Appendices

Appendix 1: Management report information

The letter to share owners, which is set out on pages 18 to 29 of the Annual Report, and Accounts includes the following indication of important events that have occurred during the financial year and their impact on the financial statements:

Letter to share owners*

Dear share owner

2010, our twenty-fifth year, was a year of significant recovery and a record year in almost all respects, as clients re-focused on top-line sales growth and expansion, particularly in faster-growth geographic markets, as well as continued cost containment in the slower-growth markets of the US and Western Europe. Following a brutal 2009, when the post-Lehman financial world did not come to an end, as some had feared, the recovery has been remarkable. Our business is being transformed by new markets, new media and consumer insights which provide major opportunities to enhance our future growth and profitability.
We believe these factors and, more importantly, how we respond to them, will significantly enhance the value of your Company in the future.

Total share owner return increased sharply, with your share price rising 180p, or 30%, to 789.5p from 609.5p during the year. Since the year end, your share price has fallen to 723.0p at the time of writing, reflecting concern about the potential negative impact of political events in North Africa, the Middle East and the human catastrophe in Japan. Dividends were increased by 15% to 17.79p, a record level.

Billings were up over 12% to £42.7 billion. Revenues were up over 7% to £9.3 billion. Including 100% of associates, revenue is estimated to total over £11.6 billion. Our revenues exceeded all our competitors for the third consecutive year, by an increasing amount. Headline PBIT was up almost 21% to £1.229 billion against £1.017 billion in 2009. Headline PBIT margin was 13.2% in 2010 against 11.7% last year. The Group achieved a headline PBIT margin of 15.8% in the second half of the year, 0.4 margin points above the margin achieved in the second half of both 2009 and 2008, including TNS on a pro-forma basis. In the second half of the year the business returned to pre-Lehman proforma levels of revenue and profitability, with higher productivity. On gross margin, the headline PBIT margin was 14.4%, up 1.7 margin points on 2009. This is probably a more accurate basis for competitive comparisons. Reported profit before interest and tax rose over 25% to £1.028 billion, over £1 billion for the first time, from £819 million.

Headline EBITDA (which is a key metric that private equity firms, for example, use for valuing companies) increased by almost 16% to £1.439 billion, above £1 billion for the fifth consecutive year. Headline profit before tax was up over 27% to £1.034 billion, above £1 billion also for the first time. Reported profit before tax was up over 28% to £851 million. Diluted headline earnings per share were up almost 28% to 56.7p (an all-time high) and diluted reported earnings per share up 30% to 45.9p.

Free cash flow strengthened to £902 million in the year. Net debt averaged £3.1 billion in 2010, down £0.3 billion at 2010 exchange rates, and net debt at 31 December 2010 was £1.9 billion, or £0.7 billion lower than 2009, reflecting significant improvement in profitability and improved cash flows, despite a continued client emphasis on improved liquidity, as well as effectiveness and efficiency. Equity analysts

* This letter to share owners should be read in conjunction with and as part of the management report set out in the section headed Directors' report on pages 111 to 124.

appear comfortable with the level of the Group's average net debt, which was around 2.1 times headline EBITDA in 2010. Headline interest cover in 2010 was 6.3 times. So far, in the first three months of 2011, average net debt was down approximately £0.6 billion at £2.2 billion against £2.8 billion for the same period in 2010, at 2011 exchange rates, again reflecting strong cash flows.

With a current equity market capitalisation of approximately £9.1 billion, the total enterprise value of your Company is approximately £11.7 billion, 8.4 times headline EBITDA.

Revenue growth in the fourth quarter was the highest in a decade

Our reported revenue growth for the year of over 7% reflected the comparative weakness of sterling against most currencies, other than the euro. On a constant currency basis, which excludes the impact of currency movements, revenues were up over 5%.

On a like-for-like basis, excluding the impact of acquisitions and currency, revenues were up 5.3%, reflecting sequential quarterly improvement throughout the year. Revenue grew by 8.5% in the final quarter, the fastest rate of like-for-like quarterly growth since the fourth quarter of 2000. The month of December saw the first monthly double digit growth rate since January 2001.

Throughout 2010 we have seen continued sequential improvement in our like-for-like quarterly revenue growth, with the final two quarters of the year at 7.5% and 8.5% respectively. This followed zero like-for-like growth in the first quarter and 4.7% in quarter two. This significant turnaround was directionally in line with our earlier forecasts (we anticipated like-for-like growth in the second quarter of 2010 as early as the third quarter trading update of 2009), but was considerably more violent than anticipated. In 2009, our budgets were optimistic, anticipating like-for-like growth of –2% (an oxymoron). In fact we came in at –8%. In 2010, on the other hand, we proved too pessimistic, budgeting like-for like growth of zero (another oxymoron) and coming in at over 5%. Let's hope we have it more correct in 2011 (third time lucky), where we are budgeting revenue growth of 5%.

The US behaved like a fast-growing market

The most surprising feature of 2010 was the relatively strong performance of mature geographical markets, such as the US and Germany and traditional media, like free-to-air television. The headline was "The US and traditional media bite back." Indeed, the US behaved more like a fast-growing market, or as some others insist on calling them, an emerging market (despite the fact that many of them, like China, the world's second largest economy, have emerged), growing at 7%, against GDP growth of around 3%.

There seem to be a number of possible reasons for this. First, there was an element of 'dead-cat bounce', as advertising as a proportion of US GDP probably reached a low not seen since the mid-1970s in 2009 and massive government and central bank-driven fiscal and monetary stimuli kicked in and stimulated activity from the heavily-depressed levels of 2009. Second, there was a significant increase in activity in sectors that had been heavily cut, such as automobiles, financial services and retail (and a number of new marketing 'wars' such as automobiles and telecommunications), further stimulated by heavy political spending around the mid-term Congressional elections, especially following the United States Supreme Court decision permitting freer lobbying. Third, there was significant excess traditional media inventory, which reduced prices and made traditional media relatively more attractive, perhaps also stimulated by a feeling that new media were more about price and deal, and traditional media more about brand building and brand equity.

