



WPP AUNZ LIMITED

ABN 84 001 657 370

HALF YEAR FINANCIAL REPORT - 30 JUNE 2017

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by WPP AUNZ Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

WPP AUNZ LIMITED

ABN 84 001 657 370

HALF YEAR FINANCIAL REPORT - 30 JUNE 2017

CONTENTS	PAGE
Directors' Report	1-5
Auditor's Independence Declaration	6
Consolidated Statement of Profit or Loss	7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10-11
Consolidated Statement of Cash Flows	12
Notes to the Financial Statements	13-29
Directors' Declaration	30
Independent Auditor's Review Report	31-32

WPP AUNZ LIMITED

Directors' Report

Your Directors present their report on the consolidated entity consisting of WPP AUNZ Limited (“the Company”) and the entities it controlled (collectively “the Consolidated Entity” or “the Group”) at the end of, or during, the half year ended 30 June 2017. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The following persons were Directors of WPP AUNZ Limited during the half year and up to the date of this report:

Robert Mactier	(Non-executive Chairman)
Michael Connaghan	(Chief Executive Officer and Executive Director)
Paul Richardson	(Non-executive Director)
Graham Cubbin	(Non-executive Director)
Kim Anderson	(Non-executive Director)
Paul Heath	(Non-executive Director)
Ranjana Singh	(Non-executive Director)
John Steedman	(Executive Director)
Jonathan Steel	(Non-executive Director)
Geoffrey Wild AM	(Non-executive Director)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half year ended 30 June 2017 were marketing communications services. The Group provides marketing communications services for clients through various channels including television, radio, print, outdoor and digital offerings. There have been no significant changes in the nature of those activities during the period.

FINANCIAL OVERVIEW

Net revenue (total revenue excluding share of net profits from joint ventures and associates and interest income less cost of goods sold expense) for the half year ended 30 June 2017 is \$410.0 million (2016: \$306.3 million).

Headline earnings before interest, tax, depreciation and amortisation for the half year ended 30 June 2017 is \$55.7 million (2016: \$44.4 million).

The reported statutory net profit attributable to members of the Company for the half year ended 30 June 2017 is \$20.1 million (2016: \$19.6 million).

Headline net profit (as detailed on page 2) attributable to members of the Company for the half year ended 30 June 2017 is \$26.3 million (2016: \$18.8 million).

The 2016 half year results were impacted by significant gains/costs associated with the acquisition of predominately all of the Australian and New Zealand businesses of WPP plc (“Businesses”) on 8 April 2016 (“the Transaction”).

A summary of the Group's headline results for the half year ended 30 June 2017 and 30 June 2016 are below:

	2017	2016
	\$ million	\$ million
Net revenue	410.0	306.3
Operating profit	53.1	41.7
Share of net profit from joint ventures and associates	2.6	2.7
Headline EBITDA	55.7	44.4
Depreciation and amortisation	(7.2)	(5.9)
Profit before interest and tax	48.5	38.5
Net finance costs	(7.7)	(8.4)
Profit before tax	40.8	30.1
Income tax expense	(11.4)	(8.6)
Profit after tax	29.4	21.5
Non-controlling interests	(3.1)	(2.7)
Headline net profit attributable to members of the Company	26.3	18.8
	Cents	Cents
Headline earnings per share ("EPS")	3.1	3.0

A reconciliation of the Group's headline and reported statutory profit and an analysis of the significant items (after tax and non-controlling interests) impacting the Group's results are set out below:

	2017	2016
	\$ million	\$ million
Headline net profit attributable to members of the Company	26.3	18.8
Significant items, net of tax		
1. Transaction related gain	1.3	5.7
2. Other non-cash items	(0.7)	(1.0)
3. Amortisation of acquired intangibles	(6.8)	(3.6)
4. Business close down and other significant costs	-	(0.3)
Reported net profit attributable to members of the Company	20.1	19.6

SIGNIFICANT ITEMS AND OTHER NON-CASH ITEMS

The Company incurred a number of significant gains/costs relating to the Transaction and other non-cash items.

1. Transaction related gain - relates to Transaction adjustment recorded in 2017. In 2016 the gain related to costs specific to the Transaction including advisor fees, listing fees and costs associated with the restructure of debt facilities. These costs were offset by the net gain of transitioning equity accounted investments to controlled entities.

2. Other non-cash items – relate to loss on fair value adjustment of non-current liabilities (contingent cash settlement).

3. Amortisation of acquired intangibles – relates to the amortisation of identifiable intangible assets acquired as part of the Transaction in 2016.

4. Business close down and other significant costs – related to costs associated with closing down and merging selected business units in 2016.

Further details relating to significant items are included in Note 5. Significant Items.

ACQUISITION OF AUSTRALIAN AND NEW ZEALAND BUSINESSES OF WPP PLC

On 8 April 2016, shareholders of the Company approved the acquisition of predominately all of the Australian and New Zealand businesses of WPP plc ("the Transaction").

The Transaction involved the Company acquiring the Businesses from WPP plc for an enterprise value of approximately \$512 million. In return, WPP AUNZ issued 422,961,825 shares to WPP plc. Following the Transaction, WPP plc is the majority shareholder of the Company, with a shareholding of 61.5% of the issued share capital (from its pre-transaction shareholding of 23.55%).

WPP plc is one of the largest communications services businesses in the world, with over £14 billion in revenue. WPP plc is listed in London and New York, and operates from over 3,000 offices in 112 countries.

FINANCIAL HIGHLIGHTS

To provide more meaningful and comparable results, the table below presents the results of the Group on a like-for-like basis, as if all the businesses were acquired from 1 January 2016, excluding significant items incurred during the period.

The Group's results for the half year ended 30 June 2016 were materially impacted by the Transaction which was completed in April 2016. In accordance with accounting standards, the Group only brings in profits of the business units that were acquired as part of the Transaction from the acquisition date.

