WPP PLC

Preliminary results for the year ended 31 December 2008

Unaudited preliminary consolidated income statement for the year ended 31 December 2008

	Notes	2008	2007		Constant Currency[1]
		£m	£m	+/(-)%	+/(-)%
Billings		36,929.0	31,665.5	16.6	4.8
Revenue	6	7,476.9	6,185.9	20.9	9.0
Direct costs		(467.5)	(335.5)	(39.3)	(23.2)
Gross profit		7,009.4	5,850.4	19.8	8.2
Operating costs	4	(6,133.4)	(5,045.7)	(21.6)	(10.5)
Operating profit		876.0	804.7	8.9	(6.1)
Share of results of associates	4	46.0	41.4	11.1	(5.5)
Profit before interest and taxation		922.0	846.1	9.0	(6.0)
Finance income	5	169.6	139.4	21.7	14.0
Finance costs	5	(344.8)	(266.1)	(29.6)	(24.9)
Profit before taxation		746.8	719.4	3.8	(13.4)
Taxation	7	(232.9)	(204.3)	(14.0)	5.7
Profit for the year		513.9	515.1	(0.2)	(16.4)
Attributable to:					
Equity holders of the parent		439.1	465.9	(5.8)	(22.3)
Minority interests		74.8	49.2	(52.0)	(39.5)
		513.9	515.1	(0.2)	(16.4)

Headline PBIT	6,19	1,118.2	928.0	20.5	6.2
Headline PBIT margin	19	**15.0%**	**15.0%**		
Headline PBT	19	968.4	817.3	18.5	2.6

Reported earnings per share[2]					
Basic earnings per ordinary share	9	38.4p	39.6p	(3.0)	(20.0)
Diluted earnings per ordinary share	9	37.6p	38.0p	(1.1)	(18.4)

[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 cash flow statement for the year ended 31 December 2008

	Notes	2008	2007
		£m	£m
Net cash inflow from operating activities	10	**922.7**	**891.3**
Investing activities			
Acquisitions and disposals	10	(1,049.1)	(674.8)
Purchase of property, plant and equipment		(196.8)	(151.1)
Purchase of other intangible assets (incl. capitalised computer software)		(23.8)	(19.7)
Proceeds on disposal of property, plant and equipment		11.5	8.3
Net cash outflow from investing activities		**(1,258.2)**	**(837.3)**
Financing activities			
Issue of shares		10.6	34.8
Share repurchases and buybacks	10	(105.3)	(415.4)
Net increase in borrowings	10	810.4	498.9
Financing and share issue costs		(19.4)	(8.3)
Equity dividends paid		(161.8)	(138.9)
Dividends paid to minority shareholders in subsidiary undertakings		(63.5)	(38.9)
Net cash inflow/(outflow) financing activities		**471.0**	**(67.8)**
Net increase/(decrease) cash and cash equivalents		**135.5**	**(13.8)**
Translation differences		120.3	119.2
Cash and cash equivalents at beginning of year		1,062.3	956.9
Cash and cash equivalents at end of year	10	**1,318.1**	**1,062.3**
Reconciliation of net cash flow to movement in net debt:			
Net increase/(decrease) in cash and cash equivalents		**135.5**	**(13.8)**
Cash outflow from decrease in debt financing		(796.6)	(493.5)
Debt acquired		(577.8)	(7.5)
Other movements		(94.5)	33.5
Translation difference		(448.5)	10.2
Movement of net debt in the year		**(1,781.9)**	**(471.1)**
Net debt at beginning of year		(1,285.7)	(814.6)
Net debt at end of year	**11**	**(3,067.6)**	**(1,285.7)**

WPP PLC

Unaudited preliminary consolidated statement of recognised income and expense for the year ended 31 December 2008

	Notes	2008	2007
		£m	£m
Profit for the year		513.9	515.1
Exchange adjustments on foreign currency net investments	(i)	1,379.2	68.7
Revaluation of other investments		(51.3)	108.1
Actuarial (loss)/gain on defined benefit pension schemes	(ii)	(82.2)	30.0
Deferred tax on defined benefit pension schemes		0.7	(9.9)
Net income recognised directly in equity		1,246.4	196.9
Total recognised income and expense relating to the year		1,760.3	712.0
Attributable to:			
Equity holders of the parent		1,685.5	662.8
Minority interests		74.8	49.2
		1,760.3	712.0

Notes

(i) Exchange adjustments on foreign currency net investments of £1,379.2 million in the year ended 31 December 2008 (2007: £68.7 million) largely arises from the retranslation at year-end exchange rates of the Group's opening, non-sterling assets and liabilities.