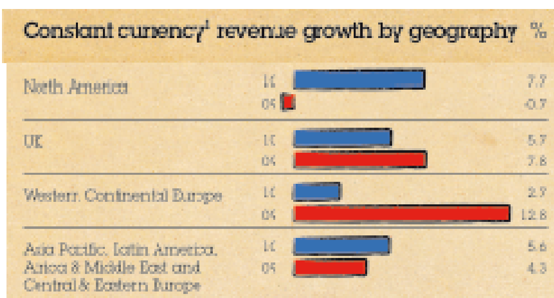
Finally, and most importantly, post-Lehman and the several corporate crises, we have seen a concern, or even fear, amongst chairmen and CEOs and in the boardroom about making mistakes and a consequent emphasis on cost containment and unwillingness to add to fixed expenses or capacity. Western-based multinationals are said to have over $2 trillion in cash on their balance sheets, but unemployment remains at stubbornly high levels, with only increases in temporary employment and limited expansion of fixed capacity in Western markets. Hence, a willingness to invest in the brand and maintain or increase market share, rather than increasing capacity and fixed expenses.

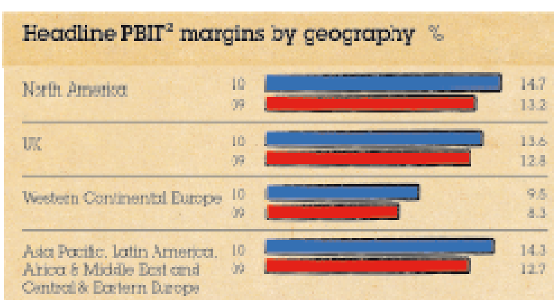
In the third quarter constant currency revenues in the US were up 9.9%, which continued into the final quarter, with growth of 9.8%.

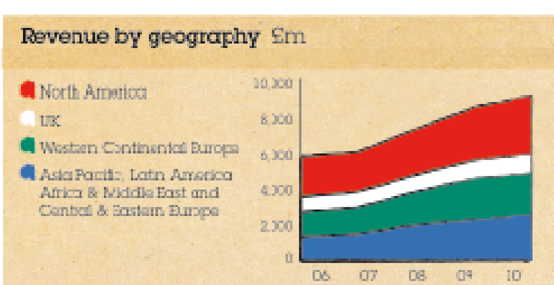
Together with this improved top-line growth, the Group has benefited from the cost actions taken, particularly towards the end of 2009, to adjust headcount and staff costs. As a result, headline PBIT margins have improved by 3.0 margin points before incentives and by 1.5 margin points after incentives. As mentioned earlier, headline PBIT margins in the second half of 2010 were above both the second half of 2009 and the second half of 2008, adjusted for the impact of TNS. Bonus pools have been refilled and, as a percentage of headline profit before bonuses and income from associates, are close to maximum levels.

On a like-for-like basis, average headcount has fallen by over 4%, compared with 2009, although given the substantial increase in like-for-like revenues of 8.0% in the second half of the year, our operating companies have begun to invest in more talent. Revenue conversion post-incentives, that is incremental profit as a proportion of incremental revenue, was very strong at 33%, as our operating companies benefited from the actions to reduce both staff costs and other operating costs in 2009 and during 2010.

Geographically, revenue growth continued to strengthen in the final quarter, particularly in the UK, Central and Eastern Europe, the Middle East, Latin America, Africa and Australia, with the US and Asia (excluding Australia and New Zealand) maintaining the strong growth seen in the third quarter. Western Continental Europe remained difficult, with growth in the final quarter of just over 3%, with France, Spain, Greece, Ireland and Belgium still under pressure. The US continued the strong growth seen in the third quarter, up 9.8%. The UK showed its strongest growth of the year at 9.7%. Latin America was up 6.5% in the fourth quarter in constant currency, but on a like-for-like basis was up almost 15%, reflecting the disposal of a call centre business in Argentina in September. Asia, excluding Australia and New Zealand, grew at 13.6%, which was the same as the third quarter. Mainland China and India continued their strong growth with revenue up over 18% and almost 15% respectively in the final quarter. Other major markets in Asia also showed strong growth, including South Korea, Singapore, Indonesia and more surprisingly Japan, driven by Ogilvy, GroupM and Kantar. Markets outside North America now account for 65% of our revenues, up from 61% five years ago. The influence of the faster-growing markets outside North America is increasing rapidly.







Revenue growth was encouraging across all sectors

The Group's Advertising and Media Investment Management businesses continued their strong growth, with constant currency revenues up 11.6% in the fourth quarter, the strongest quarterly growth in the year, with Media Investment Management up over 17% and Advertising up well over 7%.

The Group's Public Relations & Public Affairs businesses also had their strongest quarter, with revenues up 5.6%, compared with 5.1% in the third quarter and 3.2% in the first half. Consumer Insight also had a good quarter, with revenues up 5.3%, compared with 6.9% in the third quarter and 2.7% in the first half. The Group's Branding & Identity, Healthcare and Specialist Communications businesses (including direct, digital and interactive) grew by 7.3% on a constant currency basis, down slightly on the strong growth of 8.1% in the third quarter, but well ahead of the first half growth of 2.1%. However, on a like-for-like basis, revenues were up 7.2% in the fourth quarter compared with 7.1% in the third quarter, adjusting for the disposal of the call centre business mentioned earlier.

This continuing improvement was driven largely by our uniquely global direct, digital and interactive businesses, amongst others comprising OgilvyOne, with global revenues of over $800 million, VML, with revenues over $100 million and Wunderman, with global revenues over $900 million.
Ogilvy Interactive, VML and Wunderman are three of the seven worldwide 'digital leaders', according to the leading independent digital research firm, Forrester Research. No other competitive group has more than one digital leader.

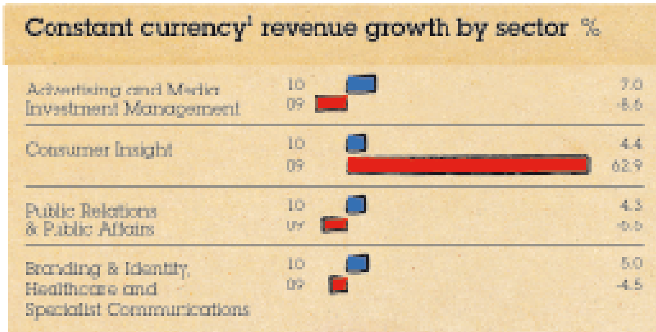
The Group has also recently announced the launch of Possible Worldwide, a global interactive marketing agency, formed through the combination of award-winning WPP Digital agencies Schematic, Bridge Worldwide, BLUE and Quasar, with revenue of over $100 million, with 18 offices and 1,000 staff worldwide, and with operations in the US, Europe, Asia, the Middle East and Africa.

