



WPP AUNZ LIMITED

ABN 84 001 657 370

HALF YEAR FINANCIAL REPORT - 30 JUNE 2019

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 2018 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*.

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ABN 84 001 657 370

HALF YEAR FINANCIAL REPORT - 30 JUNE 2019

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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 2019 (“the half year”). 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	(Independent Non-executive Chairman)
John Steedman	(Executive Director and interim Chief Executive Officer)
Paul Richardson	(Non-executive Director)
Graham Cubbin	(Independent Non-executive Director)
Kim Anderson	(Independent Non-executive Director)
Ranjana Singh	(Non-executive Director)
Geoffrey Wild AM	(Non-executive Director)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period was the provision of marketing, content and communications services. The Group comprises leading companies in all of the following disciplines: Advertising; Media Investment Management; Data Investment Management; Public Relations and Public Affairs; Branding and Identity; Healthcare Communications; Digital; Production; Specialist Communications; and Large Format Production. There have been no significant changes in the nature of these activities during the period.

FINANCIAL OVERVIEW – STATUTORY RESULTS

The Group has delivered net sales (revenue less cost of sale of goods and services rendered) for the half year of \$405.6 million, down 2.6% on June prior year (2018: \$416.3 million) and net loss attributable to members of WPP AUNZ for the half year of \$253.5 million, down 2,039.8% on June prior year (2018: net profit of \$13.1 million).

A summary of the Group’s statutory results for the half year ended 30 June 2019 and 30 June 2018 is below:

	2019	2018
	\$ million	\$ million
Net sales	405.6	416.3
Other income (excluding interest income)	0.2	0.1
Share of net profit from joint ventures and associates	2.4	2.6
Operating expenses	(351.9)	(360.1)
Earnings before interest, tax, depreciation and amortisation (“EBITDA”)	56.3	58.9
Depreciation, amortisation and impairment	(325.6)	(19.1)
Earnings before interest and tax (“EBIT”)	(269.3)	39.8
Net finance costs	(8.4)	(6.6)
(Loss)/profit before tax	(277.7)	33.2
Income tax benefit/(expense)	27.0	(16.5)
(Loss)/profit after tax	(250.7)	16.7
Non-controlling interests	(2.8)	(3.6)
Net (loss)/profit attributable to members of WPP AUNZ	(253.5)	13.1
	Cents	Cents
Earnings per share (“EPS”)	(29.8)	1.5

When significant items (after tax and non-controlling interests) are excluded from the statutory results, the Group has delivered headline profit for the half year of \$22.6 million, down 15.3% on June prior year (2018: \$26.8 million).

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

	2019	2018*
	\$ million	\$ million
Net (loss)/profit attributable to members of WPP AUNZ	(253.5)	13.1
Adjustment for AASB 16 in 2018	-	(1.0)
Adjusted net (loss)/profit attributable to members of WPP AUNZ	(253.5)	12.1
Significant items, net of tax		
1. Transaction related costs	-	8.5
2. Impairment, amortisation of acquired intangible assets and other non-cash items	269.9	6.2
3. Business close down and other one-off costs	6.2	-
Total significant items, net of tax	276.1	14.7
Headline profit after tax and minorities	22.6	26.8

* Prior year figures adjusted on a like-for-like basis for the impact of AASB 16.

SIGNIFICANT ITEMS

As part of its statutory results the Company recognised a number of significant items which were not related to its headline performance. These items included:

1. Transaction related costs – The balance in 2018 relates to \$8.5 million reversal of rights to future income tax deduction recognised as a significant item at 31 December 2017 due to a change in tax legislation.

2. Impairment, amortisation of acquired intangible assets and other non-cash items – The balance in 2019 relates to the impairment of goodwill and acquired intangibles such as brand names and customer relationships predominately in relation to entities within the Advertising and Media Investment Management and Data Investment Management CGUs. It also includes the amortisation of acquired intangible assets and loss on fair value adjustment of contingent cash settlements (“earnouts”). The balance in 2018 relates to the amortisation of acquired intangibles and gain on fair value adjustment of earnouts.

3. Business close down and other one-off costs – The balance relates to costs associated with closing down, merging and restructuring of selected businesses. Furthermore, with the recent finalisation of the 2018 Australian tax returns and the subsequent re-assessment of timing of utilisation of accumulated tax losses, the deferred tax asset recognised for carry forward tax losses has been written down by \$2.6 million.

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

FINANCIAL HIGHLIGHTS – HEADLINE RESULTS

A summary of key headline measures has been provided below:

Key Measures (30 June)	2019	2018*	
	\$ million	\$ million	Change
Net sales	405.6	416.3	(2.6%)
Headline EBIT	43.6	49.9	(12.6%)
Headline margin	10.7%	12.0%	(1.3%)
Headline profit before tax	35.4	42.0	(15.6%)
Headline profit after tax and minorities	22.6	26.8	(15.3%)
Headline EPS	2.7	3.1	(15.3%)

* Prior year figures adjusted on a like-for-like basis for the impact of AASB 16.

Headline EBIT (inclusive of EBIT from joint ventures and associates accounted for using the equity method) of \$43.6 million, down 12.6% on June prior year (30 June 2018: \$49.9 million). Headline EBIT was delivered at a margin of 10.7%, a decline against June prior year (30 June 2018: 12.0%).

PERFORMANCE BY SEGMENT

The headline results can be broken down further into the Group's business segments, which provide an insight into the core services provided to the Group's clients.

\$ million	<u>Net sales</u>		<u>Headline EBIT</u>		<u>Headline margin %</u>	
	June 2019	Change %	June 2019	Change %*	June 2019	Change*
Advertising and Media						
Investment Management	236.7	(3.6%)	23.5	(16.6%)	9.9%	(1.5%)
Data Investment Management	51.0	1.7%	8.8	1.3%	17.2%	(0.1%)
Public Relations & Public Affairs	29.0	0.0%	4.8	2.9%	16.6%	0.5%
Specialist Communications	80.0	(1.2%)	11.2	8.9%	14.0%	1.3%
Large Format Production	8.9	(15.9%)	(4.7)	(142.6%)	(53.1%)	(34.7%)
Total	405.6	(2.6%)	43.6	(12.6%)	10.7%	(1.3%)

* Prior year figures adjusted on a like for like basis for the impact of AASB 16.

CASH, GROSS DEBT AND EARNOUTS

Australian core banking facilities

The Company renewed the syndicated debt facility agreement on 26 June 2018 ("Facility Agreement"). The Facility Agreement is split between a debt facility of \$520.0 million and a guarantee facility of \$29.9 million. \$370.0 million of the debt facility and the guarantee facility expire on 29 June 2021. The remaining \$150.0 million of the debt facility expires 29 June 2020, and is used to support intra-month working capital movements.

The bank loan facility is secured by a guarantee and indemnity by and between the Company and certain subsidiaries.

Net debt

As at 30 June 2019, the Company's cash balance was \$69.2 million (31 December 2018: \$63.5 million). The Company's gross debt, finance lease liabilities and earnout liabilities were \$395.2 million (31 December 2018: \$333.8 million). The Company's net debt position increased to \$326.0 million at 30 June 2019 (31 December 2018: \$270.3 million). This was driven primarily by increased drawdowns from the debt facility to fund working capital requirements and earnout payments made in the half year.

	30 Jun 2019	31 Dec 2018
	\$ million	\$ million
Cash and cash equivalents	69.2	63.5
Secured bank loans	(385.0)	(315.0)
Finance lease liabilities	-	(1.7)
Earnout liabilities	(10.2)	(17.1)
Net debt	326.0	270.3

Earnout 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 2019, the Company's estimated earnout liabilities are \$10.2 million (31 December 2018: \$17.1 million).

