

WPP PLC

Preliminary results for the year ended 31 December 2010

Unaudited preliminary consolidated income statement for the year ended 31 December 2010

	Notes	2010	2009		Constant Currency ¹
		£m	£m	+/(-)%	+/(-)%
Billings		42,683.6	37,919.4	12.6	10.4
Revenue	6	9,331.0	8,684.3	7.4	5.6
Direct costs		(770.5)	(703.6)	(9.5)	(7.7)
Gross profit		8,560.5	7,980.7	7.3	5.4
Operating costs	4	(7,587.5)	(7,219.0)	(5.1)	(3.5)
Operating profit		973.0	761.7	27.7	23.2
Share of results of associates	4	55.2	57.0	(3.2)	(13.9)
Profit before interest and taxation		1,028.2	818.7	25.6	20.6
Finance income	5	81.7	150.4	(45.7)	(47.8)
Finance costs	5	(276.8)	(355.4)	22.1	22.5
Revaluation of financial instruments	5	18.2	48.9	(62.8)	(62.8)
Profit before taxation		851.3	662.6	28.5	21.9
Taxation	7	(190.3)	(155.7)	(22.2)	(16.1)
Profit for the year		661.0	506.9	30.4	23.7
Attributable to:					
Equity holders of the parent		586.0	437.7	33.9	26.7
Non-controlling interests		75.0	69.2	(8.4)	(4.6)
		661.0	506.9	30.4	23.7
Headline PBIT	6,19	1,228.7	1,017.2	20.8	16.8
Headline PBIT margin	19	13.2%	11.7%		
Headline PBT	19	1,033.6	812.2	27.3	22.0
Reported earnings per share²					
Basic earnings per ordinary share	9	47.5p	35.9p	32.3	25.2
Diluted earnings per ordinary share	9	45.9p	35.3p	30.0	23.2

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.

WPP PLC

**Unaudited preliminary consolidated statement of comprehensive income
for the year ended 31 December 2010**

	2010	2009
	£m	£m
Profit for the year	661.0	506.9
Exchange adjustments on foreign currency net investments	156.3	(155.6)
Loss on revaluation of available for sale investments	(59.8)	(13.5)
Actuarial loss on defined benefit pension schemes	(0.4)	(7.2)
Deferred tax on defined benefit pension schemes	0.2	(4.4)
Other comprehensive income/(loss) relating to the year	96.3	(180.7)
Total comprehensive income relating to the year	757.3	326.2
Attributable to:		
Equity holders of the parent	672.6	270.4
Non-controlling interests	84.7	55.8
	757.3	326.2

WPP PLC

Unaudited preliminary consolidated cash flow statement for the year ended 31 December 2010

	Notes	2010	2009
		£m	£m
Net cash inflow from operating activities	10	1,361.2	818.8
Investing activities			
Acquisitions and disposals	10	(200.1)	(118.4)
Purchase of property, plant and equipment		(190.5)	(222.9)
Purchase of other intangible assets (incl. capitalised computer software)		(27.0)	(30.4)
Proceeds on disposal of property, plant and equipment		7.6	9.2
Net cash outflow from investing activities		(410.0)	(362.5)
Financing activities			
Share option proceeds		42.7	4.1
Cash consideration for non-controlling interests	10	(15.1)	(26.4)
Share repurchases and buybacks	10	(46.4)	(9.5)
Net increase/(decrease) in borrowings	10	19.8	(426.3)
Financing and share issue costs		(3.5)	(18.8)
Equity dividends paid		(200.4)	(189.8)
Dividends paid to non-controlling interests in subsidiary undertakings		(66.7)	(63.0)
Net cash outflow from financing activities		(269.6)	(729.7)
Net increase/(decrease) in cash and cash equivalents		681.6	(273.4)
Translation differences		82.2	(98.7)
Cash and cash equivalents at beginning of year		946.0	1,318.1
Cash and cash equivalents at end of year	10	1,709.8	946.0
Reconciliation of net cash flow to movement in net debt:			
Net increase/(decrease) in cash and cash equivalents		681.6	(273.4)
Cash (inflow)/outflow from (increase)/decrease in debt financing		(16.3)	445.1
Other movements		(17.7)	35.1
Translation difference		104.4	220.4
Movement of net debt in the year		752.0	427.2
Net debt at beginning of year		(2,640.4)	(3,067.6)
Net debt at end of year	11	(1,888.4)	(2,640.4)