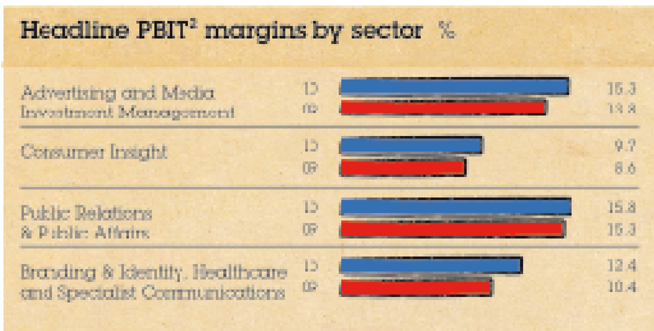
Margins also improved across all sectors

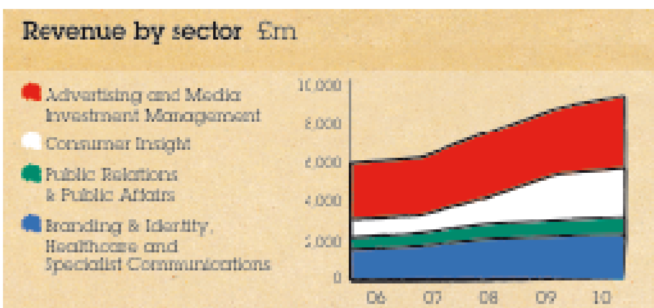
In constant currencies, Advertising and Media Investment Management revenues grew by 7.0%, with like-for-like revenues up similarly at 7.1%. All of the Group's four largest advertising networks finished the year strongly, with growth in our Media Investment Management business over 13% in the year. Advertising showed sequential quarterly like-for like growth in the last three quarters of 2010, following six quarters of decline. This strong revenue growth in 2010, together with the cost actions taken in 2009, resulted in the combined reported operating margin of this sector improving by approximately 1.5 margin points to 15.3%.

In 2010, Ogilvy & Mather, JWT, Y&R, Grey and United Network generated estimated net new billings of over £0.8 billion ($1.2 billion) and GroupM, the Group's Media Investment Management company, which includes Mindshare, MEC, MediaCom and Maxus, generated estimated net new billings of £1.5 billion ($2.4 billion). tenthavenue has been created as a separate 'engagement network', focused on out-of-home media, including Group companies Kinetic, Quisma and Spafax.

Consumer Insight revenues grew by 4.4% in constant currencies, with like-for-like revenues up similarly at 3.9%. Reported operating margins improved by 1.1 margin points to 9.7% as benefits resulting from the integration of TNS custom research and Research International and the other operations of both TNS and Kantar, in media, healthcare, retail and their related panel activities, were realised. Reported gross margin margins (headline PBIT as a proportion of gross margin rather than revenue) improved 1.5 margin points to 13.2%.







The Group's Public Relations & Public Affairs businesses had a strong end to the year, with constant currency revenue growth of 5.6% in quarter four, the highest quarter of the year. Operating margins rose by 0.5 margin points to 15.8%. Particularly strong performances were recorded by Burson-Marsteller and the Group's specialist public relations businesses.

The Group's Branding & Identity, Healthcare and Specialist Communications (including direct, digital and interactive) constant currency revenues grew by 5.0% in the year and 7.3% in the final quarter. The Group's global direct, digital and interactive agencies grew strongly, as did Branding & Identity with revenue up almost 11% in the final quarter. This service sector showed a strong recovery in reported operating margins, up 2.0 margin points to 12.4%.

Marketing services comprised 60% of our revenues in 2010, a similar proportion to 2009. It is no longer accurate to call us an advertising agency, we are really a communications services company.

As margins recovered we invested in talent

Headline PBIT margins recovered to 13.2% against 11.7% in 2009, but were still lower than the 15.0% achieved in 2008 (or 14.3% if TNS were included for the whole of 2008). However, as mentioned above, the Group achieved a margin of 15.8% in the second half of the year, 0.4 margin points higher than the corresponding period in both 2009 and 2008 (including TNS on a pro-forma basis).

On a like-for-like basis the average number of people in the Group decreased by 4.2% in 2010. On the same basis, the number of people in the Group at 31 December 2010 was 4.5% higher than at the end of 2009. This increase partly counter-balanced the more than 12% fall in point-to point headcount during 2009 and represented an increased investment in talent, as revenue growth picked up.

Reported staff costs, excluding incentives, were up 3.2%. Incentive payments totalled £342 million (£178 million in 2009), which represented over 22% (almost 16% in 2009) of headline operating profit before incentives and income from associates. Cash-based incentives totalled £272 million or almost 18% of headline operating profit as defined above, against £123 million or almost 11% in 2009. The balance of £70 million in 2010 represents share-based incentives granted in 2010 and previous years. 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'.

Before these incentive payments, headline PBIT margins rose by 3.0 margin points to 16.8%. On a reported basis, despite the almost doubling of incentive payments, the Group's staff cost-to-revenue ratio fell to 58.3% compared with 58.9% in 2009. Before incentive and severance costs, headline PBIT margins rose by 2.4 margin points to 17.6%.

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 slow-downs. In 2010, the ratio of variable staff costs to total staff costs increased significantly to 13.4%, compared with 9.7% in 2009 and 11.4% in 2008. As a proportion of revenue, variable staff costs were 7.8% in 2010 compared with 5.7% in 2009 and 6.6% in 2008. These represent the highest ratios in the last 10 years. The business is, therefore, even better protected against economic downturns.

As a result of all this, headline PBIT rose almost 21% to £1.229 billion from £1.017 billion, up almost 17% in constant currencies. Reported PBIT rose over 25% to £1.028 billion from £819 million, over 20% in constant currencies, reflecting a lower charge for goodwill impairment and amortisation of intangibles, partly offset by higher investment write-downs.

Net finance costs (excluding the revaluation of financial instruments) were £195 million, down from £205 million last year, reflecting lower average net debt, partly offset by higher funding costs. Headline profit before tax increased by more than 27% to £1.034 billion and reported profit before tax was up over 28% to £851 million.

The Group's tax rate on headline profit before tax was 22.0%, a reduction of 1.8 percentage points from 2009, as a result of continuing tax planning initiatives and deferred tax credits.

Diluted headline earnings per share rose over 27% to 56.7p and diluted reported earnings per share increased 30% to 45.9p. Prudently, no severance or integration expenses have been excluded in arriving at headline earnings. This is not competitive practice, which is odd.

Integration of TNS

Following the acquisition of TNS in October 2008, the custom business of TNS has been combined with Research International and its other operations merged with several of the Kantar businesses to form Kantar Media, Kantar Worldpanel, Kantar Retail and Kantar Health. The integration has gone well and, as a result of actions taken since acquisition, as at 31 December 2010, the Group achieved the revised merger benefits target of an annualised £60 million, as opposed to the original commitment of £52 million.