Key Measures	30 Jun 2017	30 Jun 2016	Change
	\$ million	\$ million	
Net revenue	410.0	407.3	0.7%
Profit before interest and tax ("PBIT")	49.1	47.2	4.1%
Net sales margin	12.0%	11.6%	0.4%
EPS (cents per share)	3.1	2.7	12.4%

Headline net revenue of \$410.0 million, up 0.7% on prior period (30 June 2016: \$407.3 million). The Group has seen net sales margin improvement due to cost synergies relating to the Transaction.

Headline PBIT (inclusive of PBIT from joint ventures and associates accounted for using equity method) of \$49.1 million, up 4.1% on the period (30 June 2016: \$47.2 million). Headline PBIT was delivered at a margin of 12.0%, an improvement on the prior period (30 June 2016: 11.6%). The Group has delivered organic growth at an improved operating margin.

PERFORMANCE BY SEGMENT

The like-for-like results can be broken down further into the Group's business segments. This provides an insight into core services provided to the Group's clients.

The performance across the segments was in line with the overall group performance. The key financial measures for each business segment are broken down in the table below:

\$AUD'M	Net revenue			Headline PBIT			Headline margin %		
	2017	2016	Change	2017	2016	Change	2017	2016	Change
Advertising and Media Investment Management	228.1	210.2	8.5%	26.8	21.7	23.3%	11.7%	10.3%	1.4%
Data Investment Management	48.6	52.2	(6.9%)	9.5	10.9	(12.7%)	19.5%	20.8%	(1.3%)
Public Relations & Public Affairs	28.6	31.3	(8.6%)	3.6	4.0	(9.3%)	12.7%	12.7%	(0.0%)
Specialist Communications	104.7	113.6	(7.8%)	9.2	10.6	(12.9%)	8.8%	9.3%	(0.5%)
Total	410.0	407.3	0.7%	49.1	47.2	4.1%	12.0%	11.6%	0.4%

CASH, GROSS DEBT AND EARNOUTS

The Company entered into a syndicated debt facility agreement (“Facility Agreement”) dated 17 March 2016. The Facility Agreement gives the Company access to debt facilities of \$520.0 million to be used for general corporate purposes. The term of the debt facility is 3 years with the Facility Agreement expiring in April 2019.

As at 30 June 2017, the Company’s net cash balance was \$180.5 million (31 December 2016: \$87.2 million). The Company’s gross debt, finance lease liabilities and earnout liabilities were \$457.4 million (31 December 2016: \$380.4 million). The Company’s net debt position decreased to \$276.9 million at 30 June 2017 (31 December 2016: \$293.2 million), which was primarily driven by increased cash receipts offset by increase in debt.

	30 Jun 2017	31 Dec 2016
	\$ million	\$ million
Cash	180.5	87.2
Bank debt	(428.7)	(353.6)
Finance lease liabilities	(3.3)	(3.8)
Earnout liabilities	(25.4)	(23.0)
Net Debt	276.9	293.2

Earnouts liabilities

The Company structures certain acquisitions by making an up-front payment to the vendors and agreeing to make future earnout payments based on the financial performance of the acquired company. The Company sees this as an effective way to structure acquisitions as it incentivises the vendors to drive the future performance of the acquired company. As at 30 June 2017, the Company’s estimated earnout liability is \$25.4 million (31 December 2016: \$23.0 million).

	\$ million
31 December 2016	23.0
Payments made in 2017	(0.7)
Net revisions to prior earnout estimates	3.1
30 June 2017	25.4

The movement in earnout liabilities between 31 December 2016 and 30 June 2017 is driven by the net revision of prior earnout estimates due to the better than forecasted performance of companies within the Group.

Expected Maturity Profile (Calendar year)

	\$ million
2017	10.9
2018	7.5
2019+	7.0
Total	25.4

DIVIDEND PAYMENTS

Dividends paid to members of the Company during the six months were as follows:

	Cents per share	\$ million	Franking
Final 2016	3.9	33.2	100%

In addition to the above dividends, since the end of the half year, the Directors have declared the payment of a fully franked ordinary dividend of \$17.9 million (2.1 cents per fully paid ordinary share), with a record date of 26 September 2017 and payable on 3 October 2017 (2016 interim dividend: 2.1 cents per share).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 of the half year report.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that legislative instrument amounts in the Directors' Report and the half year financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the significant item outlined in Note 15 to the financial statements, there has not arisen, in the interval between the end of the financial period and the date of signing of this Directors' report, any item, transaction or event of a material or unusual nature which in the opinion of the Directors, has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity, in future periods.

Signed in accordance with a resolution of directors made pursuant to s 306(3) of the *Corporations Act 2001*.



Robert Mactier
Chairman
Sydney
25 August 2017



Michael Connaghan
Chief Executive Officer
Sydney
25 August 2017

The Board of Directors
WPP AUNZ Limited
1 Kent Street
Millers Point, NSW 2000

25 August 2017

Dear Directors,

WPP AUNZ Limited

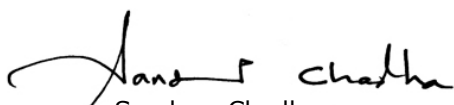
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of WPP AUNZ Limited.

As lead audit partner for the review of the financial report of WPP AUNZ Limited for the half year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU


Sandeep Chadha
Partner
Chartered Accountants

WPP AUNZ LIMITED
Consolidated Statement of Profit or Loss
For the half year ended 30 June 2017

	Notes	Consolidated	
		30 Jun 2017 \$'000	30 Jun 2016 \$'000
Revenue		470,991	353,594
Other income	3(b)	9,371	18,460
Share of net profit of joint ventures and associates accounted for using the equity method	3(a)	2,581	2,657
		482,943	374,711
Employee benefits expense		(274,768)	(200,534)
Cost of sale of goods		(60,950)	(48,920)
Occupancy costs		(23,524)	(18,650)
Depreciation and amortisation expense	4(a)	(16,856)	(10,946)
Finance costs	4(b)	(15,763)	(13,192)
Travel, training and other employee related costs		(13,842)	(11,353)
Office and administration costs		(13,714)	(11,558)
Research, new business and other commercial costs		(12,236)	(9,930)
Service fees to WPP plc	14	(10,373)	(5,566)
Compliance, audit and listing costs		(7,838)	(13,801)
Loss on fair value adjustment of contingent cash settlement	4(c)	(727)	(991)
Profit before income tax		32,352	29,270
Income tax expense	6	(9,143)	(6,884)
Profit for the period		23,209	22,386
Net profit attributable to:			
- non-controlling interests		3,099	2,741
- members of the Company		20,110	19,645
		Cents	Cents
Earnings per share:			
Basic earnings per share		2.36	3.16
Diluted earnings per share		2.36	3.16