WPP PLC

Unaudited preliminary consolidated balance sheet as at 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Intangible assets:			
Goodwill	12	9,106.3	8,697.5
Other	13	1,904.5	2,000.7
Property, plant and equipment		708.4	680.5
Interests in associates		792.1	729.3
Other investments		173.7	294.6
Deferred tax assets		79.1	67.5
Trade and other receivables	14	323.5	286.1
		13,087.6	12,756.2
Current assets			
Inventory and work in progress		366.0	306.7
Corporate income tax recoverable		82.9	73.0
Trade and other receivables	14	8,843.4	7,548.9
Cash and short-term deposits		1,965.2	1,666.7
		11,257.5	9,595.3
Current liabilities			
Trade and other payables	15	(11,703.6)	(9,774.0)
Corporate income tax payable		(115.8)	(71.6)
Bank overdrafts and loans		(255.4)	(720.7)
		(12,074.8)	(10,566.3)
Net current liabilities		(817.3)	(971.0)
Total assets less current liabilities		12,270.3	11,785.2
Non-current liabilities			
Bonds and bank loans		(3,598.2)	(3,586.4)
Trade and other payables	16	(388.6)	(423.3)
Corporate income tax payable		(481.8)	(485.5)
Deferred tax liabilities		(750.7)	(809.6)
Provisions for post-employment benefits		(241.5)	(251.8)
Provisions for liabilities and charges		(161.6)	(152.9)
		(5,622.4)	(5,709.5)
Net assets		6,647.9	6,075.7
Equity			
Called-up share capital	17	126.4	125.6
Share premium account		54.5	12.6
Shares to be issued		3.1	5.5
Other reserves		(3,954.0)	(4,044.9)
Own shares		(144.8)	(154.0)
Retained earnings		10,361.4	9,949.2
Equity share owners' funds		6,446.6	5,894.0
Non-controlling interests		201.3	181.7
Total equity		6,647.9	6,075.7

WPP PLC

**Unaudited preliminary consolidated statement of changes in equity
for the year ended 31 December 2010**

	Called-up share capital	Share premium account	Shares to be issued	Other reserves	Own shares	Retained earnings	Total equity share owners' funds	Non- controlling interests	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2009	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)
Acquisition of subsidiaries	-	-	-	-	-	-	-	(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
Ordinary shares issued	0.8	41.9	(2.4)	1.2	-	0.9	42.4	-	42.4
Exchange adjustments on foreign currency net investments	-	-	-	146.6	-	-	146.6	9.7	156.3
Net profit for the year	-	-	-	-	-	586.0	586.0	75.0	661.0
Dividends paid	-	-	-	-	-	(200.4)	(200.4)	(66.7)	(267.1)
Non-cash share-based incentive plans (including stock options)	-	-	-	-	-	70.4	70.4	-	70.4
Tax adjustment on share-based payments	-	-	-	-	-	21.1	21.1	-	21.1
Net movement in own shares held by ESOP Trusts	-	-	-	-	9.2	(55.6)	(46.4)	-	(46.4)
Actuarial loss on defined benefit schemes	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Deferred tax on defined benefit pension schemes	-	-	-	-	-	0.2	0.2	-	0.2
Loss on revaluation of available for sale investments	-	-	-	(59.8)	-	-	(59.8)	-	(59.8)
Recognition/remeasurement of financial instruments	-	-	-	2.9	-	0.9	3.8	-	3.8
Acquisition of subsidiaries	-	-	-	-	-	(10.9)	(10.9)	1.6	(9.3)
Balance at 31 December 2010	126.4	54.5	3.1	(3,954.0)	(144.8)	10,361.4	6,446.6	201.3	6,647.9

Total comprehensive income relating to the year ended 31 December 2010 was £757.3 million (2009: £326.2 million).

WPP PLC**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 145 to 151 of the 2009 Annual Report and Accounts. No changes have been made to the Group's accounting policies in the year ended 31 December 2010 other than the adoption of IFRS 3 (revised) Business Combinations and IAS 27 (revised) Consolidated and Separate Financial Statements.