The outlook for 2011

The world continues to move at very different speeds, both geographically and functionally. By means of explanation, perhaps an English football analogy is helpful. First, the Premier League which consists of the BRICs (Brazil, Russia, India and China) and the Next 11 (Bangladesh, Egypt, Indonesia, Iran (?), Mexico, Nigeria, Pakistan, the Philippines, South Korea, Turkey, Vietnam) or CIVETS (Colombia, Indonesia, Vietnam, Egypt (still included), Turkey, South Africa), along with new media (personal computer-driven, mobile, video content, social networks). Second, The Championship, the US, because of its size, immigrant, entrepreneurial culture and human and natural resources, along with an economically well-run and high value-added manufacturing export-led Germany and free-to air television. Third, League One, Western Europe, primarily the UK, France, Italy and Spain, along with newspapers and magazines. Last, League Two, (sadly, particularly given the recent terrible events) Japan, which has been stagnant for almost 20 years. Perhaps the UK, with its Coalition Government's emphasis on deficit reduction and long-term growth will gain promotion to The Championship?

In any event, the Group's strategic focus on new markets, new media and consumer insight reflects these differing market dynamics and account respectively for 27%, 29% and 26% of the Group's revenues of over $14 billion.

2011 like-for-like revenue growth looks as though it should be similar to how 2010 actually turned out, as long as we have our budgets right. The final budget figures indicate continued growth of 5% over last year's actual numbers. Budget optimism in 2009 was replaced by pessimism in 2010. Perhaps the 2011 budgets will finally reflect realism.

However, the pattern of revenue growth looks as though it will be slightly different, with the balance of growth shifting from the West to the East to China and India, to the South to Brazil and Latin America and to the South-East to Africa and, functionally, to media investment management, digital media and data analytics and the application of technology. The shift to the East applies even in Europe itself, as the strong man of Europe, Germany, forms a strong axis with Poland, relatively untouched by the recession, and Russia, blessed with vast, increasingly valuable energy resources (as long as they invest the proceeds wisely).

Clients seem to be increasingly focused on expansion in the faster-growing markets and cost containment and caution in the West. So far this strategy has paid off, with corporate profitability at record highs. Worries remain around euro contagion and the lack of willingness, at least in front of a US Presidential election in 2012, to tackle US deficit reduction. Additional concerns have also developed in recent months over events in Tunisia, Egypt, Bahrain, Libya and Yemen and the implications for other countries, such as Jordan or Saudi Arabia, and the shocking human catastrophes in Japan surrounding the earthquake, tsunami and nuclear crisis. We have to admire the phlegmatic, stoical and disciplined response of the Japanese people to these bitterly unfair events. As we write there is news of another significant earthquake in Japan of over 7 on the Richter scale. As a point of reference, the Middle East accounts for about 1.7% or $300 million of our approximately $16 billion of revenues forecast by analysts and Japan about 1.5% or $200 million. However, despite these concerns and commodity price inflation and high levels of unemployment, particularly amongst the youth, forecasts for global GDP growth in 2011 remain around 4% and media growth forecasts, including by our own GroupM, around the same level or even greater, as advertising and marketing spending picks up from depressed levels in mature markets and grows aggressively in relatively under-advertised, faster growth markets – almost a double-whammy.

Incentive plans for 2011 will place increased emphasis on revenue growth and improvement in operating margins in conjunction with operating profit growth, although objectives will continue to include qualitative Group objectives, including co-ordination 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 2011. The strong finish to 2010 has continued into 2011, with like-for-like revenue and gross margin for the first two months of the year both up over 7%. Geographically, we are seeing stronger growth in both Asia and Latin America and the US remaining strong. By sector, Advertising and Media Investment Management also remain strong with our direct, digital and interactive businesses also well up and Consumer Insight up too. These trends are broadly in line with our budgets, which also indicate a stronger first half, understandable given easier 2010 first-half comparatives and our usual quarter four conservative budget. Operating profits were in line with budget and well up on last year.

Prospects for 2012 also feel good, particularly as the US Presidential election, the well-organised London Olympics and the UEFA European Football Championships should add 1-2% to global advertising and marketing growth rates, as usual in a maxi-quadrennial year. The problems may well come, however, in 2013 or late 2012, as the newly re-elected or elected American President wrestles with a ballooning deficit – unless the bond markets lose patience before then. At least one major US institution has lost patience already.

Margin objectives

Operating margins for 2011 are targeted to rise by 0.5 margin points to 13.7%, in line with our revised targets of 13.7% for 2011 and 14.2% for 2012, with a long-term objective of 18.3%, equivalent to 19.0% pre-TNS. This is challenging, of course, but not as outrageous as some believe, given that our best-performing companies in each services sector have already demonstrated they can perform at a combined Group margin of 17%.

The longer term

In the long term, the outlook for the advertising and marketing services industry appears favourable. Globalisation, 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 need to influence retail distribution, brand emphasis on health and wellness, the growth in government spending and the new focus on corporate responsibility 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, Colombia and Mexico. 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 are committed to working with our clients and their procurement departments, to improve the effectiveness and efficiency of their spending and investments.

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

Including associates, the Group had over 146,000 full-time people in almost 2,400 offices in 107 countries at the year end. It services 336 of the Fortune Global 500 companies, 29 of the Dow Jones 30, 61 of the Nasdaq 100, 35 of the Fortune e-50, and 708 national or multinational clients in three or more disciplines. More than 460 clients are served in four disciplines and these clients account for over 57% of Group revenues. The Group also works with over 340 clients in six or more countries.

These statistics reflect the increasing opportunities for developing client relationships between activities nationally, internationally and by function. We estimate that over 35% of new assignments in the year were generated through the joint development of opportunities by two or more Group companies. New integration mechanisms, sensitive to global and local opportunities, including WPP Global Client Leaders for our top 30 clients (which account for around a third or $5 billion of revenues) and Country Managers, continue to be developed. There is an increasing number of major client creative and integration opportunities at a Group level. The Group continues to be extremely successful in most, if not all, of the integrated marketing competitions that clients are increasingly initiating. These opportunities range from the creation of teams across the Group to the integration of various operating units and to the creation of individually tailored agencies to meet clients' needs. The Group's integration record continues to lead its competitors by a considerable distance.

Our key 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 provider of communications services to multinational and local companies, not just the largest. To that end, we have three key strategic priorities.

