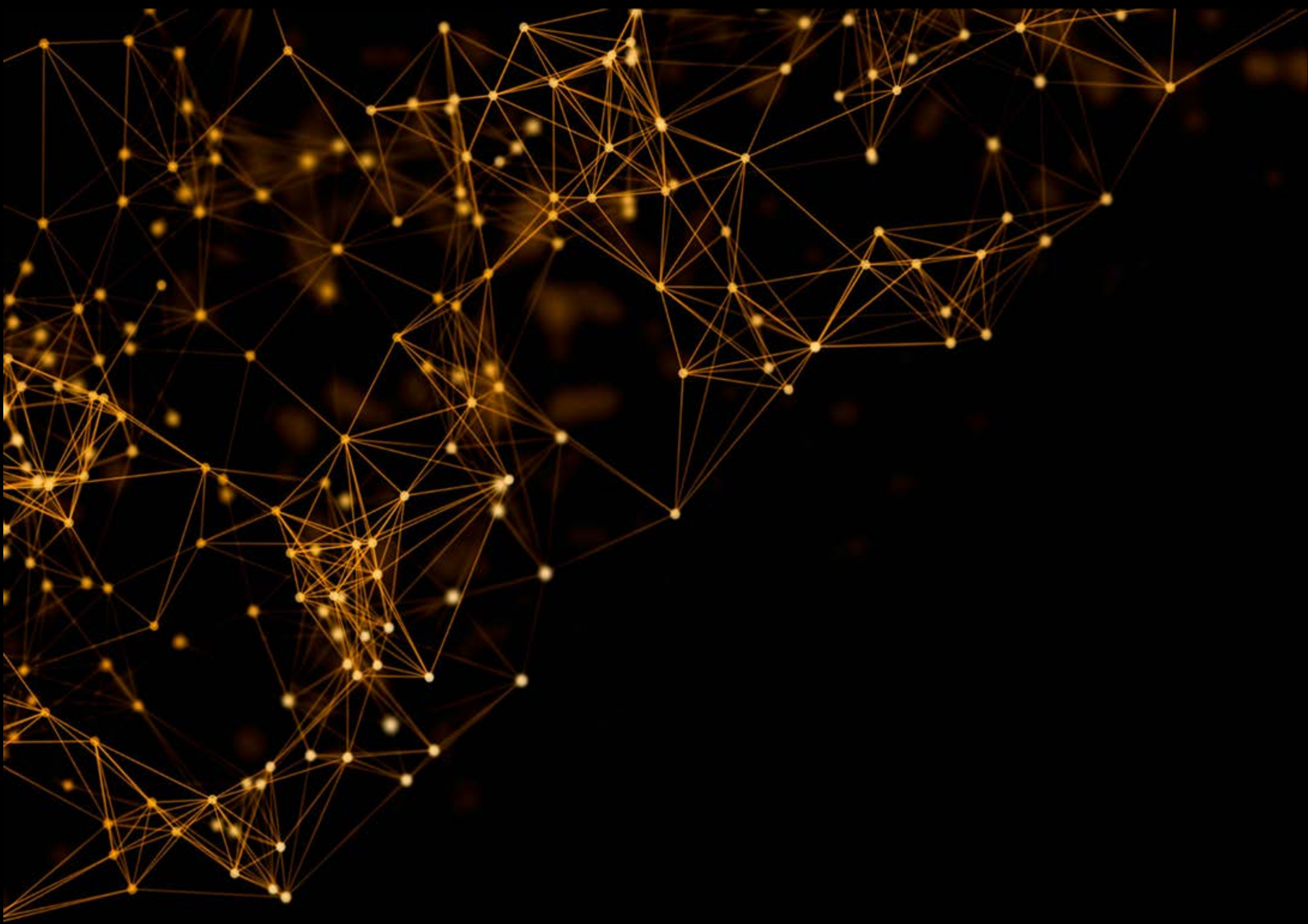
KANTAR

2019 ANNUAL REPORT



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FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Various statements contained in this annual report constitute “forward-looking statements” within the meaning of the securities laws of certain applicable jurisdictions. All statements other than statements of historical fact included in this annual report, including, without limitation, statements regarding our future financial position and results of operation, trends or developments affecting our financial condition and results of operation or the markets in which we operate, strategy, outlook and growth prospects, anticipated investments, costs and results, future plans and potential for growth, projects to enhance efficiency, impact of governmental regulations or actions, competition in areas of our business, litigation outcomes and timetables, future capital expenditures, liquidity requirements, capital resources, the successful integration of acquisitions and objectives of management for future operations or plans to launch new or expand existing operations, may be deemed to be forward-looking statements. When used in this annual report, the words “believe,” “anticipate,” “should,” “intend,” “assume,” “plan,” “may,” “will,” “expect,” “estimate,” “positioned,” “strategy” and similar expressions may identify these forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by these forward-looking statements. These factors include:

- effects relating to the COVID-19 pandemic;
- uncertainty, downturns and changes in the markets that we serve, in particular in the consumer packaged goods and food and beverage industries;
- risks associated with operating globally;
- competition in the markets in which we operate;
- uncertainty regarding Brexit and the outcome of future arrangements between the European Union and the United Kingdom;
- consolidation of our client base;
- reduction of our revenues generated from subscription-based agreements;
- our failure to adapt to significant technological changes;
- our failure to maintain sufficient high-quality content;
- design defects, errors, failures or delays associated with our products or services;
- our failure to recruit sample participants to participate in our consumer and audience panels and surveys;
- adverse developments in the legislative and regulatory environment, including regarding privacy and data protection;
- our reliance on third-party providers to supply important service, data or content or the loss of exclusive licenses;
- any significant system disruption due to the failure of our information technology systems and network, including due to hacker intrusion, malicious viruses and cybercrime attacks;
- risks related to compliance with anti-corruption laws and regulations and economic sanctions programs;
- our failure to attract and retain skilled employees and senior management personnel;
- exchange rate fluctuation and volatility in the global currency markets;
- changes in our tax regimes and the interpretation or application thereof, including any tax audits to which we may become subject in the future;
- failure to protect our intellectual property rights or allegation that we have infringed on the intellectual property rights of others;
- pending or future litigation;

- labor disputes, shortages or an increase in labor costs;
- our ability to develop and manage existing or future acquisitions, joint ventures, collaborations, licensing arrangements, strategic alliances or partnerships, investments, dispositions or other strategic transactions; and
- other risks associated with our capital structure, our indebtedness, and the Acquisition.

These risks include those set forth in the offering memorandum, dated October 23, 2019, relating to the issuance of our Notes (the "**Offering Memorandum**") under the caption "*Risk Factors*". Other than the risks associated with the global coronavirus pandemic ("**COVID-19**"), which are detailed in "*Operating and Financial Review—Recent Developments*" below, we are not aware of any additional material changes to the risk factors described in the Offering Memorandum.

Any forward-looking statements are only made as of the date of this annual report and, except as required by law or the rules and regulations of any exchange on which the Notes are listed, we assume no obligation to update the forward-looking statements contained in this annual report to reflect actual results, changes in assumptions or changes in factors affecting these statements.

Although this annual report contemplates the impact of COVID-19, the rapidly evolving nature of COVID-19 and its effect on, among other things, the global macro economy, the industry in which we operate and our business (collectively, the "**Coronavirus Impacts**") will exacerbate those uncertainties and contingencies. The Group does not undertake any obligation to update any forward-looking statements contained herein for any reason, including whether or not the Group obtains more insight on the Coronavirus Impacts on the business, operations and financial performance of the Group. Given the rapidly evolving nature of the COVID-19 situation, the information provided herein should not be relied upon, and the Group does not accept any liability in relation to this or any future update or presentation in relation to COVID-19.

CERTAIN DEFINITIONS

Unless indicated otherwise in this annual report or the context requires otherwise, each reference to:

- "**Acquisition**" means the acquisition of the entities comprising the Target Group pursuant to the Acquisition Agreement;
- "**Acquisition Agreement**" means the Sale and Purchase Agreement, dated July 12, 2019, as amended on October 7, 2019, by and between WPP, ROW Topco and UK Bidco, relating to the Acquisition;
- "**EU**" means the European Union;
- "**euro**," "**€**" or "**EUR**" refers to the single currency of the Member States of the European Union participating in the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time;
- "**Faster Growing Markets**" refers to Asia Pacific, Latin America, Eastern Europe, Africa and Middle East;
- "**IFRS**" means the International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the EU;
- "**IFRS as Modified**" means IFRS modified by application of the Annexure to SIR 2000 Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information issued by the UK Financial Reporting Council;
- "**Initial Completion**" means the initial acquisition of entities comprising approximately 92% of the Target Group (measured by EBITDA of the Target Group for the year ended December 31, 2018) on the Initial Completion Date;
- "**Initial Completion Date**" means December 5, 2019;
- "**Mature Markets**" refers to Continental Europe, UK and North America;
- "**Notes**" means, together, the Senior Notes and the Senior Secured Notes;
- "**pound sterling**", **"sterling**," "**£**" or "**GBP**" means the lawful currency of the United Kingdom;
- "**Reporting Entity**" means Kantar Global Holdings S.à r.l. (formerly, Summer (BC) Lux Consolidator S.C.A.), a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue Lou Hemmer, L-1748 Luxembourg-Findel and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés du Luxembourg*) under number B237802;
- "**Revolving Credit Facility**" means the $400.0 million (equivalent) senior secured revolving credit facility established under the Senior Facilities Agreement, together with any ancillary facilities;
- "**ROW Bidco**" means Summer (BC) Holdco B S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue Lou Hemmer, L-1748 Luxembourg-Findel and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés du Luxembourg*) under number B235548;
- "**ROW Holdco**" means Summer (BC) Holdco A S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue Lou Hemmer, L-1748 Luxembourg-Findel and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés du Luxembourg*) under number B235472;
- "**ROW JVCo**" means Summer (BC) JVCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue Lou Hemmer, L-1748 Luxembourg-Findel and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés du Luxembourg*) under number B235250;

- "**ROW Midco**" means Summer (BC) MidCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue Lou Hemmer, L-1748 Luxembourg-Findel and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés du Luxembourg*) under number B235335;
- "**ROW Topco**" means Summer (BC) Topco S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue Lou Hemmer, L-1748 Luxembourg-Findel and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés du Luxembourg*) under number B235480;
- "**Senior Facilities**" means, together, the Senior Term Loans and the Revolving Credit Facility;
- "**Senior Facilities Agreement**" means the senior facilities agreement, dated November 26, 2019, among, *inter alios*, RoW Bidco, US Bidco, Wilmington Trust (London) Limited, as agent and security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time;
- "**Senior Notes**" means the €428.0 million aggregate principal amount of 9.250% Senior Notes due 2027 issued on October 30, 2019 by ROW Holdco;
- "**Senior Secured Notes**" means the €1,000.0 million aggregate principal amount of 5.750% Senior Secured Notes issued on October 30, 2019 by ROW Bidco;
- "**Senior Term Loans**" mean the euro-denominated and U.S. dollar-denominated senior secured term facilities established under the Senior Facilities Agreement;
- "**Sponsor**" or "**Bain Capital**" means Bain Capital Private Equity (Europe) LLP and its affiliates and, where applicable, one or more investment funds and limited partnerships or other entities managed, advised or controlled by Bain Capital Private Equity (Europe) LLP or its affiliates or direct or indirect subsidiaries, and, in each case (whether individually or as a group) their respective affiliates;
- "**Target Group**" or "**Kantar**" means the entities comprising the Kantar business of the WPP Group acquired or to be acquired in the Acquisition;
- "**TSA**" means each transitional services agreement entered into by WPP and the Group as part of the Acquisition;
- "**UK Bidco**" means Summer (BC) UK Bidco Limited, a private limited company incorporated in England, registered with Companies House under no. 12093836, with registered office at 11th Floor, 200 Aldersgate Street, London, United Kingdom, EC1A 4HD;
- "**United Kingdom**" or "**UK**" means the United Kingdom of Great Britain and Northern Ireland;
- "**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
- "**US Bidco**" means Summer (BC) Bidco B LLC, a limited liability company formed in the State of Delaware and registered with the Secretary of State for the State of Delaware under no. 7475393 with registered office at Suite 302, 4001 Kennett Pike, Wilmington, Delaware 19807;
- "**U.S. dollars**," "**dollars**," "**U.S.$**," "**USD**" or "**$**" means the lawful currency of the United States;
- "**US Holdco**" means Summer (BC) US Holdco A LLC, a limited liability company formed in the State of Delaware and registered with the Secretary of State for the State of Delaware under no. 7635837 with registered office at Suite 302, 4001 Kennett Pike, Wilmington, Delaware 19807;
- "**US JVCo**" means Summer (BC) US JVCo SCSp, a *Société en Commandite Spéciale* incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue Lou Hemmer, L-1748 Luxembourg-Findel and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés du Luxembourg*) under number B239448;
- "**US Midco**" means Summer (BC) US MidCo SCSp, a *Société en Commandite Spéciale* incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office

at 4, rue Lou Hemmer, L-1748 Luxembourg-Findel and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés du Luxembourg*) under number B239447;

- “**WPP**” means WPP plc (registered number 111714), a public limited company incorporated in Jersey, with registered office at Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES; and
- “**WPP Group**” means WPP plc and its subsidiaries.

In addition to the terms defined above, the terms “**Group**,” “**Kantar**,” “**we**,” “**our**” and “**us**” mean, as the context requires, the Target Group and/or the Reporting Entity and its subsidiaries.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

2019 Consolidated Financial Statements

Since the Initial Completion Date, the Group has begun consolidating the results of the Group companies at the level of the Reporting Entity. The consolidated financial statements of the Group for the period ended December 31, 2019 (the "**2019 Consolidated Financial Statements**") reflect the acquisition of 92% of the Target Group (measured by EBITDA of the Target Group for the year ended December 31, 2018), and do not include the results of Target Group entities acquired subsequent to that date. The 2019 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretation Committee adopted for use in the European Union, and comply with Article 4 of the EU International Accounting Standard (IAS) Regulation.

***Pro Forma* Financial Information**

The *pro forma* financial information as of and for the years ended December 31, 2018 and 2019 (the "***Pro Forma* Financial Information**") discussed in the Operating and Financial Review is unaudited and presented on a consolidated basis as if 100% of the Acquisition had been completed January 1, 2018. Given that nearly 100% of the Target Group has been acquired as of the date of this annual report, we believe that this presentation allows for the greatest comparability of results between periods. The *Pro Forma* Financial Information has been prepared in accordance with IFRS as Modified. The *Pro Forma* Financial Information as of and for the year ended December 31, 2018 has been adjusted to include the implementation of IFRS 16.

Audited Combined Carve-Out Financial Statements as of and for the Years Ended December 31, 2016, 2017 and 2018

For annual periods prior to the year ended December 31, 2019, we have included the audited combined carve-out financial statements of the Target Group as of and for the years ended December 31, 2016, 2017 and 2018 (the "**2016-2018 Audited Combined Carve-Out Financial Statements**"). The 2016-2018 Audited Combined Carve-Out Financial Statements were audited by Deloitte LLP, the independent auditors (reporting accountants) of the Target Group.

The 2016-2018 Audited Combined Carve-Out Financial Statements included in this annual report together with the accompanying notes thereto have been prepared in accordance with IFRS as Modified but do not include any adjustments for IFRS 16. For a complete description of the basis of consolidation and accounting policies followed in preparing the 2016-2018 Audited Combined Carve-Out Financial Statements, see Note 1 to the 2016-2018 Audited Combined Carve-Out Financial Statements included in this annual report.

Prior to the Initial Completion Date, the entities comprising the Target Group did not form a separate accounting group. The 2016-2018 Audited Combined Carve-Out Financial Statements were prepared specifically for the purpose of facilitating the Acquisition and were prepared on a carve-out basis from the consolidated financial statements of the WPP Group, using the historical results of operations and the historical bases of assets and liabilities of the WPP Group.

The 2016-2018 Audited Combined Carve-Out Financial Statements represent an aggregation of financial information for all legal entities forming the Target Group as of and for the relevant periods, applying the principles of consolidation to eliminate any intragroup transactions. The 2016-2018 Audited Combined Carve-Out Financial Statements include the allocation of central income and expenses from the WPP Group to the extent such transactions were deemed related to the Target Group, and similarly include all assets and liabilities that have been or are expected to be transferred as part of the Target Group upon completion of the Acquisition, assuming 100% of the Target Group will be acquired pursuant to the Acquisition Agreement.

Non-IFRS Financial Measures

The primary non-IFRS financial measures used in this annual report include the following measures (collectively, "**Non-IFRS Measures**"):

- **EBITDA**. We define EBITDA as profit for the period before: (i) interest and taxation; (ii) investment write-downs; (iii) amortization and impairment of acquired intangible assets; (iv) gains/(losses) on disposal of investments and subsidiaries; (v) associate income/(loss); (vi) minority interests; (vii) restructuring and transformation costs; (viii) share of exceptional losses/(gains) of associates; (ix) depreciation of property, plant and equipment; (x) amortization of other intangible assets; (xi) depreciation of right-of-use assets; (xii) severance; (xiii) one-off items; and (xiv) removal of share based compensation.
- **Gross Revenue**. We define Gross Revenue as revenue, adjusted for certain perimeter transactions and inter-company and foreign exchange adjustments.
- **Direct Costs**. We define Direct Costs as third party and internal costs as well as other services which directly relate to the services delivered to clients. Costs comprise fieldwork costs including on-line, face to face and telephone, survey scripting and data processing, external data acquisition costs, billable travel, panel recruitment costs and panelist incentives for panelists who complete surveys. The intra-group component offsets against the intra-group revenue and thus has no impact on Gross Margin.
- **Gross Margin**. We define Gross Margin as Gross Revenue after Direct Costs.
- **Staff Costs**. We define Staff Costs to include wages and salaries, cash-based incentive plans, social security and pension costs, and other staff costs related primarily to freelance and temporary staff. Staff Costs do not include severance costs which are considered as exceptional one-off expenses.
- **General and Administrative Costs**. We define General and Administrative Costs as largely comprising of semi-fixed costs in the form of IT costs, communication costs, establishment costs, travel, training, legal and professional costs, and advertisement and promotion costs.
- **Trade Working Capital**. We define Trade Working Capital as our balances in Net Debtors, Accrued Revenue, Creditors (including accruals), Deferred Income and various other balance sheet items.
- **Adjusted Capital Expenditures**. We define Adjusted Capital Expenditures as purchases of property, plant and equipment and purchases of other intangible assets (including capitalized computer software), adjusted to exclude the expense related to certain non-recurring land costs.

We present these Non-IFRS Measures because we believe that these and similar measures are widely used as supplemental measures of performance and liquidity. We also believe that this information, along with comparable IFRS measures, is useful because it provides a basis for measuring and comparing our operating performance across the periods presented.

We present Non-IFRS Measures for informational purposes only. This information does not purport to represent the results we would have achieved had any of the adjustments made occurred at the beginning of the periods presented or as of the dates indicated. Such measures and ratios may not accurately reflect our performance, liquidity or our ability to incur debt, have limitations as analytical tools, and should not be considered as alternatives to operating profit or net profit or any other performance measures derived from or in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating activities. These amounts have not been, and, in certain cases cannot be, audited, reviewed or verified by any independent accounting firm.

Constant Currency and Actual Rates

We present certain financial measures on a constant currency basis in U.S. dollars. These constant currency measures eliminate the effect of fluctuations in the exchange rates we use in the translation of our non-U.S. denominated sales into U.S. dollars by instead assuming that exchange rates were constant in all periods. For financial information for the years ended December 31, 2018 and

2019, we use the budgeted constant currency rate for the year ended December 31, 2019, which is prepared on a forward-looking basis. We additionally show financial information for the year ended December 31, 2019 at the actual exchange rates calculated by taking the income statements of foreign subsidiary undertakings translated into dollars at average exchange rates and the year-end net assets of these companies translated at year-end exchange rates. The discussion and analysis of the financial information presented in "*Operating and Financial Review*" is presented in U.S. dollars on a constant currency basis, other than as specified.

We believe that these measures facilitate an understanding of the underlying economic performance of our operations. These constant currency measures are computed by translating the actual values of our non-U.S. dollar denominated results as per our subsidiaries' financial statements using the following foreign exchange rates instead of the actual foreign exchange rates used for reporting purposes during the applicable period (except with respect to consolidation adjustments):

Currency	**Constant Currency Rate per U.S. dollar**	**Actual Rate per U.S. dollar(1)**
EUR	0.87	0.89
USD	1.00	1.00
GBP	0.75	0.78
INR	69.81	70.41
CNY	6.79	6.91
BRL	3.77	3.94
AUD	1.40	1.44
Other	Various	Various

(1) Represents the average exchange rate for the year ended December 31, 2019.

OPERATING AND FINANCIAL REVIEW

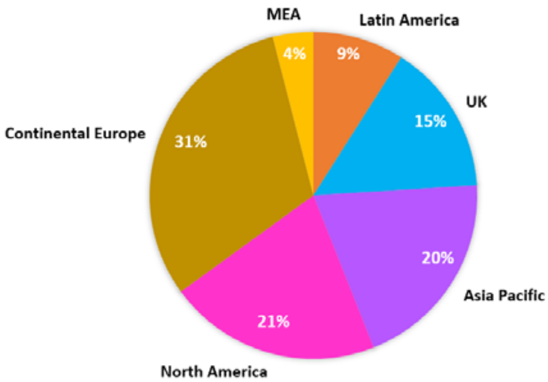
The following is a discussion and analysis of our financial condition and results of operations in the periods set forth below. This discussion should be read together with and is qualified in its entirety by reference to the financial statements included elsewhere in this annual report. The following discussion should also be read in conjunction with "Presentation of Financial and Other Information." The discussion in this section may contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this annual report, particularly under "Forward-Looking Statements and Risk Factors."

Overview

We are one of the world's leading providers of global data, research, consulting and analytics products and services offering a comprehensive combination of attitudinal and behavioral data (i.e., understanding the way consumers think, feel, shop, share, vote and view) and serving over 20,000 clients in more than 100 countries. We aggregate and connect multiple data sources including our own proprietary data as well as client, third party and public data, to provide trusted and increasingly real time, predictive and actionable insights and analytics to assist clients in making evidence-based decisions. We believe that our holistic consumer understanding is core to making our clients' products and services more targeted and effective. For decades, our end-to-end offerings have provided clients with critical information to succeed in their respective marketplaces.

Our revenue is geographically diversified. Our top ten markets represent 69% of our Gross Revenue for the year ended December 31, 2019 and include Australia, Brazil, China, France, Germany, India, Spain, the Netherlands, the United Kingdom and the United States.

Gross Revenue by Geography
for the year ended December 31, 2019



For the year ended December 31, 2019, we generated Gross Revenue of $3,964 million, Gross Margin of $2,580 million and EBITDA of $548 million (14% EBITDA margin).

Results of Operations

The financial information below has been derived from the *Pro Forma* Financial Information for the year ended December 31, 2018, and the *Pro Forma* Financial Information for the year ended December 31, 2019, which reflects 100% of the Target Group for the years ended December 31, 2018 and 2019. The first two columns show the summarized income statement for the years ended December 31, 2018 and December 31, 2019, adjusted on a constant currency basis for the Group's budgeted rate for the year ended December 31, 2019. See "*Presentation of Financial and Other Information—Constant Currency and Actual Rates*." The third column shows the income statement for the year ended December 31, 2019, for the Group's actual rate for the year ended December 31, 2019.

	Constant Currency Rate Year ended December 31, 2018	Year ended December 31, 2019	Actual Rate Year ended December 31, 2019
		($ millions)	
Gross Revenue	**3,921**	**3,964**	**3,879**
Direct Costs	1,363	1,384	1,355
Gross Margin	**2,558**	**2,580**	**2,524**
Staff Costs	1,578	1,606	1,571
General and Administrative Costs	430	426	418
EBITDA	**550**	**548**	**535**
Run Rate Adjustments			
Dividends received from JVs/associates[(1)]			17
Capitalization of incremental development costs[(2)]			11
Transformation initiatives adjustment[(3)]			97
***Pro Forma* Adjusted EBITDA**			**660**

(1) Represents cash dividends received from the Group's joint ventures and associates.

(2) Historically development costs have not been capitalized. Management has estimated that based on the Group's existing policies, the Group could have capitalized an additional $11 million of development costs, primarily in Insights.

(3) Represents the estimated annualized run-rate savings from transformation initiatives originally identified in the Offering Memorandum and not yet achieved as of December 31, 2019. In addition to the transformation initiatives originally identified in the Offering Memorandum, in part as a response to COVID-19, management and shareholders have identified opportunities to achieve significant additional cost savings and synergies through the implementation of further measures to pursue the Group's long-term transformation. These additional potential cost savings and synergies are not reflected in this adjustment. The Group is evaluating the amount of additional adjustments arising due to COVID-19, and will continue to evaluate such adjustments, and appropriate additional adjustments, on a quarter by quarter basis.

Year ended December 31, 2019 compared to year ended December 31, 2018

Kantar has delivered a strong operational performance in a significant period of change during the transition to a new ownership structure. Kantar returned to top-line growth while investing in new offers and talent setting up Kantar for future growth and profitability.

Gross Revenue

Gross Revenue increased by $43 million, or 1% from $3,921 million in the year ended December 31, 2018 to $3,964 million in the year ended December 31, 2019. This increase was due primarily to growth in our Insights, Data and Specialist businesses. Insights growth of 2% was underpinned by a return to growth in our Brand domain (which offers brand tracking and brand strategy) due to a combination of stabilized spend in the Consumer Packaged Goods (CPG) sector and transitioning clients to our newly-launched Holistic Brand Guidance (HBG) offering (which leverages data to provide clients with real-time and cost effective insights). In addition, the Analytics (which analyzes marketing ROI via advanced analytical techniques) and Media (Media Effectiveness) domains in Insights both delivered high teens growth. Our Data businesses grew by 1%, with 4% growth in our Worldpanel division, where we continue to see consistent demand for Worldpanel's services and can pass on inflationary price increases. At our Media division, we continued to see growth in our Audience Measurement domain offset by declines in our Reputation and Advertising Intelligence domains in the UK and the United States. Our Specialist businesses grew by 1%, where we saw strong growth in our Public division due to elections and scope increases from government clients offset by weakness in our Consulting division where a combination of a soft opening 2019 orderbook and headcount churn offset the growth.

Geographically we experienced strong growth in our Faster Growing Markets of 5% driven by Asia Pacific and Latin America with growth across most divisions. Offsetting the growth in our Faster Growing Markets was our Mature Markets, which declined by 1% largely due to the UK where our Reputation domain within our Media division and our Consulting division both declined due to client and headcount churn.

Direct Costs

Direct Costs, which are our cost of delivering our services, increased by $21 million, or 2% from $1,363 million in the year ended December 31, 2018 to $1,384 million in the year ended December 31, 2019, in line with the increase in Gross Revenue. Insights Direct Costs increased by 1%, which was below the rate of Gross Revenue growth as we transitioned clients to our more automated HBG solution in our Brand domain and experienced strong growth in our higher margin Analytics and Media domains. Our Data Division had increased Direct Costs of 3%, which was above Gross Revenue growth as we invested in our proprietary panels in our Profiles and Worldpanel divisions. Our Specialist divisions saw an increase in Direct Costs of 2%, due to our Public division, which incurred significant fieldwork cost in line with the increase in Gross Revenue.

Gross Margin

Gross Margin increased by $22 million, or 1% from $2,558 million in the year ended December 31, 2018 to $2,580 million in the year ended December 31, 2019, in line with the increase in Gross Revenue and Direct Costs noted above.

Staff Costs

Staff Costs increased by $28 million, or 2% from $1,578 million in the year ended December 31, 2018 to $1,606 million in the year ended December 31, 2019. This increase was primarily due to an increase in our salary and freelance costs of 2% and broadly consistent with our increase in headcount of 2% and Gross Revenue growth. Insights increased staff costs by less than 1% which was below their Gross Revenue growth driven by efficiency gains from automation. Our Data businesses increased staff costs by 2% ahead of their Gross Revenue growth primarily due to the Media division whose staff costs have a high component of inflationary increases in Faster Growing Markets. Our Specialist businesses increased staff costs by 2% ahead of their Gross Revenue growth primarily due to investment in our trade optimization business in the Consulting Division. In addition, we started to build up our central resources as we transitioned into a stand-alone business.

General and Administrative Costs

General and Administrative Costs decreased by $4 million, or 1% from $430 million in the year ended December 31, 2018 to $426 million in the year ended December 31, 2019. This decrease was primarily due to continued focus on reduction and efficiencies in discretionary and semi-fixed costs. These costs include the majority of any WPP recharges, which are primarily related to IT infrastructure.

EBITDA

EBITDA decreased by $2 million, or 0.4% from $550 million in the year ended December 31, 2018 to $548 million in the year ended December 31, 2019. This decrease was primarily due to the investment in staff and panel costs, which was partially offset by Gross Revenue growth.

