

WPP PLC

Preliminary results for the year ended 31 December 2009

Unaudited preliminary consolidated income statement for the year ended 31 December 2009

	Notes	2009	2008		Constant Currency ¹
		£m	£m	+/(-)%	+/(-)%
Billings		37,919.4	36,929.0	2.7	(7.3)
Revenue	6	8,684.3	7,476.9	16.1	4.9
Direct costs		(703.6)	(467.5)	(50.5)	(39.5)
Gross profit		7,980.7	7,009.4	13.9	2.7
Operating costs	4	(7,219.0)	(6,133.4)	(17.7)	(6.0)
Operating profit		761.7	876.0	(13.0)	(21.1)
Share of results of associates	4	57.0	46.0	23.9	6.2
Profit before interest and taxation		818.7	922.0	(11.2)	(19.7)
Finance income	5	150.4	169.6	(11.3)	(18.0)
Finance costs	5	(355.4)	(319.4)	(11.3)	(6.4)
Revaluation of financial instruments	5	48.9	(25.4)	-	-
Profit before taxation		662.6	746.8	(11.3)	(21.4)
Taxation	7	(155.7)	(232.9)	33.1	38.4
Profit for the year		506.9	513.9	(1.4)	(14.2)
Attributable to:					
Equity holders of the parent		437.7	439.1	(0.3)	(13.9)
Minority interests		69.2	74.8	7.5	16.2
		506.9	513.9	(1.4)	(14.2)
Headline PBIT	6,19	1,017.2	1,118.2	(9.0)	(16.7)
Headline PBIT margin	19	11.7%	15.0%		
Headline PBT	19	812.2	968.4	(16.1)	(24.2)
Reported earnings per share²					
Basic earnings per ordinary share	9	35.9p	38.4p	(6.5)	(19.2)
Diluted earnings per ordinary share	9	35.3p	37.6p	(6.1)	(18.8)

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

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

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**Unaudited preliminary consolidated statement of comprehensive income
for the year ended 31 December 2009**

	2009	2008
	£m	£m
Profit for the year	506.9	513.9
Exchange adjustments on foreign currency net investments	(142.2)	1,379.2
Loss on revaluation of available for sale investments	(13.5)	(51.3)
Actuarial loss on defined benefit pension schemes	(7.2)	(82.2)
Deferred tax on defined benefit pension schemes	(4.4)	0.7
Other comprehensive (loss)/income relating to the year	(167.3)	1,246.4
Total comprehensive income relating to the year	339.6	1,760.3
Attributable to:		
Equity holders of the parent	270.4	1,685.5
Minority interests	69.2	74.8
	339.6	1,760.3

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Unaudited preliminary consolidated cash flow statement for the year ended 31 December 2009

	Notes	2009	2008
		£m	£m
Net cash inflow from operating activities	10	818.8	922.7
Investing activities			
Acquisitions and disposals	10	(144.8)	(1,049.1)
Purchase of property, plant and equipment		(222.9)	(196.8)
Purchase of other intangible assets (incl. capitalised computer software)		(30.4)	(23.8)
Proceeds on disposal of property, plant and equipment		9.2	11.5
Net cash outflow from investing activities		(388.9)	(1,258.2)
Financing activities			
Share option proceeds		4.1	10.6
Share repurchases and buybacks	10	(9.5)	(105.3)
Net (decrease)/increase in borrowings	10	(426.3)	810.4
Financing and share issue costs		(18.8)	(19.4)
Equity dividends paid		(189.8)	(161.8)
Dividends paid to minority shareholders in subsidiary undertakings		(63.0)	(63.5)
Net cash (outflow)/inflow financing activities		(703.3)	471.0
Net (decrease)/increase cash and cash equivalents		(273.4)	135.5
Translation differences		(98.7)	120.3
Cash and cash equivalents at beginning of year		1,318.1	1,062.3
Cash and cash equivalents at end of year	10	946.0	1,318.1
Reconciliation of net cash flow to movement in net debt:			
Net (decrease)/increase in cash and cash equivalents		(273.4)	135.5
Cash outflow/(inflow) from decrease/(increase) in debt financing		445.1	(796.6)
Debt acquired		-	(577.8)
Other movements		35.1	(94.5)
Translation difference		220.4	(448.5)
Movement of net debt in the year		427.2	(1,781.9)
Net debt at beginning of year		(3,067.6)	(1,285.7)
Net debt at end of year	11	(2,640.4)	(3,067.6)

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Unaudited preliminary consolidated balance sheet as at 31 December 2009