1

First, our immediate priority is to continue to emerge from the financial crisis of 2008 a stronger company. Our 2010 results are an encouraging sign that we will or even have. Compared with the last downturn, our people are stronger: they are better resourced, better motivated and incentivised than when we exited the last recessions in the early 1990s and 2000s. The Company is also more profitable, more liquid and better structured. In this economic cycle, margins have peaked at 15.0% and bottomed at 11.7%, as opposed to 10.5% and 5.6% in the early 1990s.

2

Second, in the medium term, to build upon the successful base we have established whilst integrating our most recent acquisitions effectively. At TNS the integration has gone well and the focus has to now be on revenue growth, capturing greater market share.

3

Our third priority, in the long term or over the next five to 10 years, is to: 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, from around 27% to 35-40%.

- Increase the share of revenues of new media from 29% to 35-40%.
- Maintain the share of more measurable marketing services – such as Consumer Insight and direct, digital and interactive – at 50% of revenues.

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 2010, read on.

1 Continue to raise operating margins to the levels of the best-performing competition.

2 Continue to increase flexibility in the cost structure.

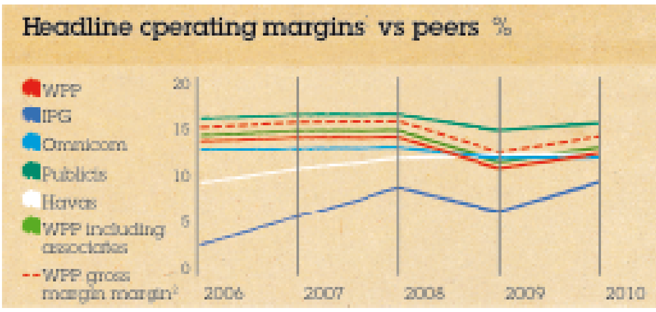
3 Improve total share owner return and return on capital.

4 Continue to enhance the value added by the parent company.

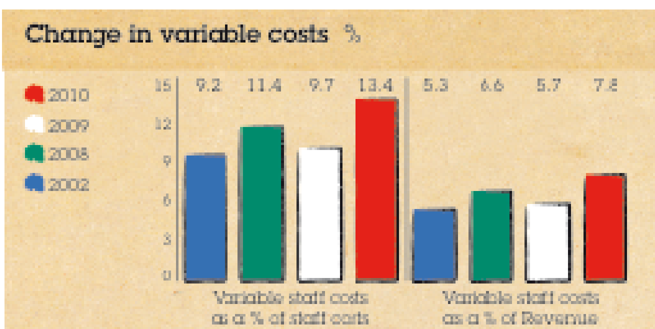
5 Continue to place greater emphasis on revenue growth.

6 Improve still further the quality of our creative output.

First, to continue to raise operating margins to the levels of the best-performing competition. We achieved 15% for two consecutive years, in 2007 and 2008. We continue to believe a margin of 18.3% is a tough, but realistic objective. BBDO, Dentsu and McCann have achieved this in the past, although the pressure became too great in some instances. It may well be that gross margin margin is a more accurate competitive comparison.



Second, to continue to increase flexibility in the cost structure. Great strides have been made in recent years. In 2010, variable staff costs made up 7.8% of revenues, the highest ratio for 10 years. This compares with 6.6% in 2008 and 5.7% in 2009, and illustrates the value of this flexibility in protecting margins in the event of an economic downturn.



Third, to improve total share owner return by maximising the return on investment on the Company's substantial free cash flow (of over £900 million or around $1.4 billion). There are broadly three alternative uses of funds:

- Capital expenditure, which usually approximates the depreciation cost. Pressure here has eased as technology pricing has fallen, although we are increasing investment in our digital and technology-based service offering, in line with our strategic goals. In 2009, we also invested significantly more in real estate following lease renewals, particularly in New York, to secure greater efficiencies.

- Mergers and acquisitions, which have historically taken the lion's share of free cash flow. Here we have raised the hurdle rate on capital employed so that our return on capital may be increased. Valuations remain reasonable, particularly outside the US, although some speculative froth does seem to have developed, especially in digital and interactive in the US and in some faster-growing markets, like Brazil, as our competitors try to play catch-up.

Our acquisition focus in 2010 was again on the triplet opportunities of faster-growing geographic markets, new technologies and consumer insights, totally consistent with our strategic priorities in the areas of geography, new communication services and measurability.

The cost of the acquisition of TNS in 2008 was funded principally by debt. At the time of the transaction, we announced that, for the following two years, acquisitions would be limited to no more than £100 million per annum, the Group's share buy-back program would be targeted up to 1% per annum and dividend growth at up to 15% per annum, with the objective of using surplus cash generated to reduce debt, whilst average net debt to headline EBITDA remained well above 2 times. For 2010, this ratio improved to 2.1 times so this objective has been largely achieved one year ahead of schedule.

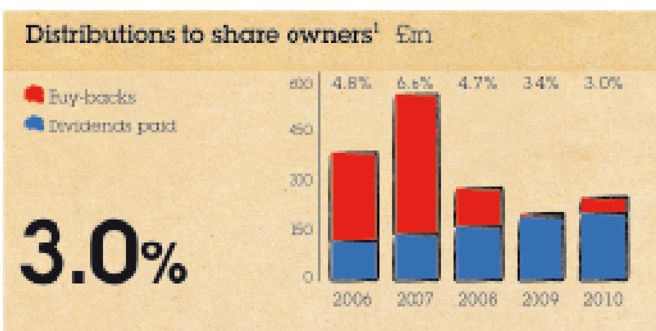
In 2010, the Group spent £97 million on initial acquisition payments, net of cash acquired and disposal proceeds, so within the target set. It is likely we will continue to focus on small and medium-sized acquisitions in 2011 but at a slightly greater level, around £150-200 million.

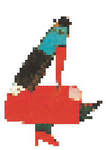
- Dividends or share buy-backs. We continue to focus on examining the relative merits of dividends and share buybacks.

Following the strong first half results in 2010, we reinstituted an increase in dividend with a 15% increase in the first interim dividend, the upper limit committed to at the time of the TNS acquisition. Following the continued improvement in profitability during the second half of 2010, the Board has also recommended an increase in the second interim dividend of 15%. This makes a total for the year of 17.79p per share, an all-time high for your Company. Dividends paid in 2010 were 3.6 times covered by headline earnings.