The main impact of these revised standards on the unaudited preliminary consolidated financial statements for the year ended 31 December 2010 was as follows:

- In the year to 31 December 2010, acquisition-related costs have been recognised as an operating cost in the income statement whereas previously they were capitalised. Prior periods have not been restated as this change in accounting is required to be applied prospectively from 1 January 2010;
- The term "minority interest" has been changed to "non-controlling interest";
- Equity interests held prior to control being obtained are re-measured to fair value at the acquisition date, with any resulting gain or loss recognised in the income statement. The Group excludes such gains or losses from headline profits;
- Changes in ownership interest in a subsidiary that does not result in a change of control are treated as transactions among equity holders and are reported within equity shareowners' funds. No gain or loss is recognised on such transactions and goodwill is not re-measured; and
- Cash consideration for non-controlling interests is classified as a financing activity rather than an investing activity in the cash flow statement. Prior periods have been restated accordingly as this change in disclosure is required to be applied retrospectively.

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 2010 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 2010 and 2009 does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2009 have been delivered to the Jersey Registrar and received an unqualified auditors' report. The statutory accounts for the year ended 31 December 2010 will be finalised on the basis of the financial information presented by the directors in this unaudited preliminary announcement and will be delivered to the Jersey Registrar following the Company's General Meeting. The audit report for the year ended 31 December 2010 has yet to be signed.

The announcement of the preliminary results was approved by the board of directors on 4 March 2011.

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

3. Currency conversion

The 2010 unaudited preliminary consolidated income statement is prepared using, among other currencies, average exchange rates of US\$1.5461 to the pound (2009: US\$1.5667) and €1.1664 to the pound (2009: €1.1233). The unaudited preliminary consolidated balance sheet as at 31 December 2010 has been prepared using the exchange rates on that day of US\$1.5591 to the pound (2009: US\$1.6148) and €1.1665 to the pound (2009: €1.1269).

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

4. Operating costs and share of results of associates

	2010	2009
	£m	£m
Total staff costs	5,438.7	5,117.0
Establishment costs	659.2	691.6
Other operating costs	1,489.6	1,410.4
Total operating costs	7,587.5	7,219.0

Other operating costs include:

	2010	2009
	£m	£m
Amortisation and impairment of acquired intangible assets	170.5	172.6
Goodwill impairment	10.0	44.3
Gains on disposal of investments	(4.1)	(31.1)
Gains on re-measurement of equity interest on acquisition of controlling interest	(13.7)	-
Investment write-downs	37.5	11.1

The goodwill impairment charge of £10.0 million (2009: £44.3 million) relates to a number of under-performing businesses in the Group, of which £1.7 million (2009: £22.7 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 £37.5 million (2009: £11.1 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 £16.5 million (2009: £19.4 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2009.

Share of results of associates include:

	2010	2009
	£m	£m
Share of profit before interest and taxation	86.0	86.3
Share of exceptional losses	(0.3)	(1.6)
Share of interest and non-controlling interests	(2.7)	(0.7)
Share of taxation	(27.8)	(27.0)
	55.2	57.0

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

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

Finance income includes:

	2010	2009
	£m	£m
Expected return on pension scheme assets	30.6	28.7
Income from available for sale investments	9.3	10.2
Interest income	41.8	111.5
	81.7	150.4

Finance costs include:

	2010	2009
	£m	£m
Interest on pension scheme liabilities	45.9	46.1
Interest on other long-term employee benefits	1.9	1.3
Interest payable and similar charges	229.0	308.0
	276.8	355.4

Revaluation of financial instruments include:

	2010	2009
	£m	£m
Movements in fair value of treasury instruments	21.8	8.4
Revaluation of put options over non-controlling interests	(3.6)	15.3
Gains on termination of hedge accounting on repayment of TNS debt	-	25.2
	18.2	48.9

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis

Reported contributions by operating sector were as follows:

	2010	2009 ¹
	£m	£m
Revenue		
Advertising and Media Investment Management	3,733.3	3,420.5
Consumer Insight	2,430.2	2,297.1
Public Relations & Public Affairs	844.5	795.7
Branding & Identity, Healthcare and Specialist Communications	2,323.0	2,171.0
	9,331.0	8,684.3
Headline PBIT²		
Advertising and Media Investment Management	573.0	472.8
Consumer Insight	234.8	196.9
Public Relations & Public Affairs	133.1	122.1
Branding & Identity, Healthcare and Specialist Communications	287.8	225.4
	1,228.7	1,017.2
Headline PBIT margin	%	%
Advertising and Media Investment Management	15.3	13.8
Consumer Insight	9.7	8.6
Public Relations & Public Affairs	15.8	15.3
Branding & Identity, Healthcare and Specialist Communications	12.4	10.4
	13.2	11.7

¹2009 comparatives have been restated to reflect the transfer of certain revenues of RMG from Branding & Identity, Healthcare and Specialist Communications to Advertising and Media Investment Management. PBIT comparatives have not been restated as the impact was insignificant.