	Notes	2009 £m	2008 £m
Non-current assets			
Intangible assets:			
Goodwill	12	8,697.5	9,093.2
Other	13	2,000.7	2,295.8
Property, plant and equipment		680.5	690.7
Interests in associates		729.3	714.3
Other investments		294.6	310.9
Deferred tax assets		67.5	65.6
Trade and other receivables	14	286.1	185.2
		12,756.2	13,355.7
Current assets			
Inventory and work in progress		306.7	343.9
Corporate income tax recoverable		73.0	53.1
Trade and other receivables	14	7,548.9	8,138.1
Cash and short-term deposits		1,666.7	2,572.5
		9,595.3	11,107.6
Current liabilities			
Trade and other payables	15	(9,774.0)	(10,407.7)
Corporate income tax payable		(71.6)	(87.8)
Bank overdrafts and loans		(720.7)	(1,640.8)
		(10,566.3)	(12,136.3)
Net current liabilities		(971.0)	(1,028.7)
Total assets less current liabilities		11,785.2	12,327.0
Non-current liabilities			
Bonds and bank loans		(3,586.4)	(3,999.3)
Trade and other payables	16	(423.3)	(553.9)
Corporate income tax payable		(485.5)	(489.0)
Deferred tax liabilities		(809.6)	(917.1)
Provisions for post-employment benefits		(251.8)	(272.0)
Provisions for liabilities and charges		(152.9)	(135.9)
		(5,709.5)	(6,367.2)
Net assets		6,075.7	5,959.8
Equity			
Called-up share capital	17	125.6	125.5
Share premium account		12.6	8.6
Shares to be issued		5.5	8.7
Other reserves		(4,044.9)	(3,888.3)
Own shares		(154.0)	(189.8)
Retained earnings		9,949.2	9,697.5
Equity share owners' funds		5,894.0	5,762.2
Minority interests		181.7	197.6
Total equity		6,075.7	5,959.8

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**Unaudited preliminary consolidated statement of changes in equity
for the year ended 31 December 2009**

	Called-up share capital	Share premium account	Shares to be issued	Other reserves	Own shares	Retained earnings	Total equity share owners' funds	Minority interest	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2008	119.2	103.9	5.3	(1,480.8)	(255.3)	5,482.1	3,974.4	120.4	4,094.8
Reclassification due to Group reconstruction	-	3,780.6	-	(3,780.6)	-	-	-	-	-
Transfer of share premium to retained earnings as part of the scheme of arrangement	-	(4,143.1)	-	-	-	4,143.1	-	-	-
Ordinary shares issued in respect of acquisitions	8.0	259.7	2.8	-	-	-	270.5	-	270.5
Other ordinary shares issued	0.2	8.3	(2.8)	1.1	-	1.1	7.9	-	7.9
Share issue / cancellation costs	-	(0.8)	-	(4.8)	-	-	(5.6)	-	(5.6)
Share cancellations	(1.9)	-	-	1.9	-	(112.2)	(112.2)	-	(112.2)
Exchange adjustments on foreign currency net investments	-	-	-	1,379.2	-	-	1,379.2	39.4	1,418.6
Net profit for the year	-	-	-	-	-	439.1	439.1	74.8	513.9
Dividends paid	-	-	-	-	-	(161.8)	(161.8)	(63.5)	(225.3)
Transfer to goodwill	-	-	3.4	-	-	-	3.4	-	3.4
Non-cash share-based incentive plans (including stock options)	-	-	-	-	-	62.3	62.3	-	62.3
Tax adjustment of share-based payments	-	-	-	-	-	(9.0)	(9.0)	-	(9.0)
Net movement in own shares held by ESOP Trusts	-	-	-	-	52.8	(56.4)	(3.6)	-	(3.6)
Treasury shares disposals	-	-	-	-	12.7	(5.8)	6.9	-	6.9
Actuarial loss on defined benefit schemes	-	-	-	-	-	(82.2)	(82.2)	-	(82.2)
Deferred tax on defined benefit pension schemes	-	-	-	-	-	0.7	0.7	-	0.7
Loss on revaluation of available for sale investments	-	-	-	(51.3)	-	-	(51.3)	-	(51.3)
Share purchases – close period commitments	-	-	-	64.8	-	(5.0)	59.8	-	59.8
Recognition/remeasurement of financial instruments	-	-	-	(17.8)	-	1.5	(16.3)	-	(16.3)
Minority interests on acquisition	-	-	-	-	-	-	-	26.5	26.5
Balance at 31 December 2008	125.5	8.6	8.7	(3,888.3)	(189.8)	9,697.5	5,762.2	197.6	5,959.8
Ordinary shares issued	0.1	4.0	(1.7)	0.8	-	0.3	3.5	-	3.5
Exchange adjustments on foreign currency net investments	-	-	-	(142.2)	-	-	(142.2)	(13.4)	(155.6)
Net profit for the year	-	-	-	-	-	437.7	437.7	69.2	506.9
Dividends paid	-	-	-	-	-	(189.8)	(189.8)	(63.0)	(252.8)
Transfer from goodwill	-	-	(1.5)	-	-	-	(1.5)	-	(1.5)
Non-cash share-based incentive plans (including stock options)	-	-	-	-	-	54.9	54.9	-	54.9
Net movement in own shares held by ESOP Trusts	-	-	-	-	45.3	(45.3)	-	-	-
Treasury shares additions	-	-	-	-	(9.5)	-	(9.5)	-	(9.5)
Actuarial loss on defined benefit schemes	-	-	-	-	-	(7.2)	(7.2)	-	(7.2)
Deferred tax on defined benefit pension schemes	-	-	-	-	-	(4.4)	(4.4)	-	(4.4)
Loss on revaluation of available for sale investments	-	-	-	(13.5)	-	-	(13.5)	-	(13.5)
Equity component of convertible bonds (net of deferred tax)	-	-	-	34.7	-	-	34.7	-	34.7
Recognition/remeasurement of financial instruments	-	-	-	(36.4)	-	5.5	(30.9)	-	(30.9)
Minority interests on acquisition	-	-	-	-	-	-	-	(8.7)	(8.7)
Balance at 31 December 2009	125.6	12.6	5.5	(4,044.9)	(154.0)	9,949.2	5,894.0	181.7	6,075.7