During 2008 the US Dollar and the Euro strengthened against sterling by over 26% and 23% respectively (see Note 3 – currency conversion). This had a significant impact on the Group's balance sheet and the amount taken into equity in respect of the retranslation of net assets.

(ii) The actuarial loss on defined benefit pension schemes of £82.2 million for the year ended 31 December 2008 (2007: gain of £30.0 million) was largely due to a decrease in pension scheme asset values in 2008 and reflects the deterioration in the global economic environment during the year. Approximately £58.0 million or 70% of this actuarial loss arose on the Group's pension plans in North America.

WPP PLC

Unaudited preliminary consolidated balance sheet as at 31 December 2008

	Notes	2008	2007
		£m	£m
Non-current assets			
Intangible assets:			
Goodwill	12	9,093.2	6,071.7
Other	13	2,295.8	1,154.6
Property, plant and equipment		690.7	449.6
Interests in associates		714.3	540.1
Other investments		310.9	268.6
Deferred tax assets		65.6	56.0
Trade and other receivables	14	185.2	149.3
		13,355.7	8,689.9
Current assets			
Inventory and work in progress		343.9	343.9
Corporate income tax recoverable		53.1	37.2
Trade and other receivables	14	8,138.1	6,140.8
Cash and short-term deposits		2,572.5	2,040.2
		11,107.6	8,562.1
Current liabilities			
Trade and other payables	15	(10,407.7)	(8,248.9)
Corporate income tax payable		(87.8)	(70.0)
Bank overdrafts and loans		(1,534.1)	(1,585.9)
		(12,029.6)	(9,904.8)
Net current liabilities		(922.0)	(1,342.7)
Total assets less current liabilities		12,433.7	7,347.2
Non-current liabilities			
Bonds and bank loans		(4,106.0)	(1,740.0)
Trade and other payables	16	(553.9)	(460.4)
Corporate income tax payable		(489.0)	(336.2)
Deferred tax liabilities		(917.1)	(464.0)
Provisions for post-employment benefits		(272.0)	(135.0)
Provisions for liabilities and charges		(135.9)	(116.8)
		(6,473.9)	(3,252.4)
Net assets		5,959.8	4,094.8
Equity			
Called-up share capital		125.5	119.2
Share premium account		8.6	103.9
Shares to be issued		8.7	5.3
Merger reserve		(5,138.8)	(1,365.9)
Other reserves		1,250.5	(114.9)
Own shares		(189.8)	(255.3)
Retained earnings		9,697.5	5,482.1
Equity share owners' funds	17	5,762.2	3,974.4
Minority interests		197.6	120.4
Total equity		5,959.8	4,094.8

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 with the accounting policies of the Group which were set out on pages 153 to 159 of the 2007 Annual Report and Accounts. No changes have been made to the Group's accounting policies since this time.

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 2008 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.

The introduction of a new holding company constitutes a group reconstruction and has been accounted for using merger accounting principles. Therefore, although the group reconstruction did not become effective until November 2008, the financial statements of WPP plc are presented as if WPP plc and WPP Group plc had always been part of the same group. Accordingly, the results of the group for the entire year ended 31 December 2008 are shown in the consolidated income statement and the comparative figures for the year ended 31 December 2007 are also prepared on this basis.

Statutory Information

The financial information for the years ended 31 December 2008 and 2007 does not constitute statutory accounts. In November 2008, pursuant to a Scheme of Arrangement under part 26 of the Companies Act 2006, a new parent company was introduced which is now called WPP plc, a company incorporated in Jersey. The previous parent company has been renamed and re-registered as WPP 2008 Limited.

The financial information for the years ended 31 December 2008 in respect of WPP plc or 2007 in respect of WPP Group plc does not constitute either company's statutory accounts. The statutory accounts for the year ended 31 December 2007 of WPP Group plc have been delivered to the Registrar of Companies and received an unqualified auditors' report and did not contain a statement under s237 (2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 31 December 2008 of WPP plc will be finalised on the basis of the financial information presented by the directors in this unaudited preliminary announcement and will be delivered to the Jersey Registrar following the company's annual general meeting. The audit report for the year ended 31 December 2008 has yet to be signed.

