global client account managers seek to ensure the Group maintains partnership relationship with major clients. Operating companies seek to establish reputations in the industry that attract and retain clients and key talent.</p> <p>Brand Check at every Board meeting and regular dialogue between directors of the Company and directors of the Group's largest clients.</p>
<b>Data Security</b>		
<p>The Group is subject to strict data protection and privacy legislation in the jurisdictions in which it operates and relies extensively on information technology systems. The Group operates on a largely decentralised basis with a large number of different agencies and operating entities and the resulting size and diversity of the operational systems increases the vulnerability of such systems to breakdown or malicious intrusion.</p>	<p>The Group may be subject to investigative or enforcement action or legal claims or incur fines, damages, or costs if the Group fails to adequately protect data or observe privacy legislation in every instance. A system breakdown or intrusion could have a material adverse effect on the Group's business, revenues, results of operations, financial condition or prospects.</p>	<p>The Group assists the operating companies in developing principles on privacy and data protection and compliance with local laws.</p> <p>Nominated senior executives provide leadership on privacy and data protection.</p> <p>Implemented a WPP Data Code of Conduct and new WPP policies on data privacy and security.</p> <p>Rolled out Group-wide WPP Data Health Checker which is an interactive survey to understand the scale and breadth of data collected by WPP agencies, so level of risk associated with this can be assessed.</p>



Issue	Potential impact	How it is managed
<b>Economic</b>		
<p>The Group's businesses are subject to economic cycles. Many of the economies in which the Group operates currently have significant economic challenges.</p>	<p>Reduction in client spending or postponing spending on the services offered by the Group or switching of client expenditure to non-traditional media and renegotiation of contract terms can lead to reduced profitability and cash flow.</p>	<p>Reduction in headcount and overheads. Ensuring that variable staff costs are a significant proportion of total staff costs and revenue.</p> <p>Increased controls over capital expenditure and working capital.</p> <p>Strategic focus on BRICs, the Next 11, MINT, new media and data investment management.</p> <p>Diversification by geographic and product markets.</p> <p>Consideration of the impact on the Group if certain countries left the Euro, or in the event the Euro was devalued.</p> <p>Brand Check at every Board meeting.</p>
<b>Financial</b>		
<p>Currency exchange rate fluctuations could adversely impact the Group's consolidated results.</p>	<p>The Company's reporting currency is pounds sterling. Given the Group's significant international operations, fluctuations in currency exchange rates can affect the Group's consolidated results.</p>	<p>The Group hedges the currency element of its net assets using foreign currency borrowings, cross-currency swaps and forward foreign exchange contracts. The balance sheet and cash flows of the Company are hedged by borrowing in the currency of those cash flows.</p> <p>The Company publishes and explains its results in constant currency terms, as well as in sterling and on an actual dollar basis.</p> <p>The Group's treasury position is a recurring agenda item for the Audit Committee.</p>
<p>The interest rates and fees payable by the Group in respect of certain of its borrowings are, in part, influenced by the credit ratings issued by the international debt rating agencies.</p>	<p>The Company's long-term debt is currently rated Baa2 by Moody's and BBB by Standard and Poor's and the Company's short-term debt obligations P2 and A2 respectively. If the Company's financial performance and outlook materially deteriorate, a ratings downgrade could occur and the interest rates and fees payable on certain of the Company's revolving credit facilities and certain of the Group's bonds could be increased.</p>	<p>Active dialogue with the rating agencies to ensure they are fully apprised of any actions that may affect the Company's debt ratings. The Company also seeks to manage its financial ratios and to pursue policies so as to maintain its investment grade ratings.</p> <p>The Group's treasury position is a recurring agenda item for the Audit Committee.</p>
<p>The Group is subject to credit risk through the default of a client or other counterparty.</p>	<p>The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days.</p> <p>The Group commits to media and production purchases on behalf of some of its clients as principal or agent depending on the client and market circumstances. If a client is unable to pay sums due, media and production companies may look to the Group to pay such amounts to which it committed as an agent on behalf of those clients.</p>	<p>Evaluating and monitoring clients' ongoing creditworthiness and in some cases requiring credit insurance or payments in advance.</p> <p>The Group's treasury position is a recurring agenda item for the Audit Committee.</p>

## How we comply

Managing our risks

Issue	Potential impact	How it is managed
<b>Mergers &amp; Acquisitions</b>		
<p>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.</p>	<p>The Group regularly reviews potential acquisitions of businesses that are complementary to its operations and clients' needs. If material risks are not identified prior to acquisition or the Group experiences difficulties in integrating an acquired business, it may not realise the expected benefits from such an acquisition and the Group's financial condition could be adversely affected.</p>	<p>Business, legal, tax and financial due diligence carried out prior to acquisition to seek to identify and evaluate material risks and plan the integration process. Warranties and indemnities included in purchase agreements.</p> <p>Audit Committee oversight of acquisition and Board oversight of material acquisitions and review of the integration and performance of recent and prior acquisitions.</p>
<p>Goodwill and other intangible assets recorded on the Group's balance sheet with respect to acquired companies may become impaired.</p>	<p>The Group has a significant amount of goodwill and other intangible assets recorded on its balance sheet with respect to acquired companies. The Group annually tests the carrying value of goodwill and other intangibles for impairment. The estimates and assumptions about results of operations and cash flows made in connection with impairment testing could differ from future results of operations and cash flows. Future events could cause the Group to conclude that the asset values associated with a given operation have become impaired which could have a material impact on the Group's financial condition.</p>	<p>Regular impairment testing which is a recurring agenda item for the Audit Committee.</p>
<b>Operational</b>		
<p>The Group operates in 110 countries and is exposed to the risks of doing business internationally.</p>	<p>The Group's international operations are subject to the following risk factors: (i) restrictions and/or changes in taxation on repatriation of earnings; (ii) economic, social or political instability within different countries, regions and markets; (iii) changes in foreign laws and regulatory requirements, such as those on foreign ownership of assets or data usage or business models; and (iv) uncertainty or potential ineffectiveness or lack of enforcement in relation to the Group's client service agreements or other contractual rights.</p>	<p>Affiliate, associate and joint venture structures with local partners used in developing markets.</p> <p>Brand Check at every Board meeting.</p> <p>Uniform approach to internal controls to seek to ensure best practice employed in all jurisdictions.</p>
<b>People</b>		
<p>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.</p>	<p>The Group is highly dependent on the talent, creative abilities and technical skills of our personnel as well as their relationships with clients. The Group is vulnerable to the loss of personnel to competitors and clients leading to disruption to the business.</p>	<p>The Group's incentive plans are structured to provide retention value, for example by paying part of annual incentives in shares that vest two years after grant.</p> <p>Operating companies seek to establish reputations in the industry that attract and retain key personnel, including by improving the quality of their creative output and by offering competitive performance-based compensation.</p> <p>Succession planning of key executives is a recurring agenda item of the Board and Nomination and Governance Committee.</p> <p>Compensation Committee oversight for the Group's incentive plans and compensation.</p>

Issue	Potential impact	How it is managed
<b>Regulatory/Legal</b>		
<p>The Group may be subject to regulations restricting its activities or effecting changes in taxation.</p>	<p>Governments, government agencies and industry self-regulatory bodies from time to time adopt statutes and regulations that directly or indirectly affect the form, content and scheduling of advertising, public relations and public affairs and market research or otherwise limit the scope of the activities of the Group and its clients which could have a material adverse impact on our financial position. Changes in tax laws and international tax treaties or their application may also adversely affect the Group's reported results.</p>	<p>The Group actively monitors any proposed regulatory or statutory changes and consults with government agencies and regulatory bodies where possible on such proposed changes.</p> <p>Regular briefings to the Audit Committee of significant regulatory or statutory changes.</p> <p>Group representation on a number of industry advisory bodies.</p>
<p>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 or harmful.</p>	<p>The Group works for a large number of clients across a broad spectrum of industries and end markets, some of which may become subject to litigation. As a consequence of providing services to such clients, the Group may itself become involved as a defendant in litigation brought against its clients by third parties, including its clients, competitors or consumers or governmental or regulatory authorities.</p>	<p>The Group seeks to comply with all laws and industry codes governing marketing material.</p> <p>Upward business approval procedure within operating companies and to WPP ethical review meetings.</p>
<p>The Group is subject to strict anti-corruption and anti-bribery legislation and enforcement in the countries in which it operates.</p>	<p>The Group may be exposed to liabilities in the event of breaches of anti-corruption and anti-bribery legislation in all of the 110 countries in which it operates.</p>	<p>Online and in-country ethics and anti-bribery and corruption training on a Group-wide basis to raise awareness and seek compliance with the WPP Code of Conduct.</p> <p>Confidential helpline for WPP staff to raise any concerns which are investigated and reported to the Audit Committee on a regular basis.</p> <p>Due diligence on selecting and appointing suppliers and acquisitions.</p> <p>Gift and hospitality register and approvals process.</p>

## Other statutory information

### Substantial share ownership

As at 16 April 2014, the Company is aware of the following interest of 3% or more in the issued ordinary share capital:

BlackRock Inc	4.8%
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The disclosed interest refers to the respective combined holdings of this entity and to interests associated with it.

The Company has not been notified of any other holdings of ordinary share capital of 3% or more.

### Profits and dividends

The profit before tax for the year was £1,295.8 million (2012: £1,091.9 million). The directors declared a final dividend of 23.65p (2012: 19.71p) per share to be paid on 7 July 2014 to share owners on the register at 6 June 2014 which, together with the interim ordinary dividend of 10.56p (2012: 8.80p) per share paid on 11 November 2013, makes a total of 34.21p for the year (2012: 28.51p).

### Change of control

All of our bonds except the \$369 million 5.875% bonds due June 2014 contain provisions which are triggered on a change of control of the Company. The holders of such bonds have the right to repayment at par except for holders of our other US\$ bonds where the holders have the right to redeem the bonds at 101% of par if the Company is non-investment grade at the time of the change of control or becomes non-investment grade within 120 days of the announcement of the change of control.

In addition, the Group has a Revolving Credit Facility in the amount of \$1,200 million and £475 million due November 2016, the terms of which

require the consent of the majority of the lenders if a proposed merger or consolidation of the Company would alter its legal personality or identity.

In general terms, awards granted under WPP's incentive plans will usually vest on a change of control, albeit on a pro-rated basis. Where awards are subject to performance conditions, those conditions will still need to be met, also on a pro-rated basis. Certain incentive plans allow the Compensation Committee to require outstanding awards to be exchanged for equivalent awards in the acquiring company.

### Articles of Association

There are no restrictions on amending the Articles of Association of the Company other than the need to pass a special resolution of the share owners.

### Share capital

The Company's authorised share capital consists solely of 1,750,000,000 ordinary 10 pence shares. The Company operates an American Depositary Receipt program. The rights and obligations relating to the ordinary share capital are outlined in the Articles of Association; there are no restrictions on transfer, no restrictions on voting rights and no securities carry special voting rights with regard to control of the Company.

At the Annual General Meeting on 12 June 2013, share owners passed resolutions authorising the Company, in accordance with its Articles of Association, to allot shares up to a maximum nominal amount of £42,819,206 of which £6,337,710 could be allotted for cash free of statutory pre-emption rights. In the year under review no shares were issued for cash free from pre-emption rights. Details of share capital movements are given in note 26 on pages 230 to 232.

## Authority for purchase of own shares

At the Annual General Meeting on 12 June 2013, share owners passed a special resolution authorising the Company, in accordance with its Articles of Association, to purchase up to 126,615,840 of its own shares in the market. In the year under review, 17,416,402 ordinary shares of 10 pence each were purchased at an average price of £11.31 per share.

## Auditors

The directors will propose a resolution at the Annual General Meeting to re-appoint Deloitte LLP as auditors.

## Going concern

The directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the Company and the Group are going concerns. As part of its normal business practice, the Group prepares annual and longer-term plans and in reviewing this information and in particular the three-year plan and budget the directors believe that the Company and the Group have adequate resources for the foreseeable future. Therefore the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

Further details of the Group's financial position and borrowing facilities are described in note 10 of the financial statements.

## Statement of directors' responsibilities in respect of the preparation of financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations. The directors have elected

to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and have also elected to prepare financial statements for the Company in accordance with UK accounting standards. Company law requires the directors to prepare such financial statements in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures, when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and directors' remuneration report.