Total comprehensive income relating to the year ended 31 December 2009 was £339.6 million (2008: £1,760.3 million).

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Notes to the unaudited preliminary consolidated financial statements**1. Basis of accounting**

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

2. Accounting policies

The unaudited preliminary consolidated financial statements comply with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the International Accounting Standards Board (IASB), and with the accounting policies of the Group which were set out on pages 139 to 145 of the 2008 Annual Report and Accounts. No changes have been made to the Group's accounting policies in the year ended 31 December 2009 other than the adoption of IAS 1 (revised) Presentation of Financial Statements, IAS 23 (revised) Borrowing Costs and IFRS 8 Operating Segments. IAS 1 (revised) Presentation of Financial Statements requires the presentation of a statement of changes in equity as a primary statement. As a result, a preliminary consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each year presented.

The Group also adopted IFRS 8 Operating Segments during the period. The directors have reviewed the business segments identified under the previous standard (IAS 14 Segmental Reporting) and consider these reported segments remain appropriate under IFRS 8.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company's 2009 Annual Report and Accounts will be prepared in compliance with IFRS. The unaudited preliminary announcement does not constitute a dissemination of the annual financial report and does not therefore need to meet the dissemination requirements for annual financial reports. A separate dissemination announcement in accordance with Disclosure and Transparency Rules (DTR) 6.3 will be made when the annual report and audited financial statements are available on the Company's website.

Statutory Information

The financial information for the years ended 31 December 2009 and 2008 does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2008 have been delivered to the Jersey Registrar and received an unqualified auditors' report. The statutory accounts for the year ended 31 December 2009 will be finalised on the basis of the financial information presented by the directors in this unaudited preliminary announcement and will be delivered to the Jersey Registrar following the Company's annual general meeting. The audit report for the year ended 31 December 2009 has yet to be signed.

The announcement of the preliminary results was approved by the board of directors on 4 March 2010.

3. Currency conversion

The 2009 unaudited preliminary consolidated income statement is prepared using, among other currencies, average exchange rates of US\$1.5667 to the pound (2008: US\$1.8524) and €1.1233 to the pound (2008: €1.2584). The unaudited preliminary consolidated balance sheet as at 31 December 2009 has been prepared using the exchange rates on that day of US\$1.6148 to the pound (2008: US\$1.4575) and €1.1269 to the pound (2008: €1.0442).

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

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Notes to the unaudited preliminary consolidated financial statements (continued)

4. Operating costs and share of results of associates

	2009	2008
	£m	£m
Total staff costs	5,117.0	4,351.8
Establishment costs	691.6	521.3
Other operating costs	1,410.4	1,260.3
Total operating costs	7,219.0	6,133.4

Other operating costs include:

	2009	2008
	£m	£m
Amortisation and impairment of acquired intangible assets	172.6	78.4
Goodwill impairment	44.3	84.1
Goodwill write-down relating to utilisation of pre-acquisition tax losses	-	1.5
Gains on disposal of investments	(31.1)	(3.4)
Investment write-downs	11.1	30.5
Cost of changes to corporate structure	-	4.6

The goodwill impairment charge of £44.3 million (2008: £84.1 million) relates to a number of under-performing businesses in the Group, of which £22.7 million (2008: £4.2 million) is in relation to associates. In certain markets, the impact of current, local economic conditions and trading circumstances on these businesses is sufficiently severe to indicate impairment to the carrying value of goodwill. Investment write-downs of £11.1 million (2008: £30.5 million) relate to certain non-core minority investments in the US and Continental Europe where forecast financial performance and/or liquidity issues indicate a permanent decline in the recoverability of the Group's investment.

Operating profit includes credits totalling £19.4 million (2008: £23.7 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2008.