The announcement of the preliminary results was approved by the board of directors on 5 March 2009.

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

3. Currency conversion

The 2008 unaudited preliminary consolidated income statement is prepared using, among other currencies, average exchange rates of US$1.8524 to the pound (2007: US$2.0019) and €1.2584 to the pound (2007: €1.4619). The unaudited preliminary consolidated balance sheet as at 31 December 2008 has been prepared using the exchange rates on that day of US$1.4575 to the pound (2007: US$1.9827) and €1.0442 to the pound (2007: €1.3598).

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

Operating costs include:

	2008	2007
	£m	£m
Amortisation and impairment of acquired intangible assets	78.4	40.3
Goodwill impairment	84.1	44.1
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.5	1.7
Gains on disposal of investments	(3.4)	(3.4)
Investment write-downs	30.5	-
Cost of changes to corporate structure	4.6	-
Share-based incentive plans	62.3	62.4
Other operating costs	5,875.4	4,900.6
	6,133.4	5,045.7

The goodwill impairment charge of £84.1 million (2007: £44.1 million) relates to a number of under-performing businesses in the Group. 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 £30.5 million (2007: £nil) 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 £23.7 million (2007: £16.8 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2007.

Share of results of associates include:

	2008	2007
	£m	£m
Share of profit before interest and taxation	71.5	65.8
Share of exceptional (losses)/gains	(0.5)	0.8
Share of interest and minority interest	0.5	0.5
Share of taxation	(25.5)	(25.7)
	46.0	41.4

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

5. Finance income and finance costs

Finance income includes:

	2008	2007
	£m	£m
Expected return on pension scheme assets	31.3	28.1
Investment income	9.7	9.2
Interest income	128.6	102.1
	169.6	139.4

Finance costs include:

	2008	2007
	£m	£m
Interest on pension scheme liabilities	38.9	33.8
Interest on other long-term employee benefits	1.6	1.5
Interest payable and similar charges	278.9	214.8
Finance charges (excluding revaluation of financial instruments)	319.4	250.1
Revaluation of financial instruments	25.4	16.0
	344.8	266.1

The following are included in the revaluation of financial instruments shown above:

	2008	2007
	£m	£m
Movements in fair value of treasury instruments	13.9	6.7
Revaluation of put options over minority interests	11.5	9.3
	25.4	16.0

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

6. Segmental analysis

Reported contributions by operating sector were as follows:

	2008	2007
	£m	£m
Revenue		
Advertising and Media Investment Management	3,329.5	2,871.3
Information, Insight & Consultancy	1,301.8	905.4
Public Relations & Public Affairs	752.3	641.4
Branding & Identity, Healthcare and Specialist Communications	2,093.3	1,767.8
	7,476.9	6,185.9
Reported operating profit		
Advertising and Media Investment Management	501.0	384.4
Information, Insight & Consultancy	119.3	99.2
Public Relations & Public Affairs	117.9	101.7
Branding & Identity, Healthcare and Specialist Communications	137.8	219.4
	876.0	804.7
Headline PBIT[1]		
Advertising and Media Investment Management	581.3	466.9
Information, Insight & Consultancy	147.6	104.3
Public Relations & Public Affairs	124.9	106.5
Branding & Identity, Healthcare and Specialist Communications	264.4	250.3
	1,118.2	928.0
Headline PBIT Margin	**%**	**%**
Advertising and Media Investment Management	17.5	16.3
Information, Insight & Consultancy	11.3	11.5
Public Relations & Public Affairs	16.6	16.6
Branding & Identity, Healthcare and Specialist Communications	12.6	14.2
	15.0	15.0

[1] Headline 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:

	2008	2007
	£m	£m
Revenue		
United Kingdom	954.2	890.3
North America	2,603.2	2,266.7
Continental Europe	2,127.3	1,657.4
Asia Pacific, Latin America, Africa & Middle East	1,792.2	1,371.5
	7,476.9	6,185.9
Headline PBIT[1]		
United Kingdom	124.1	107.1
North America	438.3	391.5
Continental Europe	303.5	223.0
Asia Pacific, Latin America, Africa & Middle East	252.3	206.4
	1,118.2	928.0
Headline PBIT Margin	%	**%**
United Kingdom	13.0	12.0
North America	16.8	17.3
Continental Europe	14.3	13.5
Asia Pacific, Latin America, Africa & Middle East	14.1	15.0
	15.0	15.0

[1] Headline PBIT is defined in note 19.

