

# Independent auditors' report

## Opinion on financial statements of WPP plc

In our opinion:

- the Group financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's profit and the parent company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the Companies (Jersey) Law 1991.

The financial statements comprise the accounting policies, the consolidated income statement (excluding the US dollar information), the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated balance sheet, the consolidated statement of changes in equity, the parent company profit and loss account and balance sheet and the related notes 1 to 43. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies to the Group financial statements, in addition to applying IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

## Going concern

We have reviewed the directors' statement on page 178 that the Group is a going concern.

We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. As part of our risk assessment procedures we obtained an understanding of and tested the design, implementation and operating effectiveness of internal controls (at Group level and at each of the full scope audit components) that respond to the identified risks, in addition to performing the substantive audit procedures detailed below.

Risk	How the scope of our substantive audit procedures responded to the risk
<p><b>Revenue recognition – accounting for media volume income</b></p> <p>Assessing the timing of recognition and valuation of media volume income earned on media contracts in accordance with the underlying contractual terms is an area of complexity. Given the complexity involved this is considered to be a key audit risk.</p> <p>Refer to page 121 (Review of the Audit Committee) and page 184 (accounting policy).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▪ Challenged the timing of recognition and valuation of media volume income earned on media contracts and assessed the ageing of balance sheet provisions.</li> <li>▪ Checked that management could demonstrate that persuasive evidence exists in respect of the arrangement with the supplier at the time revenue is recorded.</li> <li>▪ Closely monitored the trend of media volume income recognised against prior year activity.</li> </ul>
<p><b>Goodwill</b></p> <p>Determining whether the carrying value of goodwill is recoverable requires management to make significant estimates concerning the estimated future cash flows and associated discount rates and growth rates based on management's view of future business prospects. The Group is highly acquisitive. As such, given the magnitude of the goodwill balance (2014: £9,979 million, 2013: £9,473 million), and the relative sensitivity to certain inputs to the impairment testing process, in particular the discount rate, the valuation of goodwill is considered a key audit risk.</p> <p>Refer to page 121 (Review of the Audit Committee), page 182 (accounting policy) and page 204 (financial disclosures).</p>	<p>In order to address this key audit risk we audited the assumptions used in the impairment model for goodwill. In doing so, we:</p> <ul style="list-style-type: none"> <li>▪ Challenged the key assumptions used, including specifically the operating cash flow projections, discount rates, and long term growth rates. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin.</li> <li>▪ Compared these assumptions to externally derived data (where applicable) as well as forming our own assessment.</li> <li>▪ Our internal fair value specialists assisted in computing an independent assessment of the discount rates used and assessing the methodology used in preparing the impairment testing model.</li> <li>▪ We considered the sensitivity of the impairment testing model to changes in key assumptions.</li> </ul> <p>We also considered the adequacy of the Group's disclosures in respect of its goodwill impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.</p>
<p><b>Taxation</b></p> <p>There is uncertainty in respect of resolving matters with tax authorities around the world. The highly disaggregated nature of the Group coupled with its acquisitive nature means that there are a number of different tax jurisdictions in which the Group could be liable to pay tax, making potential tax exposures a key audit risk. Therefore assessing the Group's exposure to significant tax risks and the level of provisions recognised is an area of judgement.</p> <p>Refer to page 121 (Review of the Audit Committee), page 186 (accounting policy) and pages 200 and 207 (financial disclosures).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▪ Discussed and considered all significant taxation exposures with Group management including their tax specialists.</li> <li>▪ Together with our internal taxation specialists we challenged the estimates and judgements made by management when calculating the income tax payable in each territory and the associated provisions held.</li> <li>▪ We reviewed correspondence with taxation authorities in significant locations where available, as well as reviewing the support or opinions received from external counsel and other advisors where management has utilised such opinions to make assumptions on the level of taxation payable.</li> </ul>