The directors are responsible for the maintenance and integrity of the Company website. Jersey

## How we comply

Other statutory information



legislation and UK regulation governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

The directors confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all the steps that he or she ought to have taken, as a director, in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In accordance with the principles of the UK Corporate Governance Code, the Board has established arrangements to evaluate whether the information presented in the Annual Report is fair, balanced and understandable; these are described on page 126.

The Board considers the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for share owners to assess the Company's performance, business model and strategy.

The letters from the chairmen of the Nomination and Governance, Audit and Compensation Committees, the statements regarding directors' responsibilities and statement of going concern set out above and the directors' remuneration and interests in the share capital of the Company set out on pages 121 to 165, are included in the Directors' report, which also includes the sections 'Strategic report to share owners,' 'Who runs WPP' and 'What we think'.

By Order of the Board:

**Marie Capes**  
**Company Secretary**  
16 April 2014

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# Our 2013 financial statements

## Accounting policies

**T**he consolidated financial statements of WPP plc and its subsidiaries (the Group) for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2013.

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

### Basis of preparation

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

### Basis of consolidation

In January 2013, pursuant to a Scheme of Arrangement under Article 25 of the Companies (Jersey) Law 1991, a new parent company was introduced which is now called WPP plc. The previous parent company has been renamed and re-registered as WPP 2012 Limited. The introduction of a new holding company constitutes a Group reconstruction and has been accounted for using merger accounting principles. Accordingly, the results of the Group for the entire year ended 31 December 2013 are shown in the consolidated income statement and the comparative figures for the years ended 31 December 2012 and 2011 are also prepared on this basis. Earnings per share are unaffected by the reorganisation.

## Our 2013 financial statements

### Accounting policies

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

### Goodwill and other intangible assets

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

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

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

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

Certain corporate brands of the Group are considered to have an indefinite economic life because of the institutional nature of the corporate

brand names, their proven ability to maintain market leadership and profitable operations over long periods of time and the Group's commitment to develop and enhance their value. The carrying value of these intangible assets is reviewed at least annually for impairment and adjusted to the recoverable amount if required.

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

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

### Contingent consideration

Contingent consideration is accounted for in accordance with IFRS 3 Business Combinations.

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

Subsequent adjustments to the fair value are recorded in the consolidated income statement within revaluation of financial instruments. For acquisitions completed prior to 1 January 2010, such adjustments are recorded in the consolidated balance sheet within goodwill.

## Property, plant and equipment

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

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

## Interests in associates and joint ventures

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

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

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

investment. This process includes comparing its recoverable amount with its carrying value.

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

## Other investments

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

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

## Inventory and work in progress

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

## Trade receivables

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

## Foreign currency and interest rate hedging

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

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not

hold or issue derivative financial instruments for speculative purposes.

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

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

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

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

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

### Liabilities in respect of option agreements

Option agreements that allow the Group's equity partners to require the Group to purchase a non-controlling interest are treated as derivatives over equity instruments and are recorded in the consolidated balance sheet at fair value and the valuation is remeasured at each period end. Fair value is based on the present value of expected cash outflows and the movement in the fair value is recognised as income or expense within revaluation of financial instruments in the consolidated income statement.

### Derecognition of financial liabilities

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

### Convertible debt

Convertible debt is assessed according to the substance of the contractual arrangements and is classified into liability and equity elements on the

basis of the initial fair value of the liability element. The difference between this figure and the cash received is classified as equity.

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

### Other debt

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

### Borrowing costs

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

### Revenue recognition

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

### Advertising and Media Investment Management

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Revenue is typically derived from commissions on media placements and fees for advertising services. Revenue may consist of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client.

Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement. The amount of revenue recognised depends on whether we act as an agent

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

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

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

### Data Investment Management

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Revenue recognised in proportion to the level of service performed for market research contracts is based on proportional performance. In assessing contract performance, both input and output criteria are reviewed. Costs incurred are used as an objective input measure of performance. The primary input of all work performed under these arrangements is labour. As a result of the relationship between labour and cost, there is normally a direct relationship between costs incurred and the proportion of the contract performed to date. Costs incurred as a proportion of expected total costs is used as an initial proportional performance measure. This indicative proportional performance measure is subsequently validated against other more

## Our 2013 financial statements

Accounting policies

subjective criteria (i.e. relevant output measures) such as the percentage of interviews completed, percentage of reports delivered to a client and the achievement of any project milestones stipulated in the contract. In the event of divergence between the objective and more subjective measures, the more subjective measures take precedence since these are output measures.

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

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

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

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

## Taxation

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

The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and estimable. Such liabilities are classified as current when the Group expects to settle the liability within 12 months and the remainder as non-current. Any interest and penalties accrued are included in income taxes both in the consolidated income statement and balance sheet. Where the final outcome of such matters differs from the amount recorded, any differences may impact the income tax and deferred tax provisions in the period in which the final determination is made.

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on enacted or substantively enacted legislation. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity or the consolidated statement of comprehensive income, in which case the deferred tax is also dealt with in equity or the consolidated statement of comprehensive income.

## Retirement benefit costs

The Group accounts for retirement benefit costs in accordance with IAS 19 (amended): Employee Benefits.

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

For defined benefit plans the amounts charged to operating profit are the current service costs, past service costs, administrative expenses and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the consolidated income statement when the related plan amendment occurs. The interest cost on pension plan liabilities and expected return on plan assets reported in previous years have been replaced with a net interest amount which is shown within finance costs. The net interest is calculated by applying the discount rate to the recognised overall surplus or deficit in the plan.

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

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

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

### Finance leases

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

### Operating leases

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

### Translation of foreign currencies

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated

as assets and liabilities of the foreign entity and translated at the closing rate.

### Share-based payments

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

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

### New IFRS accounting pronouncements

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At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 9: Financial Instruments;
- IFRS 14: Regulatory Deferral Accounts; and
- IAS 32 (amended): Financial Instruments: Presentation.

The Group does not consider that these Standards and Interpretations will have a significant impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect.

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

- IFRS 10: Consolidated Financial Statements;
- IFRS 11: Joint Arrangements;
- IFRS 12: Disclosure of Interests in Other Entities;
- IFRS 13: Fair Value Measurement;



- IAS 1 (amended): Presentation of Financial Statements;
- IAS 27 (revised): Separate Financial Statements; and
- IAS 28 (revised): Investments in Associates and Joint Ventures.

The adoption of these Standards has not led to any changes in the Group's accounting policies.

The Group also adopted IAS 19 (amended): Employee Benefits during the year. As a result, the interest cost on pension plan liabilities and expected return on plan assets reported in previous years have been replaced with a net interest amount. The Group has amended the presentation of prior-year comparative amounts to reflect these requirements. There is no material impact of adopting IAS 19 (amended) on the profit for any of the years presented.

- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

**Sir Martin Sorrell**

**Paul Richardson**

**Group chief executive** **Group finance director**

16 April 2014

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### Critical judgements in applying accounting policies

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Management is required to make key decisions and judgements in the process of applying the Group's accounting policies. The most significant areas where such judgements have been necessary are revenue recognition, goodwill and other intangibles, payments due to vendors (earnout agreements), acquisition reserves, taxation and accounting for pension liabilities. Where judgement has been applied, the key factors taken into consideration are disclosed in the accounting policies and the appropriate note in these financial statements.

### Directors' responsibility statement

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We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

# Consolidated income statement

For the year ended 31 December 2013

	Notes	2013 £m	2012 £m	2011 £m	2013 \$m <sup>3</sup>	2012 \$m <sup>3</sup>	2011 \$m <sup>3</sup>
<b>Billings<sup>1</sup></b>		<b>46,209.3</b>	44,405.3	44,791.8	<b>72,344.5</b>	70,459.1	71,749.2
<b>Revenue</b>	2	<b>11,019.4</b>	10,373.1	10,021.8	<b>17,251.5</b>	16,459.3	16,053.4
Direct costs		<b>(943.3)</b>	(858.3)	(783.3)	<b>(1,477.0)</b>	(1,361.9)	(1,253.7)
<b>Gross profit</b>	2	<b>10,076.1</b>	9,514.8	9,238.5	<b>15,774.5</b>	15,097.4	14,799.7
Operating costs	3	<b>(8,665.8)</b>	(8,273.7)	(8,046.3)	<b>(13,547.9)</b>	(13,120.8)	(12,896.3)
<b>Operating profit</b>		<b>1,410.3</b>	1,241.1	1,192.2	<b>2,226.6</b>	1,976.6	1,903.4
Share of results of associates	4	<b>68.1</b>	69.4	66.1	<b>107.8</b>	110.3	105.8
<b>Profit before interest and taxation</b>		<b>1,478.4</b>	1,310.5	1,258.3	<b>2,334.4</b>	2,086.9	2,009.2
Finance income	6	<b>64.3</b>	55.9	64.7	<b>101.2</b>	88.7	103.7
Finance costs	6	<b>(267.9)</b>	(269.8)	(264.6)	<b>(418.7)</b>	(427.7)	(424.3)
Revaluation of financial instruments	6	<b>21.0</b>	(4.7)	(50.0)	<b>34.4</b>	(6.5)	(79.2)
<b>Profit before taxation</b>		<b>1,295.8</b>	1,091.9	1,008.4	<b>2,051.3</b>	1,741.4	1,609.4
Taxation	7	<b>(283.7)</b>	(197.2)	(91.9)	<b>(448.1)</b>	(315.4)	(151.1)
<b>Profit for the year</b>		<b>1,012.1</b>	894.7	916.5	<b>1,603.2</b>	1,426.0	1,458.3
<b>Attributable to:</b>							
Equity holders of the parent		<b>936.5</b>	822.7	840.1	<b>1,485.1</b>	1,311.5	1,335.7
Non-controlling interests		<b>75.6</b>	72.0	76.4	<b>118.1</b>	114.5	122.6
		<b>1,012.1</b>	894.7	916.5	<b>1,603.2</b>	1,426.0	1,458.3
Headline PBIT	31	<b>1,661.6</b>	1,531.0	1,429.0	<b>2,620.1</b>	2,439.3	2,281.5
<b>Headline PBIT margin</b>	31	<b>15.1%</b>	14.8%	14.3%	<b>15.2%</b>	14.8%	14.2%
<b>Headline gross margin margin</b>	31	<b>16.5%</b>	16.1%	15.5%	<b>16.6%</b>	16.2%	15.4%
Headline PBT	31	<b>1,458.0</b>	1,317.1	1,229.1	<b>2,302.6</b>	2,100.3	1,960.9

## Earnings per share<sup>2</sup>

Basic earnings per ordinary share	9	<b>72.4p</b>	66.2p	67.6p	<b>114.8¢</b>	105.5¢	107.5¢
Diluted earnings per ordinary share	9	<b>69.6p</b>	62.8p	64.5p	<b>110.4¢</b>	100.0¢	102.6¢

### Notes

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

<sup>1</sup> Billings is defined on page 246.

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

<sup>3</sup> The consolidated income statement above is also expressed in US dollars for information purposes only and is unaudited. It has been prepared assuming the US dollar is the reporting currency of the Group, whereby local currency results are translated into US dollars at actual monthly average exchange rates in the period presented. Among other currencies, this includes an average exchange rate of US\$1.5646 to the pound sterling for the year 2013 (2012: US\$1.5852, 2011: US\$1.6032).