Share of results of associates include:

	2009	2008
	£m	£m
Share of profit before interest and taxation	86.3	71.5
Share of exceptional losses	(1.6)	(0.5)
Share of interest and minority interest	(0.7)	0.5
Share of taxation	(27.0)	(25.5)
	57.0	46.0

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Notes to the unaudited preliminary consolidated financial statements (continued)

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

Finance income includes:

	2009	2008
	£m	£m
Expected return on pension scheme assets	28.7	31.3
Income from available for sale investments	10.2	9.7
Interest income	111.5	128.6
	150.4	169.6

Finance costs include:

	2009	2008
	£m	£m
Interest on pension scheme liabilities	46.1	38.9
Interest on other long-term employee benefits	1.3	1.6
Interest payable and similar charges	308.0	278.9
	355.4	319.4

Revaluation of financial instruments include:

	2009	2008
	£m	£m
Movements in fair value of treasury instruments	8.4	(13.9)
Revaluation of put options over minority interests	15.3	(11.5)
Gains on termination of hedge accounting on repayment of TNS debt	25.2	-
	48.9	(25.4)

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Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis

Reported contributions by operating sector were as follows:

	2009	2008
	£m	£m
Revenue		
Advertising and Media Investment Management	3,358.9	3,329.5
Consumer Insight ²	2,297.1	1,301.8
Public Relations & Public Affairs	795.7	752.3
Branding & Identity, Healthcare and Specialist Communications	2,232.6	2,093.3
	8,684.3	7,476.9
Headline PBIT¹		
Advertising and Media Investment Management	472.8	581.3
Consumer Insight ²	196.9	147.6
Public Relations & Public Affairs	122.1	124.9
Branding & Identity, Healthcare and Specialist Communications	225.4	264.4
	1,017.2	1,118.2
Headline PBIT margin	%	%
Advertising and Media Investment Management	14.1	17.5
Consumer Insight ²	8.6	11.3
Public Relations & Public Affairs	15.3	16.6
Branding & Identity, Healthcare and Specialist Communications	10.1	12.6
	11.7	15.0

¹Headline PBIT is defined in note 19.

²Consumer Insight was previously reported as Information, Insight & Consultancy.

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Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis (continued)

Reported contributions by geographical area were as follows:

	2009	2008
	£m	£m
Revenue		
United Kingdom	1,029.0	954.2
North America ²	3,010.0	2,603.2
Western Continental Europe ^{3,4}	2,327.8	1,879.1
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe ⁴	2,317.5	2,040.4
	8,684.3	7,476.9
Headline PBIT¹		
United Kingdom	131.5	124.1
North America ²	397.9	438.3
Western Continental Europe ^{3,4}	193.4	247.0
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe ⁴	294.4	308.8
	1,017.2	1,118.2
Headline PBIT margin	%	%
United Kingdom	12.8	13.0
North America ²	13.2	16.8
Western Continental Europe ^{3,4}	8.3	13.1
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe ⁴	12.7	15.1
	11.7	15.0

¹ Headline PBIT is defined in note 19.

² North America includes the US with revenue of £2,835.8 million (2008: £2,444.7 million) and headline PBIT of £370.9 million (2008: £411.0 million).

³ Western Continental Europe includes Ireland with revenue of £43.4 million (2008: £41.3 million) and headline PBIT of £3.9 million (2008: £8.0 million).

⁴ The Group previously reported Continental Europe as a geographic segment. Western Continental Europe is now reported separately, with Central & Eastern Europe included with Asia Pacific, Latin America, Africa & Middle East. Comparative figures have been restated accordingly.

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Notes to the unaudited preliminary consolidated financial statements (continued)

7. Taxation

The effective tax rate on Headline PBT¹, excluding the impact of the net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items, was 23.8% (2008: 25.3%). The effective tax rate on Reported PBT was 23.5% (2008: 31.2%).

The tax charge comprises:

	2009	2008
	£m	£m
Current tax		
Current year	209.8	217.7
Prior years	(1.7)	7.0
Total current tax	208.1	224.7
Deferred tax		
(Benefit)/charge for the year	(15.1)	20.6
Net credit in relation to the amortisation of acquired intangible assets and other goodwill items	(37.3)	(12.4)
Total deferred tax	(52.4)	8.2
Tax expense	155.7	232.9

¹ Headline PBT is defined in note 19.

8. Ordinary dividends

The Board has recommended a second interim dividend of 10.28p (2008: 10.28p) per ordinary share in addition to the interim dividend paid of 5.19p (2008: 5.19p) per ordinary share. This makes a total for the year of 15.47p (2008: 15.47p) per ordinary share. The second interim dividend is expected to be paid on 1 April 2010 to holders of ordinary shares in the Company on 19 March 2010.

Income access share arrangements continue to apply to dividends paid by the Group. The mechanics of the income access share arrangements mean that the Company will declare a second interim rather than a final dividend. The Board has no plans to announce any additional dividend in respect of the year ended 31 December 2009.

Share owners who hold more than 100,000 shares and who wish to receive their dividend from a UK source must make an election to do so. Share owners who held 100,000 or fewer WPP ordinary shares on the date of admission of the Company's shares to the London Stock Exchange or (if later) on the first dividend record date after they became share owners in the Company, will be automatically deemed to have elected to receive a UK-sourced dividend. All elections remain in force indefinitely unless revoked. Unless share owners have made, or are deemed to have made, an election under the Dividend Access Plan, their dividend will be paid from an Irish source and will be taxed accordingly.