	\$ million
31 December 2018	17.1
Payments made in 2019	(8.5)
Net revisions to prior earnout liability estimates	1.6
30 June 2019	10.2

Expected maturity profile (calendar year)

	\$ million
2019	5.1
2020	4.1
2021+	1.0
Total	10.2

DIVIDEND PAYMENTS

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

	Cents per share	\$ million	Franking
Final 2018	4.0	34.1	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 \$19.6 million (2.3 cents per fully paid ordinary share), with a record date of 26 September 2019 and payable on 3 October 2019 (2018 interim dividend: 2.3 cents per share).

AUDITOR'S INDEPENDENCE DECLARATION

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

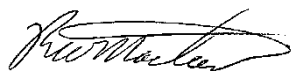
ROUNDING OFF OF AMOUNTS

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.


SUBSEQUENT EVENTS AFTER THE BALANCE DATE

Other than the significant items 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 s306(3) of the *Corporations Act 2001*.



Robert Mactier
Chairman
Sydney
23 August 2019



John Steedman
Interim Chief Executive Officer
Sydney
23 August 2019

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

23 August 2019

Dear Directors

Auditor's Independence Declaration to 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 half year financial report of WPP AUNZ Limited for the half year ended 30 June 2019, 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 faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

WPP AUNZ LIMITED
Consolidated Statement of Profit or Loss
For the half year ended 30 June 2019

	Notes	Consolidated	
		30 Jun 2019	30 Jun 2018
		\$'000	\$'000
Revenue		509,224	511,243
Cost of sale of goods and services rendered		(103,673)	(94,911)
Net sales	3(b)	405,551	416,332
Other income	3(e)	941	560
Share of net profit of joint ventures and associates accounted for using the equity method	3(e)	2,480	2,634
		408,972	419,526
Employee benefits expense		(278,519)	(277,094)
Occupancy costs		(11,664)	(24,596)
Depreciation expense	4(a)	(19,204)	(8,417)
Amortisation expense	4(a)	(11,666)	(10,721)
Finance costs	4(b)	(9,153)	(7,044)
Travel, training and other employee related costs		(14,893)	(13,790)
Office and administration costs		(15,686)	(15,955)
Research, new business and other commercial costs		(11,425)	(13,456)
Service fees to WPP plc	14	(10,092)	(9,635)
Compliance, audit and listing costs		(9,208)	(6,681)
(Loss)/gain on fair value adjustment of earnouts	4(c)	(440)	1,021
Impairment expense	5	(294,734)	-
(Loss)/profit before income tax		(277,712)	33,158
Income tax benefit/(expense)	6	26,963	(16,516)
(Loss)/profit for the period		(250,749)	16,642
Net profit/(loss) attributable to:			
- non-controlling interests		2,803	3,571
- members of the Company		(253,552)	13,071
		Cents	Cents
Earnings per share:			
Basic earnings per share		(29.8)	1.5
Diluted earnings per share		(29.8)	1.5

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 2019

	Consolidated	
	Half year ended	
	30 Jun 2019	30 Jun 2018
	\$'000	\$'000
(Loss)/profit for the period	(250,749)	16,642
Other comprehensive income		
<i>Items that may be reclassified subsequently to the Consolidated Statement of Profit or Loss</i>		
Exchange gain arising on translation of foreign operations	2,484	3,875
Total comprehensive (loss)/income for the period	(248,265)	20,517
Total comprehensive income/(loss) attributable to:		
- non-controlling interests	2,889	3,743
- members of the Company	(251,154)	16,774

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 2019

	Notes	Consolidated	
		30 Jun 2019 \$'000	31 Dec 2018 \$'000
Current assets			
Cash and cash equivalents		69,193	63,524
Trade and other receivables		507,475	484,902
Inventories		6,914	12,942
Current tax assets		10,356	494
Other current assets		118,589	94,336
Total current assets		712,527	656,198
Non-current assets			
Other receivables		-	279
Investments accounted for using the equity method	11	22,084	21,864
Other financial assets		710	709
Plant and equipment		48,484	49,963
Right-of-use assets	1(c)(i)	83,301	-
Deferred tax assets		31,951	27,574
Intangible assets	9	883,456	1,187,533
Other non-current assets		3,672	2,302
Total non-current assets		1,073,658	1,290,224
Total assets		1,786,185	1,946,422
Current liabilities			
Trade and other payables		723,748	714,456
Borrowings		53,000	59,747
Lease liabilities	1(c)(i)	24,131	-
Provisions		31,631	26,214
Total current liabilities		832,510	800,417
Non-current liabilities			
Other payables		7,348	20,099
Borrowings		331,990	257,001
Lease liabilities	1(c)(i)	77,146	-
Deferred tax liabilities		52,645	86,804
Provisions		4,481	5,345
Total non-current liabilities		473,610	369,249
Total liabilities		1,306,120	1,169,666
Net assets		480,065	776,756
Equity			
Issued capital	8	737,149	737,149
Reserves		22,840	23,471
Retained earnings		(291,900)	531
Equity attributable to members of the Company		468,089	761,151
Non-controlling interests		11,976	15,605
Total equity		480,065	776,756

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 2019

Consolidated	Notes	Issued Capital \$'000	Equity Settled Share-based Payment Reserve* \$'000	Transactions with Non- controlling Interests Reserve* \$'000	Equity Reserve \$'000	Foreign Currency Translation Reserve* \$'000	Retained Earnings \$'000	Total \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
At 1 January 2019		737,149	1,365	(12,528)	16,275	18,359	531	761,151	15,605	776,756
Adoption of AASB 16 (net of tax)	1(c)(i)	-	-	-	-	-	(4,817)	(4,817)	(80)	(4,897)
Restated balance at 1 January 2019		737,149	1,365	(12,528)	16,275	18,359	(4,286)	756,334	15,525	771,859
Net (loss)/profit		-	-	-	-	-	(253,552)	(253,552)	2,803	(250,749)
Other comprehensive income		-	-	-	-	2,398	-	2,398	86	2,484
Total comprehensive (loss)/income		-	-	-	-	2,398	(253,552)	(251,154)	2,889	(248,265)
Non-controlling interests on acquisition and disposal of controlled entities and buy-out of non-controlling interests		-	-	(3,810)	-	-	-	(3,810)	(2,281)	(6,091)
Issue of executive share plan shares	13	-	781	-	-	-	-	781	-	781
Equity dividends provided for or paid	7	-	-	-	-	-	(34,062)	(34,062)	(4,157)	(38,219)
At 30 June 2019		737,149	2,146	(16,338)	16,275	20,757	(291,900)	468,089	11,976	480,065

*** 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 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 2018

Consolidated	Notes	Issued Capital \$'000	Equity Settled Share-based Payment Reserve* \$'000	Transactions with Non- controlling Interests Reserve* \$'000	Equity Reserve \$'000	Foreign Currency Translation Reserve* \$'000	Retained Earnings \$'000	Total \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
At 1 January 2018, as previously reported		736,631	954	(446)	16,275	2,999	85,009	841,422	18,465	859,887
Adoption of AASB 15 (net of tax)	3	-	-	-	-	-	(2,136)	(2,136)	-	(2,136)
Restated balance at 1 January 2018		736,631	954	(446)	16,275	2,999	82,873	839,286	18,465	857,751
Net profit		-	-	-	-	-	13,071	13,071	3,571	16,642
Other comprehensive income		-	-	-	-	3,703	-	3,703	172	3,875
Total comprehensive income		-	-	-	-	3,703	13,071	16,774	3,743	20,517
Non-controlling interests on acquisition and disposal of controlled entities and buy-out of non-controlling interests		-	-	(6,666)	-	-	-	(6,666)	(2,178)	(8,844)
Issue of executive share plan shares		44	(44)	-	-	-	-	-	-	-
Equity dividends provided for or paid	7	-	-	-	-	-	(35,742)	(35,742)	(4,576)	(40,318)
At 30 June 2018		736,675	910	(7,112)	16,275	6,702	60,202	813,652	15,454	829,106