²Headline PBIT is defined in note 19.

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis (continued)

Reported contributions by geographical area were as follows:

	2010	2009
	£m	£m
Revenue		
United Kingdom	1,087.6	1,029.0
North America ²	3,299.8	3,010.0
Western Continental Europe ³	2,325.3	2,327.8
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	2,618.3	2,317.5
	9,331.0	8,684.3
Headline PBIT¹		
United Kingdom	147.9	131.5
North America ²	484.6	397.9
Western Continental Europe ³	221.6	193.4
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	374.6	294.4
	1,228.7	1,017.2
Headline PBIT margin	%	%
United Kingdom	13.6	12.8
North America ²	14.7	13.2
Western Continental Europe ³	9.5	8.3
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	14.3	12.7
	13.2	11.7

¹ Headline PBIT is defined in note 19.

² North America includes the US with revenue of £3,097.9 million (2009: £2,835.8 million) and headline PBIT of £448.7 million (2009: £370.9 million).

³ Western Continental Europe includes Ireland with revenue of £37.4 million (2009: £43.4 million) and headline PBIT of £2.0 million (2009: £3.9 million).

WPP PLC

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 22.0% (2009: 23.8%). The effective tax rate on Reported PBT was 22.4% (2009: 23.5%).

The tax charge comprises:

	2010	2009
	£m	£m
Current tax		
Current year	276.2	209.8
Prior years	(1.0)	(1.7)
Total current tax	275.2	208.1
Deferred tax		
Credit for the year	(47.4)	(15.1)
Net credit in relation to the amortisation of acquired intangible assets and other goodwill items	(37.5)	(37.3)
Total deferred tax	(84.9)	(52.4)
Tax charge	190.3	155.7

¹ Headline PBT is defined in note 19.

8. Ordinary dividends

The Board has recommended a second interim dividend of 11.82p (2009: 10.28p) per ordinary share in addition to the first interim dividend of 5.97p (2009: 5.19p) per share. This makes a total for the year of 17.79p (2009: 15.47p). Payment of the second interim dividend of 11.82p per ordinary share will be made on 4 July 2011 to holders of ordinary shares in the Company on 3 June 2011. Subject to share owner approval at the Company's General Meeting, the Board also proposes to put in place a scrip dividend scheme 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 scheme, including the election date for the proposed scrip dividend alternative in respect of the second interim dividend for 2010, will be sent to share owners in due course together with the notice of the Company's General Meeting.

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 2010.

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.

WPP PLC

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:

	2010	2009	+/(-)%	Constant Currency +/(-)%
Reported earnings ¹ (£m)	586.0	437.7		
Headline earnings (£m) (note 19)	730.8	550.0		
Average shares used in Basic EPS calculation (m)	1,233.1	1,218.7		
Reported EPS	47.5p	35.9p	32.3	25.2
Headline EPS	59.3p	45.1p	31.5	25.8

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:

	2010	2009	+/(-)%	Constant Currency +/(-)%
Diluted Reported earnings (£m)	614.3	437.7		
Diluted Headline earnings (£m)	759.1	550.0		
Shares used in diluted EPS calculation (m)	1,339.0	1,238.2		
Diluted Reported EPS	45.9p	35.3p	30.0	23.2
Diluted Headline EPS	56.7p	44.4p	27.7	22.5

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 2010 these convertible bonds were dilutive and earnings were consequently increased by £28.3 million for the purpose of the calculation of diluted earnings. For the year ended 31 December 2009 these convertible bonds were accretive to earnings and therefore excluded from this calculation.