# Consolidated statement of comprehensive income

For the year ended 31 December 2013

	2013 £m	2012 £m	2011 £m
<b>Profit for the year</b>	<b>1,012.1</b>	894.7	916.5
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange adjustments on foreign currency net investments	(372.6)	(305.2)	(256.3)
Gain/(loss) on revaluation of available for sale investments	72.0	(3.5)	11.3
	<b>(300.6)</b>	(308.7)	(245.0)
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial gain/(loss) on defined benefit pension plans	76.2	(83.9)	(72.0)
Deferred tax on defined benefit pension plans	(1.2)	7.3	0.1
	<b>75.0</b>	(76.6)	(71.9)
<b>Other comprehensive loss for the year</b>	<b>(225.6)</b>	(385.3)	(316.9)
<b>Total comprehensive income for the year</b>	<b>786.5</b>	509.4	599.6
<b>Attributable to:</b>			
Equity holders of the parent	727.0	444.2	529.5
Non-controlling interests	59.5	65.2	70.1
	<b>786.5</b>	509.4	599.6

**Note**

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

# Consolidated cash flow statement

For the year ended 31 December 2013

	Notes	2013 £m	2012 £m	2011 £m
<b>Net cash inflow from operating activities</b>	11	<b>1,374.2</b>	908.3	665.2
<b>Investing activities</b>				
Acquisitions and disposals	11	(201.4)	(566.5)	(469.8)
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)
Proceeds on disposal of property, plant and equipment		7.3	123.5	13.2
<b>Net cash outflow from investing activities</b>		<b>(478.6)</b>	(773.1)	(709.8)
<b>Financing activities</b>				
Share option proceeds		42.4	56.0	28.8
Cash consideration for non-controlling interests	11	(19.6)	(20.1)	(62.6)
Share repurchases and buy-backs	11	(197.0)	(134.5)	(182.2)
Net increase in borrowings	11	436.8	380.5	301.4
Financing and share issue costs		(19.1)	(8.2)	(11.9)
Equity dividends paid		(397.3)	(306.6)	(218.4)
Dividends paid to non-controlling interests in subsidiary undertakings		(53.2)	(51.9)	(62.2)
<b>Net cash outflow from financing activities</b>		<b>(207.0)</b>	(84.8)	(207.1)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>688.6</b>	50.4	(251.7)
Translation differences		(164.7)	(119.3)	(29.9)
Cash and cash equivalents at beginning of year		1,359.3	1,428.2	1,709.8
<b>Cash and cash equivalents at end of year</b>	11	<b>1,883.2</b>	1,359.3	1,428.2
<b>Reconciliation of net cash flow to movement in net debt:</b>				
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>688.6</b>	50.4	(251.7)
Cash inflow from increase in debt financing		(418.1)	(372.5)	(289.5)
Debt acquired		–	(20.0)	(17.5)
Conversion of bond to equity		449.9	–	–
Other movements		21.0	3.4	(16.4)
Translation differences		(160.6)	(17.7)	(1.3)
<b>Movement of net debt in the year</b>		<b>580.8</b>	(356.4)	(576.4)
Net debt at beginning of year		(2,821.2)	(2,464.8)	(1,888.4)
<b>Net debt at end of year</b>	10	<b>(2,240.4)</b>	(2,821.2)	(2,464.8)

**Note**

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

# Consolidated balance sheet

At 31 December 2013

	Notes	2013 £m	2012 £m
<b>Non-current assets</b>			
Intangible assets:			
Goodwill	12	9,472.8	9,457.2
Other	12	1,667.8	1,827.4
Property, plant and equipment	13	773.3	768.3
Interests in associates and joint ventures	14	792.8	887.2
Other investments	14	270.6	176.5
Deferred tax assets	15	119.4	91.2
Trade and other receivables	17	158.5	245.1
		<b>13,255.2</b>	13,452.9
<b>Current assets</b>			
Inventory and work in progress	16	304.5	348.2
Corporate income tax recoverable		136.0	124.2
Trade and other receivables	17	9,088.1	9,007.0
Cash and short-term deposits		2,221.6	1,945.3
		<b>11,750.2</b>	11,424.7
<b>Current liabilities</b>			
Trade and other payables	18	(10,710.7)	(10,907.8)
Corporate income tax payable		(120.1)	(102.9)
Bank overdrafts and loans	20	(941.4)	(1,085.9)
		<b>(11,772.2)</b>	(12,096.6)
<b>Net current liabilities</b>			
		<b>(22.0)</b>	(671.9)
<b>Total assets less current liabilities</b>			
		<b>13,233.2</b>	12,781.0
<b>Non-current liabilities</b>			
Bonds and bank loans	20	(3,520.6)	(3,680.6)
Trade and other payables	19	(457.6)	(512.0)
Corporate income tax payable		(362.6)	(375.3)
Deferred tax liabilities	15	(650.7)	(680.3)
Provision for post-employment benefits	23	(247.5)	(335.6)
Provisions for liabilities and charges	21	(147.7)	(136.6)
		<b>(5,386.7)</b>	(5,720.4)
<b>Net assets</b>			
		<b>7,846.5</b>	7,060.6
<b>Equity</b>			
Called-up share capital	26	134.9	126.5
Share premium account		483.4	175.9
Shares to be issued		0.5	1.8
Merger reserve		-	(5,135.7)
Other reserves	27	317.3	622.7
Own shares		(253.0)	(166.5)
Retained earnings		6,903.7	11,186.3
<b>Equity share owners' funds</b>			
		<b>7,586.8</b>	6,811.0
Non-controlling interests		259.7	249.6
<b>Total equity</b>			
		<b>7,846.5</b>	7,060.6

**Note**

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

The financial statements were approved by the Board of Directors and authorised for issue on 16 April 2014.

Signed on behalf of the Board:

**Sir Martin Sorrell**  
Group chief executive

**Paul Richardson**  
Group finance director

# Consolidated statement of changes in equity

For the year ended 31 December 2013

	Called-up share capital £m	Share premium account £m	Shares to be issued £m	Merger reserve £m	Other reserves <sup>1</sup> £m	Own shares £m	Retained earnings £m	Total equity share owners' funds £m	Non- controlling interests £m	Total £m
<b>Balance at 1 January 2013</b>	<b>126.5</b>	<b>175.9</b>	<b>1.8</b>	<b>(5,135.7)</b>	<b>622.7</b>	<b>(166.5)</b>	<b>11,186.3</b>	<b>6,811.0</b>	<b>249.6</b>	<b>7,060.6</b>
Reclassification due to Group reconstruction <sup>2</sup>	–	(176.0)	–	5,135.7	(2.0)	–	(4,957.7)	–	–	–
Ordinary shares issued	0.7	41.7	(1.3)	–	–	–	1.2	42.3	–	42.3
Share issue/cancellation costs	–	(0.4)	–	–	–	–	–	(0.4)	–	(0.4)
Shares issued on conversion of bond	7.7	442.2	–	–	–	–	–	449.9	–	449.9
Reclassification of convertible bond	–	–	–	–	(44.5)	–	36.1	(8.4)	–	(8.4)
Deferred tax on convertible bond	–	–	–	–	9.7	–	(7.8)	1.9	–	1.9
Treasury share additions	–	–	–	–	–	(17.6)	–	(17.6)	–	(17.6)
Treasury share allocations	–	–	–	–	–	3.3	(3.3)	–	–	–
Net profit for the year	–	–	–	–	–	–	936.5	936.5	75.6	1,012.1
Exchange adjustments on foreign currency net investments	–	–	–	–	(356.5)	–	–	(356.5)	(16.1)	(372.6)
Gain on revaluation of available for sale investments	–	–	–	–	72.0	–	–	72.0	–	72.0
Actuarial gain on defined benefit pension plans	–	–	–	–	–	–	76.2	76.2	–	76.2
Deferred tax on defined benefit pension plans	–	–	–	–	–	–	(1.2)	(1.2)	–	(1.2)
Comprehensive income	–	–	–	–	(284.5)	–	1,011.5	727.0	59.5	786.5
Dividends paid	–	–	–	–	–	–	(397.3)	(397.3)	(53.2)	(450.5)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	–	105.4	105.4	–	105.4
Tax adjustment on share-based payments	–	–	–	–	–	–	47.9	47.9	–	47.9
Net movement in own shares held by ESOP Trusts	–	–	–	–	–	(72.2)	(107.2)	(179.4)	–	(179.4)
Recognition/remeasurement of financial instruments	–	–	–	–	(2.4)	–	(0.2)	(2.6)	–	(2.6)
Share purchases – close period commitments	–	–	–	–	18.3	–	–	18.3	–	18.3
Acquisition of subsidiaries <sup>3</sup>	–	–	–	–	–	–	(11.2)	(11.2)	3.8	(7.4)
<b>Balance at 31 December 2013</b>	<b>134.9</b>	<b>483.4</b>	<b>0.5</b>	<b>–</b>	<b>317.3</b>	<b>(253.0)</b>	<b>6,903.7</b>	<b>7,586.8</b>	<b>259.7</b>	<b>7,846.5</b>

## Notes

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

<sup>1</sup> Other reserves are analysed in note 27.

<sup>2</sup> On 2 January 2013, pursuant to a scheme of arrangement under Article 125 of the Companies (Jersey) Law 1991, a new parent company was introduced. Upon implementation, the Group's share premium account and merger reserve have been transferred to retained earnings.

<sup>3</sup> Acquisition of subsidiaries represents movements in retained earnings and non-controlling interests arising from changes in ownership of existing subsidiaries and recognition of non-controlling interests on new acquisitions.

## For the year ended 31 December 2012

	Called-up share capital £m	Share premium account £m	Shares to be issued £m	Merger reserve £m	Other reserves <sup>1</sup> £m	Own shares £m	Retained earnings £m	Total equity share owners' funds £m	Non- controlling interests £m	Total £m
<b>Balance at 1 January 2012</b>	<b>126.6</b>	<b>105.7</b>	<b>2.4</b>	<b>(5,136.2)</b>	<b>938.9</b>	<b>(177.6)</b>	<b>10,803.5</b>	<b>6,663.3</b>	<b>231.0</b>	<b>6,894.3</b>
Ordinary shares issued	1.0	55.0	(0.6)	0.5	-	-	-	55.9	-	55.9
Share issue/cancellation costs	-	(0.2)	-	-	-	-	-	(0.2)	-	(0.2)
Share cancellations	(0.7)	-	-	-	0.7	-	(55.1)	(55.1)	-	(55.1)
Treasury share additions	-	-	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Treasury share allocations	-	-	-	-	-	0.9	(0.9)	-	-	-
Treasury share cancellations	(0.6)	-	-	-	0.6	37.2	(37.2)	-	-	-
Net profit for the year	-	-	-	-	-	-	822.7	822.7	72.0	894.7
Exchange adjustments on foreign currency net investments	-	-	-	-	(298.4)	-	-	(298.4)	(6.8)	(305.2)
Loss on revaluation of available for sale investments	-	-	-	-	(3.5)	-	-	(3.5)	-	(3.5)
Actuarial loss on defined benefit pension plans	-	-	-	-	-	-	(83.9)	(83.9)	-	(83.9)
Deferred tax on defined benefit pension plans	-	-	-	-	-	-	7.3	7.3	-	7.3
Comprehensive income	-	-	-	-	(301.9)	-	746.1	444.2	65.2	509.4
Dividends paid	-	-	-	-	-	-	(306.6)	(306.6)	(51.9)	(358.5)
Scrip dividend	0.2	15.4	-	-	-	-	(15.6)	-	-	-
Non-cash share-based incentive plans (including share options)	-	-	-	-	-	-	92.8	92.8	-	92.8
Tax adjustment on share-based payments	-	-	-	-	-	-	18.3	18.3	-	18.3
Net movement in own shares held by ESOP Trusts	-	-	-	-	-	(26.4)	(52.4)	(78.8)	-	(78.8)
Recognition/remeasurement of financial instruments	-	-	-	-	2.7	-	14.8	17.5	-	17.5
Share purchases – close period commitments	-	-	-	-	(18.3)	-	-	(18.3)	-	(18.3)
Acquisition of subsidiaries <sup>2</sup>	-	-	-	-	-	-	(21.4)	(21.4)	5.3	(16.1)
<b>Balance at 31 December 2012</b>	<b>126.5</b>	<b>175.9</b>	<b>1.8</b>	<b>(5,135.7)</b>	<b>622.7</b>	<b>(166.5)</b>	<b>11,186.3</b>	<b>6,811.0</b>	<b>249.6</b>	<b>7,060.6</b>

### Notes

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

<sup>1</sup> Other reserves are analysed in note 27.

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

# Notes to the consolidated financial statements

For the year ended 31 December 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:

	Revenue <sup>1</sup> £m	Gross profit £m	Headline PBIT <sup>2</sup> £m	Headline PBIT margin %	Headline gross margin <sup>3</sup> %
<b>Other information</b>					
<b>2013</b>					
Advertising and Media Investment Management	4,578.8	4,463.6	824.4	18.0	18.5
Data Investment Management <sup>4</sup>	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
<b>2012</b>					
Advertising and Media Investment Management	4,273.2	4,201.3	754.5	17.7	18.0
Data Investment Management <sup>4</sup>	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
<b>2011</b>					
Advertising and Media Investment Management	4,157.2	4,110.2	667.9	16.1	16.2
Data Investment Management <sup>4</sup>	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

<sup>1</sup> Intersegment sales have not been separately disclosed as they are not material.