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

WPP AUNZ LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half year ended 30 June 2017

	Consolidated	
	Half year ended	
	30 Jun 2017	30 Jun 2016
	\$'000	\$'000
Profit for the period	23,209	22,386
Other comprehensive (loss)/income		
<i>Items that may be reclassified subsequently to the Consolidated Statement of Profit or Loss</i>		
Exchange (loss)/gain arising on translation of foreign operations	(1,960)	3,532
Fair value gain on cash flow hedges taken to equity	259	219
Income tax expense relating to components of other comprehensive income	(70)	(66)
Other comprehensive (loss)/income for the period (net of tax)	(1,771)	3,685
Total comprehensive income for the period	21,438	26,071
Total comprehensive income attributable to:		
- non-controlling interests	3,028	2,920
- members of the Company	18,410	23,151

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

WPP AUNZ LIMITED
Consolidated Statement of Financial Position
As at 30 June 2017

	Notes	Consolidated	
		30 Jun 2017	31 Dec 2016 Restated*
		\$'000	\$'000
Current assets			
Cash and cash equivalents		180,479	87,167
Trade and other receivables		515,915	550,061
Inventories		9,997	12,618
Current tax assets		8,572	12,886
Other current assets		81,231	74,433
Total current assets		796,194	737,165
Non-current assets			
Other receivables		3,722	3,315
Investments accounted for using the equity method	11	23,390	22,282
Other financial assets		907	838
Plant and equipment		41,711	41,252
Deferred tax assets		30,409	35,999
Intangible assets	9	1,250,719	1,257,617
Other non-current assets		4,269	2,848
Total non-current assets		1,355,127	1,364,151
Total assets		2,151,321	2,101,316
Current liabilities			
Trade and other payables		734,915	749,300
Borrowings		1,053	1,012
Provisions		31,365	28,186
Total current liabilities		767,333	778,498
Non-current liabilities			
Other payables		23,249	23,452
Borrowings		430,995	356,390
Deferred tax liabilities		94,380	93,811
Provisions		3,269	2,740
Total non-current liabilities		551,893	476,393
Total liabilities		1,319,226	1,254,891
Net assets		832,095	846,425
Equity			
Issued capital	8	736,631	736,631
Reserves		34,412	36,052
Retained earnings		49,651	62,735
Equity attributable to members of the Company		820,694	835,418
Non-controlling interests		11,401	11,007
Total equity		832,095	846,425

* Refer to Note 1 on changes in accounting policies.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

WPP AUNZ LIMITED

Consolidated Statement of Changes in Equity

For the half year ended 30 June 2017

Consolidated	Notes	Issued Capital \$'000	Equity Settled Share-based Payment Reserve* \$'000	Transactions with Non- controlling Interests Reserve* \$'000	Brand Name Revaluation Reserve* \$'000	Interest Rate Hedge Reserve* \$'000	Foreign Currency Translation Reserve* \$'000	Retained Earnings \$'000	Total \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
At 1 January 2017		736,631	465	10,862	16,275	(343)	8,793	62,735	835,418	11,007	846,425
Net profit		-	-	-	-	-	-	20,110	20,110	3,099	23,209
Other comprehensive income		-	-	-	-	189	(1,889)	-	(1,700)	(71)	(1,771)
Total comprehensive income		-	-	-	-	189	(1,889)	20,110	18,410	3,028	21,438
Cost of share-based payments		-	60	-	-	-	-	-	60	-	60
Equity dividends provided for or paid	7	-	-	-	-	-	-	(33,194)	(33,194)	(2,634)	(35,828)
At 30 June 2017		736,631	525	10,862	16,275	(154)	6,904	49,651	820,694	11,401	832,095

*** Nature and purpose of reserves:**

- The equity settled share-based payment reserve is used to record the amortised cost of share rights granted to executives, the value of which has not been transferred to the relevant executives.
- The transactions with non-controlling interests reserve relate to transactions with non-controlling interests that do not result in a loss of control.
- The brand name revaluation reserve is used to record the net upward revaluation of acquired brand names.
- The interest rate hedge reserve is used to record the portion of the gains or losses on a hedging instrument in a hedge that is determined to be an effective cash flow hedge.
- The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled entities.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

WPP AUNZ LIMITED

Consolidated Statement of Changes in Equity (continued)

For the half year ended 30 June 2017

Consolidated	Notes	Issued Capital \$'000	Equity Settled Share- based Payment Reserve* \$'000	Transactions with Non- controlling Interests Reserve* \$'000	Brand Name Revaluation Reserve* \$'000	Interest Rate Hedge Reserve* \$'000	Foreign Currency Translation Reserve* \$'000	Retained Earnings \$'000	Total \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
At 1 January 2016		334,516	266	4,445	16,275	(701)	9,019	40,978	404,798	49,911	454,709
Net profit		-	-	-	-	-	-	19,645	19,645	2,741	22,386
Other comprehensive income		-	-	-	-	153	3,353	-	3,506	179	3,685
Total comprehensive income		-	-	-	-	153	3,353	19,645	23,151	2,920	26,071
Non-controlling interests on acquisition and disposal of controlled entities and buy-out of non-controlling interests		-	-	7,926	-	-	-	-	7,926	(40,263)	(32,337)
Issue of executive share plan shares	8	301	(301)	-	-	-	-	-	-	-	-
Issue of shares to WPP plc as part of the Transaction	8	401,814	-	-	-	-	-	-	401,814	-	401,814
Cost of share-based payments		-	500	-	-	-	-	-	500	-	500
Equity dividends provided for or paid	7	-	-	-	-	-	-	(15,399)	(15,399)	(2,569)	(17,968)
At 30 June 2016		736,631	465	12,371	16,275	(548)	12,372	45,224	822,790	9,999	832,789