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Notes to the unaudited preliminary consolidated financial statements (continued)

9. Earnings per share

Basic EPS

The calculation of basic Reported and Headline EPS is as follows:

	2009	2008	+/(-)%	Constant Currency +/(-)%
Reported earnings ¹ (£m)	437.7	439.1		
Headline earnings (£m) (note 19)	550.0	648.3		
Average shares used in Basic EPS calculation (m)	1,218.7	1,143.4		
Reported EPS	35.9p	38.4p	(6.5)	(19.2)
Headline EPS	45.1p	56.7p	(20.5)	(28.9)

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

Diluted EPS

The calculation of diluted Reported and Headline EPS is set out below:

	2009	2008	+/(-)%	Constant Currency +/(-)%
Diluted Reported earnings (£m)	437.7	439.9		
Diluted Headline earnings (£m)	550.0	649.1		
Shares used in diluted EPS calculation (m)	1,238.2	1,169.6		
Diluted Reported EPS	35.3p	37.6p	(6.1)	(18.8)
Diluted Headline EPS	44.4p	55.5p	(20.0)	(28.5)

Diluted EPS has been calculated based on the Reported and Headline Earnings amounts above. On 19 May 2009 the Group issued £450 million 5.75% convertible bonds due in 2014. For the year ended 31 December 2009 these convertible bonds were accretive to earnings and therefore excluded from the calculation of diluted earnings. For the year ended 31 December 2008 the \$150 million Grey convertible bonds were dilutive and earnings were consequently increased by £0.8 million. These bonds were redeemed on 28 October 2008.

A reconciliation between the shares used in calculating Basic and Diluted EPS is as follows:

	2009	2008
	m	m
Average shares used in Basic EPS calculation	1,218.7	1,143.4
Dilutive share options outstanding	2.1	2.9
Other potentially issuable shares	17.4	16.0
\$150 million Grey convertible bonds	-	7.3
Shares used in Diluted EPS calculation	1,238.2	1,169.6

At 31 December 2009 there were 1,256,491,314 (2008: 1,255,343,263) ordinary shares in issue.

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Notes to the unaudited preliminary consolidated financial statements (continued)

10. Analysis of cash flows

The following tables analyse the items included within the main cash flow headings on page 14:

Net cash inflow from operating activities:

	2009	2008
	£m	£m
Profit for the year	506.9	513.9
Taxation	155.7	232.9
Revaluation of financial instruments	(48.9)	25.4
Finance costs	355.4	319.4
Finance income	(150.4)	(169.6)
Share of results of associates	(57.0)	(46.0)
Operating profit	761.7	876.0
Adjustments for:		
Non-cash share-based incentive plans (including share options)	54.9	62.3
Depreciation of property, plant and equipment	195.3	149.6
Goodwill impairment	44.3	84.1
Goodwill write-down relating to utilisation of pre-acquisition tax losses	-	1.5
Amortisation and impairment of acquired intangible assets	172.6	78.4
Amortisation of other intangible assets	30.5	23.4
Investment write-downs	11.1	30.5
Gains on disposal of investments	(31.1)	(3.4)
Losses on sale of property, plant and equipment	0.4	1.9
Operating cash flow before movements in working capital and provisions	1,239.7	1,304.3
Movements in working capital and provisions	(102.1)	(109.3)
Cash generated by operations	1,137.6	1,195.0
Corporation and overseas tax paid	(216.6)	(182.5)
Interest and similar charges paid	(248.7)	(269.2)
Interest received	99.6	133.0
Investment income	1.4	1.8
Dividends received from associates	45.5	44.6
	818.8	922.7

Acquisitions and disposals:

	2009	2008
	£m	£m
Initial cash consideration	(61.8)	(891.9)
Cash and cash equivalents acquired (net)	1.3	(6.1)
Earnout payments	(81.5)	(67.8)
Loan note redemptions	-	(2.6)
Purchase of other investments (including associates)	(53.3)	(91.7)
Proceeds on disposal of investments	50.5	11.0
	(144.8)	(1,049.1)

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

10. Analysis of cash flows (continued)

Share repurchases and buybacks:

	2009	2008
	£m	£m
Share cancellations (excluding brokerage fees)	-	(112.2)
Proceeds on disposal of treasury shares	-	6.9
Shares purchased into treasury	(9.5)	-
	(9.5)	(105.3)

Net (decrease)/increase in borrowings:

	2009	2008
	£m	£m
(Decrease)/increase in drawings on bank loans	(1,068.0)	1,273.3
Proceeds from issue of £450 million 5.75% convertible bonds due May 2014	450.0	-
Proceeds from issue of \$600 million 8.0% bonds due September 2014	367.4	-
Repayment of €650 million 6.0% bonds	-	(515.1)
Repayment of \$100 million 6.875% bonds	-	(50.5)
Repayment of \$150 million Grey convertible bonds	-	(96.2)
Repayment of TNS debt	(175.7)	(395.7)
Proceeds from issue of €750 million 6.625% bonds due May 2016	-	594.6
	(426.3)	810.4

Cash and cash equivalents:

	2009	2008
	£m	£m
Cash at bank and in hand	1,570.5	2,485.9
Short-term bank deposits	96.2	86.6
Overdrafts ¹	(720.7)	(1,254.4)
	946.0	1,318.1

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

11. Net debt

	2009	2008
	£m	£m
Cash and short-term deposits	1,666.7	2,572.5
Bank loans and overdrafts due within one year	(720.7)	(1,640.8)
Corporate bond and loans due after one year	(3,586.4)	(3,999.3)
	(2,640.4)	(3,067.6)

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

12. Goodwill and acquisitions

Goodwill in relation to subsidiary undertakings decreased by £395.7 million (2008: increased by £3,021.5 million) in the year. This movement includes both goodwill arising on acquisitions completed in the year and adjustments to goodwill relating to acquisitions completed in prior years, net of impairment charges and the effect of currency translation. Goodwill in relation to associate undertakings increased by £18.3 million (2008: increased by £69.3 million) in the year.