<sup>2</sup> 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.

<sup>3</sup> Headline gross margin margin is defined in note 31.

<sup>4</sup> Data Investment Management was previously reported as Consumer Insight.



# Our 2013 financial statements

Notes to the consolidated financial statements

	Share-based payments £m	Capital additions <sup>1</sup> £m	Depreciation and amortisation <sup>2</sup> £m	Goodwill impairment £m	Share of results of associates £m	Interests in associates and joint ventures £m
<b>Other information</b>						
<b>2013</b>						
Advertising and Media Investment Management	55.5	127.2	102.2	–	35.0	486.3
Data Investment Management <sup>3</sup>	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
<b>2012</b>						
Advertising and Media Investment Management	49.3	198.4	97.1	0.7	34.7	566.9
Data Investment Management <sup>3</sup>	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
<b>2011</b>						
Advertising and Media Investment Management	44.5	112.7	94.2	–	36.4	549.9
Data Investment Management <sup>3</sup>	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

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

<sup>2</sup> Depreciation of property, plant and equipment and amortisation of other intangible assets.

<sup>3</sup> Data Investment Management was previously reported as Consumer Insight.

	Segment assets £m	Unallocated corporate assets <sup>1</sup> £m	Assets Consolidated total assets £m	Segment liabilities £m	Unallocated corporate liabilities <sup>1</sup> £m	Liabilities Consolidated total liabilities £m
<b>Balance sheet</b>						
<b>2013</b>						
Advertising and Media Investment Management	11,787.6			(8,919.1)		
Data Investment Management <sup>2</sup>	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)
<b>2012</b>						
Advertising and Media Investment Management	12,013.9			(9,152.7)		
Data Investment Management <sup>2</sup>	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)
<b>2011</b>						
Advertising and Media Investment Management	12,075.9			(9,331.8)		
Data Investment Management <sup>2</sup>	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

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

<sup>2</sup> Data Investment Management was previously reported as Consumer Insight.

# Our 2013 financial statements

Notes to the consolidated financial statements

Contributions by geographical area were as follows:

	2013 £m	2012 £m	2011 £m
<b>Revenue<sup>1</sup></b>			
North America <sup>4</sup>	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

## Gross profit

North America <sup>4</sup>	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
<b>Headline PBIT<sup>2</sup></b>			
North America <sup>4</sup>	16.5%	16.3%	15.5%
UK	14.5%	13.6%	14.0%
Western Continental Europe	10.5%	10.4%	11.3%
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	17.4%	16.9%	15.4%
	15.1%	14.8%	14.3%

	Margin	Margin	Margin
<b>Headline gross margin margin<sup>3</sup></b>			
North America <sup>4</sup>	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

<sup>1</sup> Intersegment sales have not been separately disclosed as they are not material.

<sup>2</sup> Headline PBIT is defined in note 31.

<sup>3</sup> Headline gross margin margin is defined in note 31.

<sup>4</sup> 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 million) and headline PBIT of £582.6 million (2012: £547.8 million, 2011: £490.2 million).

	2013 £m	2012 £m
<b>Non-current assets<sup>1</sup></b>		
North America <sup>2</sup>	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

<sup>1</sup> Non-current assets excluding financial instruments and deferred tax.

<sup>2</sup> 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 <sup>1</sup>	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

<sup>1</sup> 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 <sup>1</sup> £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

<sup>1</sup> 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 <sup>1</sup>	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

<sup>1</sup> 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).

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Staff costs include:

	2013	2012	2011
	£m	£m	£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 <sup>1</sup>	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

<sup>1</sup> 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	2012	2011
	£m	£m	£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	2012	2011
	£m	£m	£m
Net interest expense on pension plans <sup>1</sup> (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 <sup>2</sup>	254.8	256.8	251.6
	267.9	269.8	264.6

Revaluation of financial instruments<sup>3</sup> include:

	2013	2012	2011
	£m	£m	£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

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

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

<sup>3</sup> 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	2012	2011
	£m	£m	£m
<b>Corporation tax</b>			
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
<b>Deferred tax</b>			
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% <sup>1</sup>	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 <sup>1</sup>	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

<sup>1</sup> 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%.

<sup>2</sup> Headline PBT is defined in note 31.

## 8. Ordinary dividends

Amounts recognised as distributions to equity holders in the year:

Per share	2013	2012	2011	2013	2012	2011
	Pence per share			£m	£m	£m
2012 Final dividend <sup>1</sup>	19.71p	17.14p	11.82p	258.0	212.8	147.3
2013 Interim dividend <sup>2</sup>	10.56p	8.80p	7.46p	139.3	109.4	92.2
	30.27p	25.94p	19.28p	397.3	322.2	239.5
Per ADR <sup>3</sup>	2013	2012	2011	2013	2012	2011
	Cents per share			\$m	\$m	\$m
2012 Final dividend <sup>1</sup>	156.22¢	137.39¢	91.37¢	409.0	341.2	227.7
2013 Interim dividend <sup>2</sup>	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:

Per share	2013	2012	2011
	Pence per share		
Final dividend <sup>1</sup>	23.65p	19.71p	17.14p
Per ADR <sup>3</sup>	2013	2012	2011
	Cents per ADR		
Final dividend <sup>1</sup>	185.01¢	156.22¢	137.39¢

#### Notes

<sup>1</sup> Second interim dividend in 2011 and 2010.

<sup>2</sup> First interim dividend in 2012 and 2011.

<sup>3</sup> 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 <sup>1</sup> (£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

<sup>1</sup> 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.

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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
<b>Analysis of changes in financing</b>				
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 <sup>1</sup>	(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

<sup>1</sup> 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)
<b>Debt financing under the Revolving Credit Facility and in relation to unsecured loan notes</b>	<b>(5,700.9)</b>	<b>(5,278.6)</b>
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
<b>Debt financing</b>	<b>(4,462.0)</b>	<b>(4,766.5)</b>
Cash and short-term deposits	2,221.6	1,945.3
<b>Net debt</b>	<b>(2,240.4)</b>	<b>(2,821.2)</b>

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

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

### Note

<sup>1</sup> 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		Fixed	Floating	Period
Currency	£m	rate <sup>1</sup>	basis	(months) <sup>1</sup>
\$	- fixed	1,913.0	5.53%	n/α
	- floating	444.0	n/α	LIBOR
£	- fixed	550.0	6.07%	n/α
	- floating	200.0	n/α	LIBOR
€	- fixed	690.7	6.50%	n/α
	- floating	344.2	n/α	EURIBOR
¥	- fixed	64.0	2.07%	n/α
Other	(25.4)	n/α	n/α	n/α
	4,180.5			

#### Note

<sup>1</sup> 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	
	Payable £m	Receivable £m	Payable £m	Receivable £m
<b>2013</b>				
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	-	-	-	-
	<b>849.6</b>	<b>690.9</b>	<b>1,536.2</b>	<b>1,729.2</b>
	Financial liabilities		Financial assets	
	Payable £m	Receivable £m	Payable £m	Receivable £m
<b>2012</b>				
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	-	-	-	-
	<b>1,154.2</b>	<b>921.8</b>	<b>2,282.4</b>	<b>2,564.1</b>

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

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Notes to the consolidated financial statements

## 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
<b>Acquisitions and disposals</b>	<b>(201.4)</b>	<b>(566.5)</b>	<b>(469.8)</b>
Cash consideration for non-controlling interests	(19.6)	(20.1)	(62.6)
<b>Net cash outflow</b>	<b>(221.0)</b>	<b>(586.6)</b>	<b>(532.4)</b>

## 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)
<b>Net cash outflow</b>	<b>(197.0)</b>	<b>(134.5)</b>	<b>(182.2)</b>

## 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)	-
<b>Net cash inflow</b>	<b>436.8</b>	<b>380.5</b>	<b>301.4</b>

## 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 <sup>1</sup>	(338.4)	(586.0)	(518.4)
<b>Cash and cash equivalents at end of year</b>	<b>1,883.2</b>	<b>1,359.3</b>	<b>1,428.2</b>

### Note

<sup>1</sup> 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
<b>Cost:</b>	
<b>1 January 2012</b>	9,988.5
Additions <sup>1</sup>	360.8
Revision of earnout estimates	8.6
Exchange adjustments	(315.8)
<b>31 December 2012</b>	10,042.1
Additions <sup>1</sup>	209.0
Revision of earnout estimates	(5.7)
Exchange adjustments	(179.6)
<b>31 December 2013</b>	<b>10,065.8</b>

### Accumulated impairment losses and write-downs:

<b>1 January 2012</b>	557.7
Impairment losses for the year	32.0
Exchange adjustments	(4.8)
<b>31 December 2012</b>	584.9
Impairment losses for the year	17.7
Exchange adjustments	(9.6)
<b>31 December 2013</b>	<b>593.0</b>

### Net book value:

<b>31 December 2013</b>	<b>9,472.8</b>
31 December 2012	9,457.2
1 January 2012	9,430.8

### Note

<sup>1</sup> 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
<b>Total goodwill</b>	<b>9,472.8</b>	<b>9,457.2</b>

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
<b>Cost:</b>				
<b>1 January 2012</b>	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 <sup>1</sup>	-	12.9	0.3	13.2
Exchange adjustments	(43.3)	(34.1)	(11.9)	(89.3)
<b>31 December 2012</b>	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 <sup>1</sup>	-	2.2	0.6	2.8
Exchange adjustments	(35.2)	(8.9)	(6.0)	(50.1)
<b>31 December 2013</b>	<b>957.9</b>	<b>1,666.4</b>	<b>284.2</b>	<b>2,908.5</b>

## Amortisation and impairment:

<b>1 January 2012</b>	-	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)
<b>31 December 2012</b>	-	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)
<b>31 December 2013</b>	<b>-</b>	<b>1,052.8</b>	<b>187.9</b>	<b>1,240.7</b>

## Net book value:

<b>31 December 2013</b>	<b>957.9</b>	<b>613.6</b>	<b>96.3</b>	<b>1,667.8</b>
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

<sup>1</sup> 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.

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### 13. Property, plant and equipment

The movements in 2013 and 2012 were as follows:

	Land £m	Free- hold build- ings £m	Lease- hold build- ings £m	Fixtures, fittings and equip- ment £m	Com- puter equip- ment £m	Total £m
<b>Cost:</b>						
<b>1 January 2012</b>	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)
<b>31 December 2012</b>	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)
<b>31 December 2013</b>	<b>37.1</b>	<b>105.8</b>	<b>741.3</b>	<b>325.8</b>	<b>605.8</b>	<b>1,815.8</b>
<b>Depreciation:</b>						
<b>1 January 2012</b>	-	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)
<b>31 December 2012</b>	-	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)
<b>31 December 2013</b>	<b>-</b>	<b>19.8</b>	<b>372.9</b>	<b>191.7</b>	<b>458.1</b>	<b>1,042.5</b>
<b>Net book value:</b>						
<b>31 December 2013</b>	<b>37.1</b>	<b>86.0</b>	<b>368.4</b>	<b>134.1</b>	<b>147.7</b>	<b>773.3</b>
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 intang- ibles of associates and joint ventures £m	Total associates and joint ventures £m	Other invest- ments £m
<b>1 January 2012</b>	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)
<b>31 December 2012</b>	<b>440.6</b>	<b>446.6</b>	<b>887.2</b>	<b>176.5</b>
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)	-
<b>31 December 2013</b>	<b>395.4</b>	<b>397.4</b>	<b>792.8</b>	<b>270.6</b>

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 <sup>1</sup>	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

<sup>1</sup> 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
<b>Income statement</b>			
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
<b>Balance sheet</b>			
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.