*** Nature and purpose of reserves:**

- The equity settled share-based payment reserve is used to record the amortised cost of share rights granted to executives, the value of which has not been transferred to the relevant executives.
- The transactions with non-controlling interests reserve relate to transactions with non-controlling interests that do not result in a loss of control.
- The brand name revaluation reserve is used to record the net upward revaluation of acquired brand names.
- The interest rate hedge reserve is used to record the portion of the gains or losses on a hedging instrument in a hedge that is determined to be an effective cash flow hedge.
- The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled entities.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

WPP AUNZ LIMITED
Consolidated Statement of Cash Flows
For the half year ended 30 June 2017

	Consolidated	
	Half year ended	
Notes	30 Jun 2017	30 Jun 2016
	\$'000	\$'000
Cash Flows from Operating Activities		
Receipts from customers*	2,101,771	1,322,229
Payments to suppliers and employees*	(2,027,962)	(1,233,848)
Interest received	8,099	4,741
Interest and other finance costs paid	(15,405)	(12,938)
Dividends and trust distributions received from joint ventures and associates	750	508
Income taxes paid	(1,997)	(18,318)
Net cash flows from operating activities	65,256	62,374
Cash Flows from Investing Activities		
Payments for purchase of newly controlled entities, net of cash acquired	-	87,812
Proceeds from sale of equity accounted investments	2,160	-
Payments for acquisition of non-controlling interest	-	(813)
Earnout payments and intangible assets acquired	(1,698)	(7,139)
Payments for purchase of plant and equipment	(7,692)	(4,329)
(Loans to)/receipts from joint ventures and associates	(3,165)	8,941
Net cash flows (used in)/provided by investing activities	(10,395)	84,472
Cash Flows from Financing Activities		
Proceeds from borrowings	581,615	624,925
Repayment of borrowings	(506,520)	(709,117)
Dividends paid to equity holders	(33,194)	(15,399)
Dividends paid to non-controlling interests	(2,634)	(2,569)
Payments on finance leases	(448)	(430)
Net cash flows provided by/(used in) financing activities	38,819	(102,590)
Net increase in cash and cash equivalents	93,680	44,256
Effects of exchange rate changes on cash and cash equivalents	(368)	329
Cash at the beginning of the year	87,167	26,888
Cash at the end of the half year	180,479	71,473

* Receipts from customers and payments to suppliers and employees include gross media billings and payments for the period.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2017

Note 1. Significant accounting policies

Statement of Compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by WPP AUNZ Limited during the interim reporting period.

Net Working Capital

As at 30 June 2017, the consolidated statement of financial position shows current assets in excess of current liabilities by \$28.9 million (31 December 2016: current liabilities in excess of current assets by \$41.3 million). At 30 June 2017, the Company has secured loan facilities totalling \$520.0 million which expire in April 2019 (31 December 2016: \$520.0 million), of which \$428.7 million was drawn at 30 June 2017 (31 December 2016: \$353.6 million). The Company had \$91.3 million in undrawn facilities at 30 June 2017 (31 December 2016: \$166.4 million) to meet net working capital requirements.

Basis of Preparation

The half year financial report has been prepared on the basis of historical cost, except for revaluation of certain non-current assets and financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that legislative instrument amounts in the Directors' Report and the half year financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2016 annual report for the year ended 31 December 2016. These accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards.

Where necessary, comparatives have been reclassified and repositioned for consistency with current period disclosures.

Changes in accounting policies - Deferred tax measurement relating to indefinite life intangible assets

In November 2016, the IFRS Interpretations Committee issued its agenda decision related to the expected manner of recovery of indefinite life intangible assets. The Committee was asked to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for deferred tax measurement purposes. The Committee indicated that the fact that an entity does not amortise an indefinite life intangible asset does not necessarily mean that the carrying amount will be recovered only through sale and not use. Therefore the entity should determine the expected manner of recovery of the carrying amount of the intangible asset. Previously the Company measured deferred tax liabilities on the assumption of the tax consequences that would arise solely from the sale of the assets. Under its new policy, the Company considers its expected manner of recovery. The Company has implemented this guidance on a retrospective basis as a change in accounting policy to AASB 12 *Income Taxes*.

The impact of these changes at 1 January 2016 and 30 June 2017 was to increase goodwill and deferred tax liabilities by \$17,108,000.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2017

Note 1. Significant accounting policies (continued)

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations.

The Australian Accounting Standards Board has issued AASB 15 *Revenue from Contracts with Customers* applicable for annual reporting periods commencing on or after 1 January 2018. AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is assessing the impact, if any, this standard will have on the Group's financial statements.

The Australian Accounting Standards Board has issued AASB 16 *Leases*, becoming applicable for annual report periods commencing on or after 1 January 2019. The standard has made significant changes to lease accounting that will result in all operating leases being included in the statement of financial position except for short-term and low value leases. The Group is assessing the impact, if any, this standard will have on the Group's financial statements.

The Australian Accounting Standards Board has issued AASB 9 *Financial Instruments*, becoming applicable for annual reporting periods commencing on or after 1 January 2018. AASB 9 includes the revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The Group is assessing the impact, if any, this standard will have on the Group's financial statements.

Note 2. Segment information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision-maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by the Board based on reporting lines and the nature of services provided. Discrete financial information about each of these operating segments is reported to the Board on a monthly basis. The Company operates predominately in Australia.

The reportable segments are the four operating segments.

OPERATING SEGMENTS

The Company is organised into four operating segments:

- Advertising and Media Investment Management;
- Data Investment Management;
- Public Relations & Public Affairs; and
- Specialist Communications.

Head office costs were previously reported separately. In the current period head office costs have been allocated to the above operating segments with the comparatives restated.