Debt Financing

The following table describes the cash and cash equivalents and debt financing as of December 31, 2019 of the Group based on our 2019 Consolidated Financial Statements, as adjusted to exclude cash and liabilities of holding companies above the Group entities that are governed by our Senior Facilities Agreement and our Notes, and present on a consolidated basis as if the following transactions had been completed as of December 31, 2019: (i) the Acquisition of 100% of the Target Group (measured by reference to the Target Group's EBITDA for the year ended December 31, 2018); (ii) the raising of an additional €70 million Senior Term Loan in February 2020; (iii) the redemption of €47 million of our Senior Notes in February 2020; and (iv) the precautionary drawdown of €280 million of our Revolving Credit Facility in March 2020.

You should read this table in conjunction with the financial statements and accompanying notes appearing elsewhere in this annual report. Except as set forth below, there have been no other material changes to our debt financing since December 31, 2019.

	As of December 31, 2019	Acquisition Closing and Capital Structure Adjustments	December 31, 2019 As Adjusted
		($ in millions)	
Cash and cash equivalents(1)	562	19	581
Total net debt:(2)			
Senior Facilities(3)	1,241	392	1,633
Senior Secured Notes(4)	1,123	—	1,123
Total senior secured net debt	**1,802**	**373**	**2,175**
Senior Notes(4)	534	(53)	481
Total secured net debt(5)	**2,336**	**320**	**2,656**
Other debt(6)	263	50	313
Total net debt	**2,599**	**370**	**2,969**

(1) Represents cash and cash equivalents net of overdrafts as of December 31, 2019, plus $53 million of cash in an escrow account representing a portion of the proceeds from the issuance of the Senior Notes, which was used in February 2020 to redeem €47 million of the Senior Notes.

(2) Total net debt is reflected at its aggregate principal amounts, less cash and cash equivalents, and does not reflect debt issuance costs or accrued interest expense.

(3) The Senior Facilities are comprised of the Senior Term Loans and the Revolving Credit Facility. The amount shown represents the U.S. dollar equivalent of the aggregate principal amount of the Senior Term Loans, without giving effect to discounts or fees to be paid to the lenders thereunder. The Senior Term Loans include (i) a €725 million term loan B and a €70 million term loan B-1 (which was borrowed in February 2020), each bearing a margin of EURIBOR plus 5.00% (subject to a margin ratchet), and (ii) a $280 million term loan B and a $70 million term loan B-1, each bearing a margin of USD LIBOR plus 5.00% (subject to a margin ratchet); each maturing in December 2026. The Revolving Credit Facility provides for $400 million of borrowings (including any permitted ancillary facilities established thereunder) in certain specified currencies and any other currencies readily available in the relevant interbank market (subject to the consent of the relevant lenders), subject to customary borrowing conditions, bears a margin of the applicable benchmark rate plus 3.50% (subject to a margin ratchet), and matures in June 2026, of which $75 million (equivalent) was drawn as of December 31, 2019 and an additional $313 million (equivalent) was drawn in March 2020.

(4) Represents the U.S. dollar-equivalent of the aggregate principal amount of (i) the €1,000 million 5.750% Senior Secured Notes maturing October 31, 2026 and (ii) the 9.250% Senior Notes maturing October 31, 2027, issued in an initial aggregate principal amount of €475 million, with €47 million redeemed in a special mandatory redemption in February 2020, and does not reflect any initial purchaser discount or original issue discount. The exchange rates used to convert the aggregate principal amounts of the Notes to U.S. dollars should not be viewed as a representation that such U.S. dollar amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate, on the date of this annual report or any other date.

(5) The adjustment represents a $320 million deferred closing adjustment reflecting the actual and estimated cash purchase price for the acquisition of the remaining 8% of the Target Group (measured by reference to EBITDA of the Target Group for the year ended December 31, 2018), net of cash and cash equivalents held at the remaining portion of the Target Group. As of May 1, 2020, 98% of the Target Group has been purchased; it is intended that the remaining portion of the Target Group will be acquired by the end of the second quarter of 2020.

(6) Represents IFRS 16 lease liabilities, as well as a $15 million loan from the WPP Group to the Group. The $50 million adjustment to other debt represents an estimate of IFRS 16 lease liabilities held at the remaining portion of the Target Group.

Contractual Obligations and Commitments

The table below summarizes our contractual obligations as of December 31, 2019, adjusted for the transactions described under "—*Debt Financing*", based on nominal amounts (excluding accrued interest and financing fees). These maturities may differ significantly from the actual maturity of these obligations.

	Less than 1 year	1-5 years	More than 5 years	Total
	($ in millions)			
Senior Secured Notes	—	—	1,123	1,123
Senior Notes	—	—	481	481
Senior Term Loans	4	14	1,227	1,245
Revolving Credit Facility	—	—	388	388
Other Debt[1]	—	—	15	15
Total	**4**	**14**	**3,234**	**3,252**

(1) Represents a $15 million loan from the WPP Group to the Group.

Liquidity and Capital Resources

For periods prior to the consummation of the Acquisition, our ability to obtain cash to adequately fund our needs depended on the results of operations and the availability of financing from the WPP Group. Liquidity was used for operating expenses and capital expenditures.

Since the Acquisition, both zero balancing and notional cash pooling arrangements have been utilized where practical and permitted locally. A policy of remitting surplus cash to the UK from overseas subsidiaries via intercompany loans and dividend repatriation is used in order to manage the Group's central liquidity and to support recycling of cash to those parts of the Group that require it. As of December 31, 2019, we had drawn $75 million (equivalent) of our Revolving Credit Facility. The decision was taken in March 2020 to draw a further €280 million in euros on our Revolving Credit Facility, meaning it was fully drawn at that point, excluding $12 million of ancillary facilities established thereunder. This action helps support the Group's liquidity, along with the cash pooling and repatriation measures.

The Group continues to assess its liquidity and operational needs and to evaluate capital markets and other financing options on an ongoing basis. The Group may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and with such consideration as the purchaser may determine.

Selected Cash Flow Items

Trade Working Capital

The following table sets forth a comparison of Net Debtors, Accrued Revenue, Creditors (including accruals), Deferred Income and various other balance sheet items that are included in our Trade Working Capital.

	Constant Currency	
	Year ended December 31, 2018	Year ended December 31, 2019
	($ in millions)	
Net Debtors[1]	789	760
Accrued Revenue[2]	218	217
Creditors incl. accruals[3]	(386)	(450)
Deferred Income[4]	(277)	(289)
Other	3	3
Trade Working Capital	**347**	**241**

(1) Represents trade account receivables owed to the Group net of any allowance for doubtful accounts.

(2) Constitutes revenue recognized in advance of billings.

(3) Represents amounts owed to our suppliers including amounts accrued for that have not yet been invoiced.

(4) Constitutes revenue billed in advance of services provided.

Our Trade Working Capital improved by $106 million, or 31% from $347 million in the year ended December 31, 2018 to $241 million in the year ended December 31, 2019. The improvement was primarily due to an improvement in our Net Debtors and an increase in or Creditors (including accruals).

Our Net Debtors improved by $29 million, or 4% from $789 million in the year ended December 31, 2018 to $760 million in the year ended December 31, 2019. This improvement was primarily due to our reduction of overdue debtors from 33% for the year ended December 31, 2018 to 28% for the year ended December 31, 2019.

Creditors (including accruals) increased by $64 million, or 17% from $386 million in the year ended December 31, 2018 to $450 million in the year ended December 31, 2019. This is primarily due to our implementation of policies and processes to ensure we do not pay suppliers earlier than our agreed payment terms.

Adjusted Capital Expenditures

	Constant Currency	
	Year ended December 31, 2018	**Year ended December 31, 2019**
	($ in millions)	
Purchases of property, plant and equipment	45	55
Purchases of other intangible assets (including capitalized computer software)	34	40
Adjusted Capital Expenditures	**79**	**95**

Adjusted Capital Expenditures increased by $16 million, or 20% from $79 million in the year ended December 31, 2018 to $95 million in the year ended December 31, 2019. This increase is primarily due to increases in purchases of property, plant and equipment of $10 million driven by increased purchases of meter equipment related to our Audience Measurement domain and increases in computer laptop spend as we upgraded our estate. Purchases of other intangible assets increased by $6 million as we invested in our Worldpanel division platform and big data service Worldpanel+, which harnesses the use of smartphones to quantify shopping trips and the motives behind them.

Recent Developments

COVID-19 update

As with all businesses, the Group is being impacted by the COVID-19 pandemic. The Group continues to monitor and take measures to mitigate the effects of the global challenges associated with COVID-19 in several respects.

Our first priority is the safety of our people and the resilience of the business; operations in most of our locations have moved to remote working; this transition has gone remarkably well as our employees have shown tremendous focus and flexibility, partnering with our clients to continue to provide critical attitudinal and behavioral data that delivers real-time insight. However, if lockdowns are enforced on a long-term basis, this could impact on our ability to deliver productively and to our usual standards, unless sustainable mitigation measures are introduced.

We began the year with growth against prior year and ahead of our annual plan through February. In March, we saw the impact of COVID-19 on our business which started in China and has spread to all of our markets. As a response, we have implemented a series of mitigation measures, including both top-down and targeted country-by-country actions on our costs, cashflow and working capital. These measures are a combination of temporary measures and an acceleration of the transformation plan that had started to be implemented in the business after closing and that was a core part of the investment thesis. The temporary measures included:

- A freeze on all recruitment;
- No planned salary increases including those linked to promotions;

- Overwhelming agreement on the part of our global and local leadership teams to monthly salary reductions of 20% for a minimum of three months;

- Participation in various government schemes and temporary capacity adjustments via reduced hours or furlough programs; and

- A suspension of all international and most domestic travel and a significant reduction in all other discretionary costs.

In addition, the executive committee has enlarged the scope of the transformation plan and has visibility of total cost savings potential in excess of the original underwriting plan and is looking at additional measures to preserve cash and protect margins. These additional cost savings are not reflected in our Pro Forma Adjusted EBITDA for the in the year ended December 31, 2019.

Our revenue is approximately one-third syndicated and two-thirds custom, while our EBITDA is approximately 45% syndicated and 55% custom. Most of our syndicated revenue is on annual and long-term contracts with the majority of those secured by end of Q1. On the custom side of the business we have seen a reduction in volume including a combination of postponements and cancellations that is expected to drive a revenue decline in Q2. Management have completed what is believed to be a conservative case top-line reforecast with the focus on embedding the cost saving measures at the local level and ensuring we have a healthy liquidity position. While it is still too early to draw conclusions on the trends due to COVID-19, as of April 30, 2020, we are currently tracking ahead of the reforecast both on a top-line and EBITDA basis.

The Group's liquidity position remains healthy, with liquidity in excess of $700 million as of the beginning of May (*pro forma* for further Acquisition closings of the remaining portion of the Target Group), which includes amounts drawn under our Revolving Credit Facility in March 2020 for prudence. Management has implemented in all countries specific working capital measures to ensure liquidity is maintained across the group and the potential negative adverse impacts from COVID-19 are mitigated. As of April 30, 2020, at an overall group level we have not yet seen a significant deterioration in working capital trends, partly as a reflection of the customer and geographic diversification of Kantar as a whole. In addition to the short term COVID-19 related initiatives on working capital, management has been able to appreciate further the potential for working capital efficiencies, broadly in line with the underwriting case. Ahead of the occurrence of COVID-19, the management team has started to implement some of these efficiencies with good early results as evidenced by the reduction in trade working capital as of December 31, 2019 versus December 31, 2018, which has continued to decrease as of March 31, 2020.

Closings of the Acquisition

Following the Initial Completion Date, two additional acquisitions of the Target Group have taken place, on February 27, 2020 and April 30, 2020 such that, as of the date of this annual report, entities representing 98% of the EBITDA of the Target Group for the year ended December 31, 2018 have been acquired. It is intended that the remaining portion of the Target Group will be acquired by the end of the second quarter of 2020.

Other M&A Activity

On March 11, 2020, we acquired Mavens of London, a data-led, digital marketing and analytics consultancy. Mavens assist marketers with understanding trends, patterns and needs and then optimize the performance of their digital environments, search engine optimization, search and content strategies to address them. This acquisition will complement our offering within our Analytics division.

MANAGEMENT

Board of Directors

The Group is managed by the boards of directors of ROW JVCo and US JVCo (the "**Boards**"), which are the Group's principal governing bodies. Each of the Boards will be composed of up to eight members, out of which six will be appointed by the Sponsor and two by WPP pursuant to the terms of the Shareholders' Agreement (as defined below).

Name	Position
John Rogers	WPP Director
Andrew Scott	WPP Director
Marie-Catherine Brunner	Bain Director
Christophe Jacobs van Merlen	Bain Director
Vishal Jugdeb	Bain Director
Vladimir Mornard	Bain Director
Manfred Schneider	Bain Director

The following are brief biographical descriptions of the members of the Boards mentioned above.

John Rogers — Mr. Rogers became Chief Financial Officer of WPP in February 2020, joining from J Sainsbury plc where he was Chief Executive Officer of Argos, leading its integration into the Sainsbury's business and its digital transformation into one of the UK's leading online retailers. He was previously the Chief Financial Officer of J Sainsbury plc, responsible for its business strategy, new business development, Sainsbury's Online and Sainsbury's Bank, in addition to its core finance functions. Mr. Rogers is a member of The Prince's Advisory Council for Accounting for Sustainability. He also recently sat on the Retail Sector Council, which acts as a point of liaison between the UK Government and retail sector.

Andrew Scott — Mr. Scott joined WPP in 1999 as Director of Corporate Development. He held a number of other senior roles including Chief Operating Officer for Europe before being appointed COO in 2018.

Marie-Catherine Brunner — Mrs. Brunner serves as a director at Bain Capital's office in Luxembourg since 2017. Previously, she was a client services senior manager at Centralis S.A. and a senior manager at Alter Domus Luxembourg S.à r.l. ("Alter Domus") and Deloitte. Mrs. Brunner has over 15 years of experience in the financial services industry and serves as a board member on the holding companies of various Bain Capital investments.

Christophe Jacobs van Merlen — Mr. Jacobs van Merlen is a managing director in the Technology Financial and Business Services Vertical and a member of the European Private Equity team at Bain Capital. Prior to joining Bain Capital in 2004, Mr. Jacobs van Merlen was a consultant at Bain & Company in Brussels, Amsterdam, and Boston, where he provided strategic and operational advice to private equity, business services, industrial, and financial services clients. He graduated from *École Centrale* in France and received a MS *magna cum laude* in Civil Engineering from University of Brussels.

Vishal Jugdeb — Mr. Jugdeb serves as a director of Bain Capital's office in Luxembourg. He joined Bain Capital in 2014 and previously was a senior manager at Alter Domus. Mr. Jugdeb has over 15 years of experience in the financial services industry and serves as a board member on the holding companies of various Bain Capital investments.

Vladimir Mornard — Mr. Mornard is a senior finance associate at Bain Capital's office in Luxembourg. Prior to joining Bain Capital in 2016, he was an accounting manager at Elian Fiduciary Services (Luxembourg) S.à r.l. Mr. Mornard has over 12 years of experience in the financial services industry and serves as a board member on the holding companies of various Bain Capital investments.

Manfred Schneider — Mr. Schneider is a director at Alter Domus. Since 2004, he has managed transactions, including structuring, reorganizing and refinancing Luxembourg entities. Before joining

Alter Domus, he was an audit manager at PricewaterhouseCoopers. He is a certified chartered accountant and treasurer of the Association of Chartered Accountants in Luxembourg. Alter Domus provides corporate and back office services to investment funds, including Bain Capital. Mr. Schneider is on the board of numerous companies and special purpose vehicles domiciled in Luxembourg.

The business address of ROW JVCo and US JVCo is 4, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg.

Board Practices

The Boards will meet on a regular basis, but at least four times per calendar year, to review the Group's performance and business plans. All resolutions at meetings of the Boards will be decided by a simple majority of votes cast. In addition, the Boards have established policies for the conduct of the Group's business, including delegations of the Boards' authority to directors and members of senior management. Pursuant to the Shareholders Agreement, each Board has established or shall establish an Audit Committee, a Remuneration Committee, a Risk and Compliance Committee and a Nomination Committee to ensure appropriate oversight of the Group's operations.

Senior Management

On December 10, 2019, the Group announced that Eric Salama would be stepping down as CEO of Kantar during 2020. On February 17, 2020 the Group announced that Mr. Salama was stepping down with immediate effect. The executive committee of Kantar is leading the Group while the Board of Directors leads the search for a new CEO.

As of the date of this annual report, the senior management of Kantar consists of the following persons:

Name	Position
Ian Griffiths	Chief Financial Officer
Scott Carter	Chief Human Resources Officer

The following are brief biographical descriptions of the members of senior management:

Ian Griffiths – Mr. Griffiths joined Kantar as CFO in January 2020. Prior to joining Kantar Ian was COO and CFO of ITV plc, the biggest commercial broadcaster in the UK and home to ITV Studios one of the world's largest international content companies. At ITV, Ian played a key role in creating the environment to transform ITV from being reliant on UK advertising to a more diverse international and increasingly digital business. Before joining ITV Ian was group finance director of Emap plc, the international magazine, radio and B2B business. Ian has significant experience in organizational change, M&A, managing costs and driving working capital and, as a result of this, delivering strong returns for shareholders all of which will be important to Kantar as we embark on the next stage of our growth journey.

Scott Carter – Mr. Carter joined Kantar in 2010 as global head of recruiting, followed by appointments as group HR director for a portfolio of global Kantar subsidiaries in 2013 and promotion to the role of chief HR officer for Kantar Media in 2015. Prior to joining Kantar Scott held leadership roles at Price Waterhouse and a number of technology companies.

The executive committee is made up of the following members:

Name	Position
Ian Griffiths	Chief Financial Officer
Scott Carter	Chief Human Resources Officer
James Brooks	Chief Operations Officer
Serge Lupas	Interim Chief Executive Officer Media
Nathalie Burdet	Chief Marketing Office
Lynette Cooke	Chief Executive Officer Health
Reed Cundiff	Chief Executive Officer North America
Caroline Frankum	Chief Executive Officer Profiles
Michelle Harrison	Chief Executive Officer Public
Richard Ingleton	Chief Executive Officer Insights
Wayne Levings	Chief Client Officer
John McHarry	Chief Information Officer
Josep Montserrat	Chief Executive Officer Worldpanel
Phil Smiley	Chief Executive Officer Consulting

PRINCIPAL SHAREHOLDERS

Bain Capital indirectly holds 60% of the equity interests in US JVCo, which indirectly holds the equity interests in the U.S. entities, and ROW JVCo, which indirectly holds the equity interests in the non-U.S. entities. The remaining 40% of the equity interests in US JVCo and ROW JVCo are held by certain affiliates of WPP. ROW JVCo and US JVCo in turn hold equity interests in ROW Midco and US Midco, respectively, and certain members of the executive committee of the Group will hold their equity securities in each of ROW Midco and US Midco.

Bain Capital

Bain Capital is a leading global private investment firm which advises and manages capital across several asset classes, including private equity, venture capital, public equity and leveraged debt assets. Since its inception in 1984, Bain Capital and its affiliates have completed over 450 transactions and have made investments in more than 330 companies in a broad range of industries, including consumer/retail, financial and business services, healthcare, industrials, and technology, media and telecommunications. Bain Capital's global team of approximately 485 investment professionals creates value for its portfolio companies through its global platform and depth of expertise, managing approximately $105 billion of assets in total and leveraging the firm's shared platform to capture opportunities in strategic areas of focus. Bain Capital has investors from across the world that include sovereign wealth funds, public pension funds, foundations, insurance companies, family offices, high-net-worth individuals and funds of funds.

The firm has a strong track record of investments in the Technology and Business Services industry, including its investments in Macromill (leading market research firm in Asia), the Cerved Group, Nexi, Concardis, Nets, Worldpay and Zellis.

Headquartered in Boston, Bain Capital and its affiliates have offices in Chicago, Dublin, Guangzhou, Hong Kong, London, Luxembourg, Madrid, Melbourne, Mumbai, Munich, New York, Palo Alto, San Francisco, Seoul, Shanghai, Sydney and Tokyo.

WPP

WPP is a British multinational advertising and public relations company. Its main management office is in London, England, and executive office in Dublin, Ireland. WPP plc owns a number of advertising, public relations, media and market research networks, including Ogilvy, J. Walter Thompson, Young & Rubicam, Burson-Marsteller, Hill & Knowlton and GroupM. WPP has operations in 112 countries, employs over 130,000 people and is quoted on the London and New York Stock Exchange.

Shareholders Agreement

In connection with the Acquisition, the Sponsor and certain affiliates of WPP entered into a shareholders' agreement (the "**Shareholders' Agreement**") regulating the affairs of ROW JVCo and US JVCo and their investment in the Group, among other things, including governance rights in relation to ROW JVCo and US JVCo as well as certain matters which require the consent of WPP.

The Shareholders' Agreement provides for certain pre-emptive rights on issues of new securities of US JVCo and ROW JVCo (subject to customary exclusions), as well as certain restrictions on transfers of the securities of US JVCo and ROW JVCo (subject to limited permitted transfers) in the first three years of the term of the Shareholders' Agreement. After the expiry of the first three years of the term: (i) each securityholder will have a right of first offer in the event another securityholder decides to dispose of any of its JVCo securities; and (ii) WPP will receive tag-along rights to participate in a transfer of securities by Bain Capital, other than certain specified transfers. The Shareholders' Agreement also includes a drag-along right entitling Bain Capital to require WPP to transfer all of its securities upon a transfer of all of Bain Capital's securities in ROW JVCo and US JVCo at any time following the third anniversary of the Shareholders' Agreement, subject to certain conditions.

Voting rights for the ROW JVCo and the US JVCo are determined (i) at the Boards' meetings on a show of hands by simple majority; and (ii) at shareholder meetings on a poll (i.e., one vote per share held). The Shareholders' Agreement includes a number of reserved matters which require both securityholders' approval. These reserved matters will be reduced if WPP ceases to hold at least 15% and fall away if WPP ceases to hold at least 5% of the shares in the relevant JVCo.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. We believe that these agreements are on terms no more favorable to the related parties or our affiliates than they would expect to negotiate with disinterested third parties.

In addition to these ordinary course transactions, we have also entered into, or will enter into in connection with the Acquisition, the following transactions with related parties.

We have entered into TSAs with WPP pursuant to which WPP will be providing services to us in respect of, among other matters, finance, human resources, procurement and information technology. The TSAs range in duration from three months to 24 months in respect of finance, human resources and procurement and five years in respect of information technology. We have also entered into a reverse long term agreement with the WPP Group in relation to the use of certain properties owned or leased by the Target Group.

In addition, we have entered into the following agreements with the Sponsor and WPP:

- a transaction services agreement for services such as advice on acquisitions and divestiture opportunities, financing alternatives and finance, marketing and other functions to be provided in respect of subsequent transactions. In consideration of these services, we undertake to pay a fee equal to 1.00% of the enterprise value of the relevant transaction (although our shareholders have not required the Group to pay this fee in respect of the Acquisition or the acquisition of Mavens of London); and
- a consulting services agreement pursuant to which we will pay the shareholders a fee not to exceed $15 million per annum for advisory, consulting and other services. For the period when WPP is providing transition service agreements to Kantar, the 40% share of the consulting fee due from Kantar to WPP will be offset against costs due under the TSA. As a consequence, the per annum net cost for the Group under the consulting services agreement is expected to be $9 million for the duration of the TSA.

ANNEX: RECONCILIATIONS TO *PRO FORMA* FINANCIAL INFORMATION

Reconciliation from 2018 Audited Combined Carve-Out Financial Statements to 2018 *Pro Forma* Financial Information

The following table sets forth the reconciliation of Revenue and EBITDA from our 2018 Audited Combined Carve-Out Financial Statements to our constant currency Gross Revenue and EBITDA from our 2018 *Pro Forma* Financial Information.

	Revenue	EBITDA
2018 Audited Combined Carve-Out Financial Statements	**4,050**	**543**
Attributable JV/associate EBITDA(1)	-	(31)
Standalone costs(2)	-	14
Due diligence, severance and consolidation adjustments(3)	-	1
Target Group perimeter adjustments(4)	(5)	0
Foreign exchange translation(5)	(125)	(29)
IFRS 16(6)	-	52
2018 *Pro Forma* Financial Information	**3,921**	**550**

(1) Represents the removal of a portion of income from joint ventures and associates reflected in our EBITDA in the Audited Carve-Out Financial Statements for the year ended December 31, 2018.

(2) Adjustment to reflect difference between recharges and assumed standalone costs.

(3) Comprises due diligence adjustments, underlying severance cost of $5 million and Group consolidation adjustments.

(4) Adjustment primarily to exclude impact of TNS Sinotrust China, which was not included in final Acquisition perimeter.

(5) Reflects adjustments to show differential in preparation of constant currency financial information.

(6) Represents adjustments related to the impact of IFRS 16, which we were required to apply from January 1, 2019.

Reconciliation from 2019 Consolidated Financial Statements to 2019 *Pro Forma* Financial Information

The following table sets forth the reconciliation of Revenue and EBITDA from our 2019 Consolidated Financial Statements to our constant currency Gross Revenue and EBITDA from our 2019 *Pro Forma* Financial Information.

	Revenue	EBITDA
2019 Consolidated Financial Statements	**286**	**69**
Consolidation adjustments(1)	42	0
Period alignment(2)	3,497	445
Foreign exchange translation(3)	85	14
Perimeter adjustment(4)	54	20
2019 *Pro Forma* Financial Information	**3,964**	**548**

(1) These adjustments are primarily to include intra-group revenue. Intra-group revenue represents the products and services provided between divisions and between individual markets in within each division. The major component of intra-group revenues are survey-related services provided by our Profiles division to our Insights segment which forms a component of the services Insights provides to their external clients. Within Insights, individual markets provide services to each other particularly for multi-country studies for clients.

(2) Inclusion of Revenue and EBITDA relating to the 11 months ended November 30, 2019.

(3) Reflects adjustments to show differential in preparation of constant currency financial information.

(4) Adjustment primarily relates to the inclusion of the 8% of the Target Group (measured by reference to EBITDA as of the year ended December 31, 2018) not acquired as of December 31, 2019.

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Unaudited Consolidated Financial Statements

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Officers

Directors
Marie-Catherine Brunner (appointed 13 September 2019)
Vladimir Mornard (appointed 13 September 2019)
Vishal Jugdeb (appointed 13 September 2019)

Company number
B237802

Registered office
4, rue Lou Hemmer
L-1748 Luxembourg-Findel

Unaudited consolidated income statement

For the period ended 31 December 2019

	Notes	Period from 13 Sep 2019 to 31 Dec 2019 $m
Revenue	2	285.7
Costs of services	3	(227.2)
Gross profit		58.5
General and administrative costs	3	(91.2)
Operating loss		(32.7)
Share of results of associates	4	3.0
Loss before interest and taxation		(29.7)
Finance income	6	0.4
Finance costs	6	(39.7)
Revaluation of financial instruments	6	20.4
Loss before taxation		(48.6)
Taxation	7	(2.3)
Loss for the period		(50.9)
Attributable to:		
Equity holders of the parent		(32.3)
Non-controlling interests		(18.6)
		(50.9)

Note

The accompanying notes form an integral part of this consolidated income statement.

All results are derived from continuing activities.

Unaudited consolidated statement of comprehensive income

For the period ended 31 December 2019

	Period from 13 Sep 2019 to 31 Dec 2019 $m
Loss for the period	(50.9)
Items that may be reclassified subsequently to profit or loss:	
Exchange adjustments on foreign currency net investments	(2.4)
	(2.4)
Items that will not be reclassified subsequently to profit or loss:	
Actuarial gain/(loss) on defined benefit pension plans	(0.9)
Deferred tax on defined benefit pension plans	(1.9)
	(2.8)
Other comprehensive loss for the period	(5.2)
Total comprehensive loss for the period	(56.1)
Attributable to:	
Equity holders of the parent	(35.4)
Non-controlling interests	(20.7)
	(56.1)

Note

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

Unaudited consolidated cash flow statement

For the period ended 31 December 2019

	Notes	Period from 13 Sep 2019 to 31 Dec 2019 $m
Net cash inflow from operating activities	8	**22.6**
Investing activities		
Acquisitions	23	(2,140.6)
Deferred consideration paid		(6.1)
Purchases of property, plant and equipment		(5.6)
Purchases of other intangible assets (including capitalised computer software)		(13.8)
Proceeds on disposal of property, plant and equipment		0.1
Earnout payment	14	(0.4)
Net cash outflow from investing activities		**(2,166.4)**
Repayment of lease liabilities	19	(4.9)
Proceeds from issue of shares		397.0
Proceeds from debt issuance		2,336.0
Loans from shareholders		65.0
Repayment of debt		(57.0)
Debt issuance costs		(92.1)
Net cash inflow from financing activities		**2,644.0**
Net increase in cash and cash equivalents		**500.2**
Effect of foreign exchange rate changes		10.4
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at end of the period	8	**510.6**

Note

The accompanying notes form an integral part of this consolidated cash flow statement.