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

7. Taxation

The Group tax rate on Headline PBT[1], excluding the impact of the net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items was 25.3% (2007:25.3%). The Group tax rate on Reported PBT was 31.2% (2007: 28.4%). The cash tax rate on Headline PBT was 18.8% (2007: 18.5%).

The tax charge comprises:

	2008	2007
	£m	£m
Current tax		
Current year	217.7	240.4
Prior years	7.0	(52.2)
Total current tax	224.7	188.2
Deferred tax		
Charge for the year	20.6	18.9
Net credit relating to brands, intangibles and goodwill	(12.4)	(2.8)
Total deferred tax	8.2	16.1
Tax expense	232.9	204.3

[1] Headline PBT is defined in note 19.

8. Ordinary dividends

The Board has recommended a second interim dividend of 10.28p (2007: 9.13p) per ordinary share in addition to the interim dividend paid of 5.19p (2007: 4.32p) per ordinary share. This makes a total for the year of 15.47p (2007: 13.45p) per ordinary share, an increase of 15% (2007: 20%).

The second interim dividend is expected to be paid on 6 July 2009 to holders of ordinary shares in the Company on 5 June 2009. Income access share arrangements have been put in place by the Company. 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 2008.

Share owners who hold more than 100,000 shares and who wish to receive their dividend from a UK source must make an election. 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:

	2008	2007	+/(-)%	Constant Currency +/(-)%
Reported earnings[1] (£m)	439.1	465.9		
Headline earnings (£m) (note 19)	648.3	561.0		
Average shares used in Basic EPS calculation (m)	1,143.4	1,176.9		
Reported EPS	38.4p	39.6p	(3.0)	(20.0)
Headline EPS	56.7p	47.7p	18.9	3.6

[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:

	2008	2007	+/(-)%	Constant Currency +/(-)%
Diluted Reported earnings (£m)	439.9	466.8		
Diluted Headline earnings (£m)	649.1	561.9		
Shares used in diluted EPS calculation (m)	1,169.6	1,227.1		
Diluted Reported EPS	37.6p	38.0p	(1.1)	(18.4)
Diluted Headline EPS	55.5p	45.8p	21.2	5.5

Diluted EPS has been calculated based on the Reported and Headline Earnings amounts above. For the years ended 31 December 2008 and 31 December 2007 the $150 million Grey convertible bonds were dilutive and earnings were consequently increased by £0.8 million and £0.9 million respectively for the purpose of this calculation. These bonds were redeemed on 28 October 2008.

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

	2008	2007
	m	m
Average shares used in Basic EPS calculation	1,143.4	1,176.9
Dilutive share options outstanding	2.9	16.6
Other potentially issuable shares	16.0	24.7
$150 million Grey convertible bonds	7.3	8.9
Shares used in Diluted EPS calculation	1,169.6	1,227.1

At 31 December 2008 there were 1,255,343,263 (2007: 1,191,491,263) 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 14:

Net cash inflow from operating activities:

	2008	2007
	£m	£m
Profit for the year	513.9	515.1
Taxation	232.9	204.3
Finance costs	344.8	266.1
Finance income	(169.6)	(139.4)
Share of results of associates	(46.0)	(41.4)
Operating profit	876.0	804.7
Adjustments for:		
Non cash share-based incentive plans (including share options)	62.3	62.4
Depreciation of property, plant and equipment	149.6	126.3
Goodwill impairment	84.1	44.1
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.5	1.7
Amortisation and impairment of acquired intangible assets	78.4	40.3
Amortisation of other intangible assets	23.4	18.1
Investment write-downs	30.5	-
Gains on disposal of investments	(3.4)	(3.4)
Losses on sale of property, plant and equipment	1.9	1.0
Operating cash flow before movements in working capital and provisions	**1,304.3**	**1,095.2**
Movements in working capital and provisions	(109.3)	25.4
Cash generated by operations	**1,195.0**	**1,120.6**
Corporation and overseas tax paid	(182.5)	(151.0)
Interest and similar charges paid	(269.2)	(212.0)
Interest received	133.0	102.6
Investment income	1.8	3.1
Dividends received from associates	44.6	28.0
	922.7	**891.3**