Subject to share owner approval at the Company's Annual General Meeting in June 2011, the Board also proposes to put in place a scrip dividend program which will enable share owners to elect to receive new fully paid ordinary shares in the Company instead of cash dividends, commencing with the second interim dividend for 2010. Details of the scrip dividend program will be sent to share owners together with the Notice of the Company's Annual General Meeting. The Board has also undertaken a review of its dividend pay-out policy and consulted institutional share owners and analysts. It seems clear from this analysis that in current stock market conditions, many share owners favour consistent dividend growth and better dividend yields over share re-purchases. Given these views, the Board plans to increase the dividend payout ratio as a proportion of post-tax profits from the current level of approximately 30% to approximately 40% over the medium term, reducing dividend cover from approximately 3 times headline earnings to approximately 2.5 times.

Share buy-backs in 2010 cost £46 million, representing 0.5% of share capital, again well within the target set at the time of the TNS acquisition. It is likely that we will continue to ensure that share buy-backs at least equal the dilutive effect of option and restricted stock issuance.





Fourth, we will continue to enhance 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, information technology and practice development. We will continue to do this through a limited group of 350 or so people at the centre in Dublin, London, New York, Tokyo, Hong Kong, 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 with their businesses and our people with their careers.

Many of our initiatives are possible because of the scale on which we now operate. In the optimum use of property, in information technology 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. Our largest client is seeking 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

Talent and its management therefore remain the lynchpin of our reason for existence: 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 the creation of highly-competitive incentives 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 been restructured, consequently, to give more time and attention to talent and to clients. Our recruiting efforts throughout 2010 were especially fruitful as we successfully targeted and recruited top talent within and beyond our industry, often competing with investment banking, management consulting 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, is being continuously developed. The parent company and each of our operating companies installed its 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. We have launched a senior management mentoring and development program specifically for women, run by Charlotte Beers and called 'The X Factor'.

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.

Communications

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 through our websites and social media channels and in print: our monthly public online news bulletin, e.wire; our consistently-awarded global newspaper and eBook, The WIRE; our annual Atticus Journal of original marketing thinking; the WPP Reading Room, an extensive online library of think pieces (both public and original) from WPP professionals worldwide; our online Fact Files profiling Group resources/companies/ products; regular communication on Group initiatives such as the WPP Worldwide Partnership Program and the WPP Marketing Fellowship Program; our annual Corporate Responsibility Report and this consistently award-winning Annual Report, both in print and online.

Property management

In 2010 we were able to reduce our property portfolio by almost 4% to 22.8 million sq ft as a result of shedding excess space created by the integration of the custom business of TNS with Research International and, sadly, as a result of the severance program that saw our staff numbers decline by over 12% in 2009.

The combination of revenue growth and reduction in portfolio enabled us to reduce the establishment cost-to revenue ratio from 8.0% in 2009 to 7.0% in 2010, equal to our medium-term goal. Average square foot per head fell slightly to 229 sq ft from 230 sq ft in 2009, although our target is to achieve 220 sq ft in 2011.

Our key property task is to maintain the 7% establishment cost-to-revenue ratio as we continue to grow the business, by focusing on the key metrics of space per head and cost per square foot on all our lease renewals.

Procurement

In procurement, we continue to set ourselves the goal of being the undisputed leader of procurement practice in the global advertising and marketing services industry.

We aim to benchmark ourselves regularly against our competitors and our clients. Through intensified investment in procurement people, processes and technology, our goal is to maintain the ratio of bought-in costs to revenue at around 15%, by leveraging Group scale across all of our major markets, and focusing on those expenditure categories most favourable for global, regional and local supply contracts, such as in IT, telecoms, travel, professional services, facilities and production.

Information technology

In IT we continue to consolidate our core technology infrastructure with the objectives of reducing cost and improving quality. This enables our operating companies to concentrate their efforts on client-related developments and other internal business-focused applications.

The convergence of mobile, voice and data communications has allowed us to take advantage of new offerings in the telecommunications sector to increase efficiencies and to provide enhanced support to our increasingly mobile workforce.

Practice development

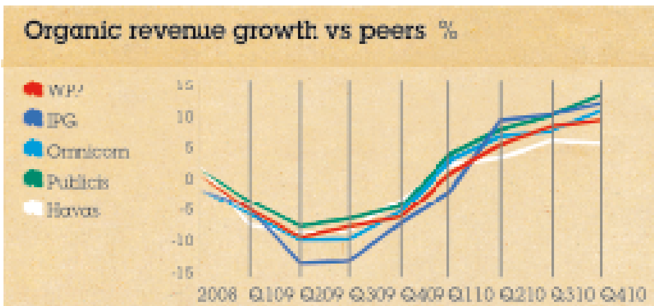
Finally, in practice development we continue to develop horizontal initiatives in a focused set of high-potential areas across our vertical operating brands: in media, healthcare, new technologies, new faster-growing markets, internal communications, retail, entertainment and media, financial services, hi-tech and telecommunications and corporate responsibility. Specifically, we continue to invest in sharing insights and developing initiatives through WPP Digital (in digital marketing and media) and The Store (in distribution and retail).

In key geographic markets we are increasingly coordinating our activities through WPP country managers. We continue to believe that increasing co-ordination is required between our brands at the country and global levels, as the arguments for investment in regional management become weaker. As experience has demonstrated, however, the activities of country managers must be closely aligned and monitored. In addition, we have increased the number of WPP global client leaders to co-ordinate our efforts on behalf of clients and to ensure they get maximum benefit from their relationships with WPP operating brands. We are focused currently on our top 30 global clients accounting for around a third of total revenues and where our revenues grew by 7.0% in 2010, a higher rate than the overall increase of 5.3%.

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 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.

Fifth, to continue to place greater emphasis on revenue growth. 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. In 2008, revenue growth trailed a little behind our major competitors and, in 2009, the decline in our revenue was less worse than most. In 2010, our growth was strong, but also for some of our major competitors. In all years, however, our margin performance was at the top end of the pack.

Estimated net new billings of £3.0 billion ($4.8 billion) in 2010, a similar level to 2009, reflected a consistently high level of wins throughout the year. The Group was ranked first in all the new business league table surveys in 2010.



Our practice development activities are also aimed at helping us position our portfolio in the faster-growing functional and geographic areas. During 2010, acquisitions and increased equity stakes were focused on Advertising and Media Investment Management in Canada, the UK, France, Germany, Poland, Israel, Brazil, Colombia, Hong Kong, India and South Korea; on Consumer Insight in Poland, Hungary, Cyprus, Chile and Guatemala; on Public Relations & Public Affairs in the UK, Germany, Poland and Turkey; on direct, digital and interactive in the US, the UK, Germany, Brazil, China and Singapore; and on Healthcare Communications in the US, the UK and the Czech Republic.