Unaudited consolidated balance sheet

As at 31 December 2019

	Notes	2019 $m
Non-current assets		
Intangible assets: Goodwill	9	1,654.5
Other	9	2,001.0
Property, plant and equipment	10	134.3
Right-of-use assets	19	229.0
Interests in associates and joint ventures	11	46.6
Other investments	11	15.4
Deferred tax assets	12	54.3
Trade and other receivables	13	7.9
		4,143.0
Current assets		
Corporate income tax recoverable		69.9
Trade and other receivables	13	1,067.8
Cash and short-term deposits		535.3
		1,673.0
Current liabilities		
Loans payable	18	(9.3)
Trade and other payables	14	(1,222.2)
Corporate income tax payable		(105.0)
Bank overdrafts	18	(24.7)
Short-term lease liabilities	19	(40.5)
		(1,401.7)
Net current assets		271.3
Total assets less current liabilities		4,414.3
Non-current liabilities		
Loans payable	18	(2,828.5)
Trade and other payables	14	(47.3)
Deferred tax liabilities	12	(637.8)
Provision for post-employment benefits	16	(41.0)
Provisions for liabilities and charges	15	(115.8)
Long-term lease liabilities	19	(207.5)
		(3,877.9)
Net assets		536.4
Equity		
Share capital	21	6.1
Share premium		53.5
Retained earnings		(33.9)
Other reserves	22	335.9
Non-controlling interests		174.8
Total equity		536.4

Note

The accompanying notes form an integral part of this consolidated balance sheet.

Unaudited consolidated statement of changes in equity

For the period ended 31 December 2019

	Called-up share capital	Share premium	Other reserves[1]	Retained earnings	Total shareholder's equity	Non-controlling interests	Total
	$m	$m	$m	$m	$m	$m	$m
Balance at 13 September 2019	**-**	-	-	-	-	-	-
Ordinary shares issued	6.1	53.5	337.4	-	397.0	-	397.0
Acquisition of subsidiaries	-	-	-	-	-	195.5	195.5
Loss for the period	-	-	-	(32.3)	(32.3)	(18.6)	(50.9)
Exchange adjustments on foreign currency net investments	-	-	(1.5)	-	(1.5)	(0.9)	(2.4)
Actuarial gain on defined benefit plans	-	-	-	(0.5)	(0.5)	(0.4)	(0.9)
Deferred tax on defined benefit plans	-	-	-	(1.1)	(1.1)	(0.8)	(1.9)
Other comprehensive loss	**-**	**-**	**(1.5)**	**(1.6)**	**(3.1)**	**(2.1)**	**(5.2)**
Balance at 31 December 2019	**6.1**	**53.5**	**335.9**	**(33.9)**	**361.6**	**174.8**	**536.4**

Notes

The accompanying notes form an integral part of this consolidated statement of changes in equity.

[1] Other reserves are analysed in note 22.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

1 Accounting policies

Basis of preparation

The unaudited consolidated financial statements of the Group for the period ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretation Committee adopted for use in the European Union, and complies with Article 4 of the EU International Accounting Standard (IAS) Regulation. The unaudited consolidated financial statements of the Group may not include all of the detailed disclosures required by IFRS.

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of certain financial instruments. The principal accounting policies are set out on the following pages.

The Group holds some of the world's leading research, data and insights brands operating in over a hundred countries worldwide. They cover a breadth of techniques and technologies, including purchase and media data, predicting long term trends, neuroscience, exit polls, large scale quantitative studies, qualitative research, incorporating ethnography, and semiotics.

Basis of consolidation

The Group's annual consolidated financial statements comprise the financial statements of Kantar Global Holdings S.á.r.l. and its subsidiaries presented as a single economic entity. The results for all the subsidiaries are prepared for the same reporting period, using consistent accounting policies across the Group.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- Contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual agreements; and
- The Group's voting rights and potential voting rights.

The Group reassess whether or not it controls an entity if facts and circumstances indicated that there are changes to one or more of the three elements of control above. Consolidation of a subsidiary begins when the Group obtains control over a subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Where there is loss of control of a subsidiary, the Group derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

1 Accounting policies (continued)

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with Group's accounting policies. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation. The results of subsidiary undertakings acquired or disposed of during the period are included or excluded from the consolidated income statement from the effective date of acquisition or disposal.

New IFRS accounting pronouncements not yet adopted

At the date of authorisation of these financial statements, the following Standards, which have not been applied in these financial statements, were in issue but not yet effective:

- Amendments to IFRS 3, 'Business combinations', definition of a business
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimated and errors', definition of material
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 3 Business Combinations (subject to EU endorsement) effective for financial years commencing on or after 1 January 2020 provides a revised framework for evaluating a business and introduces an optional 'concentration test'. The Group does not expect to be impacted by this amendment.

The Group is assessing the recent IFRS Interpretations Committee conclusion on determining the lease term under IFRS 16, which is not expected to have a material impact.

The other amendments that are not yet effective are not expected to have a material impact on the Group in the current or future reporting periods and on the foreseeable future transactions.

Goodwill and other intangible assets

Intangible assets comprise goodwill, certain acquired separable corporate brand names, acquired customer relationships, and capitalised technology and databases not integral to a related item of hardware.

Goodwill represents the excess of fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the underlying net assets, including intangible assets, at the date of their acquisition.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the net present value of future cash flows derived from the underlying assets using a projection period of up to five years for each cash-generating unit. After the projection period a steady growth rate representing an appropriate long-term growth rate for the industry is applied. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

1 Accounting policies (continued)

Identifiable intangible assets acquired as part of acquisitions of businesses are capitalised separately from goodwill if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

- Trade name – 10 years.
- Customer-relationships – 13 years.
- Technology and databases – 5 years.

Contingent consideration

Contingent consideration is accounted for in accordance with IFRS 3 Business Combinations. Contingent consideration only applies to situations where contingent payments are not dependent on future employment of vendors and any such payments are expensed when they relate to future employment.

Future anticipated payments to vendors in respect of contingent consideration (earnout agreements) are initially recorded at fair value which is the present value of the expected cash outflows of the obligations. The obligations are dependent on the future financial performance of the interests acquired (typically over a four- to five-year period following the year of acquisition) and assume the operating companies improve profits in line with directors' estimates. The directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition.

Subsequent adjustments to the fair value are recorded in the consolidated income statement within revaluation of financial instruments.

Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment with the exception of freehold land which is not depreciated. The Group assesses the carrying value of its property, plant and equipment to determine if any impairment has occurred. Where this indicates that an asset may be impaired, the Group applies the requirements of IAS 36 Impairment of Assets in assessing the carrying amount of the asset. This process includes comparing its recoverable amount with its carrying value. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life, as follows:

• Freehold buildings – 50 years.
• Leasehold land and buildings – over the term of the lease or life of the asset, if shorter.
• Fixtures, fittings and equipment – 3-10 years.
• Computer equipment – 3-5 years.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

1 Accounting policies (continued)

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. In certain circumstances, significant influence may be represented by factors other than ownership and voting rights, such as representation on the Board of Directors.

The Group's share of the profits less losses of associate undertakings net of tax, interest and non-controlling interests is included in the consolidated income statement and the Group's share of net assets is shown within interests in associates in the consolidated balance sheet. The Group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the Group.

The Group assesses the carrying value of its associate undertakings to determine if any impairment has occurred. Where this indicates that an investment may be impaired, the Group applies the requirements of IAS 36 in assessing the carrying amount of the investment. This process includes comparing its recoverable amount with its carrying value.

The Group accounts for joint venture investments under the equity method, consistent with the Group's treatment of associates.

Other investments

The Group according to IFRS 9 Financial Instruments designates certain equity investments as fair value through other comprehensive income or fair value through profit or loss. Movements in fair value through profit or loss are recorded in the consolidated income statement within revaluation of financial instruments.

Accrued and deferred income

Accrued income is a contract asset and is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement.

In certain cases, payments are received from customers prior to satisfaction of performance obligations and recognised as deferred income. These balances are considered contract liabilities and are typically related to prepayments for third party expenses that are incurred shortly after billing.

Trade receivables and work in progress

Trade receivables are stated net of provisions for bad and doubtful debts. The Group applies the requirements of IFRS 9 Financial Instruments whereby an expected loss method of impairment of financial assets to be used.

The Group has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but recognises a loss allowance based on the financial asset's lifetime expected credit loss. The Group measures expected credit losses based on the ageing of the receivable, based on the Group's historical experience and informed credit assessment. The Group considers a loss allowance to be required for 50% of all invoices aged 180 days to 1 year and 100% of all invoices aged over 1 year, with adjustments where there is specific information to indicate that recoverability of the balance is likely. Further credit losses are recognised where the Group has information that indicates it is unlikely to recover balances in full.

1 Accounting policies (continued)

Further details on provisions for bad and doubtful debts are provided in note 13.

Work in progress includes outlays incurred on behalf of clients, including production costs, and other third-party costs that have not yet been billed and are considered receivables under IFRS 15 Revenue from Contracts with Customers.

Liabilities in respect of option agreements
Option agreements that allow the Group's equity partners to require the Group to purchase a non-controlling interest are treated as derivatives over equity instruments and are recorded in the consolidated balance sheet initially at the present value of the redemption amount in accordance with IAS 32 Financial Instruments: Presentation and subsequently measured at fair value in accordance with IFRS 9 Financial Instruments. The movement in the fair value is recognised as income or expense within revaluation of financial instruments, in the consolidated income statement.

Derecognition of financial liabilities
In accordance with IFRS 9 Financial Instruments, a financial liability of the Group is only released to the consolidated income statement when the underlying legal obligation is extinguished.

Debt
Interest-bearing debt is recorded at the proceeds received, net of direct issue costs.

Borrowing costs
Finance costs of borrowings are recognised in the consolidated income statement over the term of those borrowings using the effective interest rate method.

Revenue recognition
The Group is a leading worldwide data investment management organisation offering national and multinational clients a comprehensive range of data investment management services. The terms of local, regional, and global contracts can vary to meet client needs and regulatory requirements. Consistent with the industry, contracts are typically short-term in nature and tend to be cancellable by either party with 90 days' notice. The Group is generally entitled to payment for work performed to date.

The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days. Revenue comprises fees earned in respect of amounts billed and is stated exclusive of VAT, sales taxes and trade discounts. Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients, predominantly data collection costs. Costs to obtain a contract are typically expensed as incurred as the contracts are generally short-term in nature.

In most instances, promised services in a contract are not considered distinct or represent a series of services that are substantially the same with the same pattern of transfer to the customer and, as such, are accounted for as a single performance obligation. However, where there are contracts with services that are capable of being distinct, are distinct within the context of the contract, and are accounted for as separate performance obligations, revenue is allocated to each of the performance obligations based on relative standalone selling prices.

1 Accounting policies (continued)

Revenue is recognised when a performance obligation is satisfied, in accordance with the terms of the contractual arrangement. Typically performance obligations are satisfied over-time as services are rendered. Revenue recognised over-time is based on the proportion of the level of service performed. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. For most fee arrangements, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these arrangements is labour. There is normally a direct relationship between costs incurred and the proportion of the contract performed to date. In other circumstances, relevant output measures such as the achievement of any project milestones stipulated in the contract is used to assess proportional performance.

The amount of revenue recognised depends on whether we act as an agent or as a principal. Certain arrangements with our clients are such that our responsibility is to arrange for a third party to provide a specified good or service to the client. In these cases we are acting as an agent as we do not control the relevant good or service before it is transferred to the client. When we act as an agent, the revenue recorded is the net amount retained. Costs incurred with external suppliers are excluded from revenue and recorded as work in progress until billed.

The Group acts as principal when we control the specified good or service prior to transfer. When the Group acts as a principal, the revenue recorded is the gross amount billed. Billings related to out-of-pocket costs such as travel are also recognised at the gross amount billed with a corresponding amount recorded as an expense.

Revenue for services is typically recognised over-time based on input measures. For certain performance obligations, output measures such as the percentage of interviews completed, percentage of reports delivered to a client and the achievement of any project milestones stipulated in the contract are used to measure progress.

While most of the studies provided in connection with the Group's contracts are undertaken in response to an individual client's or group of client's specifications, in certain instances a study may be developed as an off-the-shelf product offering sold to a broad client base. For these transactions, revenue is recognised when the product is delivered. When the terms of the transaction provide for licensing the right to access a product on a subscription basis, revenue is recognised over the subscription period typically on a straight-line basis.

Taxation

Corporate taxes are payable on taxable profits at current rates. The tax expense represents the sum of the tax currently payable and deferred tax.

The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and estimable, liabilities are classified as current. Any interest on overdue tax accrued is excluded from income taxes both in the consolidated income statement and balance sheet. Where the final outcome of such matters differs from the amount recorded, any differences may impact the income tax and deferred tax provisions in the period in which the final determination is made.

The tax laws that apply to the Group may be amended by the relevant tax authorities. Such potential amendments are regularly monitored and adjustments are made to the Group's tax liabilities and deferred tax assets and liabilities where necessary. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences unless specifically excepted by IAS 12 Income Taxes. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or other assets and liabilities (other than in a business combination) in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on enacted or substantively enacted legislation.

Retirement benefit costs
The Group accounts for retirement benefit costs in accordance with IAS 19: Employee Benefits.

For defined contribution plans, contributions are charged to the consolidated income statement as payable in respect of the accounting period.

For defined benefit plans the amounts charged to operating profit are the current service costs, past service costs, administrative expenses and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the consolidated income statement when the related plan amendment occurs. Net interest expense is calculated by applying the discount rate to the recognised overall surplus or deficit in the plan.

Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

Where defined benefit plans are funded, the assets of the plan are held separately from those of the Group, in separate independently managed funds. Pension plan assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Recognition of a surplus in a defined benefit plan is limited based on the economic gain the Group is expected to benefit from in the future by means of a refund or reduction in future contributions to the plan, in accordance with IAS 19.

Provisions for liabilities and charges

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. These include provisions for vacant space, sub-let losses and other property-related liabilities. Also included are other provisions, such as certain long-term employee benefits and legal claims, where the likelihood of settlement is considered probable.

Leases

The Group in accordance with IFRS 16 applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Translation of foreign currencies
Foreign currency transactions arising from normal trading activities are recorded at the rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated at the year-end exchange rate. Foreign currency gains and losses are credited or charged to the consolidated income statement as they arise.

The income statements of overseas subsidiary undertakings are translated into United States Dollars at average exchange rates and the year-end net assets of these companies are translated at year-end exchange rates.

Exchange differences arising from retranslation of the opening net assets are reported in the consolidated statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Critical judgements and estimation uncertainty in applying accounting policies

Management is required to make key decisions and judgements whilst acknowledging there is estimation uncertainty in the process of applying the Group's accounting policies. These estimates and judgements are reviewed on an ongoing basis. Where judgement has been applied or estimation uncertainty exists, the key factors taken into consideration are disclosed in the accounting policies and the appropriate note in these financial statements.

The most significant areas of estimation uncertainty include:

- Initial Measurement of Goodwill: The initial measurement of goodwill is dependent on the estimation uncertainty (and judgements) around the measurement of the fair value of the consideration and the fair value of the net assets acquired.

- Contingent Consideration payable for the Kantar trading entities: As per the terms of the acquisition, contingent consideration consists of amounts expected to be paid in future periods on satisfaction of certain conditions. Estimates are required in determining amounts to be paid and the value of any services to be received, taking into account uncertainty in the ultimate timing and resolution of each of these. The sensitivity to these estimates is specific to each individual circumstance.

- Goodwill: The discounted cash flow methodology employed by the Group when testing for goodwill impairment requires estimates regarding revenue growth, operating margins, discount rates and working capital requirements. Goodwill arising on the acquisition of Kantar has not yet been allocated to the Group's cash-generating units pending completion of the initial accounting for the acquisition, including the finalisation of the provisional fair values of consideration and net assets acquired.

- Payments due to vendors (earnout agreements) and liabilities in respect of put options: Estimates are required regarding growth rates in deriving future financial performance and discount rates to be applied when measuring the liabilities for earnouts and put options. Further details on growth rates and discount rates and the sensitivity to these estimates are set out in note 20.

- Provision for post-employment benefits: Estimates are required in the accounting for defined benefit pension plans, including establishing discount rates, rates of increase in salaries and pensions in payment, inflation and mortality assumptions. These estimates are made by management based on the advice of qualified advisors. Details of the assumptions used and the sensitivity of the benefit obligation to these assumptions are set out in note 16.

The most significant areas of judgements include:

- Revenue recognition: Judgement is required regarding the timing of recognition, particularly in assessing progress on performance obligations where revenue is recognised over time. Further details are set out above.

- Taxation: Judgement is required in relation to the level of provisions required and the amount of taxes that will be due, particularly given the many countries in which the Group operates. Where the final tax outcome is different from the amounts recorded then such differences may expose the Group to additional tax liabilities or impact the carrying value of deferred tax assets, which would affect the future tax charge. Further details are set out in note 7.

- IFRS 16: In measuring its right-of-use assets and lease liabilities, management is required to make judgements, particularly in relation to lease termination options and incremental borrowing rates. Periods after the date of a termination option are only included in the lease term if it is reasonably certain that the lease will not be terminated. Incremental borrowing rates are determined on a country-by-country basis. Management determine lease terms across the Group on a case-by-case basis, if different judgements were applied, it could have a significant effect on the overall amounts recognised in the financial statements.

2 Revenue

Revenue by geographical area for the period were as follows:

Unaudited notes to the consolidated financial statements

As at 31 December 2019

	Period from 13 Sep 2019 to 31 Dec 2019 $m
Asia Pacific	46.8
Continental Europe	81.7
Latin America	27.6
Middle East and Africa	7.8
North America	73.9
United Kingdom	47.9
	285.7

Revenue reported by categories of activity for the period were as follows:

	Period from 13 Sep 2019 to 31 Dec 2019 $m
Data	94.5
Insights	151.8
Specialist	39.4
	285.7

Unaudited notes to the consolidated financial statements

As at 31 December 2019

3 Costs of services and general and administrative costs

	Period from 13 Sep 2019 to 31 Dec 2019
	$m
Costs of services	227.2
General and administrative costs	91.2
	318.4

Costs of services and general and administrative costs include:

	Notes	Period from 13 Sep 2019 to 31 Dec 2019
		$m
Staff costs	5	127.4
Establishment costs		10.3
Data collection pass-through costs		69.0
Other costs of services and general and administrative costs		111.7
Total costs of services and general and administrative costs		318.4

Included in the costs above are:

		$m
Acquisition related costs		64.4
Restructuring and transformation costs		10.5
Amortisation of other intangible assets	9	16.6
Depreciation of property, plant and equipment	10	3.6
Depreciation of right of use assets	19	4.5
Short term lease expense	19	1.1
Variable lease expense	19	1.2

The acquisition related costs of $64.4 million in the period relates to the acquisition of the Kantar trading entities from WPP.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

4 Share of results of associates

Share of results of associates include:

	Period from 13 Sep 2019 to 31 Dec 2019 $m
Share of profit before interest and taxation	4.2
Share of taxation	(1.2)
	3.0

5 Our people

Number of staff and their geographical distribution for the period was as follows:

	Total
Asia Pacific	7,560
Continental Europe	6,808
Latin America	6,304
Middle East and Africa	963
North America	2,745
United Kingdom	3,279
	27,659

The three directors of the parent company are not employees of Kantar Global Holdings S.ár.l.

Staff costs include:

	Note	Period from 13 Sep 2019 to 31 Dec 2019 $m
Wages and salaries		86.4
Cash-based incentive plans		16.8
Social security costs		12.1
Pension costs	16	3.4
Other staff costs[1]		8.7
		127.4

Note
[1]Freelance and temporary staff costs are included in other staff costs.

5 Our people (continued)

Unaudited notes to the consolidated financial statements

As at 31 December 2019

Included above are charges of $1.8 million in respect of key management personnel. The directors of the parent company did not receive any compensation for the period. Further details of compensation for key management personnel are disclosed in note 24.

6 Finance costs and revaluation of financial instruments

	Period from 13 Sep 2019 to 31 Dec 2019
	$m
Interest income	0.4
	0.4

Finance costs include:

	Note	Period from 13 Sep 2019 to 31 Dec 2019
		$m
Interest expense and similar charges[1]		27.8
Interest expense related to lease liabilities	19	0.9
Foreign exchange losses		11.0
		39.7

Revaluation of financial instruments include:

	Note	Period from 13 Sep 2019 to 31 Dec 2019
		$m
Gain on settlement of derivatives		20.3
Revaluation loss on derivatives		(0.8)
Revaluation gain on put options over non-controlling interests	20	0.5
Revaluation gain on earnout payments due to vendors	14	0.4
		20.4

Note

[1] Interest expense and similar charges are payable on bank overdrafts and other borrowings held at amortised cost.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

7 Taxation

The tax charge comprises:

	Period from 13 Sep 2019 to 31 Dec 2019 $m
Current tax expense:	
Current period	15.6
Adjustments in respect of prior periods	(1.8)
Total current tax expense	**13.8**
Deferred tax credit:	
Current period	(11.6)
Adjustments in respect of prior periods	0.1
Total deferred tax credit	**(11.5)**
Total income tax expense for the period	**2.3**

Unaudited notes to the consolidated financial statements

As at 31 December 2019

7 Taxation (continued)

The tax charge for the period can be reconciled to profit before taxation in the consolidated income statement as follows:

	Period from 13 Sep 2019 to 31 Dec 2019 $m
Profit before taxation	**(48.6)**
Tax at the corporation tax rate of 19.0%[1]	**(9.2)**
Items that are not deductible in determining taxable profit	3.6
Effect of different tax rates in subsidiaries operating in other jurisdictions	(1.2)
Irrecoverable withholding taxes and other taxes	4.6
Tax losses not recognised or utilised in the period	8.1
Tax effect of share of results of associates	(0.6)
Adjustments in respect of prior years – current and deferred tax	(1.7)
Impact of deferred tax at different rates	(1.3)
Tax charge	**2.3**
Effective tax rate on profit before tax	**4.7%**

Note
[1] As the Group is subject to the tax rates of more than one country, it has chosen to present its reconciliation of the tax charge using the UK corporation tax rate of 19%.

7 Taxation (continued)

Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the levels and mix of profits in the many countries in which we operate, the prevailing tax rates in each of those countries and also the foreign exchange rates that apply to those profits. The future tax charge may also be affected by the impact of acquisitions, disposals and other corporate restructurings, the resolution of open tax issues, changes in local or international tax rules and the ability to use brought forward tax losses.

The Group has a number of open tax returns and various ongoing tax audits worldwide but does not currently expect material additional tax exposures to arise, above the amounts provided, as and when the audits are concluded. Liabilities relating to these open and judgemental matters are based upon estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts which were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Tax risk management

Kantar Group Tax manage the tax strategy for the Group. Kantar Group Tax maintains constructive engagement with the tax authorities and relevant government representatives, as well as active engagement with a wide range of international companies and business organisations with similar issues. The group engages advisors and legal counsel to obtain opinions on tax legislation and principles. Kantar Group Tax monitor proposed changes in taxation legislation and ensure these are taken into account when we consider future business plans. The Kantar Group directors and Audit Committee are informed by management of any tax law changes, the nature and status of any significant ongoing tax audits, and other developments that could materially affect the Group's tax position.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

8 Analysis of cash flows

Net cash from operating activities:	Period from 13 Sep 2019 to 31 Dec 2019
	$m
Operating loss	(32.7)
Adjustments for:	
Depreciation of property, plant and equipment	3.6
Depreciation of right-of-use assets	4.5
Amortisation of other intangible assets	16.6
Other non-cash movements	1.6
Operating cash flow before movements in working capital and provisions	(6.4)
Increase in trade receivables and accrued income	(72.7)
Decrease in other receivables	3.8
Increase in trade payables and deferred income	93.8
Decrease in other payables	14.1
Increase in balances with related companies, net	(12.1)
(Decrease) / increase in provisions	3.8
Other	0.7
Cash generated by operations	25.0
Corporation and overseas tax paid	(11.8)
Interest and similar charges paid	(1.0)
Interest received	0.4
Dividends from associates	10.0
Net cash inflow from operating activities	22.6

Cash and cash equivalents:

	2019
	$m
Cash and short-term deposits	535.3
Overdrafts[1]	(24.7)
Cash and cash equivalents at end of the year	510.6

The Group considers that the carrying amount of cash and cash equivalents approximates its fair value.

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

Unaudited notes to the consolidated financial statements

As at 31 December 2019

9 Intangible assets

Goodwill

The movements in the period from 13 Sep 2019 to 31 Dec 2019 were as follows:

	2019
Cost:	$m
13 September 2019	
Additions[1]	1,654.5
Exchange adjustments	-
31 December 2019	**1,654.5**
Accumulated impairment losses and write-downs:	
13 September 2019	
Impairment losses	-
Exchange adjustments	-
31 December 2019	**-**
Net book value:	
31 December 2019	**1,654.5**
13 September 2019	-

Note

[1] Additions represent goodwill arising on the acquisition of subsidiary undertakings including the effect of any revisions to fair value adjustments that has been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations. Goodwill arising on the acquisition of associate undertakings is shown within interests in associates and joint ventures in note 11.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

9 Intangible assets (continued)

Other intangible assets

The movements in the period from 13 Sep 2019 to 31 Dec 2019 were as follows:

	Technology and databases $m	Customer relationships $m	Trade names $m	Total $m
Cost:				
13 September 2019	-	-	-	-
New acquisitions	315.9	1,359.7	324.7	2,000.3
Additions	16.7	0.1	0.4	17.2
Exchange adjustments	0.2	-	(0.1)	0.1
31 December 2019	**332.8**	**1,359.8**	**325.0**	**2,017.6**
Amortisation and impairment:				
13 September 2019	-	-	-	-
Charge for the period	5.2	8.7	2.7	16.6
31 December 2019	**5.2**	**8.7**	**2.7**	**16.6**
Net book value:				
31 December 2019	**327.6**	**1,351.1**	**322.3**	**2,001.0**
13 September 2019	-	-	-	-

Capital commitments contracted, but not provided for, in respect of intangible assets at 31 December 2019, are set out in note 25.

In accordance with the Group's accounting policy, the carrying values of goodwill are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Goodwill arising on the acquisition of Kantar has not yet been allocated to the Group's cash-generating units pending completion of the initial accounting for the acquisition, including the finalisation of the provisional fair values of consideration and net assets acquired.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

10 Property, plant and equipment

The movements in the period from 13 Sep 2019 to 31 Dec 2019 were as follows:

	Land	Freehold buildings	Leasehold buildings	Fixtures, fittings and equipment	Computer equipment	Motor vehicles	Total
	$m	$m	$m	$m	$m	$m	$m
Cost:							
13 September 2019	-	-	-	-	-	-	-
New acquisitions	3.5	11.2	34.3	35.1	45.1	1.8	131.0
Additions	-	-	1.2	0.8	3.6	0.1	5.7
Disposals	-	-	(0.7)	-	-	-	(0.7)
Exchange adjustments	0.1	0.1	0.7	0.8	0.3	0.1	2.1
31 December 2019	3.6	11.3	35.5	36.7	49.0	2.0	138.1
Depreciation:							
13 September 2019	-	-	-	-	-	-	-
Charge for the period	-	0.2	0.7	0.5	2.1	0.1	3.6
Exchange adjustments	-	-	-	0.2	-	-	0.2
31 December 2019	-	0.2	0.7	0.7	2.1	0.1	3.8

	Land	Freehold buildings	Leasehold buildings	Fixtures, fittings and equipment	Computer equipment	Motor vehicles	Total
	$m	$m	$m	$m	$m	$m	$m
Net book value:							
31 December 2019	3.6	11.1	34.8	36.0	46.9	1.9	134.3
13 September 2019	-	-	-	-	-	-	-

Capital commitments contracted, but not provided for, in respect of property, plant and equipment at 31 December 2019, are set out in note 25.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

11 Interests in associates, joint ventures and other investments

The movements in the period from 13 Sep 2019 to 31 Dec 2019 were as follows:

	Interests in associates and joint ventures $m	Other investments $m
13 September 2019	-	-
Acquisitions	52.0	15.4
Share of results of associate undertakings (note 4)	3.0	-
Dividends	(10.0)	-
Exchange adjustments	1.8	-
Reclassification to subsidiaries	(0.2)	-
31 December 2019	**46.6**	**15.4**

Unaudited notes to the consolidated financial statements

As at 31 December 2019

11 Interests in associates, joint ventures and other investments (continued)

The investments included above as ‘other investments’ represent investments in equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices. For unlisted securities, where market value is not available, the Group has estimated relevant fair values on the basis of publicly available information from outside sources.

The carrying values of the Group’s associates and joint ventures are reviewed for impairment in accordance with the Group’s accounting policies.

The Group’s principal associates and joint ventures at 31 December 2019 included:

2019	% owned	Country of incorporation
ADFACT Joint Stock Company	20.0%	Russian Federation
B.I. Science (2009) Limited	21.0%	Israel
CSM Media Research Co Limited	42.6%	China
Finnpanel Oy	50.0%	Finland
Marktest Investimentos SGPS S.A.	40.0%	Portugal
Mediascope JSC	20.0%	Russian Federation
Nielsen IBOPE Mexico, S.A. de C.V.	46.3%	Mexico
Nielsen IBOPE Puerto Rico, Inc	46.3%	Puerto Rico
TNS Media Vietnam Co., Ltd	50.0%	Vietnam

The Group’s investments in its principal associate undertakings are represented by ordinary shares.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

11 Interests in associates, joint ventures and other investments (continued)

Summarised financial information

The following tables present a summary of the aggregate financial performance and net asset position of the Group's associate undertakings and joint ventures. These have been estimated and converted, where appropriate, to an IFRS presentation based on information provided by the relevant companies at 31 December 2019.