ACCOUNTING POLICIES

Segment revenues and expenses are those directly attributable to the segments. The accounting policies of the reportable segments are the same as the Group's accounting policies.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2017

Note 2. Segment information (continued)

INTERSEGMENT TRANSFERS

Sales between segments are carried out at arm's length and are eliminated on consolidation. As intersegment revenues are considered immaterial, no further disclosure of these is made in this Note.

BUSINESS SEGMENTS

The following tables present revenue and profit information regarding reportable segments and a reconciliation between statutory and headline EBITDA including the impact of significant items for the half year ended 30 June 2017 and 30 June 2016:

	Net revenue	Share of net profit of joint ventures and associates	Headline EBITDA	Significant Items			Statutory EBITDA
				Transaction related profit	Other non-cash (costs)/profit	Business close down costs and other significant costs	
Half year ended 30 June 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Advertising and Media Investment Management	228,098	1,145	30,732	1,049	-	-	31,781
Data Investment Management	48,591	15	10,233	226	221	-	10,680
Public Relations & Public Affairs	28,552	158	3,870	131	-	-	4,001
Specialist Communications	104,800	1,263	10,872	486	(948)	-	10,410
Total	410,041	2,581	55,707	1,892	(727)	-	56,872
Depreciation and amortisation expense							(16,856)
Net interest							(7,664)
Profit before income tax							32,352
Income tax expense							(9,143)
Net profit							23,209
Net profit attributable to:							
- Non-controlling interests							3,099
- Members of the Company							20,110

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2017

Note 2. Segment information (continued)

BUSINESS SEGMENTS (continued)

	Net revenue	Share of net profit of joint ventures and associates	Headline EBITDA	Significant Items			Statutory EBITDA
				Transaction related (costs) /profit	Other non-cash costs	Business close down costs and other significant costs	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Half year ended 30 June 2016*							
Advertising and Media Investment Management	151,232	1,067	18,650	(1,201)	-	(278)	17,171
Data Investment Management	37,033	19	10,209	(792)	(309)	-	9,108
Public Relations & Public Affairs	19,311	495	3,969	9,645	-	-	13,614
Specialist Communications	98,729	1,076	11,569	(2,113)	(682)	-	8,774
Total	306,305	2,657	44,397	5,539	(991)	(278)	48,667
Depreciation and amortisation expense							(10,946)
Net interest							(8,451)
Profit before income tax							29,270
Income tax expense							(6,884)
Net profit							22,386
Net profit attributable to:							
- Non-controlling interests							2,741
- Members of the Company							19,645

* Segment note for the half year ended 30 June 2016 has been restated to align with the segment note presentation for the half year ended 30 June 2017.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2017

Note 3. Revenue

	Consolidated	
	Half year ended	
	30 Jun 2017	30 Jun 2016
	\$'000	\$'000
Revenue for the half year includes the following items:		
(a) Share of net profits of joint ventures and associates		
Equity share of joint ventures and associates' net profits	2,581	2,657
(b) Other income		
Interest income	8,099	4,741
Net impact of transition from equity accounted investment to controlled entities*	-	12,093
Other income	1,272	1,626
	9,371	18,460

* For the half year ended 30 June 2016, the fair value of equity accounted investments at the date of the Transaction was \$91,169,000. The book value at that date was \$79,076,000.

Note 4. Expenses

	Consolidated	
	Half year ended	
	30 Jun 2017	30 Jun 2016
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
(a) Depreciation and amortisation expense		
Depreciation of non-currents assets:		
Plant and equipment	6,672	5,429
Total depreciation of non-current assets	6,672	5,429
Amortisation of non-current assets:		
Intangible assets	10,184	5,517
Total amortisation of non-current assets	10,184	5,517
Total depreciation and amortisation expense	16,856	10,946
(b) Finance costs		
Interest expense – contingent consideration payable	358	254
Interest expense – other parties	15,405	12,938
Total finance costs	15,763	13,192
(c) Other expenses		
Loss on fair value adjustment of non-current liabilities (contingent cash settlement)	727	991
Total other expenses	727	991

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2017

Note 5. Significant Items

	Consolidated	
	Half year ended	
	30 Jun 2017	30 Jun 2016
	\$'000	\$'000
The net profit after tax includes the following (income)/expense items whose disclosure is relevant in explaining the financial performance of the consolidated entity:		
1. Transaction related (profit)/costs		
Advisor and listing fees	-	5,856
Net impact of transition from equity accounted investment to controlled entities	-	(12,093)
Debt restructure	-	698
Other adjustments	(1,892)	-
Significant items before income tax	(1,892)	(5,539)
Income tax expense/(benefit)	568	(209)
Significant items net of income tax	(1,324)	(5,748)
Non-controlling interest	-	-
Net amount attributable to members of the Company	(1,324)	(5,748)
2. Other non-cash items		
Loss on fair value adjustment of non-current liabilities (contingent cash settlement)	727	991
Amortisation expense	9,669	5,046
Significant items before income tax	10,396	6,037
Income tax benefit	(2,901)	(1,514)
Significant items net of income tax	7,495	4,523
Non-controlling interest	-	-
Net amount attributable to members of the Company	7,495	4,523
3. Business close down and other significant costs		
Loss on closed and merged businesses	-	278
Significant items before income tax	-	278
Income tax benefit	-	-
Significant items net of income tax	-	278
Non-controlling interest	-	-
Net amount attributable to members of the Company	-	278

1. Transaction related (profit)/costs – relates to Transaction adjustment recorded in 2017. In 2016 the gain related to costs specific to the Transaction including advisor fees, listing fees and costs associated with the restructure of debt facilities. These costs were offset by the net gain of transitioning equity accounted investments to controlled entities.

2. Other non-cash items – relate to loss on fair value adjustment of non-current liabilities (contingent cash settlement) and amortisation of identifiable intangible assets acquired as part of the Transaction in 2016.