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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
<b>2013</b>			
Deferred tax assets	224.3	(104.9)	<b>119.4</b>
Deferred tax liabilities	(755.6)	104.9	<b>(650.7)</b>
	(531.3)	-	<b>(531.3)</b>
<b>2012</b>			
Deferred tax assets	221.2	(130.0)	<b>91.2</b>
Deferred tax liabilities	(810.3)	130.0	<b>(680.3)</b>
	(589.1)	-	<b>(589.1)</b>

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 pay- ments £m	Other temporary differences £m	Total £m
<b>1 January 2012</b>	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)
<b>31 December 2012</b>	<b>35.6</b>	<b>23.7</b>	<b>43.7</b>	<b>55.9</b>	<b>62.3</b>	<b>221.2</b>
(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)
<b>31 December 2013</b>	<b>25.2</b>	<b>19.0</b>	<b>31.3</b>	<b>86.3</b>	<b>62.5</b>	<b>224.3</b>

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
<b>1 January 2012</b>	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)
<b>31 December 2012</b>	<b>624.7</b>	<b>21.0</b>	<b>125.7</b>	<b>30.3</b>	<b>8.6</b>	<b>810.3</b>
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)
<b>31 December 2013</b>	<b>564.6</b>	<b>21.5</b>	<b>135.5</b>	<b>29.6</b>	<b>4.4</b>	<b>755.6</b>

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	<b>288.9</b>	343.3
Inventory	<b>15.6</b>	4.9
	<b>304.5</b>	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
	<b>9,088.1</b>	<b>9,007.0</b>

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

	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
<b>2013</b>							
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
	<b>6,402.5</b>	<b>4,224.8</b>	<b>1,406.2</b>	<b>588.4</b>	<b>126.6</b>	<b>32.9</b>	<b>23.6</b>

	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
<b>2012</b>							
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
	<b>6,671.6</b>	<b>4,253.8</b>	<b>1,524.2</b>	<b>694.9</b>	<b>147.5</b>	<b>19.6</b>	<b>31.6</b>

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
	<b>158.5</b>	<b>245.1</b>

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	<b>92.8</b>	<b>105.3</b>

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
	<b>10,710.7</b>	<b>10,907.8</b>

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
	<b>457.6</b>	<b>512.0</b>

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
	<b>193.5</b>	<b>194.0</b>

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	2013 £m	2012 £m
<b>At the beginning of the year</b>	<b>194.0</b>	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)
<b>At the end of the year</b>	<b>193.5</b>	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
	<b>941.4</b>	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
	<b>4,462.0</b>	4,766.5

## 21. Provisions for liabilities and charges

The movements in 2013 and 2012 were as follows:

	Property £m	Other £m	Total £m
<b>1 January 2012</b>	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)
<b>31 December 2012</b>	41.3	95.3	136.6
Charged to the income statement	11.5	13.8	25.3
Acquisitions <sup>1</sup>	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)
<b>31 December 2013</b>	<b>37.3</b>	<b>110.4</b>	<b>147.7</b>

### Note

<sup>1</sup> 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 <sup>1</sup>	4.6	3.5	–	(4.3)	<b>3.8</b>
Executive Performance Share Plan (EPSP)	–	2.5	–	–	<b>2.5</b>
Performance Share Awards (PSA)	7.0	2.0	(0.3)	(3.5)	<b>5.2</b>
Leaders, Partners and High Potential Group	9.8	2.2	(0.7)	(3.0)	<b>8.3</b>

### Weighted average fair value (pence per share):

Renewed LEAP/ LEAP III <sup>1</sup>	683p	375p	725p	375p	<b>749p</b>
Executive Performance Share Plan (EPSP)	–	1,122p	–	–	<b>1,122p</b>
Performance Share Awards (PSA)	802p	970p	878p	731p	<b>911p</b>
Leaders, Partners and High Potential Group	740p	1,223p	765p	673p	<b>891p</b>

### Note

<sup>1</sup> 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 <sup>1</sup> (note 6)	11.4	11.3	11.2
	<b>162.7</b>	<b>160.0</b>	<b>146.6</b>

### Note

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

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## 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	2012	2011	2010
	% pa	% pa	% pa	% pa
<b>UK</b>				
Discount rate <sup>1</sup>	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
<b>North America</b>				
Discount rate <sup>1</sup>	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
<b>Western Continental Europe</b>				
Discount rate <sup>1</sup>	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
<b>Asia Pacific, Latin America, Africa &amp; Middle East and Central &amp; Eastern Europe</b>				
Discount rate <sup>1</sup>	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

<sup>1</sup> 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 <sup>1</sup>
- 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

<sup>1</sup> 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 Continental Europe	Other <sup>1</sup>
<b>Weighted average duration of the defined benefit obligation (years)</b>	12.4	10.4	13.4	15.9	5.6
<b>Expected benefit payments over the next 10 years</b>					
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**

<sup>1</sup> 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.

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

**Note**

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

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### (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		2012		2011	
	£m	%	£m	%	£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 <sup>1</sup>	37.0	5.1	150.9	21.3	84.9	13.0
Other <sup>1</sup>	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 <sup>2</sup>	-		(0.3)		(0.4)	
Net liability <sup>3</sup>	(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

<sup>1</sup> In the 2012 and 2011 financial statements these were presented in 'cash and other'.

<sup>2</sup> 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.

<sup>3</sup> 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)
<b>Deficit in the plans</b>	<b>(246.6)</b>	<b>(334.3)</b>	<b>(280.8)</b>

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
<b>Funded plans by region</b>						
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)
<b>Deficit/liabilities in the funded plans</b>	<b>(104.1)</b>	<b>(830.3)</b>	<b>(175.6)</b>	<b>(885.4)</b>	<b>(133.4)</b>	<b>(787.1)</b>

#### Unfunded plans by region

	2013 £m	2012 £m	2011 £m
UK	-	-	-
North America	(67.9)	(67.9)	(78.2)
Western Continental Europe	(54.4)	(54.4)	(54.5)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	(20.2)	(20.2)	(26.0)
<b>Deficit/liabilities in the unfunded plans</b>	<b>(142.5)</b>	<b>(142.5)</b>	<b>(158.7)</b>

#### Deficit/liabilities in the plans

	(246.6)	(972.8)	(334.3)	(1,044.1)	(280.8)	(934.5)
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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 <sup>1</sup>	24.8	23.8	20.7
Administrative expenses <sup>2</sup>	2.1	-	-
<b>Charge to operating profit</b>	<b>26.9</b>	<b>23.8</b>	<b>20.7</b>
Net interest expense on pension plans <sup>3</sup>	11.4	11.3	11.2
<b>Charge to profit before taxation for defined benefit plans</b>	<b>38.3</b>	<b>35.1</b>	<b>31.9</b>
Return on plan assets (excluding interest income) <sup>2,4</sup>	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)
<b>Actuarial gain/(loss) recognised in OCI</b>	<b>76.2</b>	<b>(83.9)</b>	<b>(72.0)</b>

**Notes**

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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
<b>Plan liabilities at beginning of year</b>	<b>1,044.1</b>	<b>934.5</b>	<b>871.2</b>
Service cost <sup>1</sup>	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 <sup>1,2</sup>	(0.6)	4.3	7.9
<b>Plan liabilities at end of year</b>	<b>972.8</b>	<b>1,044.1</b>	<b>934.5</b>

**Notes**

<sup>1</sup> 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'.

<sup>2</sup> 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
<b>Fair value of plan assets at beginning of year</b>	<b>709.8</b>	<b>653.7</b>	<b>631.3</b>
Interest income on plan assets <sup>1</sup>	28.3	30.0	32.6
Return on plan assets (excluding interest income) <sup>2,3</sup>	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 <sup>3</sup>	(2.1)	-	-
Other <sup>4</sup>	1.4	2.2	3.0
<b>Fair value of plan assets at end of year</b>	<b>726.2</b>	<b>709.8</b>	<b>653.7</b>
<b>Actual return on plan assets</b>	<b>31.5</b>	<b>70.1</b>	<b>26.9</b>

**Notes**

<sup>1</sup> Expected return for years prior to 2013.

<sup>2</sup> Gain/(loss) on pension plan assets relative to expected return for years prior to 2013.

<sup>3</sup> 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.

<sup>4</sup> 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.

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## 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 \$81.2m (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.

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### 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
<b>2013</b>						
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)
<b>2012</b>						
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
<b>2013</b>				
<b>Derivatives in designated hedge relationships</b>				
Derivative assets	-	111.8	-	111.8
Derivative liabilities	-	(61.5)	-	(61.5)
<b>Held for trading</b>				
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)
<b>Available for sale</b>				
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
<b>2012</b>				
<b>Derivatives in designated hedge relationships</b>				
Derivative assets	-	169.5	-	169.5
Derivative liabilities	-	(111.1)	-	(111.1)
<b>Held for trading</b>				
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)
<b>Available for sale</b>				
Other investments	-	-	176.5	176.5
	(18.2)	58.9	(161.8)	(121.1)

#### Reconciliation of level 3 fair value measurements<sup>1</sup>:

	Liabilities in respect of put options £m	Other investments £m	Carrying value £m
<b>1 January 2012</b>	(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
<b>31 December 2012</b>	<b>(144.3)</b>	<b>176.5</b>	<b>32.2</b>
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
<b>31 December 2013</b>	<b>(139.1)</b>	<b>247.6</b>	<b>108.5</b>

#### Note

<sup>1</sup> 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.

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### 26. Authorised and issued share capital

	Equity ordinary shares	Nominal value £m
<b>Authorised</b>		
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
<b>At 31 December 2013 – WPP plc</b>	<b>1,750,000,000</b>	<b>175.0</b>
<b>Issued and fully paid</b>		
<b>At 1 January 2013</b>	<b>1,265,407,107</b>	<b>126.5</b>
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
<b>On formation of WPP plc</b>		
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
<b>At 31 December 2013</b>	<b>1,348,733,317</b>	<b>134.9</b>

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

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## Weighted-average exercise price for options over

	1 January 2013	Granted	Exercised	Lapsed	Outstand- ing 31 December 2013	Exer- cisable 31 December 2013
<b>Ordinary shares (£)</b>						
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
<b>ADRs (\$)</b>						
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
<b>1 January 2012</b>	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)
<b>31 December 2012</b>	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
<b>31 December 2013</b>	-	(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
<b>Total assets</b>	<b>124.2</b>	<b>44.7</b>	<b>168.9</b>
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)
<b>Total liabilities</b>	<b>(78.9)</b>	<b>(34.9)</b>	<b>(113.8)</b>
<b>Net assets</b>	<b>45.3</b>	<b>9.8</b>	<b>55.1</b>
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.

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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
<b>Profit before interest and taxation</b>	<b>1,478.4</b>	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)
<b>Headline PBIT</b>	<b>1,661.6</b>	1,531.0	1,429.0
Finance income	64.3	55.9	64.7
Finance costs	(203.6)	(269.8)	(264.6)
<b>Interest cover on headline PBIT</b>	<b>8.2 times</b>	7.2 times	7.1 times

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

	2013 £m	2012 £m	2011 £m
<b>Profit before taxation</b>	<b>1,295.8</b>	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
<b>Headline PBT</b>	<b>1,458.0</b>	1,317.1	1,229.1
Headline tax charge	(294.3)	(278.9)	(270.4)
Non-controlling interests	(75.6)	(72.0)	(76.4)
<b>Headline earnings</b>	<b>1,088.1</b>	966.2	882.3
Ordinary dividends paid	397.3	322.2	239.5
<b>Dividend cover on headline earnings</b>	<b>2.7 times</b>	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
<b>Headline EBITDA</b>	<b>1,896.3</b>	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
<b>Revenue</b>		<b>11,019.4</b>		10,373.1		10,021.8
<b>Headline PBIT</b>	<b>15.1%</b>	<b>1,661.6</b>	14.8%	1,531.0	14.3%	1,429.0
Share of results of associates (excluding exceptional losses)		(78.8)		(72.4)		(64.0)
<b>Headline operating profit</b>	<b>14.4%</b>	<b>1,582.8</b>	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
<b>Gross profit</b>		<b>10,076.1</b>		9,514.8		9,238.5
<b>Headline PBIT</b>	<b>16.5%</b>	<b>1,661.6</b>	16.1%	1,531.0	15.5%	1,429.0
Share of results of associates (excluding exceptional gains/losses)		<b>(78.8)</b>		(72.4)		(64.0)
<b>Headline operating profit</b>	<b>15.7%</b>	<b>1,582.8</b>	15.3%	1,458.6	14.8%	1,365.0

## Headline diluted earnings per ordinary share:

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

## Reconciliation of free cash flow:

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

# Company profit and loss account

For the year ended 31 December 2013

	Notes	2013 £m	2012 £m
<b>Turnover</b>		–	–
Operating costs		(6.0)	–
<b>Operating loss</b>		(6.0)	–
Income from shares in subsidiary undertakings		257.5	–
Interest receivable and similar income	33	38.1	–
Interest payable and similar charges	34	(138.4)	–
<b>Profit on ordinary activities before taxation</b>		151.2	–
Taxation on profit on ordinary activities	35	–	–
<b>Profit on ordinary activities after taxation</b>		151.2	–

**Note**

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

All results are derived from continuing activities.