*** 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 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 2019

	Notes	Consolidated	
		30 Jun 2019	30 Jun 2018*
		\$'000	\$'000
Cash Flows from Operating Activities			
Receipts from customers*		1,711,934	1,928,428
Payments to suppliers and employees*		(1,679,843)	(1,863,673)
Interest received		753	490
Interest and other finance costs paid		(8,974)	(8,452)
Dividends and trust distributions received from joint ventures and associates		2,278	1,465
Income taxes paid		(20,180)	(34,472)
Net cash flows from operating activities		5,968	23,786
Cash Flows from Investing Activities			
Payments for purchase of newly controlled entities, net of cash acquired		-	(6,095)
Payments for acquisition of non-controlling interests		(5,226)	(8,593)
Earnout payments and intangible assets acquired		(8,758)	(607)
Payments for purchase of plant and equipment		(6,344)	(15,405)
Receipts from related parties		364	71
Net cash flows used in investing activities		(19,964)	(30,629)
Cash Flows from Financing Activities			
Proceeds from borrowings		855,001	506,324
Repayment of borrowings		(785,011)	(432,589)
Lease payments		(10,599)	(7,243)
Dividends paid to equity holders	7	(34,062)	(35,742)
Dividends paid to non-controlling interests		(4,157)	(4,576)
Payments on finance leases		(1,747)	(466)
Net cash flows provided by financing activities		19,425	25,708
Net increase in cash and cash equivalents		5,429	18,865
Effects of exchange rate changes on cash and cash equivalents		240	(702)
Cash at the beginning of the year		63,524	111,223
Cash at the end of the half year		69,193	129,386

* Receipts from customers and payments to suppliers and employees include gross media billings and payments for the period. Prior period balances have been updated for comparative purposes.

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 2019

Note 1. Significant accounting policies

(a) 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 financial 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 2018 and any public announcements made by WPP AUNZ Limited during the interim reporting period.

(b) Net Working Capital

As at 30 June 2019, the consolidated statement of financial position shows current liabilities in excess of current assets by \$120.0 million (31 December 2018: \$144.2 million). At 30 June 2019, the Company has secured loan facilities totalling \$520.0 million, of which \$385.0 million was drawn. The Company had \$135.0 million in undrawn facilities at 30 June 2019 (31 December 2018: \$205.0 million) to meet net working capital requirements.

(c) 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 2018 annual report for the year ended 31 December 2018. 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.

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

The following new standard became applicable for the current reporting period:

— AASB 16 Leases

The impact of the adoption of the standard and the new accounting policies are disclosed below.

(i) AASB 16 Leases

Impact of the adoption of AASB 16 Leases

AASB 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 are 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. AASB 16 requires the Group to recognise substantially all of its operating leases on the balance sheet, with the exception of short-term leases and low value leases.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 1. Significant accounting policies (continued)

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

(i) AASB 16 Leases (continued)

The Group adopted AASB 16 effective 1 January 2019 on a modified retrospective basis and applied 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 has not been restated and will continue to be reported under AASB 117 Leases. The right-of-use asset and lease liability have initially been measured at the present value of the remaining lease payments, with the right-of-use asset being subject to certain adjustments.

When applying AASB 16, the Group has applied the following practical expedients, on transition date:

- Reliance on the previous identification of a lease (as provided by AASB 117) for all contracts that existed on the date of initial application;
- Reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- The use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of \$79.8 million were recognised and presented separately in the consolidated statement of financial position;
- Additional lease liabilities of \$97.1 million were recognised and presented separately;
- Prepayment of \$0.1 million and trade and other payables of \$11.3 million related to previous operating leases were derecognised;
- Deferred tax asset of \$1.2 million was recognised; and
- The net effect of these adjustments had been adjusted to retained earnings (\$4.8 million) and non-controlling interest (\$0.1 million).

The following reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is based upon the operating lease commitments as at 31 December 2018:

	1 Jan 2019
	\$'000
Operating lease commitments disclosed as at 31 December 2018	117,099
Short-term lease recognised on a straight-line basis as office and administration costs	(7,821)
Low-value leases recognised on a straight-line basis as office and administration costs	(12)
Gross lease liabilities at 1 January 2019	109,266
Effect of discounting	(12,216)
Lease liability recognised as at 1 January 2019	97,050

The weighted average discount rate was 3.4% at 1 January 2019.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 1. Significant accounting policies (continued)

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

(i) AASB 16 Leases (continued)

Summary of new accounting policies

The Group leases most of its offices in cities where the Group operates, other lease contracts include office equipment and motor vehicles.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated over the term of the lease using the straight-line method. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. Lease payments included in the measurement of lease liabilities comprise of fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate as at the commencement date. Lease modifications result in remeasurement of the lease liability.

Depreciation is recognised in depreciation expense and interest expense is recognised under financial cost in the consolidated statement of profit or loss.

The Group has elected to use the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The payments associated with these leases are recognised as occupancy costs and office and administration costs on a straight-line basis over the lease term.

The movements for the six months ended 30 June 2019 were as follows:

Right-of-use assets	Property \$'000	Fixtures, Fittings & Equipment \$'000	Computer hardware \$'000	Vehicle \$'000	Total \$'000
As at 1 January 2019	78,648	890	70	146	79,754
Additions	14,826	-	-	-	14,826
Depreciation expense	(11,019)	(204)	(25)	(31)	(11,279)
As at 30 June 2019	82,455	686	45	115	83,301

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 1. Significant accounting policies (continued)

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

(i) AASB 16 Leases (continued)

Lease liabilities	Property \$'000	Fixtures, Fittings & Equipment \$'000	Computer hardware \$'000	Vehicle \$'000	Total \$'000
As at 1 January 2019	95,919	913	70	148	97,050
Additions	14,826	-	-	-	14,826
Repayment of lease liabilities	(12,104)	(218)	(26)	(33)	(12,381)
Interest expense related to lease liabilities	1,758	16	4	4	1,782
As at 30 June 2019	100,399	711	48	119	101,277

Leases are shown as follows in the income statement for the six months ended 30 June 2019:

	30 Jun 2019 \$'000
Depreciation of right-of-use assets	11,279
Short-term lease expenses	6,334
Low-value lease expenses	94
Variable lease payment expenses	-
Interest expense on lease liabilities	1,782
	19,489

The total cash outflow for leases including short-term leases and low-value-assets for the six months ended 30 June 2019 was \$18.8 million.

The maturity of lease liabilities at 30 June 2019 were as follows:

	\$'000
2019	13,245
2020	26,803
2021	64,690
Total undiscounted cash flows	104,738
Effect of discounting	(3,461)
	101,277

Lease liability as of 30 June 2019:

Current lease liability	24,131
Non-current lease liability	77,146
	101,277

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 2. Segment information

(a) Identification of reportable segments

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.

In the financial year 2018, based on the regularity and the emphasis of the review of the Group's Large Format Production entities by the Board for the assessment of the Group's performance and the allocation of resources, it was determined that these entities constituted a separate segment. Accordingly, the Large Format Production segment has been disclosed as a separate segment with the comparatives restated.

The reportable segments are the five operating segments.

(b) Operating segments

The Company is organised into five operating segments:

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

(c) 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.

(d) 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.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 2. Segment information (continued)

(e) Business segments

The following tables present revenue and profit/(loss) 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 2019 and 30 June 2018:

	Net sales (i)	Share of net profit of joint ventures and associates	Headline EBITDA (ii)	Significant items		Statutory EBITDA
				Other non-cash items	Business close down costs and other one-off costs	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Half year ended 30 June 2019						
Advertising and Media Investment Management	236,713	1,511	33,031	(185)	(2,319)	30,527
Data Investment Management	50,999	(5)	11,590	(52)	(379)	11,159
Public Relations & Public Affairs	28,965	210	5,498	(47)	(215)	5,236
Specialist Communications	79,970	578	14,151	(130)	(1,417)	12,604
Large Format Production	8,904	186	(2,545)	(14)	(675)	(3,234)
Total	405,551	2,480	61,725	(428)	(5,005)	56,292
Depreciation, amortisation and impairment expense (iii)						(325,604)
Net finance costs						(8,400)
Loss before income tax						(277,712)
Income tax benefit						26,963
Loss for the period						(250,749)
Net profit/(loss) attributable to:						
- non-controlling interests						2,803
- members of the Company						(253,552)

(i) Refer to Note 3(b) for definition of net sales.