Acquisitions and disposals:

	2008	2007
	£m	£m
Initial cash consideration	(891.9)	(520.4)
Cash and cash equivalents acquired (net)	(6.1)	60.5
Earnout payments	(67.8)	(93.9)
Loan note redemptions	(2.6)	(2.1)
Purchase of other investments (including associates)	(91.7)	(128.0)
Proceeds on disposal of investments	11.0	9.1
	(1,049.1)	**(674.8)**

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

10. Analysis of cash flows (continued)

Share repurchases and buybacks:

	2008	2007
	£m	£m
Share cancellations (excluding brokerage fees)	(112.2)	(402.7)
Proceeds on disposal of Treasury shares	6.9	-
Shares purchased into treasury	-	(12.7)
	(105.3)	**(415.4)**

Net increase in borrowings:

	2008	2007
	£m	£m
Increase in drawings on bank loans	1,273.3	-
Repayment of €650 million 6.0% bonds	(515.1)	-
Repayment of $100 million 6.875% bonds	(50.5)	-
Repayment of $150 million convertible bonds	(96.2)	-
Repayment of TNS debt	(395.7)	-
Proceeds from issue of €750 million 6.625% bonds due May 2016	594.6	-
Repayment of £450 million 2.0% convertible bonds	-	(450.0)
Proceeds from issue of £400 million 6.0% bonds due April 2017	-	400.0
Proceeds from issue of £200 million 6.375% bonds due November 2020	-	200.0
Proceeds from issue of €500 million 5.25% bonds due January 2015	-	348.9
	810.4	**498.9**

Cash and cash equivalents:

	2008	2007
	£m	£m
Cash at bank and in hand	2,485.9	1,957.4
Short-term bank deposits	86.6	82.8
Overdrafts[1]	(1,254.4)	(977.9)
	1,318.1	**1,062.3**

[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

	2008	2007
	£m	£m
Cash and short-term deposits	2,572.5	2,040.2
Bank loans and overdrafts due within one year	(1,534.1)	(1,585.9)
Corporate bond and loans due after one year	(4,106.0)	(1,740.0)
Net debt	**(3,067.6)**	**(1,285.7)**

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

12. Goodwill and acquisitions

Goodwill in relation to subsidiary undertakings increased by £3,021.5 million (2007: increased by £637.2 million) in the year. This 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 £69.3 million (2007: increased by £79.0 million) in the year.

Future anticipated payments to vendors in respect of both deferred and earnout obligations totalled £376.0 million (2007: £319.0 million). Earnouts are based on the directors' best estimates of future obligations, which are dependent on the future performance of the interests acquired and assume the operating companies improve profits in line with directors' estimates. An analysis of movements on deferred and earnout obligations is shown in Note 16.

On 29 October 2008, the Group completed its acquisition of the issued share capital of Taylor Nelson Sofres plc ("TNS") for total consideration of £1,025.0 million, comprising 80.5 million ordinary shares and £736.3 million in cash (net of cash acquired). At acquisition date TNS had £577.8 million of debt, of which £395.7 million was paid off by WPP in November 2008 out of its own debt facilities. This acquisition resulted in the recognition of approximately £1,133.0 million of goodwill. The post-acquisition contribution of TNS was £269.6 million to revenue, £12.4 million to operating profit and £33.2 million to headline PBIT. Operating profit is stated after charging £18.5 million of amortisation of acquired intangible assets.

The post-acquisition contribution of other acquisitions completed in the year was £106.7 million to revenue, £17.9 million to operating profit and £19.8 million to headline PBIT. There were no material acquisitions completed between 31 December 2008 and the date the preliminary financial statements have been approved.