There are no recognised gains or losses other than those shown above and accordingly no statement of total recognised gains and losses has been prepared.

# Company balance sheet

As at 31 December 2013

	Notes	2013 £m	2012 £m
<b>Fixed assets</b>			
Investments	36	12,662.6	–
		12,662.6	–
<b>Current assets</b>			
Debtors	37	1,619.6	–
		1,619.6	–
<b>Creditors:</b> amounts falling due within one year	38	(1,687.6)	–
Net current liabilities		(68.0)	–
Total assets less current liabilities		12,594.6	–
<b>Creditors:</b> amounts falling due after more than one year	39	(1,022.5)	–
<b>Net assets</b>		11,572.1	–
<b>Capital and reserves</b>			
Called-up share capital	41	134.9	–
Share premium account	41	483.4	–
Shares to be issued	41	0.5	–
Own shares	41	(14.3)	–
Profit and loss account	41	10,967.6	–
<b>Equity share owners' funds</b>		11,572.1	–

**Note**

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

The financial statements were approved by the Board of Directors and authorised for issue on 16 April 2014.

**Sir Martin Sorrell**  
Group chief executive

**Paul Richardson**  
Group finance director

# Notes to the Company financial statements

## 32. Accounting policies

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

### a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies (Jersey) Law 1991. The financial statements are prepared on a going concern basis, further details of which are in the Directors' report on page 187.

### b) Translation of foreign currency

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

### c) Investments

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

### d) Taxation

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

### e) UITF 44: Group and treasury share transactions

Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, UITF 44 requires the subsidiary to record an expense for such compensation in accordance with FRS 20 (Share-based payments), with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent (WPP plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £105.4 million in 2013 (2012: £nil), with a credit to equity for the same amount.

## 33. Interest receivable and similar income

	2013 £m	2012 £m
Interest receivable from subsidiary undertakings	13.0	–
Interest receivable on financial instruments	25.1	–
	38.1	–

## 34. Interest payable and similar charges

	2013 £m	2012 £m
Interest payable on corporate bonds	100.5	–
Bank and other interest payable	20.5	–
Interest payable to subsidiary undertakings	17.4	–
	138.4	–

## 35. Taxation on loss on ordinary activities

The tax assessed for the year differs from that resulting from applying the blended rate of corporation tax in the UK of 23.25%. The differences are explained below:

	2013 £m	2012 £m
Profit on ordinary activities before tax	151.2	–
Tax at the blended rate of 23.25% thereon	(35.1)	–
Factors affecting tax charge for the year:		
Non-taxable dividend income	59.9	–
Unrecognised losses carried forward	(24.8)	–
Current tax charge for the year	–	–

## 36. Fixed asset investments

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

	Subsidiary undertakings £m
1 January 2013	–
Additions	12,662.6
31 December 2013	12,662.6

Fixed asset investments primarily represent 100% of the issued share capital of WPP Jubilee Limited, a company incorporated in Great Britain. Fixed asset investments were purchased in a share-for-share exchange. At 31 December 2013 cost and net book value were the same. Details of indirect subsidiaries are given in note 29.

## 37. Debtors

The following are included in debtors:

	2013 £m	2012 £m
Amounts owed by subsidiary undertakings	1,610.6	–
Other debtors	9.0	–
	1,619.6	–



### 38. Creditors: amounts falling due within one year

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

	2013 £m	2012 £m
Bank overdraft	1,518.8	-
Amounts due to subsidiary undertakings	119.6	-
Interest payable on corporate bonds	44.3	-
Other creditors and accruals	4.9	-
	1,687.6	-

### 39. Creditors: amounts falling due after more than one year

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

	2013 £m	2012 £m
Corporate bonds	1,022.5	-

### 40. Derivatives not included at fair value

The company has derivatives which are not included at fair value in the accounts:

	Fair value 2013 £m	Fair value 2012 £m
Cross currency swaps	(9.7)	-
Interest rate swaps	32.7	-
	23.0	-

The Company uses the derivatives to hedge its exposures to changes in interest rates and foreign currency exchange rates within the WPP Group. The fair values are based on market values of equivalent instruments at the balance sheet date.

### 41. Equity share owners' funds

Movements during the year were as follows:

	Ordinary share capital £m	Share premium account £m	Shares to be issued £m	Own shares £m	Profit and loss account £m
Ordinary shares issued under the scheme of arrangement	126.5	11,110.4	1.8	-	-
Capital reduction	-	(11,110.4)	-	-	11,110.4
Ordinary shares issued	0.7	41.6	(1.3)	-	1.2
Share issue/cancellation costs	-	(0.4)	-	-	-
Shares issued on conversion of bond	7.7	442.2	-	-	-
Treasury share additions	-	-	-	(17.6)	-
Treasury share allocations	-	-	-	3.3	(3.3)
Net profit for the year	-	-	-	-	151.2
Dividends paid	-	-	-	-	(397.3)
Equity granted to employees of subsidiaries	-	-	-	-	105.4
<b>31 December 2013</b>	<b>134.9</b>	<b>483.4</b>	<b>0.5</b>	<b>(14.3)</b>	<b>10,967.6</b>

Reconciliation of movements in equity share owners' funds for the year ended 31 December 2013:

	2013 £m	2012 £m
Profit for the year	151.2	-
Equity granted to employees of subsidiaries	105.4	-
Ordinary shares issued under the scheme of arrangement	11,238.7	-
Ordinary shares issued	42.2	-
Dividends paid	(397.3)	-
Shares issued on conversion of bond	449.9	-
Share issue/cancellation costs	(0.4)	-
Treasury share additions	(17.6)	-
Net addition to equity share owners' funds	11,572.1	-
Opening equity share owners' funds	-	-
Closing equity share owners' funds	11,572.1	-

At 31 December 2013 the Company's distributable reserves amounted to £10,862.1 million (2012: £nil). Further details of the Company's share capital are shown in note 26.

The entire balance standing to the credit of the share premium account was transferred to retained earnings as sanctioned by The Royal Court of Jersey. As a result £11,110.4 million was added to retained earnings for the Company.

### 42. Guarantees and other financial commitments

The Company guarantees a number of Group banking arrangements and other financial commitments on behalf of certain subsidiary undertakings.

## Independent auditors' report

In our opinion:

- the Group financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's and the parent company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the Companies (Jersey) Law 1991.

The financial statements comprise the accounting policies, the consolidated income statement (excluding the US dollar information), the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated balance sheet, the consolidated statement of changes in equity, the parent company profit and loss account and balance sheet and the related notes 1 to 42. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Separate opinion in relation to IFRSs as issued by the IASB

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As explained in the accounting policies to the Group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

### Going concern

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As required by the Listing Rules we have reviewed the directors' statement on page 187 that the Group is a going concern.

We confirm that:

- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern which we believe would need to be disclosed in accordance with IFRSs as adopted by the European Union; and
- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## Our assessment of risks of material misstatement

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

Risk	How the scope of our substantive audit procedures responded to the risk
<p><b>Revenue recognition</b></p> <p>Accounting for media volume income: assessing the timing of recognition and valuation of media volume income earned on media contracts in accordance with the underlying contractual terms is an area of complexity.</p>	<p>We challenged the timing of recognition and valuation of media volume income earned on media contracts and assessed the ageing of balance sheet provisions. We checked that management could demonstrate that persuasive evidence exists in respect of the arrangement with the supplier at the time it is recorded. We also closely monitored the trend of media volume income recognised against prior year activity.</p>
<p><b>Goodwill</b></p> <p>Determining whether the carrying value of goodwill is recoverable requires management to make significant estimates.</p>	<p>The Group is highly acquisitive. As such, given the magnitude of the goodwill balance and the continued economic uncertainty in certain countries, the valuation of goodwill is considered a significant audit risk. In order to address this key audit risk we have audited the assumptions used in the impairment model for goodwill. In doing so, we challenged the key assumptions used, including specifically the operating cash flow projections, discount rates, and long term growth rates and compared these assumptions to externally derived data (where applicable) as well as forming our own assessment with the assistance of our internal fair value specialists. We considered the sensitivity of the impairment testing model to changes in key assumptions.</p> <p>We also considered the adequacy of the Group's disclosures in respect of its goodwill impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.</p>
<p><b>Taxation</b></p> <p>There is uncertainty in respect of resolving matters with tax authorities around the world. Therefore assessing the Group's exposure to significant tax risks and the level of provisions recognised is an area of judgement.</p>	<p>The highly disaggregated nature of the Group coupled with its acquisitive nature means that there are a number of different tax jurisdictions in which the Group could be liable to pay tax, making potential tax exposures a key audit risk. We considered all significant taxation exposures across the Group. We challenged the estimates and judgements made by management when calculating the income tax payable in each territory and the associated provisions held.</p> <p>We reviewed correspondence with taxation authorities in significant locations, as well as reviewing the support or opinions received from external counsel and other advisors where management has utilised such opinions to make assumptions on the level of taxation payable.</p>

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

## Our 2013 financial statements

Independent auditors' report

### Our application of materiality

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

We determined materiality for the Group to be £52.5 million, which is below 5% of pre-tax profit, and below 1% of equity.

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £0.5 million for the consolidated income statement and £1.0 million for the consolidated balance sheet, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

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As a result of the highly disaggregated nature of the Group, with operations in 110 countries and more than 3,000 offices among 150 or more companies within the Group, a significant portion of audit planning time is spent to ensure the scope of our work is appropriate to address the Group's identified risks of material misstatement. In selecting the components that are in scope each year, we refresh and update our understanding of the Group and its environment, including obtaining an understanding of the Group's system of internal controls, in order to check that the units selected provide an appropriate basis on which to undertake audit work to address the identified risks of material misstatement. Such audit work represents a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible. Our Group audit scope

provides for substantive audit coverage of over 78% of the Group's consolidated revenue; achieved through a combination of direct testing and specified audit procedures (including substantive analytical review procedures) performed by the Group auditor and/or component auditors across the world. Our audit work at the components is executed at levels of materiality appropriate for such components, which in all instances are lower than Group materiality. We perform analytical procedures at a Group level on the remainder of the Group to confirm our original risk assessment, that the risk of material misstatement is low. The Group audit team plans its visits to component auditors based on a carefully derived program; one that is put in place to check that appropriate oversight and guidance is provided to the component auditors, and which is designed so that the Senior Statutory Auditor visits all key locations across the Group.

### Opinion on other matters

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In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006 as if that act had applied to the Company;
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

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#### Adequacy of explanations received and accounting records

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

- we have not received all the information and

explanations we require for our audit; or

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### Directors' remuneration

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Under the UK Listing rules we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. Under the Listing Rules we are required to review certain elements of the Directors' Remuneration Report. We have nothing to report arising from these matters or our review.