Future anticipated payments to vendors in respect of both deferred and earnout obligations totalled £262.2 million (2008: £376.0 million). Earnouts are based on the directors' best estimates of future obligations, which are dependent on the future performance of the interests acquired and assume the operating companies improve profits in line with directors' estimates. An analysis of movements on deferred and earnout obligations is shown in note 16.

The contribution to revenue and operating profit of acquisitions completed in the year was not material. There were no material acquisitions completed during the year or between 31 December 2009 and the date these preliminary financial statements were approved.

13. Other intangible assets

The following are included in other intangibles:

	2009	2008
	£m	£m
Brands with an indefinite useful life	1,013.2	1,073.2
Acquired intangibles	920.7	1,155.9
Other (including capitalised computer software)	66.8	66.7
	2,000.7	2,295.8

14. Trade and other receivables**Amounts falling due within one year:**

	2009	2008
	£m	£m
Trade receivables	5,301.1	5,934.5
VAT and sales taxes recoverable	81.6	87.7
Other debtors	738.5	733.3
Prepayments and accrued income	1,427.7	1,382.6
	7,548.9	8,138.1

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

14. Trade and other receivables (continued)

Amounts falling due after more than one year:

	2009	2008
	£m	£m
Other debtors	97.5	72.3
Fair value of derivatives	182.8	105.6
Prepayments and accrued income	5.8	7.3
	286.1	185.2

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

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

	2009	2008
	£m	£m
Trade payables	6,432.7	7,121.0
Deferred income	910.9	788.3
Payments due to vendors	121.6	89.8
Liabilities in respect of put option agreements with vendors	108.3	67.5
Other creditors and accruals	2,200.5	2,341.1
	9,774.0	10,407.7

16. 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:

	2009	2008
	£m	£m
Payments due to vendors	140.6	286.2
Liabilities in respect of put option agreements with vendors	59.9	54.6
Fair value of derivatives	82.9	86.2
Other creditors and accruals	139.9	126.9
	423.3	553.9

The following table sets out the directors' best estimates of future deferred and earnout related obligations:

	2009	2008
	£m	£m
Within one year	121.6	89.8
Between 1 and 2 years	93.6	128.0
Between 2 and 3 years	39.5	97.2
Between 3 and 4 years	5.1	53.4
Between 4 and 5 years	2.4	7.6
Over 5 years	-	-
	262.2	376.0

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Notes to the unaudited preliminary consolidated financial statements (continued)

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

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

	2009
	£m
At the beginning of the year	376.0
Earnouts paid	(81.5)
Revised estimates	(11.1)
New acquisitions	7.7
Foreign exchange impact	(28.9)
At the end of the year	262.2

The Group does not consider there to be any material contingent liabilities as at 31 December 2009.

17. Issued share capital – movement in the year

	2009	2008
Number of equity ordinary shares	m	m
At the beginning of the year	1,255.3	1,191.5
Exercise of share options	1.2	2.1
Acquisitions	-	80.5
Share cancellations	-	(18.8)
At the end of the year	1,256.5	1,255.3

18. Related party transactions

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

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Notes to the unaudited preliminary consolidated financial statements (continued)

19. Non-GAAP measures of performance

Reconciliation of profit before interest and taxation to
Headline PBIT for the year ended 31 December 2009

	2009	2008
	£m	£m
Profit before interest and taxation	818.7	922.0
Amortisation and impairment of acquired intangible assets	172.6	78.4
Goodwill impairment	44.3	84.1
Goodwill write-down relating to utilisation of pre-acquisition tax losses	-	1.5
Gains on disposal of investments	(31.1)	(3.4)
Investment write-downs	11.1	30.5
Costs of changes to corporate structure	-	4.6
Share of exceptional losses of associates	1.6	0.5
Headline PBIT	1,017.2	1,118.2
Finance income	150.4	169.6
Finance costs	(355.4)	(319.4)
	(205.0)	(149.8)
Interest cover on Headline PBIT	5.0 times	7.5 times

Calculation of Headline EBITDA

	2009	2008
	£m	£m
Headline PBIT (as above)	1,017.2	1,118.2
Depreciation of property, plant and equipment	195.3	149.6
Amortisation of other intangible assets	30.5	23.4
Headline EBITDA	1,243.0	1,291.2

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Notes to the unaudited preliminary consolidated financial statements (continued)