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

	2010	2009
	m	m
Average shares used in Basic EPS calculation	1,233.1	1,218.7
Dilutive share options outstanding	6.7	2.1
Other potentially issuable shares	22.7	17.4
£450 million 5.75% convertible bonds	76.5	-
Shares used in Diluted EPS calculation	1,339.0	1,238.2

At 31 December 2010 there were 1,264,391,221 (2009: 1,256,491,314) ordinary shares in issue.

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

10. Analysis of cash flows

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

Net cash inflow from operating activities:

	2010	2009
	£m	£m
Profit for the year	661.0	506.9
Taxation	190.3	155.7
Revaluation of financial instruments	(18.2)	(48.9)
Finance costs	276.8	355.4
Finance income	(81.7)	(150.4)
Share of results of associates	(55.2)	(57.0)
Operating profit	973.0	761.7
Adjustments for:		
Non-cash share-based incentive plans (including share options)	70.4	54.9
Depreciation of property, plant and equipment	184.9	195.3
Goodwill impairment	10.0	44.3
Amortisation and impairment of acquired intangible assets	170.5	172.6
Amortisation of other intangible assets	25.4	30.5
Investment write-downs	37.5	11.1
Gains on disposal of investments	(4.1)	(31.1)
Gains on re-measurement of equity interest on acquisition of controlling interest	(13.7)	-
Losses on sale of property, plant and equipment	0.7	0.4
Operating cash flow before movements in working capital and provisions	1,454.6	1,239.7
Movements in working capital and provisions	225.5	(102.1)
Cash generated by operations	1,680.1	1,137.6
Corporation and overseas tax paid	(207.4)	(216.6)
Interest and similar charges paid	(219.7)	(248.7)
Interest received	50.7	99.6
Investment income	4.2	1.4
Dividends received from associates	53.3	45.5
	1,361.2	818.8

Acquisitions and disposals:

	2010	2009
	£m	£m
Initial cash consideration	(138.6)	(35.4)
Cash and cash equivalents acquired (net)	57.0	1.3
Earnout payments	(113.3)	(81.5)
Loan note redemptions	(5.1)	-
Purchase of other investments (including associates)	(23.8)	(53.3)
Proceeds on disposal of investments	23.7	50.5
Acquisitions and disposals	(200.1)	(118.4)
Cash consideration for non-controlling interests	(15.1)	(26.4)
Net acquisition payments and investments	(215.2)	(144.8)

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

10. Analysis of cash flows (continued)

Share repurchases and buybacks:

	2010	2009
	£m	£m
Purchase of own shares by ESOP trust	(46.4)	-
Shares purchased into treasury	-	(9.5)
	(46.4)	(9.5)

Net increase/(decrease) in borrowings:

	2010	2009
	£m	£m
Increase/(decrease) in drawings on bank loans	19.8	(1,068.0)
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 TNS debt	-	(175.7)
	19.8	(426.3)

Cash and cash equivalents:

	2010	2009
	£m	£m
Cash at bank and in hand	1,877.1	1,570.5
Short-term bank deposits	88.1	96.2
Overdrafts ¹	(255.4)	(720.7)
	1,709.8	946.0

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

	2010	2009
	£m	£m
Cash and short-term deposits	1,965.2	1,666.7
Bank loans and overdrafts due within one year	(255.4)	(720.7)
Corporate bond and loans due after one year	(3,598.2)	(3,586.4)
	(1,888.4)	(2,640.4)

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

12. Goodwill and acquisitions

Goodwill in relation to subsidiary undertakings increased by £408.8 million (2009: decreased by £395.7 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 £27.1 million (2009: £18.3 million) in the year.

Future anticipated payments to vendors in respect of both deferred and earnout obligations totalled £275.3 million (2009: £262.2 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 2010 and the date these preliminary financial statements were approved.

13. Other intangible assets

The following are included in other intangibles:

	2010	2009
	£m	£m
Brands with an indefinite useful life	1,053.7	1,013.2
Acquired intangibles	781.7	919.5
Other (including capitalised computer software)	69.1	68.0
	1,904.5	2,000.7

14. Trade and other receivables

Amounts falling due within one year:

	2010	2009
	£m	£m
Trade receivables	6,280.6	5,301.1
VAT and sales taxes recoverable	72.1	81.6
Other debtors	870.2	738.5
Prepayments and accrued income	1,620.5	1,427.7
	8,843.4	7,548.9

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:

	2010	2009
	£m	£m
Other debtors	124.1	97.5
Fair value of derivatives	193.8	182.8
Prepayments and accrued income	5.6	5.8
	323.5	286.1

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:

	2010	2009
	£m	£m
Trade payables	7,701.1	6,432.7
Deferred income	1,075.9	910.9
Payments due to vendors	207.4	121.6
Liabilities in respect of put option agreements with vendors	136.9	108.3
Other creditors and accruals	2,582.3	2,200.5
	11,703.6	9,774.0

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:

	2010	2009
	£m	£m
Payments due to vendors	67.9	140.6
Liabilities in respect of put option agreements with vendors	34.1	59.9
Fair value of derivatives	127.7	82.9
Other creditors and accruals	158.9	139.9
	388.6	423.3

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

	2010	2009
	£m	£m
Within one year	207.4	121.6
Between 1 and 2 years	39.6	93.6
Between 2 and 3 years	12.1	39.5
Between 3 and 4 years	4.3	5.1
Between 4 and 5 years	4.1	2.4
Over 5 years	7.8	-
	275.3	262.2

WPP PLC

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:

	2010
	£m
At the beginning of the year	262.2
Earnouts paid	(113.3)
Revised estimates	82.0
New acquisitions	32.8
Foreign exchange impact	11.6
At the end of the year	275.3

The Group does not consider there to be any material contingent liabilities as at 31 December 2010.

17. Issued share capital – movement in the year

	2010	2009
Number of equity ordinary shares	m	m
At the beginning of the year	1,256.5	1,255.3
Exercise of share options	7.9	1.2
At the end of the year	1,264.4	1,256.5

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.

WPP PLC

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 2010

	2010	2009
	£m	£m
Profit before interest and taxation	1,028.2	818.7
Amortisation and impairment of acquired intangible assets	170.5	172.6
Goodwill impairment	10.0	44.3
Gains on disposal of investments	(4.1)	(31.1)
Gains on re-measurement of equity interest on acquisition of controlling interest	(13.7)	-
Investment write-downs	37.5	11.1
Share of exceptional losses of associates	0.3	1.6
Headline PBIT	1,228.7	1,017.2
Finance income	81.7	150.4
Finance costs	(276.8)	(355.4)
	(195.1)	(205.0)
Interest cover on Headline PBIT	6.3 times	5.0 times

Calculation of Headline EBITDA

	2010	2009
	£m	£m
Headline PBIT (as above)	1,228.7	1,017.2
Depreciation of property, plant and equipment	184.9	195.3
Amortisation of other intangible assets	25.4	30.5
Headline EBITDA	1,439.0	1,243.0

WPP PLC

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 2010

	2010	2009
	£m	£m
Profit before taxation	851.3	662.6
Amortisation and impairment of acquired intangible assets	170.5	172.6
Goodwill impairment	10.0	44.3
Gains on disposal of investments	(4.1)	(31.1)
Gains on re-measurement of equity interest on acquisition of controlling interest	(13.7)	-
Investment write-downs	37.5	11.1
Share of exceptional losses of associates	0.3	1.6
Revaluation of financial instruments	(18.2)	(48.9)
Headline PBT	1,033.6	812.2
Taxation (excluding net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items)	(227.8)	(193.0)
Non-controlling interests	(75.0)	(69.2)
Headline earnings	730.8	550.0
Ordinary dividends	200.4	189.8
Dividend cover on Headline earnings	3.6 times	2.9 times

Headline PBIT margins before and after share of results of associates

	Margin (%)	2010	Margin (%)	2009
		£m		£m
Revenue		9,331.0		8,684.3
Headline PBIT	13.2	1,228.7	11.7	1,017.2
Share of results of associates (excluding exceptional losses)		55.5		58.6
Headline PBIT excluding share of results of associates	12.6	1,173.2	11.0	958.6

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 2010

	2010	2009
	£m	£m
Cash generated by operations	1,680.1	1,137.6
Plus:		
Interest received	50.7	99.6
Investment income	4.2	1.4
Dividends received from associates	53.3	45.5
Share option proceeds	42.7	4.1
Proceeds on disposal of property, plant and equipment	7.6	9.2
Less:		
Interest and similar charges paid	(219.7)	(248.7)
Purchase of property, plant and equipment	(190.5)	(222.9)
Purchase of other intangible assets (including capitalised computer software)	(27.0)	(30.4)
Corporation and overseas tax paid	(207.4)	(216.6)
Dividends paid to non-controlling interests in subsidiary undertakings	(66.7)	(63.0)
Movements in working capital and provisions	(225.5)	102.1
Free Cash Flow	901.8	617.9