### Corporate Governance Statement

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Under the UK Listing Rules we are also required to review the part of the corporate governance statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

### Our duty to read other information in the Annual Report

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Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our

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

### Respective responsibilities of directors and auditor

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

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

## Our 2013 financial statements

Independent auditors' report

### Scope of the audit of the financial statements

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

**Graham Richardson (Senior Statutory Auditor) for  
and on behalf of Deloitte LLP**

London, United Kingdom

16 April 2014

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# Five-year summary

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
<b>Income statement</b>					
Billings <sup>1</sup>	46,209.3	44,405.3	44,791.8	42,683.6	37,919.4
Revenue	11,019.4	10,373.1	10,021.8	9,331.0	8,684.3
Gross profit	10,076.1	9,514.8	9,238.5	8,560.5	7,980.7
Operating profit	1,410.3	1,241.1	1,192.2	973.0	761.7
Headline EBITDA <sup>2</sup>	1,896.3	1,755.7	1,640.5	1,439.0	1,243.0
Headline PBIT <sup>2</sup>	1,661.6	1,531.0	1,429.0	1,228.7	1,017.2
Profit before taxation	1,295.8	1,091.9	1,008.4	851.3	662.6
Headline PBT <sup>2</sup>	1,458.0	1,317.1	1,229.1	1,033.6	812.2
Profit for the year	1,012.1	894.7	916.5	661.0	506.9
<b>Balance sheet</b>					
Non-current assets	13,255.2	13,452.9	13,406.2	13,087.6	12,756.2
Net current liabilities	(22.0)	(671.9)	(508.6)	(817.3)	(971.0)
Non-current trade and other payables	(820.2)	(887.3)	(932.6)	(870.4)	(908.8)
Provisions for liabilities and charges (including provisions for post-employment benefits)	(395.2)	(472.2)	(436.3)	(403.1)	(404.7)
Net assets	7,846.5	7,060.6	6,894.3	6,647.9	6,075.7
Net debt	(2,240.4)	(2,821.2)	(2,464.8)	(1,888.4)	(2,640.4)
Average net debt	(2,988.7)	(3,202.5)	(2,811.0)	(3,056.0)	(3,448.0)
	2013	2012	2011	2010	2009
<b>Our people</b>					
Revenue per employee (£000)	94.1	90.6	91.1	92.0	82.5
Gross profit per employee (£000)	86.0	83.1	84.0	84.4	75.8
Staff cost per employee (£000)	55.3	53.3	53.4	53.6	48.6
Average headcount	117,115	114,490	109,971	101,387	105,318
<b>Share information</b>					
Headline <sup>3</sup> – basic earnings per share	84.1p	77.7p	71.0p	59.3p	45.1p
– diluted earnings per share	80.8p	73.4p	67.7p	56.7p	44.4p
Reported – basic earnings per share	72.4p	66.2p	67.6p	47.5p	35.9p
– diluted earnings per share	69.6p	62.8p	64.5p	45.9p	35.3p
Dividends per share <sup>4</sup>	34.21p	28.51p	24.60p	17.79p	15.47p
Share price – high	1,383.0p	894.5p	846.5p	795.0p	614.5p
– low	905.5p	669.0p	578.0p	572.5p	353.0p
Market capitalisation at year-end (£m)	18,612.5	11,236.8	8,554.4	9,982.4	7,658.3

## Notes

<sup>1</sup> Billings is defined on page 246.

<sup>2</sup> The calculation of 'headline' measures of performance (including headline EBITDA, headline PBIT and headline PBT) is set out in note 31 of the financial statements.

<sup>3</sup> Headline earnings per share for 2013, 2012 and 2011 is set out in note 9 of the financial statements.

<sup>4</sup> Dividends per share represents the dividends declared in respect of each year.

The information on this page is unaudited.

# Financial glossary

Term used in Annual Report	US equivalent or brief description
Allotted	Issued
ADRs/ADSs	American Depositary Receipts/American Depositary Shares. The Group uses the terms ADR and ADS interchangeably. One ADR/ADS represents five ordinary shares
Average net debt and net debt	Average net debt is calculated as the average daily net borrowings of the Group. Net debt at a period end is calculated as the sum of the net borrowings of the Group, derived from the cash ledgers and accounts in the balance sheet
Billings	Billings comprise the gross amounts billed to clients in respect of commission-based/fee-based income together with the total of other fees earned
Called-up share capital	Ordinary shares, issued and fully paid
Combined Code	The Combined Code on Corporate Governance published by the Financial Reporting Council dated June 2008
Constant currency	The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying budgeted 2013 exchange rates to local currency reported results for the current and prior year. This gives a US dollar-denominated income statement which exclude any variances attributable to foreign exchange rate movements
ESOP	Employee share ownership plan
Estimated net new billings	Net new billings represent the estimated annualised impact on billings of new business gained from both existing and new clients, net of existing client business lost. The estimated impact is based upon initial assessments of the clients' marketing budgets, which may not necessarily result in actual billings of the same amount
EURIBOR	The euro area inter-bank offered rate for euro deposits
Finance lease	Capital lease
Free cash flow	Free cash flow is calculated as headline operating profit before non-cash charges for share-based incentive plans, depreciation of property, plant and equipment and amortisation of other intangible assets, including dividends received from associates, interest received, investment income received, proceeds from the issue of shares, and proceeds from the disposal of property, plant and equipment, less corporation and overseas tax paid, interest and similar charges paid, dividends paid to non-controlling interests in subsidiary undertakings, purchases of property, plant and equipment and purchases of other intangible assets
Freehold	Ownership with absolute rights in perpetuity
Gross margin/gross profit/net sales	The Group uses the terms gross margin, gross profit and net sales interchangeably. Headline gross margin margin (also referred to as net sales margin) is calculated as headline PBIT as a percentage of gross profit
Headline earnings	Headline PBT less taxation (excluding exceptional release of prior year tax provisions, net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items, deferred tax on gain on sale of freehold property in New York and tax credit relating to restructuring costs) and non-controlling interests
Headline EBITDA	Profit before finance income/costs and revaluation of financial instruments, taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of intangible assets, share of exceptional losses/gains of associates, depreciation of property, plant and equipment and gains/losses on remeasurement of equity interest on acquisition of controlling interest; and, in 2012, the gain on sale of freehold property in New York, Group restructuring costs and costs incurred in changing the corporate structure of the Group



<b>Term used in Annual Report</b>	<b>US equivalent or brief description</b>
<b>Headline operating profit</b>	PBIT excluding share of results of associates before investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets and gains/losses on remeasurement of equity interest on acquisition of controlling interest; and, in 2012, the gain on sale of freehold property in New York, Group restructuring costs and costs incurred in changing the corporate structure of the Group
<b>Headline PBIT</b>	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, share of exceptional losses/gains of associates and gains/losses on remeasurement of equity interest on acquisition of controlling interest; and, in 2012, the gain on sale of freehold property in New York, Group restructuring costs and costs incurred in changing the corporate structure of the Group
<b>Headline PBT</b>	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 losses/gains of associates, gains/losses arising from the revaluation of financial instruments, gains/losses on remeasurement of equity interest on acquisition of controlling interest and Group restructuring costs; and, in 2012, the gain on sale of freehold property in New York, and costs incurred in changing the corporate structure of the Group
<b>IFRS/IAS</b>	International Financial Reporting Standard/International Accounting Standard
<b>LIBOR</b>	The London inter-bank offered rate
<b>OCI</b>	Consolidated statement of comprehensive income
<b>Operating margin</b>	Headline PBIT as a percentage of revenue
<b>Profit</b>	Income
<b>Profit attributable to equity holders of the parent</b>	Net income
<b>Pro forma ('like-for-like')</b>	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
<b>Sarbanes-Oxley Act</b>	An Act passed in the US to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes
<b>Share capital</b>	Ordinary shares, capital stock or common stock issued and fully paid
<b>Share premium account</b>	Additional paid-in capital or paid-in surplus (not distributable)
<b>Shares in issue</b>	Shares outstanding
<b>Turnbull Report</b>	Guidance issued by the Institute of Chartered Accountants in England & Wales on the implementation of the internal control requirements of the Combined Code and the UK Corporate Governance Code at the request of the London Stock Exchange
<b>UK Corporate Governance Code</b>	The UK Corporate Governance Code published by the Financial Reporting Council dated June 2010



# About share ownership

## Information for share owners

### Share owners' register

A register of share owners' interests is kept at the Company's registrar's office in Jersey and is available for inspection on request. The register includes information on nominee accounts and their beneficial owners.

### Analysis of shareholdings at 31 December 2013

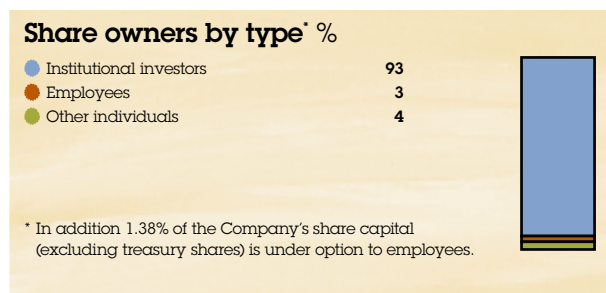
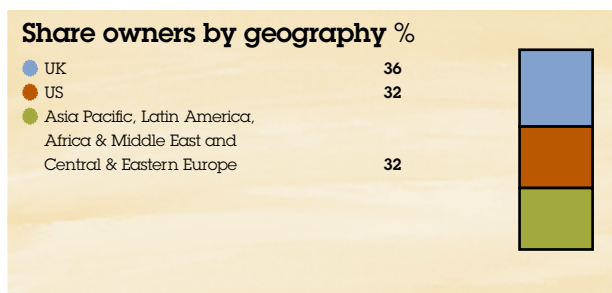
Issued share capital as at 31 December 2013: 1,348,733,317 ordinary shares.

Number of shares held	Number of holders	% owners	Shareholdings	% Outstanding
1-100	2,406	18.04	83,152	0.01
101-250	1,368	10.26	243,696	0.02
251-500	1,504	11.28	569,557	0.04
501-1,000	1,600	12.00	1,199,822	0.09
1,001-5,000	2,066	15.49	4,812,262	0.36
5,001-10,000	603	4.52	4,351,229	0.32
10,001-25,000	836	6.27	13,887,018	1.03
25,001-50,000	658	4.93	23,946,983	1.78
50,001-100,000	657	4.93	47,536,562	3.52
100,001-500,000	1,147	8.60	258,825,787	19.19
500,001-1,000,000	244	1.83	172,351,816	12.78
1,000,001-2,000,000	129	0.98	179,331,614	13.30
2,000,001-3,000,000	44	0.33	109,087,644	8.09
3,000,001-4,000,000	26	0.19	89,115,952	6.60
4,000,001 and above	47	0.35	443,390,223	32.87
<b>Total</b>	<b>13,335</b>	<b>100.00%</b>	<b>1,348,733,317</b>	<b>100.00%</b>

Share owners by geography	%	Share owners by type	%
UK	36	Institutional investors	93
US	32	Employees	3
Asia Pacific, Latin America, Africa & Middle East, Canada and Continental Europe	32	Other individuals	4
<b>Total</b>	<b>100</b>	<b>Total</b>	<b>100</b>

## About share ownership

Information for share owners



## Dividends

Ordinary share owners have received the following dividends in respect of each financial year:

	2013	2012	2011	2010	2009
Interim or first interim dividend per ordinary share	<b>10.56p</b>	8.80p	7.46p	5.97p	5.19p
Final or second interim dividend per ordinary share	<b>23.65p</b>	19.71p	17.14p	11.82p	10.28p
Total	<b>34.21p</b>	28.51p	24.60p	17.79p	15.47p

## American Depositary Receipts (ADRs)

Each ADR represents five ordinary shares.

ADR holders receive the annual and interim reports issued by WPP plc.

WPP plc is subject to the informational requirements of the US securities laws applicable to foreign companies and files an annual report on Form 20-F and other information with the US Securities and Exchange Commission. These documents are available at the Commission's website, [sec.gov](http://sec.gov). Our reports on Form 20-F are also available from our Investor Relations department in New York.

## ADR dividends

ADR holders are eligible for all stock dividends or other entitlements accruing on the underlying WPP plc shares and receive all cash dividends in US dollars. These are normally paid twice a year.

Dividend cheques are mailed directly to the ADR holder on the payment date if ADRs are registered with WPP's US depository. Dividends on ADRs that are registered with brokers are sent to the brokers, who forward them to ADR holders. WPP's US depository is Citibank N.A. (address on page 252).

Dividends per ADR in respect of each financial year are set out below.

	2013	2012	2011	2010	2009
In £ sterling					
Interim <sup>1</sup>	<b>52.80p</b>	44.00p	37.30p	29.85p	25.95p
Final <sup>2</sup>	<b>118.25p</b>	98.55p	85.70p	59.10p	51.40p
Total	<b>171.05p</b>	142.55p	123.00p	88.95p	77.35p
In US dollars <sup>3</sup>					
Interim <sup>1</sup>	<b>82.61¢</b>	69.75¢	59.80¢	46.15¢	40.66¢
Final <sup>2</sup>	<b>185.01¢</b>	156.22¢	137.39¢	91.37¢	80.53¢
Total	<b>267.62¢</b>	225.97¢	197.19¢	137.52¢	121.19¢

<sup>1</sup> Prior to 2013, first interim dividend.