	Period from 13 Sep 2019 to 31 Dec 2019 $m
Income statement	
Revenue	40.1
Operating profit	9.4
Profit before taxation	8.8
Profit for the period	7.4

	2019 $m
Balance sheet	
Assets	317.7
Liabilities	(106.3)
Net assets	211.4

The application of equity accounting is ordinarily discontinued when the investment is reduced to zero and additional losses are not provided for unless the investor has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

12 Deferred tax

The Group's deferred tax assets and liabilities are measured at the end of each period in accordance with IAS 12 Income Taxes. The recognition of deferred tax assets is determined by reference to the Group's estimate of recoverability, using models where appropriate to forecast future taxable profits.

Deferred tax assets have only been recognised for territories where the Group considers that it is probable that all or a portion of the deferred tax asset will be realised. The main factors that we consider include:

- the future earnings potential determined through the use of internal forecasts;
- the cumulative losses in recent years;
- the various jurisdictions in which the potential deferred assets arise;
- the history of losses carried forward and other tax assets expiring;
- the timing of future reversal of taxable temporary differences;
- the expiry period associated with the deferred tax assets; and
- the nature of the income that can be used to realise the deferred tax asset.

If it is probable that some portion of these assets will not be realised, then no asset is recognised in relation to that portion.

If market conditions improve and future results of operations exceed our current expectations, our existing recognised deferred tax asset may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate further or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realisable. As a result, all or a portion of the deferred tax asset may need to be reversed.

Certain deferred tax assets and liabilities have been offset as they relate to the same tax group. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Gross 2019 $m	Offset 2019 $m	As reported 2019 $m
Deferred tax assets	61.0	(6.7)	54.3
Deferred tax liabilities	(644.5)	6.7	(637.8)
	(583.5)	-	(583.5)

Unaudited notes to the consolidated financial statements

As at 31 December 2019

12 Deferred tax (continued)

The following are the major gross deferred tax assets recognised by the Group and movements thereon in 2019:

	Deferred compensation	Retirement benefit obligations	Property, plant & equipment	Tax losses & credits	Other temporary differences	Total
	$m	$m	$m	$m	$m	$m
13 September 2019	-	-	-	-	-	-
As acquired	4.8	11.9	16.2	1.2	24.1	58.2
(Charge)/credit to income	0.4	3.2	(1.5)	(0.3)	4.6	6.4
Charge to other comprehensive income	-	(1.9)	-	-	-	(1.9)
Exchange differences	(0.1)	(0.3)	(0.5)	-	(0.8)	(1.7)
31 December 2019	**5.1**	**12.9**	**14.2**	**0.9**	**27.9**	**61.0**

Other temporary differences comprise a number of items including tax deductible goodwill, none of which is individually significant to the Group's consolidated balance sheet. At 31 December 2019, the balance related to temporary differences in relation to revenue adjustments, tax deductible goodwill, fair value adjustments, and other temporary differences.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

12 Deferred tax (continued)

In addition, the Group has recognised the following gross deferred tax liabilities and movements thereon in 2019:

	Brands and other intangibles	Associate earnings	Goodwill	Other temporary differences	Total
	$m	$m	$m	$m	$m
13 September 2019	**-**	**-**	**-**	**-**	**-**
As acquired	560.4	8.0	66.6	13.0	648.0
(Credit)/charge to income	(5.0)	-	(0.8)	0.7	(5.1)
Exchange differences	(0.1)	0.2	2.6	(1.1)	1.6
31 December 2019	**555.3**	**8.2**	**68.4**	**12.6**	**644.5**

At the balance sheet date, the Group has gross tax losses and other temporary differences of $288.7 million available for offset against future profits. Deferred tax assets have been recognised in respect of the tax benefit of $161.4 million of such tax losses and other temporary differences. No deferred tax asset has been recognised in respect of the remaining $127.3 million of losses and other temporary differences as the Group considers that there will not be enough taxable profits in the entities concerned such that any additional asset could be considered recoverable. Included in the total unrecognised temporary differences are losses of $2.6 million that will expire within 1–10 years, and $83.9 million of losses that may be carried forward indefinitely.

13 Trade and other receivables

Unaudited notes to the consolidated financial statements

As at 31 December 2019

The following are included in trade and other receivables:

Amounts falling due within one year:

	2019 $m
Trade receivables (net of bad debt provisions)	627.5
Work in progress	1.4
VAT and sales taxes recoverable	17.6
Prepayments	65.0
Accrued income	176.3
Other debtors	180.0
	1,067.8

The ageing of trade receivables and other financial assets by due date is as follows:

			Past due but not impaired				
	Carrying amount at 31 December 2019 $m	Neither past due nor impaired $m	0 – 30 days $m	31 – 90 days $m	91 – 180 days $m	181 days – 1 year $m	Greater than 1 year $m
Trade receivables	627.5	449.1	109.8	52.2	14.7	1.7	-

Past due amounts are not impaired where collection is still considered likely.

Included within other debtors are amounts due from the WPP of $97.2 million. These amounts are assumed to be neither past due nor impaired, are recoverable in full.

Unaudited notes to the consolidated financial statements
As at 31 December 2019

13 Trade and other receivables (continued)

Amounts falling due after more than one year:

	2019 $m
Other debtors	7.9
	7.9

The Group has applied the practical expedient permitted by IFRS 15 to not disclose the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) as of the end of the reporting period as contracts typically have an original expected duration of a year or less.

Bad debt provisions:

	Period from 13 Sep 2019 to 31 Dec 2019 $m
Balance at beginning of year	-
Charged to the income statement	0.9
Released to the income statement	(0.3)
Exchange adjustments	-
Utilisations and other movements	(0.1)
Balance at end of year	0.5

The allowance for bad and doubtful debts is equivalent to 0.1% of gross trade accounts receivable.

Group has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9, and recognises a loss allowance based on the financial asset's lifetime expected credit loss.

14 Trade and other payables: amounts falling due within one year

Unaudited notes to the consolidated financial statements
As at 31 December 2019

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

	2019
	$m
Trade payables	386.3
Fair value of derivatives	0.8
Deferred income	254.9
Payments due to vendors (earnout agreements)	15.2
Liabilities in respect of put option agreements with vendors	0.2
Other creditors and accruals	564.8
	1,222.2

The Group considers that the carrying amount of trade and other payables approximates their fair value.

Included within other creditors are amounts due to WPP of $113.7 million.

Also included within other creditors is deferred consideration of $13.3 million relating to the acquisition of the Kantar trading entities from WPP, as well as $3.4 million of payables relating to other intangible asset additions and $0.1 million of payables relating to property, plant and equipment additions.

The following tables sets out payments due to vendors, comprising deferred consideration and the directors' best estimates of future earnout-related obligations:

	2019
	$m
Acquisitions	16.0
Earnouts paid	(0.4)
Revaluation of payments due to vendors (note 6)	(0.4)
Exchange adjustments	-
At the end of the year	15.2

As of 31 December 2019, the total potential undiscounted amount of future payments that could be required under the earnout agreements for all earnout agreements range from $0.2 million to $28.4 million, all of which is due payable within one year of the balance sheet date.

Unaudited notes to the consolidated financial statements
As at 31 December 2019

14 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:

	2019
	$m
Liabilities in respect of put option agreements with vendors	33.3
Other creditors and accruals	14.0
	47.3

The Group considers that the carrying amount of trade and other payables approximates their fair value.

15 Provisions for liabilities and charges

The movements in the period from 13 Sep 2019 to 31 Dec 2019 were as follows:

	Property $m	Other $m	Total $m
13 September 2019	-	-	-
Charged to the income statement	(0.2)	0.7	0.5
Acquisitions	6.3	26.1	32.4
Utilised	-	-	-
Released to the income statement	(0.1)	(0.1)	(0.2)
Other movements[1]	-	82.9	82.9
Exchange adjustments	0.2	-	0.2
31 December 2019	**6.2**	**109.6**	**115.8**

Note
[1] Other movements constitutes $82.9m of contingent consideration arising from the acquisition of the Kantar trading entities from WPP, where the amount and timing of payments is uncertain and dependant upon future events.

The Group's entities are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings and claims will have a material adverse effect on the Group's financial position or on the results of its operations.

Unaudited notes to the consolidated financial statements
As at 31 December 2019

16 Provision for post-employment benefits

Companies within the Group operate a large number of pension plans, the forms and benefits of which vary with conditions and practices in the countries concerned. The Group's pension costs are analysed as follows:

	Period from 13 Sep 2019 to 31 Dec 2019
	$m
Defined contribution plans	2.9
Defined benefit plans charge to operating profit	0.5
Pension costs (note 5)	3.4
Net interest expense on pension plan liabilities	-
	3.4

Defined benefit plans

The pension costs are assessed in accordance with the advice of local independent qualified actuaries. The latest full actuarial valuations for the various pension plans were carried out at various dates in the last three years. These valuations have been updated by the local actuaries to 31 December 2019.

The Group's policy is to close existing defined benefit plans to new members. This has been implemented across a significant number of the pension plans.

Contributions to funded plans are determined in line with local conditions and practices. Contributions in respect of unfunded plans are paid as they fall due. The total contributions (for funded plans) and benefit payments (for unfunded plans) paid for the period to 2019 amounted to $0.7 million. Employer contributions and benefit payments in 2020 are expected to be approximately $7.5 million.

(a) Assumptions

There are a number of areas in pension accounting that involve estimates made by management based on advice of qualified advisors. These include establishing the discount rates, rates of increase in salaries and pensions in payment, inflation, and mortality assumptions. The main weighted average assumptions used for the actuarial valuations at 31 December are shown in the following table:

Unaudited notes to the consolidated financial statements

As at 31 December 2019

16 Provision for post-employment benefits (continued)

	2019 % pa
UK	
Discount rate[1]	1.9
Rate of increase in salaries[2]	n/a
Rate of increase in pensions in payment	n/a
Inflation	3.3
North America	
Discount rate[1]	3.1
Rate of increase in salaries	3.0
Western Continental Europe	
Discount rate[1]	1.5
Rate of increase in salaries	2.2
Rate of increase in pensions in payment	0.5
Inflation	1.8
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	
Discount rate[1]	5.1
Rate of increase in salaries	5.8
Inflation	3.5

Notes

[1] Discount rates are based on high-quality corporate bond yields. In countries where there is no deep market in corporate bonds, the discount rate assumption has been set with regard to the yield on long-term government bonds.

[2] The salary assumptions are no longer applicable to the UK plans as the plans were frozen since 2017. Active participants will not accrue additional benefits for future services under these plans.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

16 Provision for post-employment benefits (continued)

(a) Assumptions (continued)

For the Group's pension plans, the plans' assets are invested with the objective of being able to meet current and future benefit payment needs, while controlling balance sheet volatility and future contributions. Pension plan assets are invested with a number of investment managers, and assets are diversified among equities, bonds, insured annuities, property and cash or other liquid investments. The primary use of bonds as an investment class is to match the anticipated cash flows from the plans to pay pensions. The Group is invested in high-quality corporate and government bonds which share similar risk characteristics and are of equivalent currency and term to the plan liabilities. Various insurance policies have also been bought historically to provide a more exact match for the cash flows, including a match for the actual mortality of specific plan members. These insurance policies effectively provide protection against both investment fluctuations and longevity risks. The strategic target allocation varies among the individual plans.

Management considers the types of investment classes in which the pension plan assets are invested. The types of investment classes are determined by economic and market conditions and in consideration of specific asset class risk.

Management periodically commissions detailed asset and liability studies performed by third-party professional investment advisors and actuaries that generate probability-adjusted expected future returns on those assets. These studies also project the estimated future pension payments and evaluate the efficiency of the allocation of the pension plan assets into various investment categories.

At 31 December 2019, the life expectancies underlying the value of the accrued liabilities for the main defined benefit pension plans operated by the Group were as follows:

Years life expectancy after age 65	All plans	North America	UK	Western Continental Europe	Other[1]
– current pensioners (at age 65) – male	21.5	21.9	23.1	21.5	11.7
– current pensioners (at age 65) – female	24.0	23.3	24.1	24.2	14.3
– future pensioners (current age 45) – male	23.8	23.4	24.7	24.0	11.7
– future pensioners (current age 45) – female	26.2	24.9	25.9	26.5	14.3

Note

[1] Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

16 Provision for post-employment benefits (continued)

(a) Assumptions (continued)

In the determination of mortality assumptions, management uses the most up-to-date mortality tables available in each country.

The following table provides information on the weighted average duration of the defined benefit pension obligations and the distribution of the timing of benefit payments for the next 10 years. The duration corresponds to the weighted average length of the underlying cash flows.

	All plans	North America	UK	Western Continental Europe	Other[1]
Weighted average duration of the defined benefit obligation (years)	18.9	11.0	12.8	20.6	10.6
Expected benefit payments over the next 10 years					
Benefits expected to be paid within 12 months	5.0	1.2	0.5	2.9	0.4
Benefits expected to be paid in 2021	4.9	1.4	0.1	3.1	0.4
Benefits expected to be paid in 2022	5.3	1.3	0.4	3.0	0.5
Benefits expected to be paid in 2023	6.2	1.6	0.1	3.2	1.3
Benefits expected to be paid in 2024	6.5	1.9	-	3.9	0.7
Benefits expected to be paid in the next five years	31.3	6.0	-	21.7	3.6

Note

[1] Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of plan assets.

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant so that interdependencies between the assumptions are excluded. The methodology applied is consistent with that used to determine the recognised defined benefit obligation. The sensitivity analysis for inflation is not shown as it is an underlying assumption to build the pension and salary increase assumptions. Changing the inflation assumption on its own without changing the salary or pension assumptions will not result in a significant change in pension liabilities.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

16 Provision for post-employment benefits (continued)

(a) Assumptions (continued)

Sensitivity analysis of significant actuarial assumptions	Increase/(decrease) in benefit obligation 2019 $m
Discount rate	
Increase by 25 basis points	
UK	1.5
North America	22.3
Western Continental Europe	143.2
Other[1]	11.5
Decrease by 25 basis points	
UK	1.6
North America	23.6
Western Continental Europe	158.1
Other[1]	11.8
Rate of increase in salaries	
Increase by 25 basis points	
North America	22.9
Western Continental Europe	151.2
Other[1]	11.8
Decrease by 25 basis points	
North America	22.9
Western Continental Europe	149.6
Other[1]	11.4
Rate of increase in pensions in payment	
Increase by 25 basis points	
Western Continental Europe	155.4
Decrease by 25 basis points	
Western Continental Europe	145.5
Life expectancy	
Increase in longevity by one additional year	
UK	1.6
North America	23.2
Western Continental Europe	156.0
Other[1]	11.7

Note

[1] Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

16 Provision for post-employment benefits (continued)

(b) Assets and liabilities

At 31 December, the fair value of the assets in the pension plans, and the assessed present value of the liabilities in the pension plans are shown in the following table:

	2019	
	$m	%
Equities	8.9	6.1
Bonds	34.1	23.3
Cash	103.3	70.6
Total fair value of assets	146.3	100.0
Present value of liabilities	(186.5)	
Deficit in the plans	(40.2)	
Irrecoverable surplus	(0.8)	
Net liability[1]	(41.0)	
Plans in surplus	3.2	
Plans in deficit	(44.2)	

Note

[1] The related deferred tax asset is discussed in note 12.

All plan assets have quoted prices in active markets with the exception of insured annuities and other assets.

Surplus/(deficit) in plans by region

	2019
	$m
UK	0.8
North America	(1.6)
Western Continental Europe	(28.7)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	(10.7)
Deficit in the plans	(40.2)

Some of the Group's defined benefit plans are unfunded (or largely unfunded) by common custom and practice in certain jurisdictions. In the case of these unfunded plans, the benefit payments are made as and when they fall due. Pre-funding of these plans would not be typical business practice.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

16 Provision for post-employment benefits (continued)

(b) Assets and liabilities (continued)

The following table shows the split of the deficit at 31 December 2019 between funded and unfunded pension plans.

	2019 Surplus/ (deficit) $m	2019 Present value of liabilities $m
Funded plans by region		
UK	0.8	1.5
North America	(1.6)	22.9
Western Continental Europe	(3.2)	124.9
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	(0.8)	1.8
Deficit/liabilities in the funded plans	(4.8)	151.1
Unfunded plans by region		
North America	-	-
Western Continental Europe	(25.5)	25.5
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	(9.9)	9.9
Deficit/liabilities in the unfunded plans	(35.4)	35.4
Deficit/liabilities in the plans	(40.2)	186.5

In accordance with IAS 19 (amended), plans that are wholly or partially funded are considered funded plans.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

16 Provision for post-employment benefits (continued)

(c) Pension expense

The following table shows the breakdown of the pension expense between amounts charged to operating profit, amounts charged to finance costs and amounts recognised in the consolidated statement of comprehensive income (OCI):

	Period from 13 Sep 2019 to 31 Dec 2019 $m
Service cost[1]	0.5
Administrative expenses	-
Charge to operating profit	0.5
Interest (income) on plan assets	(0.3)
Net interest expense on pension plans	0.3
Charge to profit before taxation for defined benefit plans	0.5
Change in irrecoverable surplus	(0.9)
Actuarial gain/(loss) recognised in OCI	(0.9)

Note

[1] Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

16 Provision for post-employment benefits (continued)

(d) Movement in plan liabilities

The following table shows an analysis of the movement in the pension plan liabilities for each accounting period:

	Period from 13 Sep 2019 to 31 Dec 2019 $m
Plan liabilities at the beginning of the period	-
Service cost[1]	0.5
Interest cost	0.3
Benefits paid	(0.9)
Gain due to exchange rate movements	(1.7)
Other[2]	188.3
Plan liabilities at end of year	186.5

Notes

[1] Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments.

[2] Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

16 Provision for post-employment benefits (continued)

(e) Movement in plan assets

The following table shows an analysis of the movement in the pension plan assets for each accounting period:

	Period from 13 Sep 2019 to 31 Dec 2019 $m
Fair value of plan assets at beginning of the period	-
Interest income on plan assets	0.3
Employer contributions	0.7
Benefits paid	(0.9)
Loss due to exchange rate movements	(1.5)
Other[1]	147.7
Fair value of plan assets at end of year	146.3
Actual return on plan assets	0.2

Note

[1] Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

17 Risk management policies

Foreign currency risk
The Group’s results in US dollars and its foreign currency net assets are subject to fluctuation as a result of exchange rate movements.

The Group’s operations conduct the majority of their activities in their own local currency and consequently the Group has no significant transactional foreign exchange exposures arising from its operations. Any significant cross-border trading exposures are hedged by the use of forward foreign-exchange contracts. No speculative foreign exchange trading is undertaken.

Interest rate risk
The Group is exposed to cash flow interest rate risk on floating rate debt, cash deposits and short-term investments. Debt issued at fixed rates exposes the Group to fair value risk. The Group’s policy regarding interest rate risk is to maintain a certain proportion of fixed rate debt. At 31 December 2019, the percentage of interest-bearing debt at fixed rates was 58%.

The weighted average rate of interest on senior secured and senior unsecured debt at 31 December 2019, excluding joint ventures and associates, was 6.8%.

The Group may use forward rate agreements, interest rate swaps, caps and floors to achieve the desired mix of fixed and floating rate debt. At 31 December 2019 there were none in place.

Liquidity risk
The Group's policy is to maintain a prudent level of cash to finance working capital, along with sufficient committed bank facilities to meet liquidity needs as they arise. The Group has undrawn committed facilities totalling $323 million consisting of a syndicated revolving credit facility, which matures in 2026.

Credit risk
Credit risk arises from cash and cash equivalents, trade and other receivables, and deposits with banks and financial institutions. The Group regularly monitors counterparty exposure and credit ratings of financial institutions with which it has deposits. The Group considers its maximum credit risk to be $1,625.6 million being the Group’s total financial assets.

Capital risk
The Group’s objectives when managing its capital structure are; to support the Group’s ability to continue as a going concern, to provide returns to shareholders and benefits for other stakeholders and to protect and strengthen the Group’s balance sheet.

17 Risk management policies (continued)

Sensitivity analysis

The following sensitivity analysis addresses the effect of currency and interest rate risks on the Group's financial instruments. The analysis assumes that all hedges are highly effective.

Currency risk

At 31 December 2019, the Group's net funds are held in individual entities with the same financial reporting currencies. Therefore a weakening or strengthening of sterling against the Group's major currencies would not result in any gains or losses being posted directly to equity and there would be no profit before tax impact. Some limited debt is held in non-functional currency. A ten percent increase in the EURO against the US dollar would result in a $20 million loss to the income statement, a ten percent fall in the EURO against the US dollar would result in an $18m gain to the income statement.

Interest rate risk

A one percentage point increase in market interest rates for all currencies in which the Group had cash and borrowings at 31 December 2019 would decrease profit before tax by approximately $29 million. A one percentage decrease in market interest rates would increase profit before tax by approximately $12 million. This has been calculated by applying the interest rate change to the Group's variable rate cash and borrowings, with floors in rates as appropriate.

18 Borrowings

Borrowings are made up of the following instruments:

Current	Par value	Maturity	2019 Carrying value	2019 Fair value
			$m	$m
Bank overdrafts	-	-	24.7	24.7
Term loan US Libor (0% floor) plus margin (amortisation)	$3.5m	Dec-20	3.5	3.5
Loans from Bain Capital companies, interest free	$5.8m	Mar-20	5.8	5.8
			34.0	**34.0**

Non-current	Par value	Maturity	2019 Carrying value	2019 Fair value
			$m	$m
Revolving credit facility - Euribor (0% floor) plus margin	€55.0m	Jun-26	61.8	61.8
Revolving credit facility - US Libor (0% floor) plus margin	$15.0m	Jun-26	15.0	15.0
Term loan US Libor (0% floor) plus margin	$346.5m	Dec-26	320.5	333.9
Term loan Euribor (0% floor) plus margin	€725.0m	Dec-26	777.7	803.6
Senior Notes 9.25% fixed	€428.0m	Dec-26	467.6	492.5
Senior Secured Notes 5.75% fixed	€1,000.0m	Oct-27	1,105.6	1,162.2
Loan from WPP - Libor (0% floor) plus margin	£11.5m	Dec-27	15.3	15.3
Loans from Bain Capital companies, 1.69%	$62.0m	Jun-28	62.0	62.0
Loans from Canson Capital, 1.69%	$3.0m	Jun-28	3.0	3.0
			2,828.5	**2,949.3**

Borrowings are repayable as follows:

	$m
Current	34.0
Between one and 5 years	14.0
After more than 5 years	2,814.5
Total borrowings	**2,862.5**

On 30th October 2019, the Group issued €1,000 million of Senior Secured Notes with a fixed coupon of 5.75%, maturing in October 2027.

On 30th October 2019, the Group issued €475 million of Senior Notes at a fixed coupon of 9.25%, maturing in December 2026. €47 million of the notes remained in escrow at the balance sheet date.

On 4th December, the Group drew €725 million on its EURO Term Loan Facility B at Euribor, with a 0% floor, plus a margin, maturing in December 2026.

18 Borrowings (continued)

On 4th December, the Group drew $57 million on its US dollar Term Loan Facility A at US Libor, with a 0% floor, plus a margin. This was repaid on 23rd December 2019.

On 4th December, the Group drew $280 million on its US dollar Term Loan facility B at US Libor, with a 0% floor, plus a margin, maturing December 2026.

A further $70 million was drawn under the Group's US dollar Term Loan Facility B on 23rd December 2019. Term loan B amortises by 0.25% a quarter until maturity.

€55 million and $15 million was drawn by the Group under its $388 million syndicated revolving credit facility on 4th December 2019.

The Group was loaned £11.5 million by WPP on 4th December 2019 at Libor, with a 0% floor, plus a margin until December 2027, amortising by £1.4 million on each anniversary.

The Group was loaned $62 million by Bain Capital companies, and $3 million by Canson Capital on 28th November 2019, at a 1.69% fixed, until June 2028.

A further $5.8 million was loaned on 5th December 2019 by Bain Capital companies until March 2020, unless agreed otherwise, interest free.

19 Leases

Unaudited notes to the consolidated financial statements

As at 31 December 2019

Right-of-use assets

The movements in the period from 13 Sep 2019 to 31 Dec 2019 were as follows:

	Land and buildings $m	Fixtures, fittings and equipment $m	Total $m
13 September 2019	-	-	-
New acquisitions	223.1	3.0	226.1
Additions	9.0	0.1	9.1
Disposals	(2.6)	(0.1)	(2.7)
Depreciation of right-of-use assets	(4.3)	(0.2)	(4.5)
Exchange adjustments	0.9	0.1	1.0
31 December 2019	**226.1**	**2.9**	**229.0**

Lease liabilities

The movements in the period from 13 Sep 2019 to 31 Dec 2019 were as follows:

	Land and buildings $m	Fixtures, fittings and equipment $m	Total $m
13 September 2019	-	-	-
New acquisitions	241.7	3.6	245.3
Additions	9.5	0.1	9.6
Interest expense related to lease liabilities	0.9	-	0.9
Disposals	(2.5)	(0.8)	(3.3)
Repayment of lease liabilities (including interest)	(4.5)	(0.4)	(4.9)
Exchange adjustments	0.5	(0.1)	0.4
31 December 2019	**245.6**	**2.4**	**248.0**

19 Leases (continued)

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	Period from 13 Sep 2019 to 31 Dec 2019
Depreciation of right-of-use assets	$m
Land and buildings	4.3
Fixtures, fittings and equipment	0.2
Short term lease expense	1.1
Variable lease expense	1.2
Charge to operating loss	6.8
Interest expense related to lease liabilities	0.9
Charge to loss before taxation for leases	7.7

The maturity of lease liabilities at 31 December 2019 were as follows:

	$m
Period ending 31 December	
2020	59.2
2021	50.6
2022	41.9
2023	34.9
2024	23.3
Later years	92.8
	302.7
Effect of discounting	**(54.7)**
Lease liability at 31 December 2019	**248.0**
Short term lease liability	40.5
Long term lease liability	207.5

The total committed future cash flows for leases not yet commenced at 31 December 2019 is $18.2 million.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

20 Financial instruments

Derivative financial instruments are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates. All derivatives with a positive fair value are recognised in derivative financial instruments as an asset and all derivatives with a negative fair value are recognised in derivative financial instruments as a liability on the balance sheet.

An analysis of the Group's financial assets and liabilities by accounting classification is set out below:

Classification under IFRS 9	Held at fair value through profit or loss $m	Held at fair value through other compre-hensive income $m	Amortised cost $m	Carrying value $m
2019				
Other investments	9.4	6.0	-	15.4
Loans payable	-	-	(2,837.8)	(2,837.8)
Cash and short-term deposits	-	-	535.3	535.3
Bank overdrafts	-	-	(24.7)	(24.7)
Trade and other receivables: amounts falling due within one year	-	-	1,067.8	1,067.8
Trade and other receivables: amounts falling due after more than one year	-	-	7.9	7.9
Trade and other payables: amounts falling due within one year	-	-	(1,206.0)	(1,206.0)
Trade and other payables: amounts falling due after more than one year	-	-	(14.0)	(14.0)
Derivative liabilities	(0.8)	-	-	(0.8)
Payments due to vendors (earnout agreements) (note 14)	(15.2)	-	-	(15.2)
Liabilities in respect of put options	(33.5)	-	-	(33.5)
	(40.1)	**6.0**	**(2,471.5)**	**(2,505.6)**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Unaudited notes to the consolidated financial statements

As at 31 December 2019

20 Financial instruments (continued)

	Level 1 $m	Level 2 $m	Level 3 $m
2019			
Held at fair value through profit or loss			
Other investments	-	-	9.4
Derivative liabilities	-	(0.8)	-
Payments due to vendors (earnout agreements) (note 14)	-	-	(15.2)
Liabilities in respect of put options	-	-	(33.5)
Held at fair value through other comprehensive income			
Other investments	-	-	6.0

There have been no transfers between these levels in the years presented.

Reconciliation of level 3 fair value measurements[1]:

	Liabilities in respect of put options $m	Other investments $m
13 September 2019		
Acquisitions	(33.5)	15.4
Gains recognised in the consolidated income statement	0.5	-
Gains recognised in the consolidated statement of other comprehensive income	-	-
Exchange adjustments	(0.5)	-
31 December 2019	**(33.5)**	**15.4**

Note

[1]The reconciliation of payments due to vendors (earnout agreements) is presented in note 14.

The fair values of financial assets and liabilities are based on quoted market prices where available. Where the market value is not available, the Group has estimated relevant fair values on the basis of publicly available information from outside sources. There have been no movements between level 3 and other levels.