(ii) Headline EBITDA includes share of EBIT of joint ventures and associates of \$4.3 million.

(iii) Within the \$325.6 million depreciation, amortisation and impairment expense, \$294.7 million relates to the impairment of acquired intangibles and goodwill predominately in relation to the Advertising and Media Investment Management and Data Investment Management CGUs. Refer to Note 9. Intangible assets.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 2. Segment information (continued)

(e) Business segments (continued)

	Net sales (i)	Share of net profit of joint ventures and associates	Headline EBITDA (ii)	Significant items		Statutory EBITDA
				Other non-cash items	Business close down costs and other one-off costs	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Half year ended 30 June 2018*						
Advertising and Media Investment Management	245,672	917	32,743	241	-	32,984
Data Investment Management	50,131	(1)	9,489	22	-	9,511
Public Relations & Public Affairs	28,966	179	4,848	283	-	5,131
Specialist Communications	80,976	715	12,173	475	-	12,648
Large Format Production	10,587	824	(1,424)	-	-	(1,424)
Total	416,332	2,634	57,829	1,021	-	58,850
Depreciation and amortisation expense						(19,138)
Net finance costs						(6,554)
Profit before income tax						33,158
Income tax expense						(16,516)
Profit for the period						16,642
Net profit attributable to:						
- non-controlling interests						3,571
- members of the Company						13,071

(i) Refer to Note 3(b) for definition of net sales.

(ii) Headline EBITDA includes share of EBIT of joint ventures and associates of \$3.7 million.

* Comparatives have been restated to reflect the update in segments. Refer to Note 2(a).

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 3. Revenue

AASB 15 Revenue from Contracts with Customers – Accounting policies

The Group is a leading communications services organisation offering national and multinational clients a comprehensive range of communications services across the Group's different agencies. Contracts often involve multiple agencies offering different services. As such, the terms of contracts can vary to meet client needs and regulatory requirements. Consistent with the industry, contracts typically are short term in nature and tend to be cancellable by either party with 90 days' notice. The Group is 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, hence, the Group has determined that no significant financing component exists in relation to the Group's revenue streams. Revenue comprises commissions and fees earned in respect of amounts billed and is stated exclusive of GST. 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. 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 are used to assess proportional performance.

For retainer arrangements, there is a stand ready obligation to perform services on an ongoing basis over the life of the contract. The scope of these arrangements is broad and generally not reconcilable to another input or output criteria. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition.

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

The Group acts as principal when the Group controls the specified good or service prior to transfer. When the Group acts as principal (such as for in-house production services, events, data investment management, and branding), the revenue recorded is the gross amount billed. Out-of-pocket costs such as travel are also recognised at the gross amount billed with a corresponding amount recorded as an expense.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 3. Revenue (continued)

AASB 15 Revenue from Contracts with Customers – Accounting policies (continued)

(a) Nature of goods and services

The following is a description of the principal activities, disaggregated by reportable segments, from which the Group generates its revenue. For more information about the reportable segments, see Note 2. Segment information.

(i) Advertising and Media Investment Management

Revenue is typically derived from media placements and advertising services. Revenue may consist of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client. Revenue for commissions on purchased media is typically recognised at the point in time the media is run and fee revenue is recognised over time as services are performed.

Variable incentive-based revenue typically comprises both quantitative and qualitative elements. Incentive compensation is estimated using the most likely amount and is included in revenue up to the amount that is highly probable not to result in a significant reversal of cumulative revenue recognised. The Group recognises incentive revenue as the related performance obligation is satisfied.

(ii) Data Investment Management

Revenue for market research 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 market research 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. Where 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.

(iii) Public Relations & Public Affairs and Specialist Communications

Revenue is typically derived from retainer fees and fees for services to be performed subject to specific agreements. Most revenue under these arrangements is earned over time, in accordance with the terms of the contractual arrangement.

(iv) Large Format Production

Revenue is derived from sale of goods. Revenue under these arrangements is earned at the point in time when the control of the goods is transferred to the customer upon delivery.

(b) Net sales

The Group has disclosed its net sales for the half year being revenue less cost of sales of goods and services rendered. Cost of sales of goods and services rendered include the manufacturing cost of sale of goods and the direct costs incurred in the provision of services when acting as principal. Net sales is a key performance indicator reviewed by management to evaluate the performance of the Group.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 3. Revenue (continued)

AASB 15 Revenue from Contracts with Customers – Accounting policies (continued)

(c) Disaggregation of revenue

The Group has disaggregated revenue into five reportable segments as disclosed in Note 2. The Group considers this consistent with how revenue is presented in other communications, how information is regularly reviewed by management to evaluate the financial performance of operating segments and how other information is used by the entity, or users of the financial statements, to evaluate financial performance or make resource allocation decisions.

(d) Contract balances

The following table provides information about receivables, accrued revenue and deferred revenue from contracts with customers.

	Consolidated	
	30 Jun 2019	31 Dec 2018
	\$'000	\$'000
Receivables, which are included in 'Trade and other receivables'	479,289	457,155
Accrued revenue, which is included in 'Other current assets'	107,797	85,327
Deferred income, which is included in 'Trade and other payables'	128,368	127,543

Accrued revenue is recognised when a performance obligation has been satisfied but has not yet been billed. Accrued revenue is transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement. Impairment losses on accrued revenue were immaterial for the periods presented. In certain cases, payments are received from customers prior to satisfaction of performance obligations and recognised as deferred income on the balance sheet. These balances are typically related to prepayments for third party expenses that are incurred shortly after billing.

(e) Revenue breakdown

	Consolidated	
	Half year ended	
	30 Jun 2019	30 Jun 2018
	\$'000	\$'000
Revenue for the half year includes the following items:		
Share of net profit of joint ventures and associates		
Equity share of joint ventures and associates' net profit	2,480	2,634
Other income		
Interest income	753	490
Other income	188	70
	941	560

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 4. Expenses

	Consolidated	
	Half year ended	
	30 Jun 2019	30 Jun 2018
	\$'000	\$'000
<hr/>		
(Loss)/profit before income tax includes the following specific expenses:		
(a) Depreciation and amortisation expense		
Depreciation of non-currents assets:		
Plant and equipment	7,925	8,417
Right-of-use assets	11,279	-
Total depreciation of non-current assets	19,204	8,417
Amortisation of non-current assets:		
Intangible assets	11,666	10,721
Total amortisation of non-current assets	11,666	10,721
Total depreciation and amortisation expense	30,870	19,138
(b) Finance costs		
Interest expense – earnouts	179	321
Interest expense – lease liabilities	1,782	-
Interest expense – other parties	7,192	6,723
Total finance costs	9,153	7,044
(c) Other expense/(income)		
Loss/(gain) on fair value adjustment of earnouts	440	(1,021)
Total other expense/(income)	440	(1,021)

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 5. Significant Items

	Consolidated	
	Half year ended	
	30 Jun 2019	30 Jun 2018
	\$'000	\$'000
The net profit after tax includes the following expense items whose disclosure is relevant in explaining the financial performance of the Consolidated Entity:		
1. Transaction related costs		
Transaction related adjustments	-	-
Significant items before income tax	-	-
Rights to future income tax expense resulting from the Transaction	-	8,507
Income tax expense	-	-
Significant items net of income tax	-	8,507
Non-controlling interest	-	-
Net amount attributable to members of the Company	-	8,507
2. Impairment, amortisation of acquired intangible assets and other non-cash items		
Amortisation expense	10,815	9,847
Impairment expense	294,734	-
Loss/(gain) on fair value adjustment of earnouts	619	(700)
Significant items before income tax	306,168	9,147
Income tax benefit	(36,262)	(2,954)
Significant items net of income tax	269,906	6,193
Non-controlling interest	-	-
Net amount attributable to members of the Company	269,906	6,193
3. Business close down and other one-off costs		
Business restructuring costs	1,606	-
Loss on closed and merged businesses	768	-
Other one-off costs	2,631	-
Significant items before income tax	5,005	-
Income tax expense	1,145	-
Significant items net of income tax	6,150	-
Non-controlling interest	-	-
Net amount attributable to members of the Company	6,150	-

1. Transaction related costs – The balance in 2018 relates to \$8.5 million reversal of rights to future income tax deduction recognised as a significant item at 31 December 2017 due to a change in tax legislation.