<sup>2</sup> Prior to 2012, second interim dividend.

<sup>3</sup> 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.

Dollar amounts paid to ADR holders depend on the sterling/dollar exchange rate at the time of payment.

No withholding tax is imposed on dividends paid to ADR holders and there will be no entitlement to offset any part of the notional UK taxation credit against any US taxation liability. The dividends received will be subject to US taxation.

## Financial calendar

- The 2013 final dividend will be paid on 7 July 2014 to share owners on the register at 6 June 2014.
- Interim statements for the half-year ending 30 June are issued in August.
- Quarterly trading announcements are issued in April and October.
- Interim dividends are paid in November.
- Preliminary announcements of results for the financial year ending 31 December are issued in the first quarter.
- Annual Reports are posted to share owners in April.
- Annual General Meetings are held in London in June.

## Share price

The closing price of the shares at 31 December was as follows:

	At 15 April 2014	2013	2012	2011	2010	2009
Ordinary 10p shares	<b>1,218.0p</b>	<b>1,380.0p</b>	888.0p	675.5p	789.5p	609.5p

Within the UK, the latest ordinary share price information is available on the Cityline service operated by the *Financial Times* (telephone 0905 817 1690; calls charged at 75p per minute at all times).

Share price information is also available online at [wpp.com/investor](http://wpp.com/investor).

## Access numbers/Ticker symbols

	NASDAQ	Reuters	Bloomberg
Ordinary shares	–	WPP.L	WPP LN
American Depositary Shares	WPPGY	WPPGY.O	WPPGY US

## Online information

WPP's public website, [wpp.com](http://wpp.com), provides current and historical financial information, news releases, trading reports and share price information. Go to [wpp.com/investor](http://wpp.com/investor).

## Registrar and transfer office

Computershare Investor Services (Jersey) Limited  
 Queensway House  
 Hilgrove Street  
 St Helier  
 Jersey  
 JE1 1ES  
 Enquiry number: 0870 707 1411

## About share ownership

Information for share owners

### American Depositary Receipts (ADRs) office

---

Citibank N.A.  
PO Box 43077  
Providence  
RI 02940-3077

Telephone enquiries: within the US +1 877 248 4237  
Telephone enquiries: outside the US +1 781 575 4555  
E-mail enquiries: citibank@shareholders-online.com

### WPP registered office

---

Queensway House  
Hilgrove Street  
St Helier  
Jersey  
JE1 1ES

The Company's registered number is 111714.

### Tax information

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#### UK taxation

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##### Income tax on cash dividends

Cash dividends received from WPP plc by individual share owners resident in the UK will generally be subject to UK income tax on the gross amount of any dividends paid by WPP with a tax credit equal to one-ninth of the dividend received; tax credits are not repayable to UK holders with no tax liability.

Individuals whose income is within the lower or basic tax rate bands are liable to tax at 10% on the dividend income and the tax credit will satisfy their income tax liability on UK dividends. For higher tax rate payers the rate of tax on dividend income for dividends is 32.5% whilst for individuals with income of £150,000 or more, from 6 April 2013 the rate is 37.5%, with relief available for the tax credit referred to above. The gross amount of the cash

dividend will be regarded as the top slice of the WPP share owner's income and will be subject to UK income tax as set out above.

##### Capital gains tax

The market value of an ordinary share at 31 March 1982 was 39p. Since that date rights issues have occurred in September 1986, August 1987 and April 1993. For capital gains tax purposes the acquisition cost of ordinary shares is adjusted to take account of such rights issues. Since any adjustments will depend on individual circumstances, share owners are advised to consult their professional advisors.

##### Capital gains

As liability to capital gains tax on a disposal of WPP shares will depend on individual circumstances, share owners are advised to consult their professional advisors.

##### New parent company

On 30 August 2012, the Group announced its intention to return its headquarters to the United Kingdom. In order to effect its return to the United Kingdom, the Group put in place a new United Kingdom tax resident parent company (WPP 2012 plc) by means of a scheme of arrangement pursuant to Article 125 of the Companies (Jersey) Law 1991.

The new scheme became effective on 2 January 2013, with WPP 2012 plc becoming the new parent company of the WPP Group and being renamed WPP plc. At the same time, the existing parent company of the WPP Group, WPP plc, was renamed WPP 2012 Limited and, shortly after the Scheme became effective, changed its status to a private company.

As a consequence of the Group returning its tax residence to the United Kingdom, the dividend access plan and scrip dividend have been terminated.

# Recognition for recent WPP Annual Reports



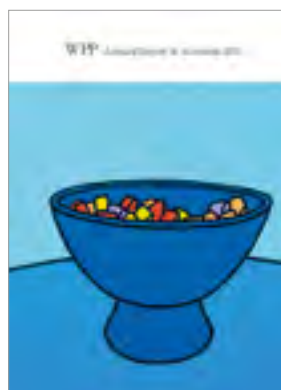
## 2009

- *Accountancy Age Awards* Winner, FTSE 100 Companies.
- *LACP Vision Awards* Gold Award, in Top 100 Annual Reports.
- *International ARC Awards* Gold, Silver and two Bronze Awards.
- *Digital Impact Awards* Silver Award, Best Online Annual Report.
- *Galaxy Awards* Bronze Award, Online Annual Report.
- *Astrid Awards* (for design communications) Gold Award, Online Annual Report.



## 2010

- *LACP Vision Awards* Platinum Award, in Top 100 Annual Reports and Top 50 Annual Reports EMEA.
- *International ARC Awards* Gold, Bronze and three Honours Awards.
- *Galaxy Awards* Honours, Online Annual Report.



## 2011

- *LACP Vision Awards* Two Gold Awards, and ranked in Top 100 Annual Reports Worldwide and Top 50 Annual Reports EMEA.
- *Galaxy Awards* Honours, Design.
- *Communicate magazine's Corporate and Financial Awards* Silver for Best Online Annual Report.
- *PwC Building Public Trust Awards* Highly Commended, People Reporting.



## 2012

- *LACP Vision Awards* Gold Award and ranked in the Top 50 Annual Reports EMEA.
- *International ARC Awards* Gold Award.
- *Galaxy Awards* Gold Award.
- *Communicate magazine's Corporate and Financial Awards* Gold for Best Printed Report, Silver for Best Online Report.
- *PwC Building Public Trust Awards* Winner.
- *Astrid Awards* (for design communications) Bronze Award.

# About the artist

## Diego Rivera

**D**iego Rivera (1886-1957) is considered by many to be the greatest Mexican painter of the 20th century, whose skills as master muralist had a profound influence on the international art world.

A social realist, with a keen political conscience, Rivera sought to bring art to the people and reflect the lives and struggles of working people in his native Mexico. His murals are theatrical, ambitious and epic, blending elements of Italian fresco with his native Mexico's culture and history. Farm and industrial workers take centre stage. Lushly coloured and stylised figures, reminiscent of Mayan and Aztec sculptures, dominate his paintings.

He worked prolifically in the US. In 1932, at the height of the Great Depression, he was commissioned by Henry Ford to create 27 fresco panels, entitled *Detroit Industry*, depicting the industrial life of the American worker. Rivera was the catalyst for President Roosevelt's public art project, which sponsored jobless artists to make murals on public buildings, including the White House.

In 1931/2, record numbers attended his specially constructed portable mural show for the Museum of Modern Art in New York. The works were brought back together for a show in 2012.

When Rivera returned to his homeland, he set about making outspoken pieces in oil, paper and fresco. He also painted his great loves, including his wife, the painter Frida Kahlo. He produced much public work. One of Mexico's top attractions is Rivera's mural depicting the history of the nation at the National Palace in Mexico City.

Rivera put art back on walls. He is the grandfather of everything that followed in murals, including monumental graffiti and even the work of Banksy. Democratisation of art is one of Diego Rivera's greatest legacies.



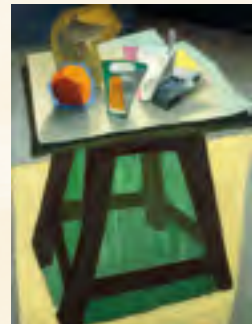
1 front cover



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4 page 15

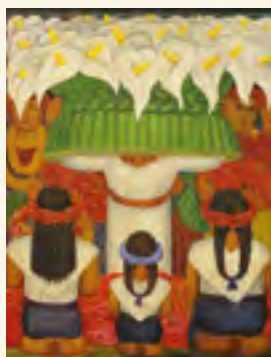


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6 page 92

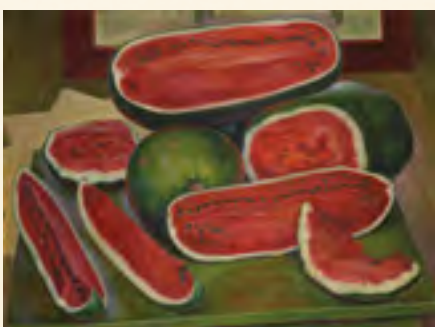




7 page 120



8 page 112



9 page 20



10 page 190



11 page 174



12 page 248

- 1 **The Flower Vendor<sup>1</sup>**  
1949, Photographic Archives Museo Nacional Centre de Arte Reina Sofia
- 2 **The Corn Harvest<sup>1</sup>**  
1923-24, © 2014. Photo Art Resource/  
Bob Schaalkwijk/Scala, Florence
- 3 **Corn Festival<sup>1</sup>**  
1923-24, © 2014. Photo Art Resource/  
Bob Schaalkwijk/Scala, Florence
- 4 **Still-Life<sup>1</sup>**  
1917, © 2014. Christie's Images,  
London/Scala, Florence
- 5 **Girl with Sunflowers<sup>1</sup>**  
1941, © 2014. Christie's Images,  
London/Scala, Florence
- 6 **The Pinole Seller<sup>1</sup>**  
1936, © D.R. Museo Nacional de  
Arte/Instituto Nacional de Bellas  
Artes y Literatura, 2014
- 7 **Flower Festival: Feast of Santa Anita<sup>1</sup>**  
1931, © 2014. Digital images, The  
Museum of Modern Art, New York/  
Scala, Florence
- 8 **Peasants<sup>1</sup>**  
1967, © 2014. DeAgostini Picture  
Library/Scala, Florence
- 9 **Las Sandías (The Watermelons)<sup>1</sup>**  
1957, Oil on canvas, 68 X 92 cm,  
Col. Museo Dolores Olmedo, Mexico
- 10 **La Canoa Enflorada (The  
Flowered Canoe)<sup>1</sup>**  
1931, Oil on canvas, 200 x 160 cm,  
Col. Museo Dolores Olmedo, Mexico
- 11 **The Grinder<sup>1</sup>**  
1926, © D.R. Museo Nacional de  
Arte/Instituto Nacional de Bellas  
Artes y Literatura, 2014
- 12 **Two Women and a Child<sup>1</sup>**  
1926, Oil on canvas, 29 3/8 x 31 5/8 in.  
(74.6 x 80.3 cm). The Fine Arts  
Museums of San Francisco, gift of  
Albert M. Bender to the California  
Palace of the Legion of Honor, 1926.122

<sup>1</sup> © 2014 Banco de México Diego Rivera  
Frida Kahlo Museums Trust, Mexico,  
D.F./DACs.

For the past eight years, WPP's Annual Reports have drawn visual inspiration from individual markets important to our clients and our companies. Since 2005, we have looked to artists from India, China, Africa, Brazil, the US, Eastern Europe, the UK and, most recently, Indonesia for our visual cue. This year, we headed for the vibrant culture of Mexico, one of the MIST and Next 11 fastest-growing economies of our time, to feature the iconic work of Mexico's most famous artist son, Diego Rivera.

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**Greater China:**  
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**India:**  
Ranjan Kapur

**Indonesia & Vietnam:**  
Ranjana Singh

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Manuel Maltez

**South Korea:**  
Sung Lee

**Turkey:**  
Demet Ikiler

## Group information

If you would like further general information about WPP, its companies or any of the programs, publications or initiatives mentioned in this Annual Report, please visit our website, [wpp.com](http://wpp.com), or email [enquiries@wpp.com](mailto:enquiries@wpp.com)

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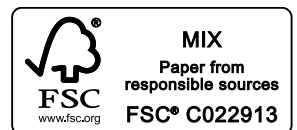


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