Payments due to vendors and liabilities in respect of put options

Liabilities in respect of put option agreements are initially recorded at the present value of the redemption amount in accordance with IAS 32 and subsequently measured at fair value in accordance with IFRS 9. The obligation is dependent on the future financial performance of the entity and it is assumed that future profits are in line with directors' estimates. The directors derive their estimates from internal business plans together with financial due diligence

Unaudited notes to the consolidated financial statements

As at 31 December 2019

20 Financial instruments (continued)

Payments due to vendors and liabilities in respect of put options (continued)

performed in connection with the acquisition. At 31 December 2019, the weighted average growth rate in estimating future financial performance was 8.0%, which is in line with the growth rates in new media sectors. The risk adjusted discount rate applied to these obligations at 31 December 2019 was 10.7%.

Payments due to vendors and liabilities in respect of earnout agreements

Future anticipated payments due to vendors in respect of contingent consideration (earnout agreements) are recorded at fair value, which is the present value of the expected cash outflows of the obligations. Liabilities in respect of earn out agreements are initially recorded at the present value of the redemption amount in accordance with IAS 32 and subsequently measured at fair value in accordance with IFRS 9. All obligations relating to the earnout agreements as at 31st December 2019 derive their fair value from financial performance only up to the period ending 31st December 2019 as the earn out periods for all agreements end at this date. The risk adjusted discount rate applied to these obligations at 31 December 2019 was 10.7%.

A one percentage point increase or decrease in the growth rate in estimated future financial performance would increase or decrease the consolidated liabilities due to put options by approximately $0.9 million and $0.9 million, respectively. A 0.5 percentage point increase or decrease in the risk adjusted discount rate would increase or decrease the consolidated liabilities due to earnouts and put options by approximately $0.4 million and $0.4 million, respectively. An increase in the liability would result in a loss in the revaluation of financial instruments, while a decrease would result in a gain.

Other investments

Other investments included in level 3 are unlisted securities, where market value is not readily available. The Group has estimated relevant fair values on the basis of publicly available information from outside sources. The sensitivity to changes in unobservable inputs is specific to each individual investment.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

21 Share capital

The issued, allotted and fully paid share capital is as follows:

	2019 Number	2019 $m
Ordinary share capital class A at €0.1 per share	5,409,836	0.6
Ordinary share capital class B at €0.1 per share	5,409,836	0.6
Ordinary share capital class C at €0.1 per share	5,409,836	0.6
Ordinary share capital class D at €0.1 per share	5,409,836	0.6
Ordinary share capital class E at €0.1 per share	5,409,836	0.6
Ordinary share capital class F at €0.1 per share	5,409,836	0.6
Ordinary share capital class G at €0.1 per share	5,409,836	0.6
Ordinary share capital class H at €0.1 per share	5,409,836	0.6
Ordinary share capital class I at €0.1 per share	5,409,836	0.6
Ordinary share capital class J at €0.1 per share	5,409,864	0.6
As at 31 December 2019	**54,098,388**	**6.1**

22 Other reserves

	Capital reserve $m	Translation reserve $m	Total $m
Balance at 13 September 2019	-	-	-
From issues of share capital	337.4	-	337.4
Exchange adjustments on foreign currency net investments	-	(1.5)	(1.5)
Balance at 31 December 2019	**337.4**	**(1.5)**	**335.9**

Unaudited notes to the consolidated financial statements
As at 31 December 2019

23 Acquisitions

The Group accounts for acquisitions in accordance with IFRS 3 Business Combinations. IFRS 3 requires the acquiree's identifiable assets, liabilities and contingent liabilities (other than non-current assets or disposal groups held for sale) to be recognised at fair value at acquisition date. In assessing fair value at acquisition date, management make their best estimate of the likely outcome where the fair value of an asset or liability may be contingent on a future event. In certain instances, the underlying transaction giving rise to an estimate may not be resolved until some years after the acquisition date. IFRS 3 requires the release to profit of any acquisition reserves which subsequently become excess in the same way as any excess costs over those provided at acquisition date are charged to profit. At each period end management assess provisions and other balances established in respect of acquisitions for their continued probability of occurrence and amend the relevant value accordingly through the consolidated income statement or as an adjustment to goodwill as appropriate under IFRS 3.

On 5 December 2019, the first stage of the acquisition of the Kantar group from WPP was completed. This resulted in the Group acquiring companies representing approximately 92.5% of the Kantar group. WPP retains a 40% interest in the business acquired.

The initial accounting for the acquisition of the Kantar group has only been provisionally determined at the end of the reporting period with additional work required to complete the evaluation of the fair values of the identifiable net assets acquired and the contingent consideration payable.

Contingent consideration is stated at provisional amounts. The conditions expected to be met in the future include the settlement of ongoing legal cases, realisation of the value of certain investments and the utilisation of certain tax losses and allowances. There was uncertainty at the acquisition date in regard to the ultimate resolution of these items and initial estimates of the amounts due to be paid in the future continue to be evaluated.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

23 Acquisitions (continued)

The amounts recognised in respect of the provisional fair values of identifiable assets acquired and liabilities assumed are as set out in the table below.

	Provisional Fair Value $m
Intangible assets	2,000.3
Property, plant and equipment	131.0
Right-of-use assets	226.1
Investments in associates	52.0
Other investments	15.4
Deferred tax assets	58.2
Trade and other receivables	1,096.7
Cash and cash equivalents	406.7
Trade and other payables	(1,272.3)
Borrowings	(559.1)
Lease liabilities	(245.3)
Deferred tax liabilities	(648.0)
Provisions for post-employment benefits	(50.6)
Provisions for liabilities and charges	(20.5)
Identifiable net assets acquired	1,190.6
Non-controlling interests	(195.5)
Goodwill	1,654.5
Total consideration	2,649.6
Satisfied by:	
Cash	2,547.3
Deferred consideration	19.4
Contingent consideration	82.9
Total consideration	2,649.6
Net cash outflow arising on acquisition:	
Cash consideration	2,547.3
Less: cash and cash equivalents acquired	(406.7)
	2,140.6

23 Acquisitions (continued)

Unaudited notes to the consolidated financial statements

As at 31 December 2019

The main non-controlling interest is WPP's 40% interest in Kantar. Other non-controlling interests exist in certain Kantar group companies. Non-controlling interests were recognised at the acquisition date by reference to their proportional share of the identifiable net assets acquired, after allowing for the equity interest in the Kantar business retained by WPP.

Acquisition-related costs (included in administrative expenses) amount to $64.4 million.

Kantar contributed $285.7 million of revenue and $27.0 million to the Group's profit before interest and tax between the date of acquisition and the reporting date.

On 27 February 2020, the second stage of the Kantar transaction completed, consisting of approximately 4.5% of the Kantar group, with cash consideration paid of $166.7 million.

On 30 April 2020, the third stage of the Kantar transaction completed, consisting of approximately 1.4% of the Kantar group, with cash consideration paid of $23.8 million.

The remaining stage of the transaction is expected to complete before 30 June 2020.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

24 Related party transactions

The Group has a number of transactions and relationships with related parties, as defined in IAS 24 Related Party Disclosures, all of which are undertaken in the normal course of business. Transactions between the Group and its related parties are made on terms equivalent to those that prevail in arm's length transactions.

Intragroup transactions within the Group are eliminated on consolidation, therefore are not disclosed in these financial statements. Transactions between the Group and its defined benefit plans are set out in note 16. All related party transactions of the Group are set out below:

	Period from 13 Sep 2019 to 31 Dec 2019
	$m
Sales	4.9
Purchases	(5.8)
Interest expense	(1.5)
Trade and other receivables	97.2
Trade and other payables	113.7
Loans payable	86.1

Dividends received from associates in the period to 31 December 2019 were $10.0 million (see note 11).

The emoluments paid to the key management personnel of the Group are as follows:

	Period from 13 Sep 2019 to 31 Dec 2019
	$m
Short-term employee benefits	1.7
Post-employment benefits	-
Other long-term employee benefits	0.1
	1.8

The three directors of the parent company did not receive any compensation for the period.

Unaudited notes to the consolidated financial statements

As at 31 December 2019

25 Capital commitments

At 31 December 2019, capital commitments contracted, but not provided were as follows:

	2019
	$m
Property, plant and equipment	2.7
Other intangible assets	10.4
As at 31 December 2019	**13.1**

26 Controlling party

The immediate parent company is Bain Capital Europe V, S.à r.l. SICAV – RAIF. The ultimate parent undertaking and controlling party is Bain Capital Europe Fund V, SCSp.

27 Events after the reporting period

On 11th March 2020, the Group acquired Mavens Limited and its two subsidiaries from its shareholders, for a total consideration of $24.4 million. This includes an estimated $4.8 million contingent consideration.

As with all businesses, the Group is being impacted by the COVID-19 pandemic. The Group continues to monitor and take measures to mitigate the effects of the global challenges associated with COVID-19 in several respects. As a response, we have implemented a series of mitigation measures, including both top-down and targeted country-by-country actions on our costs, cashflow and working capital. Further details are given in the Recent Developments section of the Operating and Financial Review.

Appendix 1 – Additional information

1. Reconciliation of Operating Loss to EBITDA

In the Operating and Financial Review on page 23 a measure of EBITDA is referred to that can be reconciled to the operating profit shown in these financial statements as follows:

	Note	*Period from 13 Sep 2019 to 31 Dec 2019*
		$m
Operating Loss per the Income Statement		**(32.7)**
Add back:		
Depreciation of property, plant and equipment	10	3.6
Amortisation of intangible assets	9	16.6
Amortisation of right-of-use assets	19	4.5
Acquisition-related costs	3	64.4
Restructuring and transformation costs	3	10.5
Other items		1.7
EBITDA per the Operating and Financial Review		**68.6**

2. Reconciliation of Net Debt to Net Debt within the Senior Lenders' perimeter

The Operating and Financial Review contains, on page 13, a table showing the Net Debt within the Senior Lenders' perimeter. This can be reconciled to these financial statements as follows:

	Cash and Cash Equivalents (note 8)	Borrowings (excl bank overdrafts) (note 18)	Lease Liabilities (note 19)	Net Debt
	$m	$m	$m	$m
Per the Balance Sheet at 31 December 2019	**(510.6)**	**2,837.8**	**248.0**	**2,575.2**
Adjust for:				
Unamortised debt-issuance costs deducted from borrowings	-	92.2	-	92.2
Gross-up Senior Notes in escrow	(53.0)	53.0	-	-
Cash and debt outside of the Senior Lenders' perimeter	1.9	(70.8)	-	(68.9)
Net Debt per the Operating and Financial Review	**(561.7)**	**2,912.2**	**248.0**	**2,598.5**

Kantar combined accounts

For the years ended 31 December 2016, 2017 and 2018

Kantar combined accounts

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Combined income statement

	Notes	2018 £m	2017 £m	2016 £m
Revenue		2,619.5	2,728.0	2,685.1
Costs of services	2	(2,183.3)	(2,233.6)	(2,204.3)
Gross profit		436.2	494.4	480.8
General and administrative costs	2	(263.3)	(188.2)	(217.8)
Operating profit		172.9	306.2	263.0
Share of results of associates	3	12.9	15.5	12.4
Profit before interest and taxation		185.8	321.7	275.4
Finance income	5	8.8	7.7	5.6
Finance costs	5	(17.1)	(15.7)	(17.7)
Revaluation of financial instruments	5	3.5	18.3	6.3
Profit before taxation		181.0	332.0	269.6
Taxation	6	(63.1)	(107.6)	(86.2)
Profit for the year		117.9	224.4	183.4
Attributable to:				
Equity holders of the parent		104.9	210.9	169.6
Non-controlling interests		13.0	13.5	13.8
		117.9	224.4	183.4
Revenue less pass-through costs	22	1,958.4	2,039.4	1,976.8
Headline PBIT	22	297.5	352.0	342.1
Headline PBIT margin		15.2%	17.3%	17.3%

Note
The accompanying notes form an integral part of this combined income statement.

All results are derived from continuing activities.

Combined statement of comprehensive income

	2018 £m	2017 £m	2016 £m
Profit for the year	117.9	224.4	183.4
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments on foreign currency net investments	15.8	(130.2)	516.7
Gain on revaluation of available for sale investments	—	4.4	2.0
	15.8	(125.8)	518.7
Items that will not be reclassified subsequently to profit or loss:			
Movements on equity investments held at fair value through other comprehensive income	1.9	—	—
Actuarial gain/(loss) on defined benefit pension plans	3.9	2.8	(3.0)
Deferred tax on defined benefit pension plans	(1.0)	(0.9)	0.6
	4.8	1.9	(2.4)
Other comprehensive income/(loss) for the year	20.6	(123.9)	516.3
Total comprehensive income for the year	138.5	100.5	699.7
Attributable to:			
Equity holders of the parent	125.2	87.5	682.3
Non-controlling interests	13.3	13.0	17.4
	138.5	100.5	699.7

Note

The accompanying notes form an integral part of this combined statement of comprehensive income.

Combined cash flow statement

	Notes	2018 £m	2017 £m	2016 £m
Net cash inflow from operating activities	7	282.2	391.9	315.3
Investing activities				
Acquisitions and disposals	7	(0.2)	(16.9)	19.7
Purchases of property, plant and equipment		(34.3)	(37.2)	(41.4)
Purchases of other intangible assets (including capitalised computer software)		(26.3)	(17.3)	(19.2)
Proceeds on disposal of property, plant and equipment		1.2	3.6	4.8
Net cash outflow from investing activities		(59.6)	(67.8)	(36.1)
Financing activities				
Transactions with parent		30.4	9.9	10.0
Cash consideration for non-controlling interests	7	(0.4)	(0.1)	(7.4)
Cash paid to WPP ESOP trusts in regard to restricted stock invoices		(1.2)	(1.8)	(2.1)
Net increase in loans receivable		(59.1)	(292.7)	(116.6)
Net (decrease)/increase in loans payable		(80.7)	84.9	78.5
Dividends paid		(121.6)	(77.6)	(98.6)
Dividends paid to non-controlling interests in subsidiary undertakings		(7.5)	(9.0)	(7.5)
Net cash outflow from financing activities		(240.1)	(286.4)	(143.7)
Net (decrease)/increase in cash and cash equivalents		(17.5)	37.7	135.5
Translation of cash and cash equivalents		(6.6)	(10.0)	29.1
Cash and cash equivalents at beginning of the year		168.0	140.3	(24.3)
Cash and cash equivalents at end of year	7	143.9	168.0	140.3
Reconciliation of net cash flow to movement in net funds:				
Net (decrease)/increase in cash and cash equivalents		(17.5)	37.7	135.5
Net cash outflow from increase in loans receivable		59.1	292.7	116.6
Net cash outflow/(inflow) from decrease/(increase) in loans payable		80.7	(84.9)	(78.5)
Transactions with parent		—	(108.2)	—
Translation differences		32.7	(50.5)	97.8
Movement of net funds in the year		155.0	86.8	271.4
Net funds at beginning of year		643.0	556.2	284.8
Net funds at end of year	7	798.0	643.0	556.2

Note

The accompanying notes form an integral part of this combined cash flow statement.

Combined balance sheet

	Notes	2018 £m	2017 £m	2016 £m
Non-current assets				
Intangible assets:				
Goodwill	8	2,553.7	2,546.2	2,602.9
Other	8	201.7	277.8	342.3
Property, plant and equipment	9	116.4	122.1	135.2
Interests in associates and joint ventures	10	109.1	102.6	108.7
Other investments	10	11.8	9.6	5.8
Deferred tax assets	11	41.8	42.7	47.4
Trade and other receivables	12	10.1	11.8	16.0
		3,044.6	3,112.8	3,258.3
Current assets				
Loans receivable	7	1,463.7	1,341.4	1,157.4
Corporate income tax recoverable		53.8	50.5	53.4
Trade and other receivables	12	947.6	918.5	952.4
Cash and short-term deposits		546.1	576.2	587.2
		3,011.2	2,886.6	2,750.4
Current liabilities				
Loans payable	7	(809.6)	(866.4)	(741.5)
Trade and other payables	13	(949.1)	(919.0)	(979.1)
Corporate income tax payable		(91.2)	(83.3)	(65.5)
Bank overdrafts		(402.2)	(408.2)	(446.9)
		(2,252.1)	(2,276.9)	(2,233.0)
Net current assets		759.1	609.7	517.4
Total assets less current liabilities		3,803.7	3,722.5	3,775.7
Non-current liabilities				
Trade and other payables	14	(48.5)	(35.0)	(50.3)
Deferred tax liabilities	11	(66.7)	(68.5)	(99.5)
Provision for post-employment benefits	17	(35.4)	(41.4)	(45.6)
Provisions for liabilities and charges	15	(32.0)	(37.6)	(45.8)
		(182.6)	(182.5)	(241.2)
Net assets		3,621.1	3,540.0	3,534.5
Equity				
Net parent investment		3,600.2	3,523.1	3,514.6
Non-controlling interests		20.9	16.9	19.9
Total equity		3,621.1	3,540.0	3,534.5

Note
The accompanying notes form an integral part of this combined balance sheet.

Combined statement of changes in equity

	Net parent investment £m	Non-controlling interests £m	Total £m
Balance at 1 January 2016	2,786.8	18.8	2,805.6
Profit for the year	169.6	13.8	183.4
Exchange adjustments on foreign currency net investments	513.1	3.6	516.7
Gain on revaluation of other investments	2.0	—	2.0
Actuarial loss on defined benefit plans	(3.0)	—	(3.0)
Deferred tax on defined benefit plans	0.6	—	0.6
Other comprehensive income	**512.7**	**3.6**	**516.3**
Dividends paid to non-controlling interests in subsidiary undertakings	—	(7.5)	(7.5)
Non-cash share-based incentive plans (including stock options)	8.1	—	8.1
Tax adjustment on share-based payments	0.2	—	0.2
Transactions with parent	43.2	(4.3)	38.9
Recognition/remeasurement of financial instruments	5.9	—	5.9
Acquisition of subsidiaries[1]	(11.9)	(4.5)	(16.4)
Balance at 31 December 2016	**3,514.6**	**19.9**	**3,534.5**
Profit for the year	210.9	13.5	224.4
Exchange adjustments on foreign currency net investments	(129.7)	(0.5)	(130.2)
Gain on revaluation of other investments	4.4	—	4.4
Actuarial gain on defined benefit plans	2.8	—	2.8
Deferred tax on defined benefit plans	(0.9)	—	(0.9)
Other comprehensive loss	**(123.4)**	**(0.5)**	**(123.9)**
Dividends paid to non-controlling interests in subsidiary undertakings	—	(9.0)	(9.0)
Non-cash share-based incentive plans (including stock options)	6.8	—	6.8
Tax adjustment on share-based payments	(0.4)	—	(0.4)
Transactions with parent	(85.3)	(3.8)	(89.1)
Recognition/remeasurement of financial instruments	3.8	—	3.8
Acquisition of subsidiaries[1]	(3.9)	(3.2)	(7.1)
Balance at 31 December 2017	**3,523.1**	**16.9**	**3,540.0**
Profit for the year	104.9	13.0	117.9
Exchange adjustments on foreign currency net investments	15.5	0.3	15.8
Movements on equity investments held at fair value through other comprehensive income	1.9	—	1.9
Actuarial gain on defined benefit plans	3.9	—	3.9
Deferred tax on defined benefit plans	(1.0)	—	(1.0)
Other comprehensive income	**20.3**	**0.3**	**20.6**
Dividends paid to non-controlling interests in subsidiary undertakings	—	(7.5)	(7.5)
Non-cash share-based incentive plans (including stock options)	6.5	—	6.5
Transactions with parent	(29.8)	(3.8)	(33.6)
Recognition/remeasurement of financial instruments	(25.0)	—	(25.0)
Acquisition of subsidiaries[1]	0.2	2.0	2.2
Balance at 31 December 2018	**3,600.2**	**20.9**	**3,621.1**

Notes

The accompanying notes form an integral part of this combined statement of changes in equity.

[1] Acquisition of subsidiaries represents movements in retained earnings and non-controlling interests arising from changes in ownership of existing subsidiaries and recognition of non-controlling interests on new acquisitions.

Total comprehensive income relating to the year ended 31 December 2018 was £138.5 million (2017: £100.5 million, 2016: £699.7 million).

Notes to the combined financial statements

1 Accounting Policies

Whilst the entities and assets are under common control, the Kantar Disposal Group (the "Group) has not previously constituted a single legal group which has prepared combined financiacl results. Accordingly, the combined historical financial information has been prepared specifically for the purposes of this Offering Memorandum by aggregating all legal entities deemed to be part of the ongoing Kantar trading group.

The financial information herein represents an aggregation of financial information for all periods for all legal entities within the Group, applying the principles of consolidation to eliminate any intragroup transactions. The financial information includes an allocation of central income and expenses from WPP plc and its subsidiaries (the "WPP Group") to the extent such transactions are deemed related to the Group, and similarly includes all assets and liabilities expected to transfer with the Group. Central income and expenses have been estimated and allocated based on the Group's proportional contribution to total WPP Group sales and IT costs.

Basis of Preparation

The combined financial statements of the Group for the years ended 31 December 2016, 2017 and 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the years ended 31 December 2016, 2017 and 2018 modified by application of the Annexure to SIR 2000 Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information issued by the UK Financial Reporting Council ('the FRC') ("the Annexure to SIR 2000"). The application of the Annexure to SIR 2000 involved the following departures from IFRS with associated rationale:

- WPP Group entities not included in the Group but previously owned by Kantar entities within the Group prior to the date above have been excluded from the results for all years presented. This is to present the historical track record of the legal entities due to be transferred as part of the Group for all years presented;

- Non-controlling interests held by the Group in WPP Group entities have been excluded from the Group. These will not form part of the legal interests due to be transferred as part of the Group on disposal;

- Amounts due from the WPP Group are considered to be neither past due nor impaired and are recoverable in full as they are supported by WPP Group throughout the historical track record and up to the date of disposal;

- Liabilities in respect to earnout agreements and option agreements have been included in the balance sheet within the respective line items along with any revaluation through the income statement where the liability is over a Group entity, irrespective of where the actual liability is held. Historically, the liability is held by the legal parent, which may be a WPP Group entity outside the Group. Such liabilities will ultimately transfer as part of the Group and thus have been depicted as part of the historical track record accordingly; and

- Certain associates and equity investments that were legally owned by WPP Group entities have been included in the results. Such investments will ultimately transfer as part of the Group and have been depicted as part of the historical track record accordingly.

The Group holds some of the world's leading research, data and insights brands operating in over a hundred countries worldwide. They cover a breadth of techniques and technologies, including purchase and media data, predicting long term trends, neuroscience, exit polls, large scale quantitative studies, qualitative research, incorporating ethnography, and semiotics.

The combined financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The principal accounting policies are set out on the following pages.

Basis of Consolidation

The companies combined within these accounts include the companies and divisions that make up the Group. These companies do not constitute a legal group in themselves and the ownership structure is mixed within the wider WPP Group. Legal parents and subsidiaries have been excluded where they do not form part of the Group. Acquisitions that have occurred between WPP Group entities in the periods presented have been treated as if they've always been part of the Group. Disposals that have occurred between WPP Group entities in the periods presented have not been reflected in these accounts as they have been excluded for all periods.

All acquisitions or disposals by the WPP Group with third parties have been included or excluded from the effective date of acquisition or disposal by the WPP Group.

Goodwill and intangibles that arise from the WPP Group's acquisitions of companies within the Group have been allocated to the combined accounts, along with any associated amortisation or impairment in the years presented. This does not reflect any purchase price paid in WPP Group internal re-organisations where such companies may have been subsequently acquired/sold.

Associates and joint ventures are shown based on the WPP Group's carrying values, representing the original cost to the WPP Group and subsequent movements under equity accounting.

Liabilities in respect to earnout agreements and option agreements have been included in the balance sheet within the respective line items along with any revaluation through the income statement where the liability is over a Group entity, irrespective of where the actual liability is held. Historically, the liability is held by the legal parent, which may be a WPP Group entity outside the Group. Such liabilities will ultimately transfer as part of the Group and thus have been depicted as part of the historical track record accordingly.

Dividends within the Group have been eliminated. Dividends paid to or received from other WPP companies outside the Group have been reflected in reserves as 'transactions with parent'.

All intra-Group balances, transactions, income and expenses have been eliminated where they are between Group companies. Where these transactions are with other WPP companies outside of the Group, they have been presented as external amounts. These amounts are disclosed as related party transactions in note 21.

A proportion of WPP head office costs has been allocated to the Group's combined income statement based on an estimated proportion of use by the Group. These costs include the operating costs of WPP holding companies, costs of WPP IT shared services and exceptional costs in relation to the WPP Group's IT transformation project. There is no balance sheet impact of such allocations other than a corresponding entry to 'transactions with parent' within equity.

Share capital, share premium and other reserves have not been separately identified as there is no single legal parent. Reserves are represented by a 'net parent investment' and 'non-controlling interests'. Where transactions with other companies within the WPP Group affect the net assets of the Group, but do not impact the income statement or other comprehensive income, these have been presented as 'transactions with parent'. This includes the following items:

- Dividends paid to other companies within the WPP Group
- Dividends received from other companies within the WPP Group
- Share issues or capital transactions with other companies within the WPP Group
- Acquisitions funded by other companies within the WPP Group
- Disposal proceeds received by other companies within the WPP Group
- Transactions arising from tax relief/funding by other companies within the WPP Group

New IFRS Accounting Pronouncements

At the date of authorisation of these financial statements, the following Standards, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 16 Leases;
- IFRIC 23 Uncertainty over Income Tax Treatments.

IFRS 16 is effective from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees will be required to recognise a right-of-use asset and related lease liability for the majority of their operating leases and show depreciation of leased assets and interest on lease liabilities separately in the income statement. IFRS 16 will require the Group to recognise substantially all of its operating leases on the balance sheet.

The Group will adopt IFRS 16 effective 1 January 2019 and apply the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to retained earnings. Accordingly, prior year financial information will not be restated and will continue to be reported under IAS 17 Leases. The right-of-use asset and lease liability will initially be measured at the present value of the remaining lease payments, with the right-of-use asset being subject to certain adjustments. The estimated right-of-use asset and lease liability recorded on the balance sheet as of 1 January 2019 will be £144.7 million and £163.1 million respectively. Depreciation of the right-of-use asset and recognition of interest on the lease liability in the income statement will replace amounts recognised as rent expense under IAS 17, resulting in an estimated increase to operating margin of approximately 0.1 to 0.3 margin points.

IFRIC 23 is effective from 1 January 2019. The Group does not consider that this Standard will have a significant impact on the financial statements of the Group.

In the current year, the following Standards and Interpretations became effective and were applied throughout the track record period:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers

Impact of the adoption of IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments from 1 January 2018 which resulted in the movements in fair value of certain equity investments previously designated as ‘available-for-sale’ being designated as fair value through other comprehensive income or fair value through profit or loss.

Amounts classified as loans and receivables under IAS 39 Financial Instruments: Recognition and Measurement have been reclassified to amortised cost under IFRS 9. Further details on reclassification are set out in note 19.

The requirement under IFRS 9 to use an expected loss method of impairment of financial assets did not have a material effect on the Group due to the short-term nature of the Group’s trade and other receivables, which are mainly due from large national or multinational companies.

Impact of the adoption of IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in certain aspects of our accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively for each year presented in the combined financial statements.

The new standard establishes a five step model where consideration received or expected to be received is recognised as revenue when contractual performance obligations are satisfied by transferring control of the relevant goods or services to the customer. Adopting IFRS 15 did not have a significant impact on the timing of the Group’s revenue recognition nor on the Group’s equity.

However, for certain of our contracts, the adoption of IFRS 15 resulted in a change in our accounting for certain third-party costs. Third-party costs are included in revenue when the Group acts as principal with respect to the services provided to the client and are excluded when the Group acts as agent. Under IFRS 15, the principal versus agent assessment is based on whether the Group controls the relevant services before they are transferred to the client. As a result of the adoption of IFRS 15, there was an increase in third-party costs included in revenue and costs of services. This change increased revenue and costs of services by the same amount (2017: £12.5 million, 2016: £11.2 million) and therefore had no impact on gross profit or operating profit.

The impact of the adoption of IFRS 15 on the combined balance sheet, combined cash flow statement and combined statement of changes in equity was immaterial.

Goodwill and Other Intangible Assets

Intangible assets comprise goodwill, acquired customer relationships, acquired proprietary tools and capitalised computer software not integral to a related item of hardware.

Goodwill represents the excess of fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the underlying net assets, including intangible assets, at the date of their acquisition.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the net present value of future cash flows derived from the underlying assets using a projection period of up to five years for each cash-generating unit or group of cash-generating units. After the projection period a steady growth rate representing an appropriate long-term growth rate for the industry is applied. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Customer relationships and proprietary tools acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

- Brand names (with finite lives)—10-20 years.
- Customer-related intangibles—3-10 years.
- Other proprietary tools—3-10 years.
- Other (including capitalised computer software)—3-5 years.

Contingent Consideration

Contingent consideration is accounted for in accordance with IFRS 3 Business Combinations. Contingent consideration only applies to situations where contingent payments are not dependent on future employment of vendors and any such payments are expensed when they relate to future employment.