So far in 2011, the Group has made acquisitions or increased equity interests in Advertising and Media Investment Management in South Africa and South Korea; in Consumer Insight in Ireland, Germany, Lithuania and Africa; and in direct, digital and interactive in the US. These acquisitions continue to move us forward to 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 35-40%; in new media to 35-40%; and in consumer insight, direct, digital and interactive, at one-half.

We intend to expand our strong networks – Ogilvy & Mather, JWT, Y&R, Grey, United Network, Bates 141, Mindshare, MEC, MediaCom, Maxus, TNS, Millward Brown, Kantar Media, Kantar Health, Kantar Retail, Kantar Worldpanel, Hill & Knowlton, Ogilvy Public Relations Worldwide, Burson-Marsteller, Cohn & Wolfe, OgilvyOne, Wunderman, OgilvyAction, G2, Possible Worldwide, 24/7 Real Media, Ogilvy CommonHealth, Sudler & Hennessey, ghg, The Brand Union, Landor and FITCH – in high-growth markets or where their market share is insufficient. We will also enhance our leadership position in Consumer Insight 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, which will be consolidated with the same function at TNS. We will reinforce our growing position in media research through Kantar Media, which includes our investments in television audience research through the former TNS Media Intelligence and TNS Media Research, and IBOPE and Marktest, which, combined, is the market leader outside North America.

In addition, we intend to reinforce our worldwide strength in direct and interactive marketing and research through our traditional channels such as OgilvyOne, Wunderman, G2, Blanc & Otus and Lightspeed. Although the early 2000-2001 compressions in financial valuations following the internet bust initially offered significant opportunities, we will now also invest directly in the new channels through start-ups, particularly as US and French valuations in search, for example, are still prohibitive, despite the financial crisis. 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

Sixth, to improve still further the quality of creative work throughout the Group. Despite the growing importance of co-ordinated communications and price effectiveness, the quality of the work remains and will remain paramount. If you drew a graph plotting creative awards (as a proxy for creativity) against margins for any group of agencies, there would be a very strong correlation. The more awards, the stronger the margins. The client's procurement department fades into the background when the work is strong. Of the three things we do – strategic thinking, creative execution and co-ordination – creative execution is undoubtedly the most important, and that means creativity in its broadest sense.

Clients look for creative thinking and output not just from advertising agencies, public relations and design companies, but also from our media companies and our research companies. Millward Brown remains arguably one of our most creative brands. Witness the BrandZ™ Top 100 Most Powerful Brands Study published annually with the Financial Times and its study of the BrandZ™ Top 50 Most Valuable Chinese Brands.

We intend to achieve this objective by stepping up our training and development programs; by recruiting the finest external talent; by celebrating and rewarding outstanding creative success tangibly and intangibly; by acquiring strong creative companies; and by encouraging, monitoring and promoting our companies' achievements in winning creative awards.

In pursuing these aims, the Group is led by John O'Keeffe, WPP's worldwide creative director. Under John's guidance, gratifying and discernible progress continues.

2010 saw the fourth annual WPPED Cream awards, our internal award program for outstanding work across the Group. Your Company also amassed the second largest points tally at the 2010 advertising and marketing services festival in Cannes for the second year in a row and narrowed the gap to first place (please refer to our website, www.wpp.com, for detailed, accurate calculations). Our objective is to achieve first place. Our performance in the Gunn Report, even on an accurately calculated weighted basis, is as strong.

At the same time we are committed to achieving all these objectives as a significantly responsible corporate citizen of the world at large and in the communities in which we operate.

As a parent company, we continue to develop practical principles and policies for our companies' charitable giving and services to the environment, education, the arts and healthcare based on best practice guidelines. We conservatively calculate that the WPP organisation contributed an estimated £14.3 million worth of time, skills, materials and money to social and community causes in 2010, as well as free media space worth £20.2 million negotiated by WPP media agencies on behalf of pro bono clients, making a total of £34.5 million. A summary of the Group's approach to corporate responsibility can be found on pages 125 to 133. Doing good is not altruism or charity, it is good business, when like us you are focused on long-term total share owner return.

Please also see our annual Corporate Responsibility Report on the work our clients and our people do in these increasingly important areas.

Future challenges

A colossal amount remains to be done – challenging our clients, and therefore us. It seems certain that once these objectives are achieved, they will be replaced by new ones. As companies grow in size, most chairmen and CEOs become concerned that their organisations may become flabby, slow to respond, bureaucratic and sclerotic. Any sensible business leader aggressively resists this phenomenon; we all seek the benefits of size and scale without sacrificing the suppleness and energy of a smaller firm. And, for the first time, new technologies now make this possible on a global platform. WPP wants the scale and resources of the largest firm together with the heart and mind of a small one.

And finally...

We entered 2010 with fingers crossed. There were few certainties. Little could be taken for granted. But in one under-recognised sense, the advertising and marketing services industry is relatively well-placed to survive and prosper in uncertain times. Not because it's recession-proof – far from it – but because of its very nature.

Every WPP company works in a fiercely competitive sector. Clients have an enviable range of specialist advisers from whom to choose. Client retention demands eternal vigilance and innovation. No agency can expect yesterday's contribution, however valuable, to guarantee security for tomorrow. To remain successful in marketing services, agencies need to be alert to change – indeed, to instigate change – and be among the first to take advantage of it. They need professionals with open and inventive minds – always ready to challenge the status quo and work out ways of doing things better.

These are all qualities that our companies need even in the best of times. So they are, in a real sense, better rehearsed than most when turbulence strikes. Looking back now at 2010, it's clear that our companies employed those inherent skills to remarkable effect; not only to survive and prosper but even to achieve market share gains against almost all criteria.

So it's entirely proper that we should close this report with a note of recognition and deep gratitude to our companies and all their people. It is thanks to their creativity – in all its many senses – that the numbers we are able to report for 2010 are as gratifying and record-breaking as they are. We thank and salute them all.

Philip Lader
Chairman

Sir Martin Sorrell
Group chief executive

Paul Richardson
Group finance director

* This letter to share owners should be read in conjunction with and as part of the management report set out in the section headed Directors' report on pages 111 to 124.

Forward-looking statements

In connection with the provisions of the Private Securities Litigation Reform Act of 1995 (the 'Reform Act'), the Company may include forward-thinking 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, government 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 120 and 122, 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.