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

20. Going concern and liquidity risk

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

At 31 December 2010, the Group has access to £4.7 billion of committed bank facilities with maturity dates spread over the years 2011 to 2020 as illustrated below:

	Maturity by year								
	2011	2012	2013	2014	2015	2016	2017	2018+	
	£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)	642.9					642.9			
Eurobonds €500m (5.25% '15)	428.6				428.6				
£450m convertible bonds (5.75% '14)	450.0			450.0					
US bond \$650m (5.875% '14)	416.9			416.9					
US bond \$600m (8.0% '14)	384.8			384.8					
Eurobonds €600m (4.375% '13)	514.4		514.4						
Bank revolver \$1,600m	1,026.2	1,026.2							
TNS acquisition revolver £200m	200.0	200.0							
TNS private placements \$55m	35.3	19.2		16.1					
Total committed facilities available	4,699.1	200.0	1,045.4	514.4	1,267.8	428.6	642.9	400.0	200.0
Drawn down facilities at 31 December 2010	3,554.0	-	100.3	514.4	1,267.8	428.6	642.9	400.0	200.0
Undrawn committed credit facilities	1,145.1								
Drawn down facilities at 31 December 2010	3,554.0								
Net cash at 31 December 2010	(1,709.8)								
Other adjustments	44.2								
Net debt at 31 December 2010	1,888.4								

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

Treasury management

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

The Group's risk management policies relating to foreign currency risk, interest rate risk, liquidity risk, capital risk and credit risk are presented in the notes to the consolidated financial statements of the 2009 Annual Report and Accounts and in the opinion of the Board remain relevant at 31 December 2010.

WPP PLC**Notes to the unaudited preliminary consolidated financial statements (continued)****21. Principal risks and uncertainties**

The directors have considered the principal risks and uncertainties affecting the Group for the year and determined that these are unchanged from those presented in the Group's published Annual Report and Accounts and Form 20-F for the year ended 31 December 2009. The Annual Report and Accounts and Form 20-F are published in the Investor Relations section of the Group website (www.wpp.com) and are available from the Group on request.

WPP PLC has specific policies in place to ensure that risks are properly evaluated and managed at the appropriate level within the business. These are presented on pages 115 to 119 of the published 2009 Annual Report and Accounts. Pages 5 to 6 of the Group's Form 20-F for the year ended 31 December 2009 contain a detailed explanation of the risk factors identified by the Group and these are summarised below:

Clients

The Group competes for clients in a highly competitive industry and client loss may reduce market share and decrease profits.

The Group receives a significant portion of its revenues from a limited number of large clients and the loss of these clients could adversely impact the Group's prospects, business, financial condition and results of operations.

Corporate Responsibility

Breaches of privacy and data protection rules could have an adverse impact on the Group.

Risk to the Group's reputation from undertaking controversial client work.

Economic

The Group's businesses are subject to economic and political cycles. Many of the economies in which the Group operates have been under significant stress or in recession.

Financial

Currency exchange rate fluctuations could adversely impact the Group's consolidated results.

Changes to the Group's debt issue ratings by the rating agencies Moody's Investor Services and Standard and Poor's Rating Service may affect the Group's access to debt capital.

The Group may be unable to collect balances due from any client that files for bankruptcy or becomes insolvent.

Mergers & Acquisitions

The Group may be unsuccessful in evaluating material risks involved in completed and future acquisitions and may be unsuccessful in integrating any acquired operations with its existing businesses.

Goodwill and other acquired intangible assets recorded on the Group's balance sheet with respect to acquired companies may become impaired.

Operational

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

People

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

WPP PLC**Notes to the unaudited preliminary consolidated financial statements (continued)****21. Principal risks and uncertainties (continued)****Regulatory/Legal**

The Group may be subject to regulations restricting its activities.

The Group may be exposed to liabilities in the event of breaches of increased bribery legislation.

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.