2. Impairment, amortisation of acquired intangible assets and other non-cash items – The balance in 2019 relates to the impairment of goodwill and acquired intangibles such as brand names and customer relationships predominately in relation to entities within the Advertising and Media Investment Management and Data Investment Management CGUs (refer to Note 9 Intangible assets for details). It also includes the amortisation of acquired intangible assets and loss on fair value adjustment of earnouts. The balance in 2018 relates to the amortisation of acquired intangibles and gain on fair value adjustment of earnouts.

3. Business close down and other one-off costs – The balance in 2019 relates to costs associated with closing down, merging and restructuring of selected businesses. Furthermore, with the recent finalisation of the 2018 Australian tax returns and the subsequent re-assessment of timing of utilisation of accumulated tax losses, the deferred tax asset recognised for carry forward tax losses has been written down by \$2.6 million.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 6. Income Tax

	Consolidated	
	Half year ended	
	30 Jun 2019	30 Jun 2018
	\$'000	\$'000
(Loss)/profit from ordinary activities before income tax expense:	(277,712)	33,158
Tax at the Australian tax rate of 30% (2018: 30%)	(83,314)	9,947
Adjustments for current tax of prior periods	(936)	(1,158)
Tax adjustments resulting from equity accounting	(744)	(790)
Tax rate adjustment	(526)	(1,235)
Trust distribution	-	(567)
Other items allowable for income tax purpose	-	95
Other items non-deductible for income tax purposes	98	1,927
Rights to future income tax expense resulting from the Transaction*	-	8,507
Fair value adjustment of non-current liabilities	188	(210)
Tax adjustments from impairment of non-current assets	55,404	-
Deferred taxation write-off	2,867	-
Income tax (benefit)/expense in the consolidated statement of profit or loss	(26,963)	16,516

* \$8.5 million expense relates to reversal of rights to future income tax deduction recognised at 31 December 2017 arising from the acquisition of predominantly all of the Australian and New Zealand businesses of WPP plc ("Transaction") as a result of a change in tax legislation.

Note 7. Dividends

	Consolidated	
	Half year ended	
	30 Jun 2019	30 Jun 2018
	\$'000	\$'000
Dividends declared and paid during the half year:		
Final franked dividend for 2018, paid in 2019: 4.0 cents per share (2017: 4.2 cents per share, paid in 2018)	34,062	35,742
Dividends paid pursuant to the executive share plan ("ESP")	-	-
	34,062	35,742

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 2.3 cents (2018: 2.3 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 2019 (2018: 3 October 2018), 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:

19,586	19,574
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WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 8. Issued capital

	Consolidated		Consolidated	
	Half year ended		Year ended	
	30 Jun 2019	30 Jun 2019	31 Dec 2018	31 Dec 2018
	Shares	\$'000	Shares	\$'000
At 1 January	851,548,729	737,149	851,015,951	736,631
Issue of executive share plan shares	-	-	532,778	518
At period end	851,548,729	737,149	851,548,729	737,149

Note 9. Intangible assets

	Consolidated				
	Goodwill	Brand names	Intellectual property	Customer relationships	Total
At 1 January 2018	\$'000	\$'000	\$'000	\$'000	\$'000
At cost	952,806	153,478	21,850	154,417	1,282,551
Accumulated impairment and amortisation	(3,267)	(9,264)	(8,605)	(26,028)	(47,164)
Net carrying amount	949,539	144,214	13,245	128,389	1,235,387

Year ended 31 December 2018

Balance at the beginning of the year	949,539	144,214	13,245	128,389	1,235,387
Additions	250	-	3,354	-	3,604
Net exchange differences on translation	13,027	-	2,290	-	15,317
Disposals	(1,050)	-	-	-	(1,050)
Acquisition of subsidiaries (Note 10)	3,928	4,890	-	1,621	10,439
Amortisation expense	-	(5,700)	(945)	(14,180)	(20,825)
Impairment expense	(48,579)	-	(2,020)	(4,740)	(55,339)
Balance at the end of the year	917,115	143,404	15,924	111,090	1,187,533

Half year ended 30 June 2019

Balance at the beginning of the year	917,115	143,404	15,924	111,090	1,187,533
Additions	64	-	195	-	259
Net exchange differences on translation	1,534	-	530	-	2,064
Amortisation expense	-	(4,129)	(851)	(6,686)	(11,666)
Impairment expense	(184,680)	(65,799)	-	(44,255)	(294,734)
Balance at the end of the half year	734,033	73,476	15,798	60,149	883,456

At 30 June 2019

At cost	970,559	158,368	28,219	156,038	1,313,184
Accumulated impairment and amortisation	(236,526)	(84,892)	(12,421)	(95,889)	(429,728)
Net carrying amount	734,033	73,476	15,798	60,149	883,456

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 9. Intangible assets (continued)

	Consolidated				
	Advertising and Media Investment Management \$'000	Data Investment Management \$'000	Public Relations & Public Affairs \$'000	Specialist Communications \$'000	Total \$'000
Balance at the beginning of the year	687,433	191,584	98,291	210,225	1,187,533
Additions	142	53	-	64	259
Net exchange differences on translation	1,129	349	4	582	2,064
Transfer between segments	18,019	-	-	(18,019)	-
Amortisation expense	(7,200)	(2,559)	(689)	(1,218)	(11,666)
Impairment expense	(246,821)	(44,298)	-	(3,615)	(294,734)
Balance at the end of the half year	452,702	145,129	97,606	188,019	883,456

In relation to Large Format Production, all intangible assets have been fully impaired in 2018.

(a) Amortisation charge

The amortisation charge of \$11.7 million (June 2018: \$10.7 million) is recognised in the amortisation expense in the profit or loss.

(b) Impairment of goodwill and other intangible assets

During the period ended 30 June 2019, the group has experienced varied trading results when compared with the prior comparative period across all the segments. This has been driven primarily by the Advertising and Media Investment Management segment as a result of weak media spend as well as global/local account losses in the first half of 2019 and softening of the future outlook. Due to the ongoing repositioning of global brands including the potential sale of the Data Investment Management segment (refer to Note 9(d)), customer attrition in some segments, further costs expected to be incurred in simplifying the group structure and slowdown in the overall Australian economy, management has reassessed its estimate of forecasted cashflows and growth rates to reflect the factors outlined above and the future strategic direction of the Group.

Given the above factors, the Group has firstly carried out a review of the recoverable amount of its brand names and customer relationships then secondly an assessment of the recoverable amount of its goodwill to determine whether the recoverable amount of the assets exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs to sell, or its value in use.

The information below summarises the key assumptions and methodologies that have been used to determine the recoverable amount of intangible assets. Each of the factors below is subject to significant judgement about future economic conditions, trading results and the ongoing structure of the marketing and communications industry. The Directors have applied their judgement in determining the best estimates of each of these variables but cannot warrant their outcome. To assess the impact of this significant uncertainty, and the range of possible outcomes, sensitivity analysis is disclosed below.