3. Business close down and other significant costs – related to costs associated with closing down and merging selected business units in 2016.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2017

Note 6. Income Tax

	Consolidated	
	Half year ended	
	30 Jun 2017	30 Jun 2016
	\$'000	\$'000
Profit from ordinary activities before income tax expense:	32,352	29,270
Tax at the Australian tax rate of 30% (2016: 30%)	9,706	8,781
Adjustments for current tax of prior periods	225	26
Tax adjustments resulting from equity accounting	(774)	(797)
Tax rate adjustment	(611)	(532)
Trust distribution	(213)	(139)
Other items non-deductible for income tax purposes	592	2,876
Fair value adjustment of non-current liabilities	218	297
Net fair value adjustment of equity accounted interests	-	(3,628)
Income tax expense in the consolidated statement of profit or loss	9,143	6,884

Note 7. Dividends

	Consolidated	
	Half year ended	
	30 Jun 2017	30 Jun 2016
	\$'000	\$'000
Dividends declared and paid during the half year:		
Final franked dividend for 2016, paid in 2017: 3.9 cents per share (2016: 3.6 cents per share, paid in 2016)	33,190	15,345
Dividends paid pursuant to the executive share plan ("ESP")	4	54
	33,194	15,399

Dividends not recognised at the end of the half year

In addition to the above dividends, since the end of the half year, the Directors have declared the payment of an interim dividend of 2.1 cents (2016: 2.1 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed interim dividend expected to be paid on 3 October 2017 (2016: 20 September 2016), out of retained profits at the end of the half year, but not recognised as a liability at the end of the half year, is:

	17,871	17,871
--	---------------	--------

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2017

Note 8. Movement in ordinary shares on issue

	Consolidated		Consolidated	
	Half year ended		Year ended	
	30 Jun	30 Jun	31 Dec	31 Dec
	2017	2017	2016	2016
	Shares	\$'000	Shares	\$'000
At 1 January	851,015,951	736,631	427,627,759	334,516
Issue of shares to WPP plc as part of the Transaction	-	-	422,961,825	401,814
Issue of executive share plan shares	-	-	426,367	301
At period end	851,015,951	736,631	851,015,951	736,631

Note 9. Intangible assets

	Consolidated	
	Half year ended	Year ended
	30 Jun 2017	31 Dec 2016
		Restated*
	\$'000	\$'000
Goodwill	956,236	953,800
Brand Names	146,861	149,508
Intellectual Property	11,790	11,875
Customer relationships	135,832	142,434
Total intangible assets	1,250,719	1,257,617

	Consolidated				
	Goodwill	Brand	Intellectual	Customer	Total
	Restated*	Names	Property	Relationships	
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2016					
At cost	468,308	57,027	16,299	8,500	550,134
Accumulated impairment and amortisation	(3,267)	-	(5,822)	(1,240)	(10,329)
Net carrying amount	465,041	57,027	10,477	7,260	539,805
Year ended 31 December 2016					
Balance at the beginning of the year	465,041	57,027	10,477	7,260	539,805
Additions	355	-	2,933	-	3,288
Acquisition of subsidiary	484,845	96,451	214	145,917	727,427
Net exchange differences on translation	1,972	-	-	-	1,972
Movements in the estimate of contingent cash settlements	1,587	-	-	-	1,587
Amortisation expense	-	(3,970)	(1,749)	(10,743)	(16,462)
Balance at the end of the year	953,800	149,508	11,875	142,434	1,257,617

* Refer to Note 1 on changes in accounting policies.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2017

Note 9. Intangible assets (continued)

	Consolidated				
	Goodwill Restated*	Brand Names	Intellectual Property	Customer Relationships	Total
At 31 December 2016	\$'000	\$'000	\$'000	\$'000	\$'000
At cost	957,067	153,478	19,446	154,417	1,284,408
Accumulated impairment and amortisation	(3,267)	(3,970)	(7,571)	(11,983)	(26,791)
Net carrying amount	953,800	149,508	11,875	142,434	1,257,617
Half year ended 30 June 2017					
Balance at the beginning of the year	953,800	149,508	11,875	142,434	1,257,617
Additions**	2,529	-	850	-	3,379
Net exchange differences on translation	(2,291)	-	-	-	(2,291)
Movements in the estimate of contingent cash settlements	2,198	-	-	-	2,198
Amortisation expense	-	(2,647)	(935)	(6,602)	(10,184)
Balance at the end of the half year	956,236	146,861	11,790	135,832	1,250,719
At 30 June 2017					
At cost	959,503	153,478	20,296	154,417	1,287,694
Accumulated impairment and amortisation	(3,267)	(6,617)	(8,506)	(18,585)	(36,975)
Net carrying amount	956,236	146,861	11,790	135,832	1,250,719

* Refer to Note 1 on changes in accounting policies.

** Within additions, \$2,410,000 of additional Goodwill was recognised as a result of the accounting of the Transaction being finalised during the half year ended 30 June 2017.

Note 10. Business combinations

During the half year ended 30 June 2016:

On 8 April 2016, shareholders of the Company approved the acquisition of the Businesses of WPP plc, in accordance with the terms of the Share Sale Agreement dated 14 December 2015. The Transaction involved the Company acquiring 100% of the equity interest in Possible Australia Pty Ltd, a subsidiary of WPP plc for an enterprise value of approximately \$512 million. In return, the Company issued 422,961,825 shares to WPP plc. Following the Transaction, WPP plc became the majority shareholder of the Company, with a shareholding of 61.5% of the issued share capital (from its previous shareholding of 23.55%).

Details of the business combination were disclosed in Note 33. Business Combinations in the Group's annual financial statements for the year ended 31 December 2016.

The Group's 2016 annual financial statements included provisional fair values for assets and liabilities acquired in the business combination. Accounting for the business combination is now complete. Measurement period adjustments have been made which decrease the fair value of trade and other receivables at the acquisition date by \$1.67 million, decrease current tax assets by \$1.54 million, decrease trade and other payables by \$0.80 million and increase goodwill by \$2.41 million.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2017

Note 10. Business combinations (continued)

During the half year ended 30 June 2017:

There were no business acquisitions during the half year ended 30 June 2017.