Appendix 2: Financial Statements

The financial statements attached are extracted from pages 149 to 187 of the Annual Report and Accounts and include a responsibility statement on page 155:

Appendix 3: Principal risks and uncertainties

The WPP board has considered the principal risks and uncertainties affecting the Group as at 31 December 2010 and the summary of these below is extracted from pages 120 to 122 of the Annual Report and Accounts:

Principal risks and uncertainties

Issue	Potential impact	How it is managed
Clients		
The Group competes for clients in a highly competitive industry and client loss may reduce market share and decrease profits.	Competitors include large multinational advertising and marketing communication companies and regional and national marketing services companies. New market participants include database marketing and modelling companies, telemarketers and internet companies. Service agreements with clients are generally terminated 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 existing clients may also in some cases be limited by clients' policies about conflicts of interest.	Operating companies seek to establish reputations in the industry that attract and retain clients, including by improving the quality of their creative output. The Group's different agency networks limit potential conflicts of interest and the Group's cross-discipline team approach seeks to retain clients. Brand Check at every Board meeting.
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.	A relatively small number of clients contribute a significant percentage of the Group's consolidated revenues. The Group's 10 largest clients accounted for almost 18% of revenues in the year ended 31 December 2010. 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.	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. Brand Check at every Board meeting and regular dialogue between directors of the Company and directors of the Group's largest clients.
CR issues		
The social and environmental impact of our work for clients.	The operating companies across 107 countries may not always consider the social and environmental impact of their work.	Opportunities to advise clients on marketing with a social or environmental dimension are identified by our companies.
Damage to WPP's reputation from undertaking controversial client work.	The operating companies may undertake controversial client accounts and may not always consider the impact on the Group.	Upward referral within operating companies and consideration at WPP ethical review meetings and WPP Business Code of Conduct.
Marketing ethics, compliance with marketing standards, and increasing transparency about our marketing practices.	Our work may not always comply with all laws and industry codes governing marketing material.	Managed by our companies with referral to WPP Business Code of Conduct and WPP directors as necessary to improve standards and measurement in marketing practices.
Compliance with privacy and data protection regulations.	Increased regulation unless the operating companies meet best practice standards, contribute to the debate on privacy, increase transparency for consumers on how their data are obtained and used.	The Group assists our companies in developing principles on privacy and compliance with local laws. Our key digital marketing and research companies have nominated senior executives to provide leadership on privacy and to work with other companies in the Group.
Employment, including diversity and equal opportunities, business ethics, employee development, remuneration, communication and health and safety.	Failing to meet standards on diversity and gender would impact the perception of the Group and quality of work.	Human resources policies are set and implemented at operating company level. WPP's chief talent officer assists the companies in attracting, developing and retaining our talent.
Climate change, including the emissions from energy used in our offices and during business travel.	Negative cost and reputational impact if the Group failed to meet target to reduce per head carbon intensity to 1.2 tonnes by 2020 (from 3.3 tonnes in 2006).	Cross-functional, Group-wide Energy Action Teams and a network of company Climate Champions help implement our climate change strategy. Some companies have appointed environmental managers.
Economic		
The Group's businesses are subject to economic and political cycles. Many of the economies in which the Group operates have	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	Reduction in headcount and overhead. Ensuring that variable staff costs are a significant proportion of total staff costs and revenue.

Issue	Potential impact	How it is managed
significant economic challenges.	leading to reduced profitability and cash flow.	Increased controls over capital expenditure and working capital. Strategic focus on BRICs, the Next 11, new media and consumer insight. Brand Check at every Board meeting.
Financial		
Currency exchange rate fluctuations could adversely impact the Group's consolidated results.	The Company's reporting currency is pounds sterling. Given the Group's significant international operations, changes in exchange rates cause fluctuations in the Company's results when measured in pounds sterling.	The balance sheet and cash flows of the Company are hedged by borrowing in the currency of those cash flows. The Company publishes and explains its results in constant currency terms, as well as in sterling and on an actual dollar basis.
Changes to the Group's debt issue ratings by the rating agencies Moody's Investor Services and Standard and Poor's Rating Service may affect the Group's access to debt capital.	The Company's long-term debt is currently rated Baa3 and BBB by the rating agencies respectively and the Company's short-term debt obligations P3 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 could be increased.	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.
The Group may be unable to collect balances due from any client that files for bankruptcy or becomes insolvent.	The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days. 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.	Evaluating and monitoring clients' ongoing creditworthiness and in some cases requiring credit insurance or payments in advance.
Mergers & Acquisitions		
The Group may be unsuccessful in evaluating material risks involved in completed and future acquisitions and may be unsuccessful in integrating any acquired operations with its existing businesses.	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 acquisition and the Group's financial condition could be adversely affected.	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. Audit Committee oversight of acquisition and Board oversight of material acquisitions and review of the integration and performance of recent and prior acquisitions.
Goodwill and other intangible assets recorded on the Group's balance sheet with respect to acquired companies may become impaired.	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.	Regular impairment testing which is a recurring agenda item for the Audit Committee.
Operational		
The Group operates in 107 countries and is exposed to the risks of doing business internationally.	The Group's international operations are subject to exchange rate fluctuations, restrictions and/or taxation on repatriations of earnings, social, political and economic instability, conflicts of laws and interpretation of contracts.	Affiliate, associate and joint venture structures with local partners used in developing markets. Brand Check at every Board meeting. Uniform approach to internal controls to seek to ensure best practice employed in all jurisdictions.
People		
The Group's performance could be adversely affected if it were unable to attract and retain key talent or had inadequate talent management and succession planning for key management roles.	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.	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 and having a five-year performance period for LEAP. Operating companies seek to establish reputations in the industry that attract and retain key personnel, including by improving the quality of

Issue	Potential impact	How it is managed
		their creative output. Succession planning of key executives is a recurring agenda item of the Board and Nomination Committee.
Regulatory/Legal		
The Group may be subject to regulations affecting its activities.	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 or their application may also adversely affect the Group's reported results.	The Group actively monitors any proposed regulatory or statutory changes and consults with government agencies and regulatory bodies where possible on such proposed changes. Regular briefings to the Audit Committee of significant regulatory or statutory changes. Group representation on a number of industry advisory bodies.
The Group may be exposed to liabilities from allegations that certain of its clients' advertising claims may be false or misleading or that its clients products may be defective.	The Group may be, or may be joined as a defendant, in litigation brought against its clients in respect of services provided by the Group.	The Group seeks to comply with all laws and industry codes governing marketing material. Upward referral procedure within operating companies and to WPP ethical review meetings.
The Group operates in 107 countries and is subject to increased anti-corruption legislation and enforcement not only in the US and UK.	The Group may be exposed to liabilities in the event of breaches of anti-corruption legislation.	On-line 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. Confidential help-line for WPP staff to raise any concerns which are investigated and reported to the Audit Committee on a regular basis. Due diligence on selecting and appointing suppliers and acquisitions. Gift and hospitality register and approvals process.