Assumptions that have been applied to all classes of intangible assets are set out below, followed by specific assumptions applying to individual classes of intangible assets.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 9. Intangible assets (continued)

(b) Impairment of goodwill and other intangible assets (continued)

Discount rate

The discount rate is an estimate of the post-tax rate that reflects current market assessment of the time value of money and the risks specific to the assets. The post-tax discount rate applied to the cash flow projections was 10.5% (2018: 10.5%). The same discount rate for all assets is considered appropriate as the Group's principal activities comprise providing services to similar customers; hence all intangible assets are subject to similar levels of market risks.

Base year cashflows

These cashflows are based upon the latest reforecasts for 2019 approved by the Directors and are derived from a combination of historical trading performance and expectations of the assets' future performance based on market and life cycle factors.

(c) Impairment of definite life intangible assets including brand names and customer relationships

Due to impairment indicators identified in the half year ended 30 June 2019, the Group performed a revaluation of its brand name and customer relationship intangible assets.

Brand names

The recoverable amount of brand names is determined using the relief from royalty method. This entails an estimate of the comparable royalty payment that would need to be made by the Group to license the use of the brand names discounted at the weighted average costs of capital.

There have been impairment charges of \$65.8 million during the period ended 30 June 2019 (June 2018: nil).

Details of the key assumptions used in the relief from royalty calculations during the period ended 30 June 2019 are included below.

Cash flows over remaining useful life

These cash flows are forecast using year 1 as a base and a growth rate applied to future years over the useful life of the asset. The rate of growth takes into account management's best estimate of the likely results in these periods, industry forecasts and historical actual rates. The following revenue growth rate is applied to the brands within the following segments: Advertising and Media Investment Management: 0.5% (2018: 2.0%); Data Investment Management: 0.5% (2018: 2.0%); Public Relations & Public Affairs: 2.5% (2018: 2.0%); Specialist Communications: 4.0% (2018: 2.0%) and Large Format Production: 2.0% (2018: 2.0%).

Royalty rates

The royalty rates are selected for each brand based on its strength and margins as well as qualitative factors. Furthermore, when the royalty rates were selected, consideration was given to comparable license agreements conducted in the marketplace. The following royalty rates are applied to the brands within the following segments: Advertising and Media Investment Management: 2%-4%; Data Investment Management: 3%-4%; Public Relations & Public Affairs: 1%-4% and Specialist Communications: 1%-3%.

Any negative changes to the assumptions above will most likely result in impairment of the brand names within the Public Relations and Public Affairs and Specialist Communications segments.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 9. Intangible assets (continued)

(c) Impairment of definite life intangible assets including brand names and customer relationships (continued)

Customer relationships

The customer relationships were valued using the multi-period excess earnings method which estimates revenues and cash flows derived from the intangible asset and deducts portions of the cash flow that can be attributed to supporting assets.

There have been impairment charges of \$44.3 million during the period ended 30 June 2019 (June 2018: nil).

Details of the key assumptions used in the multi-period excess earnings valuation during the period ended 30 June 2019 are included below.

Margin

The margin reflects the profit generated from the services provided to clients. This depends on the individual client contracts however changes in this variable could impact the recoverable amount of customer relationships.

Attrition rate

An attrition factor is applied to the revenue attributable to the customer relationships to represent the chance of the customers leaving. It has been estimated that the attrition rate for customer relationships range between 5% and 45%.

Any negative changes to the assumptions above will most likely result in impairment of the customer relationships within the Public Relations and Public Affairs segment.

(d) Impairment of goodwill

To assess the impairment of goodwill across the CGUs, the Group used a combination of value in use and fair value less cost of disposal assessment detailed below. The following table reconciles the movement in goodwill by CGUs:

Reconciliation of goodwill movement within CGUs as at 30 June 2019

	Consolidated				
	Advertising and Media Investment Management \$'000	Data Investment Management \$'000	Public Relations & Public Affairs \$'000	Specialist Communications \$'000	Total \$'000
Balance at the beginning of the year	507,099	136,826	83,423	189,767	917,115
Additions	-	-	-	64	64
Net exchange differences on translation	599	349	4	582	1,534
Transfer between segments	10,090			(10,090)	-
Impairment expense	(147,695)	(36,985)	-	-	(184,680)
Balance at the end of the half year	370,093	100,190	83,427	180,323	734,033

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 9. Intangible assets (continued)

(d) Impairment of goodwill (continued)

Impairment of Data Investment Management CGU

On 16 August 2019, WPP AUNZ announced that it has entered into an agreement to sell 100% of its interests in Kantar businesses in Australia and New Zealand (“Kantar”) to WPP plc. The sale of Kantar covers all entities within the Data Investment Management CGU and consequently the sale of the Kantar businesses would constitute the disposal of the Data Investment Management CGU when it occurs.

As the Data Investment Management CGU is to be disposed of by sale, the recoverable value of the intangibles assets within the CGU have been determined using the fair value approach. The fair value less cost of disposal (“fair value”) is estimated to be \$141.4 million based on estimated sale proceeds of \$150.0 million less forecasted profits to be generated in the second half of 2019 of \$8.6 million, which are for the account of the purchaser. The transaction is forecast to complete in early 2020.

By comparing the \$141.4 million fair value to the carrying value of the Data Investment Management CGU (\$178.4 million) at 30 June 2019, a goodwill impairment of \$37.0 million has been recognised for the Data Investment Management CGU.

Impairment of goodwill in relation to other segments

For the Advertising and Media Investment, Public Relations & Public Affairs and Specialist Communications CGUs, a value in use assessment has been performed.

In calculating value in use, the cash flows include projections of cash inflows and outflows from continuing use of the group of assets making up the CGUs and of cash flows associated with disposal of any of these assets. The cash flows are estimated for the assets of the CGUs in their current condition and discounted to their present value using a post-tax discount rate that reflects the current market assessment of the risks specific to the CGUs. The group uses a five-year discounted cash flow model based on Board approved budgets with a terminal growth rate for years beyond the five-year forecast period.

Impairment charges of \$147.7 million have been recognised during the period ended 30 June 2019 (June 2018: nil) in respect of the Advertising and Media Investment Management CGU. Goodwill in the remaining CGUs, comprising \$83.4 million in Public Relations and Public Affairs and \$190.4 million in Specialist Communications is not considered impaired at 30 June 2019.

Details of the key assumptions used in the value in use calculations at 30 June 2019 are included below.

Cashflows subsequent to base year

These cash flows are forecast using year 1 as a base and a growth rate applied to years 2 to 5. The rate of growth takes into account management’s best estimate of the likely results in these periods, industry forecasts and historical actual rates. The following revenue growth rate is applied to the CGUs: Advertising and Media Investment Management: 0.5% (2018: 2.0%); Data Investment Management: 0.5% (2018: 2.0%); Public Relations & Public Affairs: 2.5% (2018: 2.0%); Specialist Communications: 4.0% (2018: 2.0%) and Large Format Production: 2.0% (2018: 2.0%).

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 9. Intangible assets (continued)

(d) Impairment of goodwill (continued)

Terminal growth factor

A terminal growth factor that estimates the long-term average growth for that segment is applied to the year 5 cash flows into perpetuity. The terminal growth factor is derived from management's best estimate of the likely long-term trading performance with reference to external industry reports. The following terminal growth rate is applied to the CGUs: Advertising and Media Investment Management: 0.5% (2018: 1.5%); Data Investment Management: 0.5% (2018: 1.5%); Public Relations & Public Affairs: 2.0% (2018: 1.5%); Specialist Communications: 2.5% (2018: 1.5%) and Large Format Production: 1.5% (2018: 1.5%).

Impact of possible change in key assumptions

Changes in the assumptions used in the value in use model, when considered in isolation, will result in the following impairment impact on the profit or loss.