Future anticipated payments to vendors in respect of contingent consideration (earnout agreements) are initially recorded at fair value which is the present value of the expected cash outflows of the obligations. The obligations are dependent on the future financial performance of the interests acquired (typically over a four- to five-year period following the year of acquisition) and assume the operating companies improve profits in line with directors' estimates. The directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition.

Subsequent adjustments to the fair value are recorded in the combined income statement within revaluation of financial instruments.

Property, Plant and Equipment

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment with the exception of freehold land which is not depreciated. The Group assesses the carrying value of its property, plant and equipment to determine if any impairment has occurred. Where this indicates that an asset may be impaired, the Group applies the requirements of IAS 36 Impairment of Assets in assessing the carrying amount of the asset. This process includes comparing its recoverable amount with its carrying value. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life, as follows:

- Freehold buildings—50 years.
- Leasehold land and buildings—over the term of the lease or life of the asset, if shorter.
- Fixtures, fittings and equipment—3-10 years.
- Computer equipment—3-5 years.

Interests in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. In certain circumstances, significant influence may be represented by factors other than ownership and voting rights, such as representation on the Board of Directors.

The Group's share of the profits less losses of associate undertakings net of tax, interest and non-controlling interests is included in the combined income statement and the Group's share of net assets is shown within interests in associates in the combined balance sheet. The Group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the Group.

The Group assesses the carrying value of its associate undertakings to determine if any impairment has occurred. Where this indicates that an investment may be impaired, the Group applies the requirements of IAS 36 in assessing the carrying amount of the investment. This process includes comparing its recoverable amount with its carrying value.

The Group accounts for joint venture investments under the equity method, consistent with the Group's treatment of associates.

Other Investments

The Group has adopted IFRS 9 Financial Instruments from 1 January 2018 which resulted in the movements in fair value of certain equity investments previously designated as 'available-for-sale' being designated as fair value through other comprehensive income or fair value through profit or loss. Movements in fair value through profit or loss are recorded in the combined income statement within revaluation of financial instruments.

Accrued and Deferred Income

Accrued income is a contract asset and is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement.

In certain cases, payments are received from customers prior to satisfaction of performance obligations and recognised as deferred income. These balances are considered contract liabilities and are typically related to prepayments for third party expenses that are incurred shortly after billing.

Trade Receivables and Work in Progress

Trade receivables are stated net of provisions for bad and doubtful debts. The Group has adopted IFRS 9 Financial Instruments from 1 January 2018 which requires an expected loss method of impairment of financial assets to be used. The implementation of this did not have a material impact on the Group.

The Group has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but recognises a loss allowance based on the financial asset's lifetime expected credit loss. The Group measures expected credit losses based on the ageing of the receivable, based on the Group's historical experience and informed credit assessment. The Group considers a loss allowance to be required for 50% of all invoices aged 180 days to 1 year and 100% of all invoices aged over 1 year, with adjustments where there is specific information to indicate that recoverability of the balance is likely. Further credit losses are recognised where the Group has information that indicates it is unlikely to recover balances in full.

Further details on provisions for bad and doubtful debts are provided in note 12.

Work in progress includes outlays incurred on behalf of clients, including production costs, and other third-party costs that have not yet been billed and are considered receivables under IFRS 15 Revenue from Contracts with Customers.

Liabilities in Respect of Option Agreements

Option agreements that allow the Group's equity partners to require the Group to purchase a non-controlling interest are treated as derivatives over equity instruments and are recorded in the combined balance sheet initially at the present value of the redemption amount in accordance with IAS 32 Financial Instruments: Presentation and subsequently measured at fair value in accordance with IFRS 9 Financial Instruments. The movement in the fair value is recognised as income or expense within revaluation of financial instruments, in the combined income statement.

Derecognition of Financial Liabilities

In accordance with IFRS 9 Financial Instruments, a financial liability of the Group is only released to the combined income statement when the underlying legal obligation is extinguished.

Debt

Interest-bearing debt is recorded at the proceeds received, net of direct issue costs.

Borrowing Costs

Finance costs of borrowings are recognised in the combined income statement over the term of those borrowings.

Revenue Recognition

The Group is a leading worldwide data investment management organisation offering national and multinational clients a comprehensive range of data investment management services. The terms of local, regional, and global contracts can vary to meet client needs and regulatory requirements. Consistent with the industry, contracts are typically short-term in nature and tend to be cancellable by either party with 90 days notice. The Group is generally entitled to payment for work performed to date.

The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days. Revenue comprises fees earned in respect of amounts billed and is stated exclusive of VAT, sales taxes and trade discounts. Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients, predominantly data collection costs. Costs to obtain a contract are typically expensed as incurred as the contracts are generally short-term in nature.

In most instances, promised services in a contract are not considered distinct or represent a series of services that are substantially the same with the same pattern of transfer to the customer and, as such, are accounted for as a single performance obligation. However, where there are contracts with services that are capable of being distinct, are distinct within the context of the contract, and are accounted for as separate performance obligations, revenue is allocated to each of the performance obligations based on relative standalone selling prices.

Revenue is recognised when a performance obligation is satisfied, in accordance with the terms of the contractual arrangement. Typically performance obligations are satisfied over-time as services are rendered. Revenue recognised over-time is based on the proportion of the level of service performed. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. For most fee arrangements, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these arrangements is labour. There is normally a direct relationship between costs incurred and the proportion of the contract performed to date. In other circumstances, relevant output measures such as the achievement of any project milestones stipulated in the contract is used to assess proportional performance.

The amount of revenue recognised depends on whether we act as an agent or as a principal. Certain arrangements with our clients are such that our responsibility is to arrange for a third party to provide a specified good or service to the client. In these cases we are acting as an agent as we do not control the relevant good or service before it is transferred to the client. When we act as an agent, the revenue recorded is the net amount retained. Costs incurred with external suppliers are excluded from revenue and recorded as work in progress until billed.

The Group acts as principal when we control the specified good or service prior to transfer. When the Group acts as a principal, the revenue recorded is the gross amount billed. Billings related to out-of-pocket costs such as travel are also recognised at the gross amount billed with a corresponding amount recorded as an expense.

Revenue for services is typically recognised over-time based on input measures. For certain performance obligations, output measures such as the percentage of interviews completed, percentage of reports delivered to a client and the achievement of any project milestones stipulated in the contract are used to measure progress.

While most of the studies provided in connection with the Group's contracts are undertaken in response to an individual client's or group of clients' specifications, in certain instances a study may be developed as an off-the-shelf product offering sold to a broad client base. For these transactions, revenue is recognised when the product is delivered. When the terms of the transaction provide for licensing the right to access a product on a subscription basis, revenue is recognised over the subscription period typically on a straight-line basis.

Taxation

Corporate taxes are payable on taxable profits at current rates. The tax expense represents the sum of the tax currently payable and deferred tax.

The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and estimable, liabilities are classified as current. Any interest and penalties accrued are included in income taxes both in the combined income statement and balance sheet. Where the final outcome of such matters differs from the amount recorded, any differences may impact the income tax and deferred tax provisions in the period in which the final determination is made.

The tax laws that apply to the Group may be amended by the relevant tax authorities. Such potential amendments are regularly monitored and adjustments are made to the Group's tax liabilities and deferred tax assets and liabilities where necessary. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the combined income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences unless specifically excepted by IAS 12 Income Taxes. Deferred tax is charged or credited in the combined income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or other assets and liabilities (other than in a business combination) in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on enacted or substantively enacted legislation.

Retirement Benefit Costs

The Group accounts for retirement benefit costs in accordance with IAS 19: Employee Benefits.

For defined contribution plans, contributions are charged to the combined income statement as payable in respect of the accounting period.

For defined benefit plans the amounts charged to operating profit are the current service costs, past service costs, administrative expenses and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the combined income statement when the related plan amendment occurs. Net interest expense is calculated by applying the discount rate to the recognised overall surplus or deficit in the plan.

Actuarial gains and losses are recognised immediately in the combined statement of comprehensive income.

Where defined benefit plans are funded, the assets of the plan are held separately from those of the Group, in separate independently managed funds. Pension plan assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Recognition of a surplus in a defined benefit plan is limited based on the economic gain the Group is expected to benefit from in the future by means of a refund or reduction in future contributions to the plan, in accordance with IAS 19.

Provisions for Liabilities and Charges

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. These include provisions for vacant space, sub-let losses and other property-related liabilities. Also included are other provisions, such as certain long-term employee benefits and legal claims, where the likelihood of settlement is considered probable.

Finance Leases

Assets held under finance leases are recognised as assets of the Group at the inception of the lease at the lower of their fair value and the present value of the minimum lease payments. Depreciation on leased assets is charged to the combined income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the combined income statement as it is incurred.

Operating Leases

Operating lease rentals are charged to the combined income statement on a straight-line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

Translation of Foreign Currencies

Foreign currency transactions arising from normal trading activities are recorded at the rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the year-end exchange rate. Foreign currency gains and losses are credited or charged to the combined income statement as they arise.

The income statements of overseas subsidiary undertakings are translated into pounds sterling at average exchange rates and the year-end net assets of these companies are translated at year-end exchange rates.

Exchange differences arising from retranslation of the opening net assets are reported in the combined statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Hyperinflation in Argentina

During 2018, Argentina was designated as a hyperinflationary economy and the financial statements of the Group’s subsidiaries in Argentina have been adjusted for the effects of inflation in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies.

IAS 29 requires that the income statement is adjusted for inflation in the period and translated at the year end foreign exchange rate and that non-monetary assets and liabilities on the balance sheet are restated to reflect the change in purchasing power caused by inflation from the date of initial recognition. This resulted in an increase in goodwill of £2.1 million. The impact on other non-monetary assets and liabilities and the impact on the Group’s combined income statement in the year were immaterial.

Share-based Payments

The Group issues equity-settled share-based payments (including share options) to certain employees and accounts for these awards in accordance with IFRS 2 Share-Based Payment. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Details regarding the fair value of equity settled share-based transactions are set out in note 16.

The fair value determined at the grant date is recognised in the combined income statement as an expense on a straight-line basis over the relevant vesting period, based on the Group’s estimate of the number of shares that will ultimately vest and adjusted for the effect of non-market-based vesting conditions.

Critical Judgements and Estimation Uncertainty in Applying Accounting Policies

Management is required to make key decisions and judgements whilst acknowledging there is estimation uncertainty in the process of applying the Group’s accounting policies. These estimates and judgements are reviewed on an ongoing basis. Where judgement has been applied or estimation uncertainty exists, the key factors taken into consideration are disclosed in the accounting policies and the appropriate note in these financial statements.

The most significant areas of estimation uncertainty include:

- *Goodwill*: The discounted cash flow methodology employed by the Group when testing for goodwill impairment requires estimates regarding revenue growth, operating margins, discount rates and working capital requirements. Further details of the methodology, discount rates and long-term growth rates are set out in note 8.

- *Payments due to vendors (earnout agreements) and liabilities in respect of put options*: Estimates are required regarding growth rates in deriving future financial performance and discount rates to be applied when measuring the liabilities for earnouts and put options. Further details on growth rates and discount rates and the sensitivity to these estimates are set out in note 19.

- *Provision for post-employment benefits*: Estimates are required in the accounting for defined benefit pension plans, including establishing discount rates, rates of increase in salaries and pensions in payment, inflation and mortality assumptions. These estimates are made by management based on the advice of qualified advisors. Details of the assumptions used and the sensitivity of the benefit obligation to these assumptions are set out in note 17.

The most significant areas of judgements include:

- *Revenue recognition*: Judgement is required regarding the timing of recognition, particularly in assessing progress on performance obligations where revenue is recognised over time. Further details are set out above.

- *Taxation*: Judgement is required in relation to the level of provisions required and the amount of taxes that will be due, particularly given the many countries in which the Group operates. Where the final tax outcome is different from the amounts recorded then such differences may expose the Group to additional tax liabilities or impact the carrying value of deferred tax assets, which would affect the future tax charge. Judgements have also been applied with respect to accounting for the carve out. Firstly, benefits received from wider WPP Group entities in the form of tax losses have been excluded from the tax reconciliation, to present the entity on a standalone basis. Secondly, no deferred tax balances have been recorded for unremitted profits in overseas subsidiaries given these financial statements present an aggregation of entities, with uncertainty as to how and when profits will be repatriated post disposal. Further details are set out in note 6.

2 Costs of Services and General and Administrative Costs

	2018 £m	2017 £m	2016 £m
Costs of services	2,183.3	2,233.6	2,204.3
General and administrative costs	263.3	188.2	217.8
	2,446.6	2,421.8	2,422.1

Costs of services and general and administrative costs include:

	Notes	2018 £m	2017 £m	2016 £m
Staff costs	4	1,247.4	1,285.7	1,237.4
Establishment costs		118.1	123.3	121.9
Data collection pass-through costs		661.1	688.6	708.3
Other costs of services and general and administrative costs		420.0	324.2	354.5
Total costs of services and general and administrative costs[1]		2,446.6	2,421.8	2,422.1
Other costs of services and general and administrative costs include:				
Investment write-downs		—	4.2	—
Restructuring and transformation costs		33.7	2.0	21.4
Amortisation and impairment of acquired intangible assets	8	75.6	54.5	53.0
Amortisation of other intangible assets	8	18.3	16.8	17.4
Depreciation of property, plant and equipment		37.3	41.8	42.6
Losses/(gains) on sale of property, plant and equipment		0.2	(0.3)	0.4
Losses/(gains) on disposal of investments and subsidiaries		2.3	(30.3)	(9.6)

	Notes	2018 £m	2017 £m	2016 £m
Losses on remeasurement of equity interests arising from a change in scope of ownership		—	—	0.9
Net foreign exchange (gains)/losses		(0.1)	4.7	(4.2)

Note

1 Costs of services and general and administrative costs include £48.2 million (2017: £53.0 million, 2016: £45.0 million) of WPP head office costs allocated to the Group.

In 2018, operating profit includes credits totalling £5.0 million (2017: £3.7 million, 2016: £1.8 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2017. Further details of the Group's approach to acquisition reserves, as required by IFRS 3 Business Combinations, are given in note 20.

In 2018, restructuring and transformation costs of £33.7 million comprise £25.0 million of restructuring costs and £8.7 million of transformation costs with respect to strategic initiatives like co-locations in major cities, IT transformation and shared services. In the fourth quarter of 2018, £21.7 million of restructuring and transformation costs were incurred in relation to the strategic review of the WPP Group's operations, including the Group, as outlined in the WPP Group's Investor Day on 11 December 2018. As part of that review, restructuring actions have been taken to right-size underperforming businesses, address high cost severance markets and simplify operational structures. The remaining £12.0 million primarily relates to restructuring costs recorded in the first half of 2018.

In 2017 and 2016, restructuring and transformation costs of £2.0 million and £21.4 million respectively, predominantly comprise severance costs arising from a structural assessment of certain of the Group's operations, primarily in the mature markets.

Gains on disposal of investments and subsidiaries in 2017 include £28.1 million in relation to the sale of the Group's minority interest in InfoScout to Vista Equity Partners.

Operating Lease Rentals:

	2018 £m	2017 £m	2016 £m
Land and buildings	69.6	73.4	73.6
Sublease income	(2.0)	(2.1)	(0.4)
	67.6	71.3	73.2
Plant and machinery	1.3	1.5	1.0
	68.9	72.8	74.2

Such operating lease rentals exclude any intergroup leasing where no formal lease agreements exist.

Minimum Committed Annual Rentals

Amounts payable in 2019 under leases will be as follows:

	Plant and machinery			Land and buildings		
	2019 £m	2018 £m	2017 £m	2019 £m	2018 £m	2017 £m
In respect of operating leases which expire:						
— within one year	0.5	1.0	0.7	13.3	14.3	9.2
— within two to five years	1.5	1.3	1.3	44.9	26.1	33.7
— after five years	—	—	—	13.5	15.6	16.3
	2.0	2.3	2.0	71.7	56.0	59.2

Future minimum annual amounts payable under all lease commitments in existence at 31 December 2018 are as follows:

	Minimum gross rental payments £m	Less lease related costs £m	Minimum net rental payments £m	Less sub-let rentals £m	Net payment £m
Year ending 31 December					
2019	73.7	(1.2)	72.5	(4.1)	68.4
2020	40.5	(1.1)	39.4	(1.3)	38.1
2021	32.5	(0.6)	31.9	(0.7)	31.2
2022	22.6	(0.2)	22.4	(0.5)	21.9
2023	17.3	(0.1)	17.2	(0.2)	17.0
Later years	19.6	(0.2)	19.4	—	19.4
	206.2	(3.4)	202.8	(6.8)	196.0

3 Share of Results of Associates

Share of results of associates include:

	2018 £m	2017 £m	2016 £m
Share of profit before interest and taxation	17.9	20.3	17.6
Share of exceptional (losses)/gains	(0.1)	0.1	(1.0)
Share of interest and non-controlling interests	0.2	(0.2)	(0.1)
Share of taxation	(5.1)	(4.7)	(4.1)
	12.9	15.5	12.4

4 Our People

Our staff numbers averaged 27,831 for the year ended 31 December 2018 against 28,206 in 2017 and 28,819 in 2016. Their geographical distribution was as follows:

	2018	2017	2016
North America	2,869	2,934	3,249
UK	3,436	3,395	3,440
Western Continental Europe	5,508	5,620	5,689
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	16,018	16,257	16,441
	27,831	28,206	28,819

At the end of 2018 staff numbers were 27,908 (2017: 27,761; 2016: 28,496).

Staff costs include:

	Notes	2018 £m	2017 £m	2016 £m
Wages and salaries		881.4	898.1	857.5
Cash-based incentive plans		7.9	20.2	16.9
Share-based incentive plans	16	6.5	6.8	8.1
Social security costs		138.7	140.3	134.3
Pension costs	17	29.8	30.8	29.9

	Notes	2018 £m	2017 £m	2016 £m
Severance		7.8	3.4	3.6
WPP head office costs allocation		26.1	25.3	26.0
Other staff costs[1]		149.2	160.8	161.1
Total staff costs		1,247.4	1,285.7	1,237.4

Note

[1] Freelance and temporary staff costs are included in other staff costs.

Included above are charges of £0.9 million (2017: £1.3 million, 2016: £1.6 million) for share-based incentive plans in respect of key management personnel.

5 Finance Income, Finance Costs and Revaluation of Financial Instruments

Finance income includes:

	Notes	2018 £m	2017 £m	2016 £m
Interest income		8.8	7.7	5.6
		8.8	7.7	5.6

Finance costs include:

		2018 £m	2017 £m	2016 £m
Net interest expense on pension plan liabilities	17	0.8	0.9	1.0
Interest on other long-term employee benefits		0.5	0.6	—
Interest expense and similar charges[1]		15.8	14.2	16.7
		17.1	15.7	17.7

Revaluation of financial instruments include:

	2018 £m	2017 £m	2016 £m
Movements in fair value of treasury instruments	(1.2)	0.8	(2.6)
Revaluation of investments held at fair value through profit or loss	0.3	—	—
Revaluation of put options over non-controlling interests	—	1.0	(2.4)
Revaluation of payments due to vendors	4.4	16.5	11.3
	3.5	18.3	6.3

Note

[1] Interest expense and similar charges are payable on bank overdrafts and other borrowings held at amortised cost.

6 Taxation

The tax rate on reported profit before tax was 34.9% (2017: 32.4%; 2016: 32.0%).

The tax charge comprises:

	2018 £m	2017 £m	2016 £m
Corporation tax			
Current year	68.0	123.3	99.1
Prior years	0.1	6.5	(7.5)
	68.1	129.8	91.6

	2018 £m	2017 £m	2016 £m
Deferred tax			
Current year	(6.4)	(25.0)	(4.4)
Prior years	1.4	2.8	(1.0)
	(5.0)	(22.2)	(5.4)
Tax charge	63.1	107.6	86.2

The tax charge for the year can be reconciled to profit before taxation in the combined income statement as follows:

	2018 £m	2017 £m	2016 £m
Profit before taxation	181.0	332.0	269.6
Tax at the corporation tax rate of 19.0%[1]	34.3	63.9	53.9
Tax effect of share of results of associates	(2.5)	(3.0)	(2.5)
Irrecoverable withholding taxes	7.0	5.4	5.6
Items that are not deductible in determining taxable profit	5.2	2.9	6.2
Effect of different tax rates in subsidiaries operating in other jurisdictions	17.2	41.8	29.7
US Transition Tax related to unremitted foreign earnings[2]	(2.7)	8.0	—
Effect of change in US tax rate on deferred tax balances[2]	—	(22.5)	—
Origination and reversal of unrecognised temporary differences	2.4	1.7	1.7
Tax losses not recognised or utilised in the year	2.4	—	—
Utilisation of tax losses not previously recognised	(1.3)	—	—
Recognition of temporary differences not previously recognised	(0.4)	0.2	0.1
Net release of prior year provisions in relation to acquired businesses	(0.7)	(0.7)	(0.7)
Other prior year adjustments	2.2	9.9	(7.8)
Tax charge	63.1	107.6	86.2
Effective tax rate on profit before tax	34.9%	32.4%	32.0%

Notes

1 As the Group is subject to the tax rates of more than one country, it has chosen to present its reconciliation of the tax charge using the UK corporation tax rate of 19% (2017: 19.25%, 2016: 20%).

2 On 22 December 2017, The Tax Cuts and Jobs Act was enacted in the US which reduced the federal tax rate from 35% to 21% from 1 January 2018. As a result, deferred tax assets and liabilities were revalued, at the end of 2017, leading to a non-cash credit to the income statement in 2017 of £22.5 million, partially offset by a one-time deemed repatriation tax charge related to unremitted foreign earnings of £5.3 million (2017 estimated Transition Tax of £8.0 million was adjusted in 2018 following further clarification of the rules), payable over 8 years.

3 The tax charge includes £12.5m (2017: £58.8m, 2016: £52.2m) in respect of transactions with the WPP group, which represent payments made to the parent company on behalf of the combined group and payment for the use of tax losses of the WPP group.

Factors Affecting the Tax Charge in Future Years

Factors that may affect the Group's future tax charge include the levels and mix of profits in the many countries in which we operate, the prevailing tax rates in each of those countries and also the foreign exchange rates that apply to those profits. The future tax charge may also be affected by the impact of acquisitions, disposals and other corporate restructurings, the resolution of open tax issues, changes in local or international tax rules and the ability to use brought forward tax losses.

The Group has a number of open tax returns and various ongoing tax audits worldwide but does not currently expect material additional tax exposures to arise, above the amounts provided, as and when the audits are concluded. Liabilities relating to these open and judgemental matters are based upon estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts which were initially recorded then such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Tax Risk Management

The WPP Group manages the tax strategy for the Group. The WPP Group maintains constructive engagement with the tax authorities and relevant government representatives, as well as active engagement with a wide range of international companies and business organisations with similar issues. The WPP Group engages advisors and legal counsel to obtain opinions on tax legislation and principles. The WPP Group has a Tax Risk Management Strategy in place which sets out the controls established and the assessment procedures for decision-making and how to monitor tax risk. The WPP Group monitor proposed changes in taxation legislation and ensure these are taken into account when we consider future business plans. The WPP Group directors are informed by management of any tax law changes, the nature and status of any significant ongoing tax audits, and other developments that could materially affect the Group's tax position.

7 Analysis of Cash Flows

Net cash from operating activities:

	2018 £m	2017 £m	2016 £m
Operating profit	172.9	306.2	263.0
Adjustments for:			
Non-cash share-based incentive plans (including share options)	6.5	6.8	8.1
Depreciation of property, plant and equipment	37.3	41.8	42.6
Amortisation and impairment of acquired intangible assets	75.6	54.5	53.0
Amortisation of other intangible assets	18.3	16.8	17.4
Investment write-downs	—	4.2	—
Losses/(gains) on disposal of investments and subsidiaries	2.3	(30.3)	(9.6)
Losses on remeasurement of equity interests arising from a change in scope of ownership	—	—	0.9
Losses/(gains) on sale of property, plant and equipment	0.2	(0.3)	0.4
WPP head office costs allocation	48.2	53.0	45.0
Gains transferred to parent	(15.7)	(15.7)	(18.2)
Operating cash flow before movements in working capital and provisions	345.6	437.0	402.6
Decrease/(increase) in trade receivables and accrued income	1.1	29.2	(37.6)
(Increase)/decrease in other receivables	(17.4)	(8.8)	2.7
(Decrease)/increase in trade payables and deferred income	(1.0)	23.6	(9.0)
Decrease in other payables—short term	(3.3)	(32.9)	(40.9)
Increase/(decrease) in other payables—long term	18.7	(3.9)	27.0
(Decrease)/increase in provisions	(11.6)	(13.0)	13.0
Cash generated by operations	332.1	431.2	357.8
Corporation and overseas tax paid	(51.0)	(50.3)	(45.5)
Interest and similar charges paid	(13.9)	(11.7)	(12.5)
Interest received	9.5	7.7	5.4
Dividends from associates	5.5	15.0	10.1
Net cash inflow from operating activities	282.2	391.9	315.3

The following tables analyse the items included within the main cash flow headings on page 5:

Acquisitions and Disposals:

	2018 £m	2017 £m	2016 £m
Initial cash consideration	—	(5.0)	(10.7)
Net cash and cash equivalents acquired/disposed (including transfers)	—	0.5	(0.6)
Earnout payments	(0.2)	(9.5)	—
Purchase of other investments (including associates)	—	(5.3)	—
Proceeds on disposal of investments and subsidiaries	—	2.4	31.0
Acquisitions and disposals	(0.2)	(16.9)	19.7
Cash consideration for non-controlling interests	(0.4)	(0.1)	(7.4)
Net cash (outflow)/inflow	(0.6)	(17.0)	12.3

Cash and Cash Equivalents:

	2018 £m	2017 £m	2016 £m
Cash and short-term deposits	546.1	576.2	587.2
Overdrafts[1]	(402.2)	(408.2)	(446.9)
Cash and cash equivalents at end of the year	143.9	168.0	140.3

The Group considers that the carrying amount of cash and cash equivalents approximates its fair value.

Net funds:

	2018 £m	2017 £m	2016 £m
Cash and short-term deposits	546.1	576.2	587.2
Bank overdrafts	(402.2)	(408.2)	(446.9)
Loans receivable	1,463.7	1,341.4	1,157.4
Loans payable	(809.6)	(866.4)	(741.5)
	798.0	643.0	556.2

Loans receivable and loans payable represent intercompany loans with other WPP Group companies including loans resulting from intergroup cash pooling arrangements. These are treated as part of the WPP Group and Group financing arrangements.

Notes

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

[2] Loans payable includes £56.4 million preference shares payable to other WPP Group companies which have been classified as debt under IAS 32 Financial Instruments: Presentation.

8 Intangible Assets

Goodwill

The movements in 2018, 2017 and 2016 were as follows:

	£m
Cost:	
1 January 2016	2,368.6
Additions[1]	25.5

	£m
Revision of earnout estimates	(1.7)
Exchange adjustments	374.3
31 December 2016	**2,766.7**
Additions[1]	5.1
Revision of earnout estimates	(0.6)
Exchange adjustments	(64.5)
31 December 2017	**2,706.7**
Additions[1]	(0.7)
Revision of earnout estimates	(0.1)
Exchange adjustments	9.1
31 December 2018	**2,715.0**
Accumulated impairment losses and write-downs:	
1 January 2016	150.1
Exchange adjustments	13.7
31 December 2016	**163.8**
Exchange adjustments	(3.3)
31 December 2017	**160.5**
Exchange adjustments	0.8
31 December 2018	**161.3**
Net book value:	
31 December 2018	**2,553.7**
31 December 2017	**2,546.2**
31 December 2016	**2,602.9**
1 January 2016	2,218.5

Note

[1] Additions represent goodwill arising on the acquisition of subsidiary undertakings including the effect of any revisions to fair value adjustments that has been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations. The effect of such revisions was not material in the period presented. Goodwill arising on the acquisition of associate undertakings is shown within interests in associates and joint ventures in note 10.

Other Intangible Assets

The movements in 2018, 2017 and 2016 were as follows:

	Acquired intangibles £m	Other £m	Total £m
Cost:			
1 January 2016	908.6	71.9	980.5
Additions	—	19.2	19.2
Disposals	—	(10.1)	(10.1)
New acquisitions	6.9	—	6.9
Other movements[1]	(0.8)	5.2	4.4
Exchange adjustments	70.2	21.7	91.9
31 December 2016	**984.9**	**107.9**	**1,092.8**
Additions	—	17.3	17.3
Disposals	—	(4.4)	(4.4)
New acquisitions	1.5	—	1.5
Other movements[1]	0.3	0.6	0.9
Exchange adjustments	(17.2)	(6.8)	(24.0)
31 December 2017	**969.5**	**114.6**	**1,084.1**
Additions	—	26.3	26.3

	Acquired intangibles £m	Other £m	Total £m
Disposals	—	(10.5)	(10.5)
Other movements[1]	—	(2.7)	(2.7)
Exchange adjustments	(10.5)	2.0	(8.5)
31 December 2018	**959.0**	**129.7**	**1,088.7**
Amortisation and impairment:			
1 January 2016	628.0	32.5	660.5
Charge for the year	53.0	17.4	70.4
Disposals	(0.4)	(10.2)	(10.6)
Other movements[1]	—	5.7	5.7
Exchange adjustments	12.3	12.2	24.5
31 December 2016	**692.9**	**57.6**	**750.5**
Charge for the year	54.5	16.8	71.3
Disposals	—	(4.4)	(4.4)
Other movements[1]	—	(0.3)	(0.3)
Exchange adjustments	(7.4)	(3.4)	(10.8)
31 December 2017	**740.0**	**66.3**	**806.3**
Charge for the year	75.6	18.3	93.9
Disposals	—	(9.9)	(9.9)
Other movements[1]	—	(1.5)	(1.5)
Exchange adjustments	(3.1)	1.3	(1.8)
31 December 2018	**812.5**	**74.5**	**887.0**
Net book value:			
31 December 2018	**146.5**	**55.2**	**201.7**
31 December 2017	**229.5**	**48.3**	**277.8**
31 December 2016	**292.0**	**50.3**	**342.3**
1 January 2016	280.6	39.4	320.0

Note

[1] Other movements in acquired intangibles include revisions to fair value adjustments arising on the acquisition of subsidiary undertakings that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations.