Risk	How the scope of our substantive audit procedures responded to the risk
<p><b>Restructuring costs and IT transformation</b></p> <p>In the current year the Group implemented a significant restructuring program which has resulted in restructuring costs of £89 million, primarily severance costs, being recognised in the income statement. In addition, the Group incurred costs of £39 million in relation to an IT transformation project, which will result in a substantial portion of the Group operating on a consistent global IT platform in the future.</p> <p>The recognition of restructuring and IT costs requires judgement in arriving at the categorisation and magnitude of each of these charges, including consideration of timing of net economic outflows and the extent to which the Group is committed to such actions at the balance sheet date. The presentation in the financial statements also requires consideration of whether the amounts included in the charge shall be added back when calculating headline earnings. For this reason, such charges were a key area of audit focus.</p> <p>Refer to page 121 (Review of the Audit Committee) and page 198 (financial disclosures).</p>	<p>Our audit procedures were designed to test that the expenses incurred were accurately recorded, capturing both amounts paid during the year and amounts estimated and accrued.</p> <ul style="list-style-type: none"><li>▪ In order to assess compliance with IFRS requirements, when testing restructuring charges we inspected underlying information and supporting documentation, such as formal communication with employees, to confirm that severance provisions recognised at the year-end are appropriately specific and committed to.</li><li>▪ As part of our procedures, we assessed the expenses with reference to historical average spend to ensure the expenses were part of discrete and identifiable projects that were outside the normal course of the Group's operations, in order to ensure that excluding the costs from 'Headline' items was appropriate.</li><li>▪ With respect to the IT transformation costs we further considered the nature of the activity for costs incurred through inspection of underlying supporting documentation, in order to assess whether expensing the costs was the correct treatment.</li></ul>

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

## Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £62.2 million (2013: £52.5 million), which, as in 2013, is below 5% of pre-tax profit, and below 1% of equity. Materiality is higher than for the year ended 31 December 2013 primarily as a result of higher pre-tax profit achieved in 2014.

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £0.5 million (2013: £0.5 million) that affected the consolidated income statement. Where differences only impacted the consolidated balance sheet, we reported on differences over £1.0 million (2013: £1.0 million). We also reported differences below that threshold that, in our view, warranted reporting on qualitative grounds, together with disclosure matters that we identified when assessing the overall presentation of the financial statements.

## An overview of the scope of our audit

As a result of the highly disaggregated nature of the Group, with operations in 111 countries and more than 3,000 offices among more than 150 companies within the Group, a significant portion of audit planning time is spent to ensure the scope of our work is appropriate to address the Group's identified risks of material misstatement. In selecting the components that are in scope each year, we refresh and update our understanding of the Group and its environment, including obtaining an understanding of the Group's system of internal controls, and assessing the risks of material misstatement at the Group level, in order to check that the units selected provide an appropriate basis on which to undertake audit work to address the identified risks of material misstatement. Such audit work represents a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible. Those entities subject to audit provide for coverage of over 83% of the Group's consolidated revenue (2013: 78%); achieved through a combination of direct testing and specified audit procedures (including substantive analytical review procedures) performed by the Group auditor and/or component auditors across the world. Our audit work at the components is executed at levels of materiality appropriate for such components, which in all instances are lower than Group

materiality. In order to support our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit, we tested the consolidation process and carried out analytical procedures at the parent entity level using our bespoke data analytics tool.

### How we work closely with component auditors

The Group audit team plans its visits to component auditors based on a carefully designed program; one that is put in place to check that appropriate oversight and guidance is provided to the component auditors through a combination of:

- upfront team briefings to all component teams;
- site visits;
- central review of documentation; and
- risk assessment discussions and detailed workpaper reviews.

These are designed so that the Senior Statutory Auditor visits all key locations across the Group on a regular basis.

In years when we do not visit a key location we will:

- include the component audit partner in our team briefing;
- discuss their risk assessment; and
- review documentation of the findings from their work.

We also hold quarterly meetings with management at a regional and global level to ensure we update our understanding of the Group and its environment on an on-going basis.

### Opinion on other matters prescribed by our engagement letter

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006 as if that Act had applied to the Company; and
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

#### Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### Directors' remuneration

Under our engagement letter we are required to report if in our opinion certain disclosures of directors' remuneration that would be required by the UK Companies Act 2006 have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

#### Corporate Governance Statement

Under the UK Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

#### Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

### **Respective responsibilities of directors and auditor**

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As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Scope of the audit of the financial statements**

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An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Graham Richardson (Senior Statutory Auditor) for and on behalf of Deloitte LLP**

London, United Kingdom  
20 April 2015

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