19. Non-GAAP measures of performance (continued)

Reconciliation of profit before taxation to Headline PBT
and Headline earnings for the year ended 31 December 2009

	2009	2008
	£m	£m
Profit before taxation	662.6	746.8
Amortisation and impairment of acquired intangible assets	172.6	78.4
Goodwill impairment	44.3	84.1
Goodwill write-down relating to utilisation of pre-acquisition tax losses	-	1.5
Gains on disposal of investments	(31.1)	(3.4)
Investment write-downs	11.1	30.5
Costs of changes to corporate structure	-	4.6
Share of exceptional losses of associates	1.6	0.5
Revaluation of financial instruments	(48.9)	25.4
Headline PBT	812.2	968.4
Taxation (excluding net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items)	(193.0)	(245.3)
Minority interests	(69.2)	(74.8)
Headline earnings	550.0	648.3
Ordinary dividends	189.8	161.8
Dividend cover on Headline earnings	2.9 times	4.0 times

Headline PBIT margins before and after share of results of associates

	Margin (%)	2009	Margin (%)	2008
		£m		£m
Revenue		8,684.3		7,476.9
Headline PBIT	11.7	1,017.2	15.0	1,118.2
Share of results of associates (excluding exceptional losses)		58.6		46.5
Headline PBIT excluding share of results of associates	11.0	958.6	14.3	1,071.7

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

19. Non-GAAP measures of performance (continued)

Reconciliation of free cash flow for the year ended 31 December 2009

	2009	2008
	£m	£m
Cash generated by operations	1,137.6	1,195.0
Plus:		
Interest received	99.6	133.0
Investment income	1.4	1.8
Movements in working capital and provisions	102.1	109.3
Dividends received from associates	45.5	44.6
Share option proceeds	4.1	10.6
Proceeds on disposal of treasury shares	-	6.9
Proceeds on disposal of property, plant and equipment	9.2	11.5
Less:		
Interest and similar charges paid	(248.7)	(269.2)
Purchase of property, plant and equipment	(222.9)	(196.8)
Purchase of other intangible assets (including capitalised computer software)	(30.4)	(23.8)
Corporation and overseas tax paid	(216.6)	(182.5)
Dividends paid to minority shareholders in subsidiary undertakings	(63.0)	(63.5)
Free Cash Flow	617.9	776.9

20. Going concern and liquidity risk

In considering going concern and liquidity risk, the directors have reviewed the Group's future cash requirements and earnings projections. The directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance. The directors have concluded that the Group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future and therefore believe it is appropriate to prepare the financial statements of the Group on a going concern basis.

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

20. Going concern and liquidity risk (continued)

At 31 December 2009, the Group has access to £4.9 billion of committed bank facilities with maturity dates spread over the years 2010 to 2020 as illustrated below:

Maturity by year

		2010	2011	2012	2013	2014	2015	2016	2017+
	£m	£m	£m	£m	£m	£m	£m	£m	£m
£ bonds £200m (6.375% '20)	200.0								200.0
£ bonds £400m (6.0% '17)	400.0								400.0
Eurobonds €750m (6.625% '16)	665.5							665.5	
Eurobonds €500m (5.25% '15)	443.7						443.7		
£450m convertible bonds (5.75% '14)	450.0					450.0			
US bond \$650m (5.875% '14)	402.5					402.5			
US bond \$600m (8.0% '14)	371.6					371.6			
Eurobonds €600m (4.375% '13)	532.4				532.4				
Bank revolver \$1,600m	990.8			990.8					
TNS acquisition revolver £400m	400.0	200.0	200.0						
TNS private placements \$55m	34.1			18.6		15.5			
Total committed facilities available	4,890.6	200.0	200.0	1,009.4	532.4	1,239.6	443.7	665.5	600.0
Drawn down facilities at 31 December 2009	3,556.0	-	-	74.8	532.4	1,239.6	443.7	665.5	600.0
Undrawn committed credit facilities	<u>1,334.6</u>								
Drawn down facilities at 31 December 2009	3,556.0								
Net cash at 31 December 2009	(946.0)								
Other adjustments	<u>30.4</u>								
Net debt at 31 December 2009	<u>2,640.4</u>								

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

Treasury management

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

The Group's risk management policies relating to foreign currency risk, interest rate risk, liquidity risk, capital risk and credit risk are presented in the notes to the consolidated financial statements of the 2008 Annual Report and Accounts and in the opinion of the Board remain relevant at 31 December 2009.

21. Principal risks and uncertainties

The directors have considered the principal risks and uncertainties affecting the Group for the year and determined that these are unchanged from those presented in the Group's published Annual Report and Accounts and Form 20-F for the year ended 31 December 2008. The Annual Report and Accounts and Form 20-F are published in the Investor Relations section of the Group website (www.wpp.com) and are available from the Group on request.