Acquired intangible assets at net book value at 31 December 2018 include brand names of £83.0 million (2017: £134.8 million, 2016: £155.5 million), customer-related intangibles of £61.3 million (2017: £86.5 million, 2016: £118.2 million) and other assets (including proprietary tools) of £2.2 million (2017: £8.2 million, 2016: £18.3 million).

The total amortisation and impairment of acquired intangible assets of £75.6 million (2017: £54.5 million, 2016: £53.0 million) includes £0.4 million (2017: £1.0 million, 2016: £0.8 million) in relation to associates.

In accordance with the Group's accounting policy, the carrying values of goodwill are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The impairment review is undertaken annually on 30 September. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows, using a pre-tax discount rate of 9.0% (2017: 8.5%, 2016: 8.5%) and management forecasts for a projection period of up to five years, followed by an assumed annual long-term growth rate of 3.0% (2017: 3.0%, 2016: 3.0%) and no assumed improvement in operating margin. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry.

Under IFRS, an impairment charge is required for both goodwill and other indefinite-lived assets when the carrying amount exceeds the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use. There was no goodwill impairment charge recorded for the years ended 2018, 2017 or 2016.

Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, appropriate discount rates and working capital requirements. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. The key assumptions take account of the businesses' expectations for the projection period. These expectations consider the macroeconomic environment, industry and market conditions, the unit's historical performance and any other circumstances particular to the unit, such as business strategy and client mix.

These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of cash-generating unit identified for impairment testing and the criteria used to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss. Changes in our business activities or structure may also result in changes to the level of testing in future periods. Further, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Group's financial condition and results of operations.

Historically our impairment losses have resulted from a specific event, condition or circumstance in one of our companies, such as the loss of a significant client. As a result, changes in the assumptions used in our impairment model have not had a significant effect on the impairment charges recognised and a reasonably possible change in assumptions would not lead to a significant impairment. The carrying value of goodwill and other intangible assets will continue to be reviewed at least annually for impairment and adjusted down to the recoverable amount if required.

9 Property, Plant and Equipment

The movements in 2018, 2017 and 2016 were as follows:

	Land £m	Freehold buildings £m	Leasehold buildings £m	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
Cost:						
1 January 2016	2.7	25.0	66.7	107.1	214.1	415.6
Additions	—	—	8.2	10.3	22.9	41.4
New acquisitions	—	—	2.0	0.9	5.4	8.3
Disposals	—	0.3	(7.9)	(10.9)	(26.5)	(45.0)
Exchange adjustments	0.3	2.1	10.3	7.4	32.6	52.7
31 December 2016	**3.0**	**27.4**	**79.3**	**114.8**	**248.5**	**473.0**
Additions	—	0.2	12.3	6.5	18.2	37.2
New acquisitions	—	—	—	—	0.1	0.1
Disposals	—	(0.2)	(5.0)	(9.7)	(18.3)	(33.2)
Exchange adjustments	—	0.6	(4.2)	(1.5)	(7.6)	(12.7)
31 December 2017	**3.0**	**28.0**	**82.4**	**110.1**	**240.9**	**464.4**
Additions	—	—	5.6	9.6	19.1	34.3
New acquisitions	—	—	—	0.7	0.3	1.0
Disposals	(0.1)	0.3	(8.7)	(7.2)	(16.7)	(32.4)
Exchange adjustments	(0.1)	(5.2)	4.7	3.1	(2.1)	0.4
31 December 2018	**2.8**	**23.1**	**84.0**	**116.3**	**241.5**	**467.7**
Depreciation:						
1 January 2016	—	14.3	37.5	70.3	171.5	293.6
Charge for the year	—	1.1	7.2	8.2	26.1	42.6
Disposals	—	—	(6.7)	(9.6)	(22.1)	(38.4)
Exchange Adjustments	—	1.3	7.8	10.1	20.8	40.0
31 December 2016	**—**	**16.7**	**45.8**	**79.0**	**196.3**	**337.8**
Charge for the year	—	3.3	7.7	7.8	23.0	41.8
Disposals	—	(0.2)	(4.6)	(7.9)	(18.0)	(30.7)

	Land £m	Freehold buildings £m	Leasehold buildings £m	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
Exchange Adjustments	—	—	(1.1)	(1.3)	(4.2)	(6.6)
31 December 2017	**—**	**19.8**	**47.8**	**77.6**	**197.1**	**342.3**
Charge for the year	—	1.2	8.2	7.5	20.4	37.3
Disposals	—	—	(7.8)	(6.4)	(16.3)	(30.5)
Exchange Adjustments	—	(5.7)	6.1	2.8	(1.0)	2.2
31 December 2018	**—**	**15.3**	**54.3**	**81.5**	**200.2**	**351.3**
Net book value:						
31 December 2018	**2.8**	**7.8**	**29.7**	**34.8**	**41.3**	**116.4**
31 December 2017	**3.0**	**8.2**	**34.6**	**32.5**	**43.8**	**122.1**
31 December 2016	**3.0**	**10.7**	**33.5**	**35.8**	**52.2**	**135.2**
1 January 2016	2.7	10.7	29.2	36.8	42.6	122.0

At the end of the year, capital commitments contracted, but not provided for, in respect of property, plant and equipment were £1.4 million (2017: £11.6 million, 2016: £3.7 million). The increase in 2017 is due to a number of significant property developments in North America.

10 Interests in Associates, Joint Ventures and Other Investments

The movements in 2018, 2017 and 2016 were as follows:

	Interests in associates and joint ventures £m	Other investments £m
1 January 2016	86.4	3.4
Additions	8.6	—
Share of results of associate undertakings (note 3)	12.4	—
Dividends	(10.5)	—
Exchange adjustments	12.8	0.4
Disposals	(0.4)	—
Reclassification to subsidiaries	0.2	—
Revaluation of other investments	—	2.0
Amortisation of other intangible assets	(0.8)	—
31 December 2016	**108.7**	**5.8**
Additions	11.4	—
Share of results of associate undertakings (note 3)	15.5	—
Dividends	(15.8)	—
Exchange adjustments	(2.7)	(0.6)
Disposals	(9.3)	—
Revaluation of other investments	—	4.4
Amortisation of other intangible assets	(1.0)	—
Write-downs	(4.2)	—
31 December 2017	**102.6**	**9.6**
Share of results of associate undertakings (note 3)	12.9	—
Dividends	(6.2)	—
Other movements	(0.7)	—
Exchange adjustments	0.9	—
Revaluation of other investments through profit or loss	—	0.3
Revaluation of other investments through other comprehensive income	—	1.9
Amortisation of other intangible assets	(0.4)	—
31 December 2018	**109.1**	**11.8**

The investments included above as ‘other investments’ represent investments in equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices. For unlisted securities, where market value is not available, the Group has estimated relevant fair values on the basis of publicly available information from outside sources.

The carrying values of the Group’s associates and joint ventures are reviewed for impairment in accordance with the Group’s accounting policies.

The Group’s principal associates and joint ventures at 31 December 2018 included:

2018	% owned	Country of incorporation
CTR Market Research Company Limited	46.0	China
CVDM Solutions SAS	25.1	France
CVSC Sofres Media Co Limited	40.0	China
IBOPE Inteligencia Pesquisa e Consultoria Ltda.	41.7	Brazil
IBOPE Media Mexico	46.6	Mexico
Marktest Investimentos SGPS S.A.	40.0	Portugal
Nielsen IBOPE Puerto Rico, Inc	46.6	Puerto Rico
Tam Media Research Private Limited................	50.0	India
TNS Media Vietnam Co., Ltd	50.1	Vietnam

The Group’s investments in its principal associate undertakings are represented by ordinary shares.

Summarised Financial Information

The following tables present a summary of the aggregate financial performance and net asset position of the Group’s associate undertakings and joint ventures. These have been estimated and converted, where appropriate, to an IFRS presentation based on information provided by the relevant companies at 31 December 2018.

	2018 £m	2017 £m	2016 £m
Income statement			
Revenue...	313.1	333.4	277.3
Operating profit..	36.9	39.4	25.7
Profit before taxation	36.2	36.9	22.4
Profit for the year..	30.7	28.8	15.1

	2018 £m	2017 £m	2016 £m
Balance sheet			
Assets..	268.2	234.3	355.2
Liabilities..	(102.6)	(86.7)	(84.2)
Net assets	165.6	147.6	271.0

The application of equity accounting is ordinarily discontinued when the investment is reduced to zero and additional losses are not provided for unless the investor has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee.

At the end of the year, there were no capital commitments contracted, but not provided for in respect of interests in associates and other investments (2017: £nil, 2016: £nil).

11 Deferred Tax

The Group's deferred tax assets and liabilities are measured at the end of each period in accordance with IAS 12 Income Taxes. The recognition of deferred tax assets is determined by reference to the Group's estimate of recoverability, using models where appropriate to forecast future taxable profits.

Deferred tax assets have only been recognised for territories where the Group considers that it is probable that all or a portion of the deferred tax asset will be realised. The main factors that we consider include:

- the future earnings potential determined through the use of internal forecasts;
- the cumulative losses in recent years;
- the various jurisdictions in which the potential deferred assets arise;
- the history of losses carried forward and other tax assets expiring;
- the timing of future reversal of taxable temporary differences;
- the expiry period associated with the deferred tax assets; and
- the nature of the income that can be used to realise the deferred tax asset.

If it is probable that some portion of these assets will not be realised, then no asset is recognised in relation to that portion.

If market conditions improve and future results of operations exceed our current expectations, our existing recognised deferred tax asset may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate further or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realisable. As a result, all or a portion of the deferred tax asset may need to be reversed.

Certain deferred tax assets and liabilities have been offset as they relate to the same tax group. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Gross 2018 £m	Offset 2018 £m	As reported 2018 £m	Gross 2017 £m	Offset 2017 £m	As reported 2017 £m	Gross 2016 £m	Offset 2016 £m	As reported 2016 £m
Deferred tax assets............	61.7	(19.9)	41.8	69.1	(26.4)	42.7	82.4	(35.0)	47.4
Deferred tax liabilities..........	(86.6)	19.9	(66.7)	(94.9)	26.4	(68.5)	(134.5)	35.0	(99.5)
	(24.9)	—	(24.9)	(25.8)	—	(25.8)	(52.1)	—	(52.1)

The following are the major gross deferred tax assets recognised by the Group and movements thereon in 2018, 2017 and 2016:

	Deferred compensation £m	Accounting provisions & accruals £m	Retirement benefit obligations £m	Property, plant & equipment £m	Tax losses & credits £m	Share-based payments £m	Restructuring provisions £m	Other temporary differences £m	Total £m
1 January 2016 ..	4.5	15.7	15.6	13.5	1.7	3.1	13.9	(0.5)	67.5
Acquisition of subsidiaries....	—	—	—	—	—	—	—	3.0	3.0
Credit/(charge) to income	1.9	3.6	0.2	—	(0.3)	(0.3)	(5.4)	(0.5)	(0.8)
Charge to other comprehensiv e income	—	—	0.6	—	—	—	—	—	0.6
Exchange differences	1.1	4.3	2.9	0.2	0.5	0.3	2.5	0.3	12.1

	Deferred compensation £m	Accounting provisions & accruals £m	Retirement benefit obligations £m	Property, plant & equipment £m	Tax losses & credits £m	Share-based payments £m	Restructuring provisions £m	Other temporary differences £m	Total £m
31 December 2016	**7.5**	**23.6**	**19.3**	**13.7**	**1.9**	**3.1**	**11.0**	**2.3**	**82.4**
Acquisition of subsidiaries	—	—	—	—	—	—	—	0.2	0.2
Credit/(charge) to income	5.2	(2.0)	(0.8)	1.5	(1.5)	(0.4)	(4.3)	(2.2)	(4.5)
Impact of US tax reform	(3.8)	(1.0)	(2.5)	0.3	—	(0.3)	(0.7)	0.9	(7.1)
Charge to other comprehensive income	—	—	(0.9)	—	—	—	—	—	(0.9)
Charge to equity	—	—	—	—	—	(0.8)	—	—	(0.8)
Exchange differences	(0.4)	0.9	(0.1)	0.1	0.1	(0.1)	(0.7)	—	(0.2)
31 December 2017	**8.5**	**21.5**	**15.0**	**15.6**	**0.5**	**1.5**	**5.3**	**1.2**	**69.1**
(Charge)/credit to income	(4.1)	—	(0.6)	(2.3)	0.7	(0.7)	1.6	(0.3)	(5.7)
Charge to other comprehensive income	—	—	(1.0)	—	—	—	—	—	(1.0)
Exchange differences	—	(0.2)	—	(0.1)	—	(0.1)	(0.1)	(0.2)	(0.7)
31 December 2018	**4.4**	**21.3**	**13.4**	**13.2**	**1.2**	**0.7**	**6.8**	**0.7**	**61.7**

Other temporary differences comprise a number of items including tax deductible goodwill, none of which is individually significant to the Group's combined balance sheet. At 31 December 2018 the balance related to temporary differences in relation to revenue adjustments, tax deductible goodwill, fair value adjustments, and other temporary differences.

In addition, the Group has recognised the following gross deferred tax liabilities and movements thereon in 2018, 2017 and 2016:

	Brands and other intangibles £m	Associate earnings £m	Goodwill £m	Total £m
1 January 2016	59.7	4.9	56.6	121.2
Acquisition of subsidiaries	2.2	—	—	2.2
(Credit)/charge to income	(15.1)	1.5	7.2	(6.4)
Exchange differences	8.2	—	9.3	17.5
31 December 2016	**55.0**	**6.4**	**73.1**	**134.5**
Acquisition of subsidiaries	0.2	—	—	0.2
(Credit)/charge to income	(12.4)	(0.9)	8.9	(4.4)
Impact of US tax reform	(2.7)	—	(26.9)	(29.6)
Exchange differences	(0.3)	—	(5.5)	(5.8)
31 December 2017	**39.8**	**5.5**	**49.6**	**94.9**
(Credit)/charge to income	(17.8)	0.2	6.9	(10.7)
Exchange differences	(0.1)	—	2.5	2.4
31 December 2018	**21.9**	**5.7**	**59.0**	**86.6**

At the balance sheet date, the Group has gross tax losses and other temporary differences of £313.9 million (2017: £344.5 million, 2016: £344.0 million) available for offset against future profits. Deferred tax assets have been recognised in respect of the tax benefit of £246.8 million (2017: £276.7 million, 2016: £298.5 million) of such tax losses and other temporary differences. No deferred tax asset has been recognised in respect of the remaining £67.1 million (2017: £67.8 million, 2016: £45.5 million) of losses and other temporary differences as the Group considers that there will not be enough taxable profits in the entities concerned such that any additional asset could be considered recoverable. Included in the total unrecognised temporary differences are losses of £2.4 million (2017: £12.6 million, 2016: £8.4 million) that will expire within 1–10 years, and £64.6 million (2017: £55.2 million, 2016: £37.0 million) of losses that may be carried forward indefinitely. Furthermore, no amount has been included in respect of deferred tax costs associated with the remittance of profits of subsidiaries. These financial statements have been prepared on the basis of note 1 Basis of Consolidation with no parent entity, hence it is not possible to quantify the deferred tax cost associated with the remittance of profits of the Group's subsidiaries.

12 Trade and Other Receivables

The following are included in trade and other receivables:

Amounts Falling due within One Year:

	2018 £m	2017 £m	2016 £m
Trade receivables (net of bad debt provisions)	649.7	643.4	661.4
Work in progress	1.8	5.0	7.7
VAT and sales taxes recoverable	10.7	5.8	5.3
Prepayments	47.1	41.7	37.8
Accrued income	167.4	157.7	185.7
Other debtors	70.9	64.9	54.5
	947.6	918.5	952.4

The ageing of trade receivables and other financial assets by due date is as follows:

			Past due but not impaired				
	Carrying amount at 31 December 2018 £m	Neither past due nor impaired £m	0 – 30 days £m	31 – 90 days £m	91 – 180 days £m	181 days – 1 year £m	Greater than 1 year £m
Trade receivables	649.7	451.1	105.0	73.8	19.3	0.4	0.1
Other financial assets	78.5	55.3	6.8	1.2	1.4	1.5	12.3
	728.2	506.4	111.8	75.0	20.7	1.9	12.4

			Past due but not impaired				
	Carrying amount at 31 December 2017 £m	Neither past due nor impaired £m	0 – 30 days £m	31 – 90 days £m	91 – 180 days £m	181 days – 1 year £m	Greater than 1 year £m
Trade receivables	643.4	365.4	163.2	86.6	22.9	2.3	3.0
Other financial assets	74.1	47.5	9.8	1.1	0.9	1.9	12.9
	717.5	412.9	173.0	87.7	23.8	4.2	15.9

			Past due but not impaired				
	Carrying amount at 31 December 2016 £m	Neither past due nor impaired £m	0 – 30 days £m	31 – 90 days £m	91 – 180 days £m	181 days – 1 year £m	Greater than 1 year £m
Trade receivables	661.4	408.2	152.8	73.3	19.8	5.3	2.0
Other financial assets	63.5	32.6	8.2	1.4	1.1	2.8	17.4
	724.9	440.8	161.0	74.7	20.9	8.1	19.4

Other financial assets are included in other debtors.

Past due amounts are not impaired where collection is still considered likely.

Included within trade receivables are amounts due from the WPP Group of £38.7 million (2017: £28.6 million, 2016: £31.3 million). These amounts are assumed to be neither past due nor impaired, are recoverable in full and not subject to impairment testing.

Amounts Falling due After more than One Year:

	2018 £m	2017 £m	2016 £m
Prepayments	0.4	0.2	0.2
Accrued income	0.7	0.2	3.1
Other debtors	9.0	11.4	12.7
	10.1	11.8	16.0

The Group has applied the practical expedient permitted by IFRS 15 to not disclose the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) as of the end of the reporting period as contracts typically have an original expected duration of a year or less.

Bad Debt Provisions:

	2018 £m	2017 £m	2016 £m
Balance at beginning of year	8.9	8.2	9.1
New acquisitions	0.6	0.2	—
Charged to the income statement	6.5	4.0	2.0
Released to the income statement	(0.5)	(1.6)	(2.4)
Exchange adjustments	(0.2)	(0.3)	1.1
Utilisations and other movements	(6.1)	(1.6)	(1.6)
Balance at end of year	9.2	8.9	8.2

The allowance for bad and doubtful debts is equivalent to 1.4% (2017: 1.4%, 2016: 1.2%) of gross trade accounts receivable.

The requirement to use an expected loss method of impairment of financial assets on adoption of IFRS 9 on 1 January 2018 did not have a material impact on the Group. The Group has applied the simplified approach to measuring expected credit losses, as permitted by IFRS 9, and recognises a loss allowance based on the financial asset's lifetime expected credit loss. Based on the aging of the invoice, the loss allowance at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) is as follows:

	£m	0 – 90 days £m	91 – 180 days £m	181 days – 1 year £m	Over 1 year £m
31 December 2018					
Gross trade receivables	658.9	603.4	44.9	6.4	4.2
Loss allowance	9.2	0.3	0.6	4.1	4.2
Expected loss rate	1.4%	0.0%	1.3%	64.1%	100.0%
1 January 2018					
Gross trade receivables	652.3	596.8	42.3	5.8	7.4
Loss allowance	8.9	1.0	0.2	3.5	4.2
Expected loss rate	1.4%	0.2%	0.5%	60.3%	56.8%

Impairment losses on work in progress and accrued income were immaterial for the years presented.

The Group considers that the carrying amount of trade and other receivables approximates their fair value.

13 Trade and Other Payables: Amounts Falling Due Within One Year

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

	2018 £m	2017 £m	2016 £m
Trade payables	326.9	343.8	311.0
Deferred income	218.1	189.6	216.0
Payments due to vendors (earnout agreements)	1.2	5.2	24.3
Liabilities in respect of put option agreements with vendors	8.3	0.6	2.0
Other creditors and accruals	394.6	379.8	425.8
	949.1	919.0	979.1

Included within trade payables are amounts due to the WPP Group of £64.7 million (2017: £60.3 million, 2016: £57.3 million). The Group considers that the carrying amount of trade and other payables approximates their fair value.

14 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:

	2018 £m	2017 £m	2016 £m
Payments due to vendors (earnout agreements)	9.4	13.5	26.5
Liabilities in respect of put option agreements with vendors	17.4	0.3	3.8
Other creditors and accruals	21.7	21.2	20.0
	48.5	35.0	50.3

The Group considers that the carrying amount of trade and other payables approximates their fair value.

The following tables sets out payments due to vendors, comprising deferred consideration and the directors' best estimates of future earnout-related obligations:

	2018 £m	2017 £m	2016 £m
Within one year	1.2	5.2	24.3
Between one and two years	9.4	1.8	7.1
Between two and three years	—	11.7	3.2
Between three and four years	—	—	16.2
Over four years	—	—	—
	10.6	18.7	50.8

	2018 £m	2017 £m	2016 £m
At the beginning of the year	18.7	50.8	35.7
Earnouts paid (note 7)	(0.2)	(9.5)	—
New acquisitions	0.1	—	26.4
Revision of estimates taken to goodwill (note 8)	(0.1)	(0.6)	(1.7)
Revaluation of payments due to vendors (note 5)	(4.4)	(16.5)	(11.3)
Transactions with parent	(2.7)	(4.5)	(5.6)
Exchange adjustments	(0.8)	(1.0)	7.3
At the end of the year	10.6	18.7	50.8

As of 31 December 2018, the potential undiscounted amount of future payments that could be required under the earnout agreements for acquisitions completed in the current year and for all earnout agreements were £nil (2017: £nil, 2016: range from £nil to £27 million) and range from £nil to £167 million

(2017: £nil to £171 million, 2016: £nil to £215 million), respectively. The decrease in the maximum potential undiscounted amount of future payments for all earnout agreements is due to earnout arrangements that have completed and payments made on active arrangements during the year.

15 Provisions for Liabilities and Charges

The movements in 2018, 2017 and 2016 were as follows:

	Property £m	Other £m	Total £m
1 January 2016	15.3	25.4	40.7
Charged to the income statement	0.6	4.3	4.9
Acquisitions[1]	0.2	0.3	0.5
Utilised	—	(5.5)	(5.5)
Released to the income statement	(0.8)	(3.1)	(3.9)
Transfers	(1.9)	1.3	(0.6)
Exchange adjustments	3.1	6.6	9.7
31 December 2016	**16.5**	**29.3**	**45.8**
Charged to the income statement	0.1	6.3	6.4
Acquisitions[1]	—	0.6	0.6
Utilised	(0.5)	(3.0)	(3.5)
Released to the income statement	(1.6)	(3.8)	(5.4)
Transfers	0.4	(4.6)	(4.2)
Exchange adjustments	(0.8)	(1.3)	(2.1)
31 December 2017	**14.1**	**23.5**	**37.6**
Charged to the income statement	0.9	4.5	5.4
Acquisitions[1]	0.1	—	0.1
Utilised	(0.3)	(3.2)	(3.5)
Released to the income statement	(3.9)	(3.2)	(7.1)
Transfers	(0.2)	(0.7)	(0.9)
Exchange adjustments	(0.4)	0.8	0.4
31 December 2018	**10.3**	**21.7**	**32.0**

Note

[1] Acquisitions include £0.1 million (2017: £0.5 million, 2016: £0.6 million) of provisions arising from revisions to fair value adjustments related to the acquisition of subsidiary undertakings that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations.

The Group's entities are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings and claims will have a material adverse effect on the Group's financial position or on the results of its operations.

16 Share-Based Payments

Charges for share-based incentive plans over continuing operations were as follows:

	2018 £m	2017 £m	2016 £m
Share-based payments	6.5	6.8	8.1

Share-based payments comprise charges for stock options and restricted stock awards to employees of the Group. All share options and restricted stock awards are over the share capital of WPP plc.

Restricted Stock Plans

The Group operates a number of equity-settled share incentive schemes, in most cases satisfied by the delivery of stock from one of the Group's ESOP Trusts. The most significant current schemes are as follows:

Executive Performance Share Plan (EPSP)

This scheme is intended to reward and incentivise the most senior executives of the Group. The performance period is five complete financial years, commencing with the financial year in which the award is granted. The vest date will usually be in the March following the end of the five-year performance period. Vesting is conditional on continued employment throughout the vesting period.

There are three performance criteria, each constituting one-third of the vesting value, and each measured over this five-year period:

(i) TSR against a comparator group of companies. Threshold performance (equating to ranking in the 50th percentile of the comparator group) will result in 20% vesting of the part of the award dependent on TSR. The maximum vest of 100% will arise if performance ranks in the 90th percentile, with a sliding scale of vesting for performance between threshold and maximum.

(ii) Headline diluted earnings per share. Threshold performance (7% compound annual growth) will again result in a 20% vest. Maximum performance of 14% compound annual growth will give rise to a 100% vest, with a sliding vesting scale for performance between threshold and maximum.

(iii) Return on equity (ROE). Average annual ROE defined as headline diluted EPS divided by the balance sheet value per share of shareholders' equity. Threshold performance ranges between 10–14% average annual ROE and maximum performance ranges between 14–18%, with a sliding scale in between. Threshold again gives rise to a 20% vest, 100% for maximum, with a sliding scale in between.

Performance Share Awards (PSA)

Grants of restricted stock under PSA are dependent upon annual performance targets, typically based on one or more of: operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement, and vest two years after grant date provided the individual concerned is continually employed by the Group throughout this time.

Leaders, Partners and High Potential Group

This scheme provides annual grants of restricted stock to 400 key executives of the Group. Vesting is conditional on continued employment over the three-year vesting period.

Valuation Methodology

For all of these schemes, the valuation methodology is based upon fair value on grant date, which is determined by the market price on that date or the application of a Black-Scholes model, depending upon the characteristics of the scheme concerned. The assumptions underlying the Black-Scholes model are detailed below, including details of assumed dividend yields. Market price on any given day is obtained from external, publicly available sources.

	2018	2017	2016
Weighted average assumptions:			
UK Risk-free interest rate	0.78%	0.57%	0.44%
US Risk-free interest rate	2.74%	2.05%	1.60%
Expected life (months)	48	48	48
Expected volatility	24%	17%	16%
Dividend yield	3.5%	2.9%	2.8%

Market/Non-Market Conditions

Most share-based plans are subject to non-market performance conditions, such as margin or growth targets, as well as continued employment. LEAP III and EPSP schemes are subject to a number of performance conditions, including TSR, a market-based condition.

For schemes without market-based performance conditions, the valuation methodology above is applied and, at each year end, the relevant accrual for each grant is revised, if appropriate, to take account of any changes in estimate of the likely number of shares expected to vest.

For schemes with market-based performance conditions, the probability of satisfying these conditions is assessed at grant date through a statistical model (such as the Monte Carlo Model) and applied to the fair value. This initial valuation remains fixed throughout the life of the relevant plan, irrespective of the actual outcome in terms of performance. Where a lapse occurs due to cessation of employment, the cumulative charge taken to date is reversed.

As the share based payments are immaterial to the Group no further disclosure is provided.

17 Provision for Post-Employment Benefits

Companies within the Group operate a large number of pension plans, the forms and benefits of which vary with conditions and practices in the countries concerned. The Group's pension costs are analysed as follows:

	2018 £m	2017 £m	2016 £m
Defined contribution plans	25.1	26.6	27.0
Defined benefit plans charge to operating profit	4.7	4.2	2.9
Pension costs (note 4)	29.8	30.8	29.9
Net interest expense on pension plan liabilities (note 5)	0.8	0.9	1.0
	30.6	31.7	30.9

Defined Benefit Plans

The pension costs are assessed in accordance with the advice of local independent qualified actuaries. The latest full actuarial valuations for the various pension plans were carried out at various dates in the last three years. These valuations have been updated by the local actuaries to 31 December 2018.

The Group's policy is to close existing defined benefit plans to new members. This has been implemented across a significant number of the pension plans.

Contributions to funded plans are determined in line with local conditions and practices. Contributions in respect of unfunded plans are paid as they fall due. The total contributions (for funded plans) and benefit payments (for unfunded plans) paid for 2018 amounted to £8.1 million (2017: £7.1 million, 2016: £4.6 million). Employer contributions and benefit payments in 2019 are expected to be approximately £2.8 million.