13. Other intangible assets

The following are included in other intangibles:

	2008	2007
	£m	£m
Brands with an indefinite useful life	1,073.2	798.0
Acquired intangibles	1,161.3	312.2
Other (including capitalised computer software)	61.3	44.4
	2,295.8	**1,154.6**

14. Trade and other receivables

Amounts falling due within one year:

	2008	2007
	£m	£m
Trade receivables	5,934.5	4,691.0
VAT and sales taxes recoverable	87.7	86.5
Other debtors	733.3	609.8
Prepayments and accrued income	1,382.6	753.5
	8,138.1	**6,140.8**

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:

	2008	2007
	£m	£m
Other debtors	72.3	83.8
Fair value of derivatives	105.6	62.1
Prepayments and accrued income	7.3	3.4
	185.2	**149.3**

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:

	2008	2007
	£m	£m
Trade payables	7,121.0	5,843.6
Deferred income	788.3	600.5
Payments due to vendors	89.8	57.3
Loan notes due to vendors	0.1	2.7
Liabilities in respect of put option agreements with vendors	67.5	45.0
Share repurchases – close period commitments	-	64.8
Other creditors and accruals	2,341.0	1,635.0
	10,407.7	8,248.9

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:

	2008	2007
	£m	£m
Payments due to vendors	286.2	261.7
Liabilities in respect of put option agreements with vendors	54.6	37.0
Fair value of derivatives	86.2	79.0
Other creditors and accruals	126.9	82.7
	553.9	460.4

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

	2008	2007
	£m	£m
Within one year	89.8	57.3
Between 1 and 2 years	128.0	62.8
Between 2 and 3 years	97.2	85.4
Between 3 and 4 years	53.4	65.0
Between 4 and 5 years	7.6	48.5
Over 5 years	-	-
	376.0	319.0

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:

	2008
	£m
At the beginning of the year	319.0
Earnouts paid	(67.8)
Revised estimates	(32.2)
New acquisitions	37.2
TNS earnouts	23.0
Foreign exchange impact	96.8
At the end of the year	376.0

The Group does not consider there to be any material contingent liabilities as at 31 December 2008.

17. Reconciliation of movements in consolidated equity share owners' funds

	2008	**2007**
	£m	£m
Profit for the year attributable to equity share owners	439.1	465.9
Ordinary dividends	(161.8)	(138.9)
	277.3	327.0
Ordinary shares issued in respect of acquisitions	270.5	8.0
Other ordinary shares issued	7.9	28.2
Share cancellations	(112.2)	(402.7)
Share repurchases – close period commitments	59.8	(64.8)
Share issue/cancellation costs	(5.6)	(2.8)
Additions of own shares in ESOP Trusts	(3.6)	-
Treasury shares disposals/(additions)	6.9	(12.7)
Non cash share-based incentive plans (including stock options)	62.3	62.4
Tax adjustment of share-based payments	(9.0)	0.9
Actuarial (loss)/gain on defined benefit pension schemes	(82.2)	30.0
Deferred tax on defined benefit pension schemes	0.7	(9.9)
Exchange adjustments on foreign currency net investments	1,379.2	68.7
Revaluation of other investments	(51.3)	108.1
Financial instruments – movements during the year	(16.3)	7.3
Other movements	3.4	(0.2)
Net additions to equity share owners' funds	1,787.8	147.5
Opening equity share owners' funds	3,974.4	3,826.9
Closing equity share owners' funds	5,762.2	3,974.4

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

17. Reconciliation of movements in consolidated equity share owners' funds (continued)

Issued share capital – movement in the year

	2008	2007
Number of equity ordinary shares	m	m
At the beginning of the year	1,191.5	1,240.6
Exercise of share options	2.1	7.8
Acquisitions	80.5	0.3
Share cancellations	(18.8)	(57.2)
At the end of the year	1,255.3	1,191.5

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.