Sensitivity	Variable	Impairment (\$'000)			
		Advertising and Media Investment Management	Public Relations & Public Affairs	Specialist Communications	Large Format Production*
Year 1-5 revenue growth rate	-1.0	30,591	89	-	-
Discount rate	+1.0	11,380	12	-	-
Terminal growth factor	-1.0	21,818	4,635	6,472	-

* In relation to Large Format Production, all intangible assets have been fully impaired in 2018.

It must be noted that each of the sensitivities above assumes that a specific assumption moves in isolation, while all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions could be accompanied by a change in another assumption, which may increase or decrease the net impact.

Impact of changes to growth rate

The annual growth rate that would result in each CGU's recoverable amount falling below its carrying value is as follows: Public Relations & Public Affairs: (1.5%) and Specialist Communications: (2.2%).

Impact of changes to discount rate

Management notes that the post-tax discount rate would have to increase to 11.5% for Public Relations & Public Affairs and 12.2% for Specialist Communications for the recoverable amount of the CGUs to fall below its carrying value, all other assumptions being equal.

Impact of changes to terminal growth factor

Management notes that the terminal growth factor would have to decrease to 1.6% for Public Relations & Public Affairs and 1.9% for Specialist Communications for the recoverable amount of the CGUs to fall below their carrying value, all other assumptions being equal.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 9. Intangible assets (continued)

(d) Impairment of goodwill (continued)

Loss of a major customer

The assumption around the loss of a major customer is important because as well as using historical trends management expects the Group's market share of each business segment to be stable over future periods. The loss of a significant customer in any business segment will impact the ability of that CGU to maintain expected earnings and cash flows. The loss of any major customer would have a different impact on earnings and cash flows, so it is not practicable to include sensitivities for such a scenario.

Note 10. Business combinations

During the half year ended 30 June 2019:

There were no business acquisitions during the half year ended 30 June 2019.

During the half year ended 30 June 2018:

On 1 March 2018, STW Media Services Pty Limited ("SMS") acquired 100% of Lightspeed Pty Limited ("Lightspeed") for a consideration of \$5.0 million. Prior to the acquisition, Lightspeed was ultimately 100% owned by WPP plc. Lightspeed is a digital data specialist which operates out of Sydney and Melbourne.

On 19 February 2018 (effective 1 March 2018), SMS acquired 100% of Essence Global Australia Pty Ltd ("Essence") for a consideration of \$5.1 million. Prior to the acquisition, Essence was ultimately 100% owned by WPP plc. Essence is a digital agency which operates out of Sydney and Melbourne.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

Note 11. Investments accounted for using the equity method

	Consolidated	
	Half year ended	Year ended
	30 Jun 2019	31 Dec 2018
	\$'000	\$'000
Investments in joint ventures and associates	22,084	21,864

Name	Ownership Interest	
	30 Jun 2019	31 Dec 2018
AFI Branding Solutions Pty Limited	50%	50%
Astus APAC Australia Pty Limited	50%	50%
BCG2 Limited	20%	20%
Beyond Analysis Australia Pty Limited	49%	49%
Campaigns and Communications Group Pty Limited (i)	-	20%
CPR Vision Pte Limited	40%	40%
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%
Smollan Australia Pty Ltd	25.5%	25.5%
Spinach Advertising Pty Limited	20%	20%
TaguchiMarketing Pty Limited	20%	20%

(i) The company has been deregistered in 2019.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

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 2019 and 31 December 2018. These are presented in the table below.

	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	Carrying Amount	Carrying Amount	Fair Value	Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	69,193	63,524	69,193	63,524
Trade and other receivables	507,475	485,181	507,475	485,181
Other financial assets	710	709	710	709
	577,378	549,414	577,378	549,414
Financial liabilities				
Trade and other payables (excluding earnouts)	592,523	589,892	592,523	589,892
Earnouts	10,203	17,120	10,203	17,120
Finance lease liabilities	-	1,747	-	1,747
Secured bank loans	384,990	315,001	384,990	315,001
	987,716	923,760	987,716	923,760

Australian core banking facilities

The Company renewed the syndicated debt facility agreement on 26 June 2018 ("Facility Agreement"). The Facility Agreement is split between a debt facility of \$520.0 million and a guarantee facility of \$29.9 million. \$370.0 million of the debt facility and the guarantee facility expire on 29 June 2021. The remaining \$150.0 million of the debt facility expires 29 June 2020 and is used to support intra-month working capital movements.

The bank loan facility is secured by:

- First registered fixed and floating charge over the assets and undertakings of WPP AUNZ Limited and certain subsidiaries;
- Cross guarantee and indemnity between WPP AUNZ Limited and certain subsidiaries; and
- Standard shares and securities mortgage over all shares held by WPP AUNZ Limited and certain subsidiaries.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

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

(a) Fair value hierarchy and valuation techniques

The Group's financial assets and liabilities are measured and recognised at fair value at 30 June 2019 and 31 December 2018 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 2019 and 31 December 2018;

(ii) Level 2 – not applicable

There were no level 2 financial assets or liabilities as at 30 June 2019 and 31 December 2018;

(iii) Level 3 – earnouts

The fair value of earnouts 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 following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2019 and 31 December 2018:

At 30 June 2019	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Shares in listed entities	710	-	-	710
Total assets	710	-	-	710
Liabilities				
Earnouts	-	-	(10,203)	(10,203)
Total liabilities	-	-	(10,203)	(10,203)
At 31 December 2018				
	\$'000	\$'000	\$'000	\$'000
Assets				
Shares in listed entities	709	-	-	709
Total assets	709	-	-	709
Liabilities				
Earnouts	-	-	(17,120)	(17,120)
Total liabilities	-	-	(17,120)	(17,120)

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 2019.

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

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 2019 and 31 December 2018:

	Earnouts \$'000
Opening balance 1 January 2019	(17,120)
Earnout payments made during the period	8,501
Loss on fair value adjustment of earnouts recognised in expenses	(440)
Fair value adjustment of earnouts recognised in other reserves	(867)
Interest expense – earnouts	(179)
Other	(98)
Closing balance 30 June 2019	(10,203)
	Earnouts \$'000
Opening balance 1 January 2018	(19,720)
Earnout payments made during the period	3,143
Gain on fair value adjustment of earnouts recognised in expenses	1,275
Fair value adjustment of earnouts recognised in other reserves	(539)
Interest expense – earnouts	(667)
Other	(612)
Closing balance 31 December 2018	(17,120)

WPP AUNZ LIMITED
Notes to the Financial Statements
For the half year ended 30 June 2019

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 2019 \$'000	Unobservable inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Earnouts	10,203	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 \$52,702. A decrease in the discount rate by 100bps would increase the fair value by \$53,688.
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by \$79,715. If expected cash flows were 5% lower, the fair value would decrease by \$79,715.
Description	Fair value at 31 Dec 2018 \$'000	Unobservable inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Earnouts	17,120	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 \$100,437. A decrease in the discount rate by 100bps would increase the fair value by \$102,417.
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by \$159,670. If expected cash flows were 5% lower, the fair value would decrease by \$159,670.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 13. Share based payments

The following share schemes have been adopted by the Company:

- Long Term Incentive Plan (“LTIP”) operating between 1 January 2019 and 31 December 2022;
- Leader Plan operating between 1 March 2019 and 1 March 2022; and
- WPP AUNZ Share Ownership Plan – group wide share plan operating from 1 March 2019.

LTIP - performance rights

4,128,674 performance rights over WPP AUNZ Limited ordinary shares were granted during the half year to eligible senior executives. Performance rights were granted to executives at no cost as part of the long-term incentives’ component of their remuneration. The performance rights will vest, subject to achievement of the performance conditions as determined by the Board. The performance conditions include achievement of two years’ compound annual growth rate in EPS and normalised organic revenue (net sales) and an executive satisfying subsequent two-year continuous 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. The Board retains discretion to adjust performance conditions to ensure that senior executives are neither advantaged nor disadvantaged by matters outside the senior executives’ control that affect performance (e.g. by excluding one-off items or the impact of significant acquisitions or disposals).