(a) Assumptions

There are a number of areas in pension accounting that involve estimates made by management based on advice of qualified advisors. These include establishing the discount rates, rates of increase in salaries and pensions in payment, inflation, and mortality assumptions. The main weighted average assumptions used for the actuarial valuations at 31 December are shown in the following table:

	2018 % pa	2017 % pa	2016 % pa
UK			
Discount rate[1]	2.6	2.4	2.6
Rate of increase in salaries[2]	n/a	n/a	3.5
Rate of increase in pensions in payment	n/a	3.5	3.4

	2018 % pa	2017 % pa	2016 % pa
Inflation	3.5	2.6	2.7
North America			
Discount rate[1]	4.2	3.5	4.0
Rate of increase in salaries	3.0	1.6	3.0
Western Continental Europe			
Discount rate[1]	2.2	2.1	1.9
Rate of increase in salaries	2.5	1.7	1.6
Rate of increase in pensions in payment	0.6	0.6	0.8
Inflation	1.8	1.8	1.8
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe			
Discount rate[1]	5.1	3.7	3.7
Rate of increase in salaries	5.2	4.7	4.9
Inflation	3.5	4.0	4.0

Notes

1 Discount rates are based on high-quality corporate bond yields. In countries where there is no deep market in corporate bonds, the discount rate assumption has been set with regard to the yield on long-term government bonds.

2 The salary assumptions are no longer applicable to the UK plans as the plans were frozen since 2017. Active participants will not accrue additional benefits for future services under these plans.

For the Group's pension plans, the plans' assets are invested with the objective of being able to meet current and future benefit payment needs, while controlling balance sheet volatility and future contributions. Pension plan assets are invested with a number of investment managers, and assets are diversified among equities, bonds, insured annuities, property and cash or other liquid investments. The primary use of bonds as an investment class is to match the anticipated cash flows from the plans to pay pensions. The Group is invested in high-quality corporate and government bonds which share similar risk characteristics and are of equivalent currency and term to the plan liabilities. Various insurance policies have also been bought historically to provide a more exact match for the cash flows, including a match for the actual mortality of specific plan members. These insurance policies effectively provide protection against both investment fluctuations and longevity risks. The strategic target allocation varies among the individual plans.

Management considers the types of investment classes in which the pension plan assets are invested. The types of investment classes are determined by economic and market conditions and in consideration of specific asset class risk.

Management periodically commissions detailed asset and liability studies performed by third-party professional investment advisors and actuaries that generate probability-adjusted expected future returns on those assets. These studies also project the estimated future pension payments and evaluate the efficiency of the allocation of the pension plan assets into various investment categories.

At 31 December 2018, the life expectancies underlying the value of the accrued liabilities for the main defined benefit pension plans operated by the Group were as follows:

Years life expectancy after age 65	All plans	North America	UK	Western Continental Europe	Other[1]
— current pensioners (at age 65)—male	21.6	22.1	23.2	21.5	18.1
— current pensioners (at age 65)—female	24.2	23.6	24.3	24.3	22.9
— future pensioners (current age 45)—male	23.9	23.7	24.8	24.0	18.1
— future pensioners (current age 45)—female	26.4	25.2	26.1	26.6	22.9

Note

1 Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

The life expectancies after age 65 at 31 December 2017 were 22.1 years and 24.4 years for male and female current pensioners (at age 65) respectively, and 24.1 years and 26.3 years for male and female future pensioners (current age 45), respectively.

The life expectancies after age 65 at 31 December 2016 were 22.3 years and 24.6 years for male and female current pensioners (at age 65) respectively, and 24.5 years and 26.8 years for male and female future pensioners (current age 45), respectively.

In the determination of mortality assumptions, management uses the most up-to-date mortality tables available in each country.

The following table provides information on the weighted average duration of the defined benefit pension obligations and the distribution of the timing of benefit payments for the next 10 years. The duration corresponds to the weighted average length of the underlying cash flows.

	All plans	North America	UK	Western Continental Europe	Other[1]
Weighted average duration of the defined benefit obligation (years)	17.5	11.3	13.1	19.6	7.9
Expected benefit payments over the next 10 years					
Benefits expected to be paid within 12 months	6.4	0.8	0.7	2.9	2.0
Benefits expected to be paid in 2020	4.6	0.9	0.1	2.6	1.0
Benefits expected to be paid in 2021	5.0	1.1	0.3	2.7	0.9
Benefits expected to be paid in 2022	5.1	1.0	0.0	2.6	1.5
Benefits expected to be paid in 2023	5.6	1.0	0.0	3.2	1.4
Benefits expected to be paid in the next five years	31.8	4.9	0.0	18.6	8.3

Note

[1] Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of plan assets.

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant so that interdependencies between the assumptions are excluded. The methodology applied is consistent with that used to determine the recognised defined benefit obligation. The sensitivity analysis for inflation is not shown as it is an underlying assumption to build the pension and salary increase assumptions. Changing the inflation assumption on its own without changing the salary or pension assumptions will not result in a significant change in pension liabilities.

	Increase/(decrease) in benefit obligation		
Sensitivity analysis of significant actuarial assumptions	**2018 £m**	**2017 £m**	**2016 £m**
Discount rate			
Increase by 25 basis points			
UK	—	(1.7)	(1.7)
North America	(0.4)	(0.5)	(0.5)
Western Continental Europe	(5.0)	(5.3)	(5.8)
Other[1]	(0.1)	(0.2)	(0.2)
Decrease by 25 basis points			
UK	—	1.8	1.8
North America	0.4	0.5	0.5
Western Continental Europe	5.4	5.7	6.2
Other[1]	0.4	0.2	0.2
Rate of increase in salaries			
Increase by 25 basis points			
Western Continental Europe	0.5	0.6	0.6
Other[1]	0.4	0.2	0.2
Decrease by 25 basis points			

Sensitivity analysis of significant actuarial assumptions	Increase/(decrease) in benefit obligation 2018 £m	2017 £m	2016 £m
Western Continental Europe	(0.5)	(0.6)	(0.6)
Other[1]	—	(0.2)	(0.1)
Rate of increase in pensions in payment			
Increase by 25 basis points			
UK	—	1.6	1.4
Western Continental Europe	3.3	4.1	4.7
Decrease by 25 basis points			
UK	—	(1.6)	(1.3)
Western Continental Europe	(3.1)	(3.8)	(4.3)
Life expectancy			
Increase in longevity by one additional year			
UK	—	1.9	2.0
North America	0.2	0.2	0.2
Western Continental Europe	2.7	2.8	3.0

Note

[1] Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

(b) Assets and Liabilities

At 31 December, the fair value of the assets in the pension plans, and the assessed present value of the liabilities in the pension plans are shown in the following table:

	2018 £m	%	2017 £m	%	2016 £m	%
Equities	5.7	5.2	6.5	4.2	10.4	6.7
Bonds	23.1	21.0	22.2	14.5	57.0	36.8
Insured annuities	2.1	1.9	50.2	32.7	—	—
Cash	5.4	4.9	1.3	0.8	12.6	8.1
Other	73.6	67.0	73.5	47.8	74.8	48.4
Total fair value of assets	109.9	100.0	153.7	100.0	154.8	100.0
Present value of liabilities	(144.4)		(194.1)		(199.4)	
Deficit in the plans	(34.5)		(40.4)		(44.6)	
Irrecoverable surplus	(0.9)		(1.0)		(1.0)	
Net liability[1]	(35.4)		(41.4)		(45.6)	
Plans in surplus	2.5		2.0		2.6	
Plans in deficit	(37.9)		(43.4)		(48.2)	

Note

[1] The related deferred tax asset is discussed in note 11.

All plan assets have quoted prices in active markets with the exception of insured annuities and other assets.

Surplus/(Deficit) in Plans by Region

	2018 £m	2017 £m	2016 £m
UK	1.3	1.8	1.7
North America	(0.1)	(5.4)	(5.6)
Western Continental Europe	(24.4)	(26.2)	(30.2)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	(11.3)	(10.6)	(10.5)
Deficit in the plans	(34.5)	(40.4)	(44.6)

Some of the Group's defined benefit plans are unfunded (or largely unfunded) by common custom and practice in certain jurisdictions. In the case of these unfunded plans, the benefit payments are made as and when they fall due. Pre-funding of these plans would not be typical business practice.

The following table shows the split of the deficit at 31 December 2018 between funded and unfunded pension plans.

	2018 Surplus/ (deficit) £m	2018 Present value of liabilities £m	2017 Surplus/ (deficit) £m	2017 Present value of liabilities £m	2016 Surplus/ (deficit) £m	2016 Present value of liabilities £m
Funded plans by region						
UK	(1.3)	1.2	(1.8)	49.4	(1.7)	50.8
North America	—	15.5	5.1	16.2	5.4	17.4
Western Continental Europe	2.6	89.1	3.9	90.8	9.1	94.6
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	3.2	8.6	3.1	7.6	3.3	8.1
Deficit/liabilities in the funded plans	4.5	114.4	10.3	164.0	16.1	170.9
Unfunded plans by region						
North America	0.1	0.1	0.3	0.3	0.2	0.2
Western Continental Europe	21.8	21.8	22.3	22.3	21.1	21.1
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	8.1	8.1	7.5	7.5	7.2	7.2
Deficit/liabilities in the unfunded plans	30.0	30.0	30.1	30.1	28.5	28.5
Deficit/liabilities in the plans	34.5	144.4	40.4	194.1	44.6	199.4

In accordance with IAS 19 (amended), plans that are wholly or partially funded are considered funded plans.

(c) Pension Expense

The following table shows the breakdown of the pension expense between amounts charged to operating profit, amounts charged to finance costs and amounts recognised in the combined statement of comprehensive income (OCI):

	2018 £m	2017 £m	2016 £m
Service cost[1]	3.5	3.6	2.2
Administrative expenses	1.2	0.6	0.7
Charge to operating profit	4.7	4.2	2.9
Net interest expense on pension plans	0.8	0.9	1.0
Charge to profit before taxation for defined benefit plans	5.5	5.1	3.9
Return on plan assets (excluding interest income)	(5.9)	(6.6)	16.9
Changes in demographic assumptions underlying the present value of the plan liabilities	1.5	1.8	0.4

	2018 £m	2017 £m	2016 £m
Changes in financial assumptions underlying the present value of the plan liabilities	6.6	5.1	(21.5)
Experience gain arising on the plan liabilities	1.6	2.5	1.1
Change in irrecoverable surplus	0.1	—	0.1
Actuarial gain/(loss) recognised in OCI	3.9	2.8	(3.0)

Note

1 Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments.

(d) Movement in Plan Liabilities

The following table shows an analysis of the movement in the pension plan liabilities for each accounting period:

	2018 £m	2017 £m	2016 £m
Plan liabilities at the beginning of the year	194.1	199.4	158.8
Service cost[1]	3.5	3.6	2.2
Interest cost	4.5	4.6	5.3
Actuarial (gain)/loss			
Effect of changes in demographic assumptions	(1.5)	(1.8)	(0.4)
Effect of changes in financial assumptions	(6.6)	(5.1)	21.5
Effect of experience adjustments	(1.6)	(2.5)	(1.1)
Benefits paid	(6.3)	(6.9)	(6.5)
Loss due to exchange rate movements	2.4	2.2	20.0
Settlements payments[2]	(44.5)	—	—
Other[3]	0.4	0.6	(0.4)
Plan liabilities at end of year	144.4	194.1	199.4

Notes

1 Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments.

2 In 2018, the Group completed the transfer of the defined benefit obligations for certain UK plans to an insurer resulting in £44.5 million settlement payments.

3 Other includes acquisitions, disposals, plan participants’ contributions and reclassifications. The reclassifications represent certain of the Group’s defined benefit plans which are included in this note for the first time in the periods presented.

(e) Movement in Plan Assets

The following table shows an analysis of the movement in the pension plan assets for each accounting period:

	2018 £m	2017 £m	2016 £m
Fair value of plan assets at beginning of the year	153.7	154.8	123.0
Interest income on plan assets	3.7	3.7	4.3
Return on plan assets (excluding interest income)	(5.8)	(6.5)	16.9
Employer contributions	8.1	7.1	4.6
Benefits paid	(6.3)	(6.9)	(6.5)
Gain due to exchange rate movements	1.8	2.2	13.1
Settlement payments[1]	(44.5)	—	—
Administrative expenses	(1.2)	(0.7)	(0.8)
Other[2]	0.4	—	0.2
Fair value of plan assets at end of year	109.9	153.7	154.8
Actual return on plan assets	(2.1)	(2.8)	21.2

Notes

[1] In 2018, the Group completed the transfer of the defined benefit obligations for certain UK plans to an insurer resulting in £44.5 million settlement payments.

[2] Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

18 Risk Management Policies

Foreign Currency Risk

The Group's results in pounds sterling are subject to fluctuation as a result of exchange rate movements. The Group does not hedge this translation exposure to its earnings but does hedge the currency element of its net assets using foreign currency borrowings, cross-currency swaps and forward foreign exchange contracts.

The Group's operations conduct the majority of their activities in their own local currency and consequently the Group has no significant transactional foreign exchange exposures arising from its operations. Any significant cross-border trading exposures are hedged by the use of forward foreign-exchange contracts. No speculative foreign exchange trading is undertaken.

Interest Rate Risk

The Group is exposed to interest rate risk on both interest-bearing assets and interest-bearing liabilities.

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 for the foreseeable future and therefore believe it is appropriate to prepare the financial statements of the Group on a going concern basis.

Given the strong cash generation of the business, its intergroup debt maturity profile and available facilities, the directors believe the Group has sufficient liquidity to match its requirements for the foreseeable future.

Credit Risk

The Group's principal financial assets are cash and short-term deposits, trade and other receivables and investments, the carrying values of which represent the Group's maximum exposure to credit risk in relation to financial assets, as shown in note 19.

The Group's credit risk is primarily attributable to its trade receivables. The majority of the Group's trade receivables are due from large national or multinational companies where the risk of default is considered low. The amounts presented in the combined balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. A relatively small number of clients make up a significant percentage of the Group's debtors, but no single client represents more than 5% of total trade receivables as at 31 December 2018.

A relatively small number of clients contribute a significant percentage of the Group's combined revenues. The Group's clients generally are able to reduce research, data and insights spending or cancel projects at any time for any reason. There can be no assurance that any of the Group's clients will continue to utilise the Group's services to the same extent, or at all, in the future. Clients can reduce their spend, terminate contracts, or cancel projects on short notice. The loss of one or more of our largest clients, if not replaced by new accounts or an increase in business from existing clients, would adversely affect our financial condition.

Sensitivity Analysis

The following sensitivity analysis addresses the effect of currency and interest rate risks on the Group's financial instruments. The analysis assumes that all hedges are highly effective.

Currency risk

At 31 December 2018, the Group's net funds are held in individual entities with the same financial reporting currencies. Therefore a weakening or strengthening of sterling against the Group's major currencies would not result in any gains or losses being posted directly to equity and there would be no profit before tax impact.

Interest rate risk

A one percentage point increase in market interest rates for all currencies in which the Group had cash and borrowings at 31 December 2018 would increase profit before tax by approximately £1.4 million (2017: £1.7 million, 2016: £1.4 million). A one percentage decrease in market interest rates would have an equal and opposite effect. This has been calculated by applying the interest rate change to the Group's variable rate cash and borrowings.

Capital Management

In the years presented the Group has participated in WPP Group banking arrangements and has had access to a WPP Group cash management facility.

19 Financial Instruments

An analysis of the Group's financial assets and liabilities by accounting classification is set out below:

Classification under IFRS 9	Held at fair value through profit or loss £m	Held at fair value through other comprehensive income £m	Amortised cost £m	Carrying value £m
2018				
Other investments	7.4	4.4	—	11.8
Loans receivable	—	—	1,463.7	1,463.7
Loans payable	—	—	(809.6)	(809.6)
Cash and short-term deposits	—	—	546.1	546.1
Bank overdrafts	—	—	(402.2)	(402.2)
Trade and other receivables: amounts falling due within one year	—	—	719.2	719.2
Trade and other receivables: amounts falling due after more than one year	—	—	9.0	9.0
Trade and other payables: amounts falling due within one year	—	—	(359.4)	(359.4)
Trade and other payables: amounts falling due after more than one year	—	—	(3.7)	(3.7)
Payments due to vendors (earnout agreements) (note 14)	(10.6)	—	—	(10.6)
Liabilities in respect of put options	(25.7)	—	—	(25.7)
	(28.9)	4.4	1,163.1	1,138.6

Classification under IAS 39	Held for trading £m	Loans & receivables £m	Available for sale £m	Amortised cost £m	Carrying value £m
2017					
Other investments	—	—	9.6	—	9.6
Loans receivable	—	1,341.4	—	—	1,341.4
Loans payable	—	(866.4)	—	—	(866.4)
Cash and short-term deposits	—	576.2	—	—	576.2

Classification under IAS 39	Held for trading £m	Loans & receivables £m	Available for sale £m	Amortised cost £m	Carrying value £m
Bank overdrafts	—	—	—	(408.2)	(408.2)
Trade and other receivables: amounts falling due within one year	—	706.2	—	—	706.2
Trade and other receivables: amounts falling due after more than one year	—	11.3	—	—	11.3
Trade and other payables: amounts falling due within one year	—	—	—	(368.5)	(368.5)
Trade and other payables: amounts falling due after more than one year	—	—	—	(2.6)	(2.6)
Payments due to vendors (earnout agreements) (note 14)	(18.7)	—	—	—	(18.7)
Liabilities in respect of put options	(0.9)	—	—	—	(0.9)
	(19.6)	1,768.7	9.6	(779.3)	979.4

Classification under IAS 39	Held for trading £m	Loans & receivables £m	Available for sale £m	Amortised cost £m	Carrying value £m
2016					
Other investments	—	—	5.8	—	5.8
Loans receivable	—	1,157.4	—	—	1,157.4
Loans payable	—	(741.5)	—	—	(741.5)
Cash and short-term deposits	—	587.2	—	—	587.2
Bank overdrafts	—	—	—	(446.9)	(446.9)
Trade and other receivables: amounts falling due within one year	—	712.2	—	—	712.2
Trade and other receivables: amounts falling due after more than one year	—	12.7	—	—	12.7
Trade and other payables: amounts falling due within one year	—	—	—	(337.2)	(337.2)
Trade and other payables: amounts falling due after more than one year	—	—	—	(1.4)	(1.4)
Payments due to vendors (earnout agreements) (note 14)	(50.8)	—	—	—	(50.8)
Liabilities in respect of put options	(5.8)	—	—	—	(5.8)
	(56.6)	1,728.0	5.8	(785.5)	891.7

The Group adopted IFRS 9 on 1 January 2018 resulting in cash and short-term deposits and trade and other receivables being reclassified from loans and receivables to amortised cost. Other investments of £9.6 million classified as available for sale at 31 December 2017 were reclassified as held at fair value through other comprehensive income (£2.6 million) and fair value through profit or loss (£7.0 million). There have been no material changes in the carrying amounts of financial assets and financial liabilities arising from the adoption of IFRS 9.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £m	Level 2 £m	Level 3 £m
2018			
Held at fair value through profit or loss			
Other investments	—	—	7.4
Payments due to vendors (earnout agreements) (note 14)	—	—	(10.6)
Liabilities in respect of put options	—	—	(25.7)
Held at fair value through other comprehensive income			
Other investments	0.5	—	3.9

	Level 1 £m	Level 2 £m	Level 3 £m
2017			
Held for trading			
Payments due to vendors (earnout agreements) (note 14)	—	—	(18.7)
Liabilities in respect of put options	—	—	(0.9)
Available for sale			
Other investments	0.9	—	8.7

	Level 1 £m	Level 2 £m	Level 3 £m
2016			
Held for trading			
Payments due to vendors (earnout agreements) (note 14)	—	—	(50.8)
Liabilities in respect of put options	—	—	(5.8)
Available for sale			
Other investments	1.3	—	4.5

There have been no transfers between these levels in the years presented.

Reconciliation of level 3 fair value measurements[1]:

	Liabilities in respect of put options £m	Other investments £m
1 January 2016	(8.3)	3.4
Additions	(2.7)	—
Losses recognised in the combined income statement	(2.4)	—
Gains recognised in the combined statement of other comprehensive income	—	2.0
Exchange adjustments	(1.0)	0.4
Settlements	8.6	—
31 December 2016	**(5.8)**	**5.8**
Gains recognised in the combined income statement	1.0	—
Gains recognised in the combined statement of other comprehensive income	—	4.4
Exchange adjustments	0.1	(0.6)
Settlements	3.8	—
31 December 2017	**(0.9)**	**9.6**
Additions	(24.8)	—
Gains recognised in the combined income statement	—	0.3
Gains recognised in the combined statement of other comprehensive income	—	1.9
31 December 2018	**(25.7)**	**11.8**

Note

[1] The reconciliation of payments due to vendors (earnout agreements) is presented in note 14.

The fair values of financial assets and liabilities are based on quoted market prices where available. Where the market value is not available, the Group has estimated relevant fair values on the basis of publicly available information from outside sources. There have been no movements between level 3 and other levels.

Payments Due to Vendors and Liabilities in Respect of Put Options

Future anticipated payments due to vendors in respect of contingent consideration (earnout agreements) are recorded at fair value, which is the present value of the expected cash outflows of the obligations. Liabilities in respect of put option agreements are initially recorded at the present value of the redemption amount in accordance with IAS 32 and subsequently measured at fair value in accordance with IFRS 9. Both types of obligations are dependent on the future financial performance of the entity and it is assumed that future profits are in line with directors' estimates. The directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition. At 31 December 2018, the weighted average growth rate in estimating future financial performance was 14.4% (2017: 28.3%, 2016: 30.0%), which reflects the prevalence of recent acquisitions in the faster-growing markets and new media sectors. The risk adjusted discount rate applied to these obligations at 31 December 2018 was 2.9% (2017: 1.8%, 2016: 1.5%).

A one percentage point increase or decrease in the growth rate in estimated future financial performance would increase or decrease the combined liabilities due to earnout agreements and put options by approximately £0.2 million (2017: £0.1 million, 2016: £0.1 million) and £0.2 million (2017: £0.1 million, 2016: £0.1 million), respectively. A 0.5 percentage point increase or decrease in the risk adjusted discount rate would decrease or increase the combined liabilities by approximately £0.3 million (2017: £0.2 million, 2016: £0.5 million) and £0.3 million (2017: £0.2 million, 2016: £0.5 million), respectively. An increase in the liability would result in a loss in the revaluation of financial instruments, while a decrease would result in a gain.

Other Investments

The fair value of other investments included in level 1 are based on quoted market prices. Other investments included in level 3 are unlisted securities, where market value is not readily available. The Group has estimated relevant fair values on the basis of publicly available information from outside sources. The sensitivity to changes in unobservable inputs is specific to each individual investment.

20 Acquisitions

The Group accounts for acquisitions in accordance with IFRS 3 Business Combinations. IFRS 3 requires the acquiree's identifiable assets, liabilities and contingent liabilities (other than non-current assets or disposal groups held for sale) to be recognised at fair value at acquisition date. In assessing fair value at acquisition date, management make their best estimate of the likely outcome where the fair value of an asset or liability may be contingent on a future event. In certain instances, the underlying transaction giving rise to an estimate may not be resolved until some years after the acquisition date. IFRS 3 requires the release to profit of any acquisition reserves which subsequently become excess in the same way as any excess costs over those provided at acquisition date are charged to profit. At each period end management assess provisions and other balances established in respect of acquisitions for their continued probability of occurrence and amend the relevant value accordingly through the combined income statement or as an adjustment to goodwill as appropriate under IFRS 3.

The following acquisitions were completed in the years presented:

- Analytics Quotient
- News Access
- Mash Strategy
- STW

Material acquisitions are discussed below.

Analytics Quotient

In 2016 the Group completed its acquisition of the business operations of Analytics Quotient, a marketing analytics company that extracts insights from data to help clients define their marketing strategies. Founded in India, Analytics Quotient employs around 400 people including offices in London, and in the US. The Group recognised £5.4 million of net liabilities and £42.6 million of goodwill in 2016 for £37.1 million of consideration for Analytics Quotient.

STW

In 2016, the WPP Group merged their Australian and New Zealand businesses with STW Communications Group Limited to create WPP AUNZ, the largest communication services parent company in the region comprising 5,500 people working across 80 companies. Certain STW Australian businesses operating in the data investment management sector became part of the Group. As such, £12.0 million of net assets and £10.8 million of goodwill recognised in 2016 for the merger is attributed to the Group for a proportional £14.6 million of consideration.

21 Related Party Transactions

The Group has a number of transactions and relationships with related parties, as defined in IAS 24 Related Party Disclosures, all of which are undertaken in the normal course of business. Transactions between the Group and its related parties are made on terms equivalent to those that prevail in arm's length transactions. All related party transactions are transactions with the WPP Group as set out below.

	2018 £m	2017 £m	2016 £m
Sales	58.2	52.8	47.2
Purchases	(12.1)	(14.9)	(4.1)
Interest income	2.7	1.0	0.3
Interest expense	(6.3)	(7.6)	(7.8)
Trade and other receivables	39.0	28.9	31.4
Trade and other payables	(81.1)	(74.8)	(69.0)
Loans receivable	1,463.7	1,341.4	1,157.4
Loans payable	(809.6)	(866.4)	(741.5)

Dividends paid to the WPP Group in 2018 were £121.6 million (2017: £77.6 million, 2016: £98.6 million).

The key management personnel of Kantar consist of members of the management board. The total compensation for key management personnel was as follows:

	2018 £m	2017 £m	2016 £m
Short-term employee benefits	5.3	4.8	5.6
Post-employment benefits	0.4	0.4	0.4
Other long term employee benefits	2.1	4.6	1.8
	7.8	9.8	7.8

22 Non-GAAP Measures of Performance

Management includes non-GAAP measures as they consider these measures to be both useful and necessary. They are used by management for internal performance analyses; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies; and these measures are useful in connection with discussions with the investment community.

Reconciliation of Revenue to Revenue Less Pass-Through Costs:

	2018 £m	2017 £m	2016 £m
Revenue	2,619.5	2,728.0	2,685.1
Data collection pass-through costs	(661.1)	(688.6)	(708.3)
Revenue less pass-through costs	1,958.4	2,039.4	1,976.8

Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients, predominantly data collection costs. These pass-through costs have to be accounted for as revenue, as well as billings. Management considers that revenue less pass-through costs gives a reflection of top-line growth.

Reconciliation of Profit Before Interest and Taxation to Headline PBIT:

	2018 £m	2017 £m	2016 £m
Profit before interest and taxation	185.8	321.7	275.4
Investment write-downs	—	4.2	—
Amortisation and impairment of acquired intangible assets	75.6	54.5	53.0
Gains/(losses) on disposal of investments and subsidiaries	2.3	(30.3)	(9.6)
Losses on remeasurement of equity interests arising from a change in scope of ownership	—	—	0.9
Restructuring and transformation costs	33.7	2.0	21.4
Share of exceptional losses/(gains) of associates	0.1	(0.1)	1.0
Headline PBIT/Headline operating profit	297.5	352.0	342.1

Headline PBIT is one of the metrics that management uses to assess the performance of the business.

Calculation of Headline EBITDA:

	2018 £m	2017 £m	2016 £m
Headline PBIT (as above)	297.5	352.0	342.1
Depreciation of property, plant and equipment	37.3	41.8	42.6
Amortisation of other intangible assets	18.3	16.8	17.4
Headline EBITDA	353.1	410.6	402.1

Headline EBITDA is a key metric that private equity firms, for example, use for valuing companies, and is one of the metrics that management uses to assess the performance of the business.

Net funds

The capital measure employed by the Group is net funds (see note 7 for reconciliation).

Independent auditor's report

Deloitte.

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23 October 2019

The Boards of Directors (the "Directors")
on behalf of Summer (BC) Holdco A S.à r.l. and
Summer (BC) Holdco B S.à r.l
4, rue Lou Hemmer
L-1748 Luxembourg-Findel
Grand Duchy of Luxembourg

Dear Sirs/Mesdames

Kantar Group (the entities comprising the Kantar business, the "Kantar Group")

We report on the financial information of the Kantar Group for the years ended 31 December 2016, 2017 and 2018 set out on the F pages of the Offering Memorandum dated 14th October 2019 of the Kantar Group (the "Offering Memorandum"). This financial information has been prepared for inclusion in the Offering Memorandum on the basis of preparation set out in note 1 to the financial information.

Responsibilities

As described in note 1 to the financial information, the Directors are responsible for the financial information, prepared on the basis of preparation set out in Note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Kantar Group's circumstances, consistently applied and adequately disclosed.

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We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Offering Memorandum, a true and fair view of the state of affairs of the Kantar Group as at 31 December 2016, 2017 and 2018 and of its profits, cash flows and changes in equity for the years ended 31 December 2016, 2017 and 2018 in accordance with the basis of preparation set out in Note 1 to the financial information.

Yours faithfully

Deloitte LLP

Deloitte LLP

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