19. Non-GAAP measures of performance

Reconciliation of profit before interest and taxation to Headline PBIT for the year ended 31 December 2008

	2008	2007
	£m	£m
Profit before interest and taxation	**922.0**	**846.1**
Amortisation and impairment of acquired intangible assets	78.4	40.3
Goodwill impairment	84.1	44.1
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.5	1.7
Gains on disposal of investments	(3.4)	(3.4)
Investment write-downs	30.5	-
Share of exceptional losses/(gains) of associates	0.5	(0.8)
Costs of changes to corporate structure	4.6	-
Headline PBIT	**1,118.2**	**928.0**
Finance income	169.6	139.4
Finance charges (excluding revaluation of financial instruments)	(319.4)	(250.1)
	(149.8)	(110.7)
Interest cover on Headline PBIT	**7.5 times**	**8.4 times**

Calculation of Headline EBITDA

	2008	2007
	£m	£m
Headline PBIT (as above)	1,118.2	928.0
Depreciation of property, plant and equipment	149.6	126.3
Amortisation of other intangible assets	23.4	18.1
Headline EBITDA	**1,291.2**	**1,072.4**

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 2008

	2008	2007
	£m	£m
Profit before taxation	**746.8**	**719.4**
Amortisation and impairment of acquired intangible assets	78.4	40.3
Goodwill impairment	84.1	44.1
Goodwill write-down relating to utilisation of pre-acquisition tax losses	1.5	1.7
Gains on disposal of investments	(3.4)	(3.4)
Investment write-downs	30.5	-
Costs of changes to corporate structure	4.6	-
Share of exceptional losses/(gains) of associates	0.5	(0.8)
Revaluation of financial instruments	25.4	16.0
Headline PBT	**968.4**	**817.3**
Taxation (excluding net deferred tax credit in relation to the amortisation of acquired intangible assets and other goodwill items)	(245.3)	(207.1)
Minority interests	(74.8)	(49.2)
Headline earnings	**648.3**	**561.0**
Ordinary dividends	161.8	138.9
Dividend cover on Headline earnings	**4.0 times**	**4.0 times**

Headline PBIT margins before and after share of results of associates

	Margin (%)	2008	Margin (%)	2007
		£m		£m
Revenue		7,476.9		6,185.9
Headline PBIT	**15.0%**	1,118.2	**15.0%**	928.0
Share of results of associates (excluding exceptional (losses)/gains)		46.5		40.6
Headline PBIT excluding share of results of associates	**14.3%**	**1,071.7**	**14.3%**	**887.4**

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 2008

	2008	2007
	£m	£m
Cash generated by operations	**1,195.0**	**1,120.6**
Plus:		
Interest received	133.0	102.6
Investment income	1.8	3.1
Movements in working capital and provisions	109.3	(25.4)
Dividends received from associates	44.6	28.0
Issue of shares	10.6	34.8
Proceeds on disposal of treasury shares	6.9	-
Proceeds on disposal of property, plant and equipment	11.5	8.3
Less:		
Interest and similar charges paid	(269.2)	(212.0)
Purchase of property, plant and equipment	(196.8)	(151.1)
Purchase of other intangible assets (including capitalised computer software)	(23.8)	(19.7)
Corporation and overseas tax paid	(182.5)	(151.0)
Dividends paid to minority shareholders in subsidiary undertakings	(63.5)	(38.9)
Free Cash Flow	**776.9**	**699.3**

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 2008, the Group has access to £5.2 billion of committed bank facilities with maturity dates spread over the years 2009 to 2020 as illustrated below.

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

20. Going concern and liquidity risk (continued)

			Maturity by year						
			2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015+**
	currency millions	£m	£m	£m	£m	£m	£m	£m	£m
£ bonds £200m (6.375% ’20)	200	**200.0**							200.0
£ bonds £400m (6% ’17)	400	**400.0**							400.0
Eurobonds €750m (6.625% ’16)	750	**718.3**							718.3
Eurobonds €500m (5.25% ’15)	500	**478.8**							478.8
US bond $650m (5.875% ’14)	650	**446.0**						446.0	
Eurobonds €600m (4.375% ’13)	600	**574.6**					574.6		
Bank revolver $1,600m	1,600	**1,097.7**				1,097.7			
TNS acquisition facilities £1,250m	1,250	**1,250.0**	200.0	850.0	200.0				
Total committed facilities available		**5,165.4**	**200.0**	**850.0**	**200.0**	**1,097.7**	**574.6**	**446.0**	**1,797.1**
Drawn down facilities at 31 December 2008		4,091.0	170.0	850.0	200.0	53.3	574.6	446.0	1,797.1
Undrawn committed credit facilities		1,074.4							
Drawn down facilities at 31 December 2008		4,091.0							
Net cash at 31 December 2008		(1,318.1)							
TNS private placement debt		215.7							
Other items		79.0							
Net debt at 31 December 2008		3,067.6							

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

Treasury management

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

The Group’s risk management policies relating to foreign currency risk, interest rate risk, liquidity risk, capital risk and credit risk are presented in the notes to the consolidated financial statements of the 2007 Annual Report and Accounts and in the opinion of the Board remain relevant at 31 December 2008.