Leader Plan – rights

2,491,012 rights over WPP AUNZ Limited ordinary shares were granted during the half year to the business leaders that are not participating in LTIP and satisfy eligibility criteria as determined by the Board. Rights were granted to the leaders at no cost as part of their remuneration. The grants will vest on 1 March 2022, subject to a leader satisfying continuous service conditions until the vesting date. No dividends are payable until the leader grants vest. The Board retains discretion to adjust performance conditions to ensure that senior executives are neither advantaged nor disadvantaged by matters outside the senior executives’ control that affect performance (e.g. by excluding one-off items or the impact of significant acquisitions or disposals).

WPP AUNZ Share Ownership Plan - rights

3,871,601 rights over WPP AUNZ Limited ordinary shares were granted during the half year under a new Share Ownership Plan to eligible permanent employees and executives that are not participating in the Leader Plan.

Under a group wide Share Ownership Plan, the Board approved a grant of rights up to the value of \$500 to be allocated on 1 March 2019 to each employee of the Company satisfying eligibility criteria, at no cost. The rights will vest in two years, subject to an employee satisfying continuous service condition until the vesting date. The Board also approved the grant of rights to qualifying executives in recognition of their contribution to the long term success of the Company. The rights were granted to the executives at no cost and will vest on 1 March 2022, subject to an executive satisfying continuous service conditions until the vesting date. No dividends are payable until the rights vest.

Fair value

The fair value of share-based payments 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 each share is based on the market price of the share that includes expected volatility estimation, and dividend entitlements (if any) pursuant to each plan. The fair value of the share does not consider non-market vesting conditions. Non-market vesting conditions (compound annual growth in EPS, net sales, and continuous service conditions) are instead taken into account in the determination of the number of shares expected to eventually vest. This is performed through adjusting the number of shares for the probability of non-vesting due to non-market vesting conditions not being achieved.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 13. Share based payments (continued)

Fair value of performance rights granted under LTIP

The fair value at grant date of performance rights granted during the half year ended 30 June 2019 was \$0.47 per share (2018: \$0.81). The model inputs for performance rights granted during the half year ended 30 June 2019 included:

- performance rights are granted for no consideration;
- exercise price: \$0;
- grant date: 15 May 2019;
- expiry date: December 2022; and
- share price at grant date: 2019: \$0.54 (2018: \$0.90).

Fair value of rights granted under Leader Plan

The fair value of rights granted during the half year ended 30 June 2019 was \$0.40 per share (2018: \$0.85). The model inputs for the rights granted during the half year ended 30 June 2019 included:

- rights are granted for no consideration;
- exercise price: \$0;
- dividend yield per annum: 2019: 8.0% (2018: 6.0%);
- grant date: 31 May 2019;
- expiry date: 1 March 2022; and
- share price at grant date: 2019: \$0.50 (2018: \$1.02).

Fair value of rights granted under WPP AUNZ Share Ownership Plan

The fair value of rights granted during the half year ended 30 June 2019 for the eligible employees was \$0.47 per share (2018: \$0.90) and \$0.40 per share for executive grants (2018: \$0.76). The model inputs for the rights granted during the half year ended 30 June 2019 included:

- rights are granted for no consideration;
- exercise price: \$0;
- dividend yield per annum: 2019: 8.0%; (2018: 6.0%)
- grant date: employee grants - 1 March 2019; executive grants – 31 May 2019;
- expiry date: employee grants - 1 March 2021; executive grants – 1 March 2022; and
- share price at grant date: 2019 employee grants: \$0.55 (2018: \$1.02); 2019 executive grants: \$0.50 (2018: 0.90);

For the half year ended 30 June 2019, the Company has recognised \$0.8 million share based payment expense in the consolidated statement of profit or loss (2018: \$0.5 million).

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 14. Related Party Disclosures

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 of the Group during each financial year ("Annual Fee"). The service fee payable for the half year is 3.28% of net sales of the global brand network businesses. This rate could fluctuate marginally each year based on the changing structure of the business.

For the half year ended 30 June 2019, the Company has recognised service fees of \$10.1 million (2018: \$9.6 million).

Other transactions between the Group and WPP plc related parties, joint ventures and associates during the half year ended 30 June 2019 consisted of:

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

Note 15. Subsequent events

Subsequent to the end of the half year, the Directors have declared the payment of an interim dividend of 2.3 cents per fully paid ordinary share, fully franked at 30%. The aggregate amount of the approved interim dividend will be paid on 3 October 2019.

Kantar disposal

On 16 August 2019, WPP AUNZ announced that it has entered into an agreement to sell 100% of its interests in Kantar businesses in Australia and New Zealand ("Kantar"). The transaction values Kantar at \$168 million, equivalent to a multiple of 8.2x Kantar's 2019 budgeted EBITDA.

The proceeds on completion, after transaction costs and provision for restructure liabilities to the value of \$8.4 million, are expected to be c. \$150 million, payable in cash. Completion of the transaction is expected to be in early calendar year 2020 and is subject to shareholder approval, completion of the WPP plc global deal and other customary regulatory and legal approvals.

The proposed sale of Kantar simplifies WPP AUNZ and is an attractive strategic and financial outcome for the company and its shareholders. It creates balance sheet flexibility to pursue growth and capacity to return funds to shareholders.

For the half year ended 30 June 2019, the Kantar business accounted for \$51.0 million net sales (30 June 2018: \$50.1 million) and \$11.2 million statutory EBITDA (30 June 2018: \$9.5 million).

Under AASB 5 Non-current Assets Held for Sale and Discontinued Operations, where certain conditions are met, an asset or disposal group that has been put up for sale should be recognised as 'held for sale'. An entity should classify a disposal group as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

The criterion of highly probable was not met as at 30 June 2019, as there was no formal or legal commitment to dispose Kantar at this date. This classifies as a critical accounting judgement under AASB 101 Presentation of Financial Statements at 30 June 2019. In future financial statements it will be disclosed as a discontinued operation.

WPP AUNZ LIMITED

Notes to the Financial Statements

For the half year ended 30 June 2019

Note 15. Subsequent events (continued)

Ogilvy New Zealand disposal

On 9 August 2019, WPP AUNZ disposed of its 85% interest in Ogilvy New Zealand Limited ("Ogilvy NZ") for NZ\$8.3 million. WPP AUNZ retains all global clients which will remain as part of the Group. For the half year ended 30 June 2019, the Ogilvy NZ business derived approximately \$8.0 million in net sales from its local clients.

Yellow Edge disposal

On 20 August 2019, WPP AUNZ disposed of its 84% interest in Yellow Edge Pty Limited ("Yellow Edge") for \$0.6 million. For the half year ended 30 June 2019, the Yellow Edge business accounted for approximately \$0.9 million net sales.

Apart from the items 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:

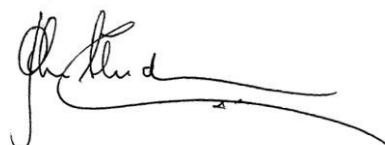
- (a) in the directors' opinion, the financial statements and notes for the half year ended 30 June 2019 as set out on pages 7 to 41 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance 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 s303(5) of the *Corporations Act 2001*.

On behalf of the directors



Robert Mactier
Chairman
Sydney
23 August 2019



John Steedman
Interim Chief Executive Officer
Sydney
23 August 2019

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") and its subsidiaries ("the Consolidated Entity" or "the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit and 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 controls as at the end of the half year or from time to time during the half year as set out in pages 7 to 42.

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 consolidated entity's financial position as at 30 June 2019 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 the consolidated entity's financial position as at 30 June 2019 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

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 23 August 2019