Note 11. Investments accounted for using the equity method

	Consolidated	
	Half year ended 30 Jun 2017 \$'000	Year ended 31 Dec 2016 \$'000
Investments in joint ventures and associates	23,390	22,282

Name	Ownership Interest	
	30 Jun 2017	31 Dec 2016
AFI Branding Solutions Pty Limited	50%	50%
AFI Fabrications Pty Limited	45%	45%
Astus APAC Australia Pty Limited	50%	50%
BCG2 Limited	20%	20%
Beyond Analysis Australia Pty Limited	49%	49%
Bohemia Group Pty Limited ⁽ⁱ⁾	-	24%
Campaigns and Communications Group Pty Limited	20%	20%
CPR Vision Pte Limited	40%	40%
Cudex Pty Limited	50%	50%
Feedback ASAP Pty Ltd	20.4%	20.4%
Fusion Enterprises Pty Limited	49%	49%
Ikon Perth Pty Limited	45%	45%
Lakewood Holdings Pty Limited	50%	50%
Purple Communications Australia Pty Limited	49%	49%
Rapid Media Services Pty Ltd	30%	30%
Spinach Advertising Pty Limited	20%	20%
TaguchiMarketing Pty Limited	20%	20%

⁽ⁱ⁾ The Company disposed all of its shares in this entity during the first half of the 2017 year.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2017

Note 12. Fair value measurement of financial instruments

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. There has been no significant change in the Group's risk profile from that of the prior year.

The Group also has a number of financial instruments where the carrying amount approximates the fair value in the balance sheet as at 30 June 2017 and 31 December 2016. These are presented in the table below.

The carrying amount of the receivables, current payables and current borrowings is assumed to approximate their fair value. The carrying amount of the interest rate swap is measured at fair value.

	30 Jun 2017 Carrying Amount \$'000	31 Dec 2016 Carrying Amount \$'000	30 Jun 2017 Fair Value \$'000	31 Dec 2016 Fair Value \$'000
Financial assets				
Cash and cash equivalents	180,479	87,167	180,479	87,167
Trade and other receivables	519,637	553,376	519,637	553,376
Other financial assets	907	838	907	838
	701,023	641,381	701,023	641,381
Financial liabilities				
Trade and other payables (excluding contingent cash settlement and derivatives)	617,357	659,362	617,357	659,362
Contingent cash settlement	25,416	23,035	25,416	23,035
Finance lease liabilities	3,305	3,753	3,305	3,753
Secured bank loans	428,743	353,649	428,743	353,649
Derivative financial instruments	220	481	220	481
	1,075,041	1,040,280	1,075,041	1,040,280

(a) Fair value hierarchy and valuation techniques

The Group's financial assets and liabilities are measured and recognised at fair value at 30 June 2017 and 31 December 2016 based on the following fair value measurement hierarchy:

(i) Level 1 – shares in listed entities

Shares in listed entities are fair valued with reference to the market price on the New Zealand Stock Exchange as at 30 June 2017 and 31 December 2016;

(ii) Level 2 – interest rate hedge reserve

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

(iii) Level 3 – contingent cash settlement and shares in other entities

The fair value of contingent cash settlements is calculated as the present value of estimated future payments based on a discount rate which approximates the Group's cost of borrowing. Expected cash inflows are estimated on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it. The shares in other entities have been disclosed at historical cost which is approximate of the fair value.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2017

Note 12. Fair value measurement of financial instruments (continued)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2017 and 31 December 2016:

At 30 June 2017	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Shares in listed entities	907	-	-	907
Total Assets	907	-	-	907
Liabilities				
Contingent cash settlement	-	-	(25,416)	(25,416)
Derivatives used for hedging	-	(220)	-	(220)
Total Liabilities	-	(220)	(25,416)	(25,636)
At 31 December 2016				
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Shares in listed entities	838	-	-	838
Total Assets	838	-	-	838
Liabilities				
Contingent cash settlement	-	-	(23,035)	(23,035)
Derivatives used for hedging	-	(481)	-	(481)
Total Liabilities	-	(481)	(23,035)	(23,516)

There were no transfers between levels 1, 2 or 3 for fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2017.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2017

Note 12. Fair value measurement of financial instruments (continued)

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments as at 30 June 2017 and 31 December 2016:

	Unlisted equity securities \$'000	Contingent cash settlement \$'000	Total \$'000
Opening balance 1 January 2017	-	(23,035)	(23,035)
Contingent cash settlement payments made during the period	-	730	730
Loss on fair value adjustment of non-current liabilities recognised in expenses	-	(727)	(727)
Fair value adjustment of non-current liabilities recognised in the consolidated statement of financial position	-	(2,198)	(2,198)
Interest expense – contingent consideration payable	-	(358)	(358)
Other	-	172	172
Closing balance 30 June 2017	-	(25,416)	(25,416)

	Unlisted equity securities \$'000	Contingent cash settlement \$'000	Total \$'000
Opening balance 1 January 2016	-	(15,063)	(15,063)
Contingent cash settlement payments made during the period	-	10,860	10,860
Acquisition of subsidiaries and associates	-	(2,952)	(2,952)
Loss on fair value adjustment of non-current liabilities recognised in expenses	-	(13,545)	(13,545)
Fair value adjustment of non-current liabilities recognised in the consolidated statement of financial position	-	(1,587)	(1,587)
Interest expense – contingent consideration payable	-	(534)	(534)
Other	-	(214)	(214)
Closing balance 31 December 2016	-	(23,035)	(23,035)

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2017

Note 12. Fair value measurement of financial instruments (continued)

(b) Fair value measurements using significant unobservable inputs (level 3) (continued)

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 30 Jun 2017 \$'000	Unobservable inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Contingent cash settlement	\$25,416	Risk-adjusted discount rate	Discount rate which reflects the weighted average interest rate of secured bank loans	An increase in the discount rate by 100bps would decrease the fair value by \$198,916. A decrease in the discount rate by 100bps would increase the fair value by \$204,312.
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by \$806,431. If expected cash flows were 5% lower, the fair value would decrease by \$350,839.
Description	Fair value at 31 Dec 2016 \$'000	Unobservable inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Contingent cash settlement	\$23,035	Risk-adjusted discount rate	Discount rate which reflects the weighted average interest rate of secured bank loans	An increase in the discount rate by 100bps would decrease the fair value by \$213,671. A decrease in the discount rate by 100bps would increase the fair value by \$219,865.
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by \$1,078,569. If expected cash flows were 5% lower, the fair value would decrease by \$594,773.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2017

Note 13. Share Based Payments

In April 2017 two new executive share schemes were adopted by the Company:

- Long Term Incentive Plan (LTIP) operating between 1 January 2017 and 31 December 2020; and
- Leader Plan (Restricted Shares Plan) operating between 1 January 2017 and 31 December 2019.