21. Principal risks and uncertainties

The directors have considered the principal risks and uncertainties affecting the Group at 31 December 2008 and these are summarised below.

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 116 and 117 of the published 2007 Annual Report and Accounts.

WPP PLC

Notes to the unaudited preliminary consolidated financial statements (continued)

21. Principal risks and uncertainties (continued)

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

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

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

d. A reduction on client spending and a slowdown in client payments could adversely affect our working capital.

e. The Group is dependent on its employees and, like all service providers, is vulnerable to adverse consequences from the loss of key employees due to competition among providers of advertising and marketing services.

f. The Group is exposed to the risks of doing business internationally.

g. Currency exchange rate fluctuations could adversely affect the Group's consolidated results of operations.

h. The Group may have difficulty repatriating the earnings of its subsidiaries.

i. The Group is subject to recessionary economic cycles. The global credit crisis could adversely impact our financial condition and results of operations.

j. The Group may be unsuccessful in evaluating material risks involved in completed and future acquisitions.

k. The Group may be unsuccessful in integrating any acquired operations with its existing businesses.

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

m. The Group may be subject to certain regulations that could restrict the Group's activities.

n. Changes in tax laws or their application may adversely affect the Group's reported results.

o. The Group may be exposed to liabilities from allegations that certain of its clients' advertising claims may be false or misleading or that its clients' products may be defective.

p. Civil liabilities or judgments against the Group or its directors or officers based on U.S. federal or state securities laws may not be enforceable in the U.S. or in England or in Jersey.

WPP PLC

Preliminary results for the year ended 31 December 2008 in reportable US Dollars[1]

Unaudited illustrative preliminary consolidated income statement for the year ended 31 December 2008

	Year ended 31 December 2008	Year ended 31 December 2007	
	$m	$m	+/(-)%
Billings	67,381.0	63,536.8	6.1
Revenue	13,598.4	12,395.4	9.7
Direct costs	(827.2)	(672.7)	(23.0)
Gross profit	12,771.2	11,722.7	8.9
Operating costs	(11,195.2)	(10,104.2)	(10.8)
Operating profit	1,576.0	1,618.5	(2.6)
Share of results of associates	83.7	82.9	1.0
Profit before interest and taxation	1,659.7	1,701.4	(2.5)
Finance income	316.9	280.3	13.1
Finance costs	(625.7)	(535.0)	(17.0)
Profit before taxation	1,350.9	1,446.7	(6.6)
Taxation	(416.7)	(409.5)	(1.8)
Profit for the year	934.2	1,037.2	(9.9)
Attributable to:			
Equity holders of the parent	803.5	938.2	(14.4)
Minority interests	130.7	99.0	(32.0)
	934.2	1,037.2	(9.9)
Headline PBIT	1,984.4	1,865.0	6.4
Headline PBIT margin	**14.6%**	**15.0%**	
Headline PBT	1,712.8	1,642.7	4.3
Reported earnings per share[2]			
Basic earnings per ordinary share	70.3¢	79.7¢	(11.8)
Diluted earnings per ordinary share	68.7¢	76.6¢	(10.3)
Headline earnings per share[2]			
Basic earnings per ordinary share	99.9¢	96.4¢	3.6
Diluted earnings per ordinary share	97.8¢	92.6¢	5.6

[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$1.8524 to the pound for the year ended 31 December 2008 (2007: US$2.0019).

[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 2008 exchange rates to local currency reported results for the current and prior year. This gives a US dollar – denominated income statement and balance sheet which exclude any variances attributable to foreign exchange rate movements.

Free cash flow

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

Headline earnings

Headline PBT less taxation (excluding net deferred tax in relation to brands, intangibles and other goodwill) and minority interests.

Headline operating profit / Headline PBIT

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

Headline PBT

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

Operating margin

Headline operating profit as a percentage of revenue.

WPP PLC

GLOSSARY AND BASIS OF PREPARATION (CONTINUED)

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.