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Notes to the unaudited preliminary consolidated financial statements (continued)

21. Principal risks and uncertainties (continued)

WPP PLC has specific policies in place to ensure that risks are properly evaluated and managed at the appropriate level within the business. These are presented on pages 113 to 115 of the published 2008 Annual Report and Accounts. Pages 4 to 8 of the Group's Form 20-F for the year ended 31 December 2008 contain a detailed explanation of the risk factors identified by the Group and these are summarised below:

- a. The Group competes for clients in a highly competitive industry, which may reduce market share and decrease profits.
- b. The Group receives a significant portion of its revenues from a limited number of large clients, and the loss of these clients could adversely impact the Group's prospects, business, financial condition and results of operations.
- c. The Group may be unable to collect balances due from any client that files for bankruptcy or becomes insolvent.
- d. A reduction on client spending and a slowdown in client payments could adversely affect our working capital.
- e. The Group is dependent on its employees and, like all service providers, is vulnerable to adverse consequences from the loss of key employees due to competition among providers of advertising and marketing services.
- f. The Group is exposed to the risks of doing business internationally.
- g. Currency exchange rate fluctuations could adversely affect the Group's consolidated results of operations.
- h. The Group may have difficulty repatriating the earnings of its subsidiaries.
- i. The Group is subject to recessionary economic cycles. Renewed difficulty in the global credit markets could adversely impact our financial condition and results of operations. Liquidity risk is considered in note 20.
- j. The Group may be unsuccessful in evaluating material risks involved in completed and future acquisitions.
- k. The Group may be unsuccessful in integrating any acquired operations with its existing businesses.
- l. Goodwill and other acquired intangible assets recorded on the Group's balance sheet with respect to acquired companies may become impaired.
- m. The Group may be subject to certain regulations that could restrict the Group's activities.
- n. Changes in tax laws or their application may adversely affect the Group's reported results.
- o. 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.
- p. Civil liabilities or judgments against the Group or its directors or officers based on U.S. federal or state securities laws may not be enforceable in the U.S. or in England and Wales or in Jersey.

WPP PLC

**Preliminary results for the year ended 31 December 2009
in reportable US Dollars¹**

**Unaudited illustrative preliminary consolidated income statement
for the year ended 31 December 2009**

	Year ended 31 December 2009	Year ended 31 December 2008	
	\$m	\$m	+/(-)%
Billings	59,388.7	67,381.0	(11.9)
Revenue	13,598.2	13,598.4	0.0
Direct costs	(1,103.8)	(827.2)	(33.4)
Gross profit	12,494.4	12,771.2	(2.2)
Operating costs	(11,275.6)	(11,195.2)	(0.7)
Operating profit	1,218.8	1,576.0	(22.7)
Share of results of associates	91.2	83.7	9.0
Profit before interest and taxation	1,310.0	1,659.7	(21.1)
Finance income	241.4	316.9	(23.8)
Finance costs	(562.3)	(588.4)	4.4
Revaluation of financial instruments	80.1	(37.3)	-
Profit before taxation	1,069.2	1,350.9	(20.9)
Taxation	(249.3)	(416.7)	40.2
Profit for the year	819.9	934.2	(12.2)
Attributable to:			
Equity holders of the parent	708.1	803.5	(11.9)
Minority interests	111.8	130.7	(14.5)
	819.9	934.2	(12.2)
Headline PBIT	1,622.7	1,984.4	(18.2)
Headline PBIT margin	11.9%	14.6%	
Headline PBT	1,301.8	1,712.8	(24.0)
Reported earnings per share²			
Basic earnings per ordinary share	58.1¢	70.3¢	(17.4)
Diluted earnings per ordinary share	57.2¢	68.7¢	(16.7)
Headline earnings per share²			
Basic earnings per ordinary share	72.4¢	99.9¢	(27.5)
Diluted earnings per ordinary share	71.3¢	97.8¢	(27.1)

¹ The unaudited consolidated income statement above is presented in reportable US Dollars for information purposes only and has been prepared assuming the US Dollar is the reporting currency of the Group, whereby local currency results are translated into US Dollars at actual monthly average exchange rates in the periods presented. Among other currencies, this includes an average exchange rate of US\$1.5667 to the pound for the year ended 31 December 2009 (2008: US\$1.8524).

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

WPP PLC

GLOSSARY AND BASIS OF PREPARATION

Average net debt

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

Billings and estimated net new billings

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

Constant currency

The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying budgeted 2009 exchange rates to local currency reported results for the current and prior year. This gives a US dollar – denominated income statement and balance sheet which exclude any variances attributable to foreign exchange rate movements.

Free cash flow

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

Gross margin/gross profit

The Group uses the terms gross margin and gross profit interchangeably.

Headline earnings

Headline PBT less taxation (excluding net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items) and minority interests.

Headline operating profit/Headline PBIT

Profit before finance income/costs and revaluation of financial instruments, taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, share of exceptional gains/losses of associates and costs incurred in 2008 in changing the corporate structure of the Group.

Headline PBT

Profit before taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, share of exceptional gains/losses of associates, costs incurred in 2008 in changing the corporate structure of the Group and gains/losses arising from the revaluation of financial instruments.

Operating margin

Headline operating profit as a percentage of revenue.

Pro forma ('like-for-like')

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