Long Term Incentive Plan (LTIP) - performance rights

1,956,522 performance rights over WPP AUNZ Limited ordinary shares were granted to senior executives. Performance rights were granted to executives at no cost as part of the long term incentive component of their remuneration. The performance rights will vest, subject to achievement of the performance conditions as determined by Remuneration and Nominations Committee. The performance conditions comprising of achievement of the two years' compound annual growth rate in EPS and net sales and an executive satisfying subsequent two years' service period. Any performance rights for which the relevant performance conditions are not satisfied will lapse. Any performance rights that do not vest over the performance period, will be forfeited.

Leader Plan - restricted shares

1,145,217 restricted shares were granted to the eligible executives that are not participating in LTIP at no cost as part of their remuneration. Restricted shares will vest in three years, subject to an executive's continuous service. No dividends are payable on restricted shares until they vest.

Fair value

The fair value is calculated at grant date as the fair value of each share granted multiplied by the number of shares expected to eventually vest.

The fair value of the share-based payments is based on the market price of the shares that includes expected volatility estimation, and dividend entitlements (if any) pursuant to each Plan.

Non-market vesting conditions (compound annual growth in EPS, net sales, and service conditions) are taken into account by adjusting the number of shares which will eventually vest and are not taken into account in the determination of the grant date fair value. On a cumulative basis, no expense is recognised for shares granted that do not vest due to a non-market vesting condition not being satisfied.

Fair value of performance rights granted

The fair value at grant date of performance rights granted during the half year ended 30 June 2017 was \$1.08 per share. The model inputs for performance shares granted during the half year ended 30 June 2017 included:

- performance rights are granted for no consideration;
- exercise price: \$0;
- grant date: 1 June 2017;
- expiry date: December 2020; and
- share price at grant date: 2017: \$1.19.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2017

Note 13. Share Based Payments (continued)

Fair value price of restricted shares granted

The weighted average fair value at grant date of performance shares granted during the half year ended 30 June 2017 was \$1.03 per share. The model inputs for performance shares granted during the half year ended 30 June 2017 included:

- performance rights are granted for no consideration;
- exercise price: \$0;
- dividend yield: 5.6%;
- grant date: 1 June 2017;
- expiry date: December 2019; and
- share price at grant date: 2017: \$1.19.

For the half year ended 30 June 2017, the Company has recognised share-based payment expense of \$242,817 in the consolidated statement of profit or loss (30 June 2016: \$500,830).

Note 14. Related Party Disclosures

On completion of the Transaction to acquire the Businesses of WPP plc, the Company and WPP 2005 Limited (a wholly-owned subsidiary of WPP plc) entered into a Management Fee Framework Agreement. The primary purpose of this agreement is to determine the fee which will be paid by the Company for services provided by WPP plc to certain businesses which are part of global brands.

These services include marketing and media agency support services, business development and client management services, market research services, personnel management services, public affairs services, planning and financial analysis services and use of proprietary intellectual property rights (such as know-how, software and technology) which are owned or developed by WPP plc.

Service Fees

The Management Fee Framework Agreement sets an aggregate fee that will be paid by the Company for services provided by WPP plc to members during each financial year ("Annual Fee"). The Annual Fee payable is 3.55% of the net sales of the brand network businesses. The Annual Fee will be calculated and paid on an annual basis after the end of each financial year.

For the half year ended 30 June 2017, the Company has recognised service fees of \$10,373,000 (30 June 2016: \$5,566,000).

Other transactions between the Group and WPP plc related parties, joint ventures and associates during the half year ended 30 June 2017 consisted of:

- Sale of goods and services to related parties;
- Purchase of goods and services to related parties;
- Dividends received from joint ventures and associates; and
- Loans owing from/to related parties.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2017

Note 15. Subsequent events

Subsequent to the end of the half year, the Directors have declared the payment of an interim dividend of 2.1 cents per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed interim dividend is expected to be paid on 3 October 2017.

Apart from the item disclosed above, there has not arisen, in the interval between the end of financial period and the date of signing of this financial report, any item, transaction or event of a material or unusual nature which in the opinion of the Directors, has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future periods.

WPP AUNZ LIMITED

Directors' Declaration

The Directors declare that:

- (a) in the directors' opinion, the financial statements and notes for the half year ended 30 June 2017 as set out on pages 7 to 29 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (b) in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to s 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Robert Mactier
Chairman
Sydney
25 August 2017



Michael Connaghan
Chief Executive Officer
Sydney
25 August 2017

Independent Auditor's Review Report to the members of WPP AUNZ Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of WPP AUNZ Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half year ended on that date, selected explanatory notes and, the directors' declaration comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 7 to 30.

Directors' Responsibility for the Half year Financial Report

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the WPP AUNZ Limited's financial position as at 30 June 2017 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of WPP AUNZ Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

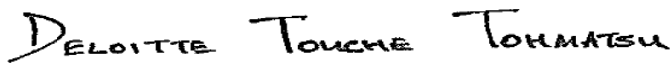
Auditor's Independence Declaration

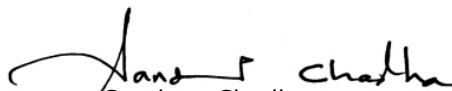
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of WPP AUNZ Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of WPP AUNZ Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of WPP AUNZ Limited's financial position as at 30 June 2017 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


DELOITTE TOUCHE TOHMATSU


Sandeep Chadha
Partner
Chartered Accountants
Sydney, 25 August 2017