Civil liabilities or judgments against the Company 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 2010
in reportable US Dollars¹**

**Unaudited illustrative preliminary consolidated income statement
for the year ended 31 December 2010**

	Year ended 31 December 2010	Year ended 31 December 2009	+/(-)%
	\$m	\$m	
Billings	65,961.2	59,388.7	11.1
Revenue	14,416.2	13,598.2	6.0
Direct costs	(1,190.0)	(1,103.8)	(7.8)
Gross profit	13,226.2	12,494.4	5.9
Operating costs	(11,728.2)	(11,275.6)	(4.0)
Operating profit	1,498.0	1,218.8	22.9
Share of results of associates	85.3	91.2	(6.5)
Profit before interest and taxation	1,583.3	1,310.0	20.9
Finance income	126.0	241.4	(47.8)
Finance costs	(427.8)	(562.3)	23.9
Revaluation of financial instruments	30.1	80.1	(62.4)
Profit before taxation	1,311.6	1,069.2	22.7
Taxation	(294.4)	(249.3)	(18.1)
Profit for the year	1,017.2	819.9	24.1
Attributable to:			
Equity holders of the parent	901.0	708.1	27.2
Non-controlling interests	116.2	111.8	(3.9)
	1,017.2	819.9	24.1
Headline PBIT	1,893.3	1,622.7	16.7
Headline PBIT margin	13.1%	11.9%	
Headline PBT	1,591.5	1,301.8	22.3
Reported earnings per share²			
Basic earnings per ordinary share	73.1¢	58.1¢	25.8
Diluted earnings per ordinary share	70.6¢	57.2¢	23.4
Headline earnings per share²			
Basic earnings per ordinary share	91.1¢	72.4¢	25.8
Diluted earnings per ordinary share	87.1¢	71.3¢	22.2

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\$1.5461 to the pound for the year ended 31 December 2010 (2009: US\$1.5667).

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

**Preliminary results for the year ended 31 December 2010
in reportable Euros¹**

**Unaudited illustrative preliminary consolidated income statement
for the year ended 31 December 2010**

	Year ended 31 December 2010	Year ended 31 December 2009	+/(-)%
	€m	€m	
Billings	49,778.7	42,522.0	17.1
Revenue	10,888.9	9,745.9	11.7
Direct costs	(898.9)	(789.6)	(13.8)
Gross profit	9,990.0	8,956.3	11.5
Operating costs	(8,850.1)	(8,106.1)	(9.2)
Operating profit	1,139.9	850.2	34.1
Share of results of associates	64.5	64.2	0.5
Profit before interest and taxation	1,204.4	914.4	31.7
Finance income	96.5	174.1	(44.6)
Finance costs	(324.0)	(403.8)	19.8
Revaluation of financial instruments	21.0	57.2	(63.3)
Profit before taxation	997.9	741.9	34.5
Taxation	(224.8)	(174.8)	(28.6)
Profit for the year	773.1	567.1	36.3
Attributable to:			
Equity holders of the parent	687.0	488.7	40.6
Non-controlling interests	86.1	78.4	(9.8)
	773.1	567.1	36.3
Headline PBIT	1,438.7	1,139.2	26.3
Headline PBIT margin	13.2%	11.7%	
Headline PBT	1,211.3	909.5	33.2
Reported earnings per share²			
Basic earnings per ordinary share	55.7¢	40.1¢	38.9
Diluted earnings per ordinary share	53.8¢	39.5¢	36.2
Headline earnings per share²			
Basic earnings per ordinary share	69.5¢	50.4¢	37.9
Diluted earnings per ordinary share	66.4¢	49.6¢	33.9

¹ The unaudited consolidated income statement above is presented in reportable Euros for information purposes only and has been prepared assuming the Euro is the reporting currency of the Group, whereby local currency results are translated into Euros at actual monthly average exchange rates in the periods presented. Among other currencies, this includes an average exchange rate of €1.1664 to the pound for the year ended 31 December 2010 (2009: €1.1233).

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 2010 exchange rates to local currency reported results for the current and prior year. This gives a US dollar – denominated income statement and balance sheet which exclude any variances attributable to foreign exchange rate movements.

Free cash flow

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

Gross margin/gross profit

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

Headline earnings

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

Headline operating profit/Headline PBIT

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

Headline PBT

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

Operating margin

Headline operating profit as a percentage of revenue.

Pro forma ('like-for-like')

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