WPP AUNZ LIMITED

ABN 84 001 657 370

HALF YEAR FINANCIAL REPORT - 30 JUNE 2018

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 2017 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 2018

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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 2018 ("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)
Michael Connaghan	(Chief Executive Officer and Executive Director)
Paul Richardson	(Non-executive Director)
Graham Cubbin	(Independent Non-executive Director)
Kim Anderson	(Independent Non-executive Director)
Paul Heath	(Non-executive Director – resigned 27 March 2018)
Ranjana Singh	(Non-executive Director)
John Steedman	(Executive Director)
Jonathan Steel	(Non-executive Director)
Geoffrey Wild AM	(Non-executive Director)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period were 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; and Specialist Communications. 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 $416.3 million, up 1.5% on June prior year (2017: $410.0 million) and net profit attributable to members of WPP AUNZ for the half year of $13.1 million, down 35.0% on June prior year (2017: $20.1 million).

A summary of the Group's statutory results for the half year ended 30 June 2018 and 30 June 2017 is below:

	2018 $ million	**2017 $ million**
Net sales	**416.3**	**410.0**
Other income (excluding interest income)	0.1	1.3
Share of net profit from joint ventures and associates	2.6	2.6
Operating expenses	(360.1)	(357.0)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**58.9**	**56.9**
Depreciation and amortisation	(19.1)	(16.9)
Earnings before interest and tax ("EBIT")	**39.8**	**40.0**
Net finance costs	(6.6)	(7.7)
Profit before tax	**33.2**	**32.3**
Income tax expense	(16.5)	(9.1)
Profit after tax	**16.7**	**23.2**
Non-controlling interests	(3.6)	(3.1)
Net profit attributable to members of WPP AUNZ	**13.1**	**20.1**
	Cents	**Cents**
Earnings per share ("EPS")	**1.5**	**2.4**

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 $27.8 million, up 5.8% on June prior year (2017: $26.3 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:

	2018 $ million	2017 $ million
Net profit attributable to members of WPP AUNZ	**13.1**	**20.1**
Significant items, net of tax		
1. Transaction related costs/(profit)	8.5	(1.3)
2. Amortisation of acquired intangible assets and other non-cash items	6.2	7.5
Total significant items, net of tax	**14.7**	**6.2**
Headline profit after tax and minorities	**27.8**	**26.3**

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/(profit) – 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. The balance in 2017 relates to adjustments which arose as a result of the Company acquiring predominately all of the Australian and New Zealand businesses of WPP plc (“Transaction”) in 2016.

2. Amortisation of acquired intangible assets and other non-cash items – relates to the amortisation of acquired intangible assets arising from the Transaction and gain/(loss) on fair value adjustment of contingent cash settlements (“earnouts”).

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 Jun 2018 $ million	30 Jun 2017 $ million	Change
Net sales	416.3	410.0	1.5%
Headline EBIT	49.6	49.1	1.0%
Headline margin	11.9%	12.0%	(0.1%)
Headline profit before tax	43.4	41.9	3.8%
Headline profit after tax and minorities	27.8	26.3	5.8%
Headline EPS	3.3	3.1	5.8%

Headline EBIT (inclusive of EBIT from joint ventures and associates accounted for using the equity method) of $49.6 million, up 1.0% on June prior year (30 June 2017: $49.1 million). Headline EBIT was delivered at a margin of 11.9%, a slight decline against June prior year (30 June 2017: 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.

	Net sales			Headline EBIT			Headline margin %		
$ million	**2018**	**2017**	**Change %**	**2018**	**2017**	**Change %**	**2018**	**2017**	**Change**
Advertising and Media Investment Management	232.8	228.1	2.1%	28.1	26.8	4.9%	12.0%	11.7%	0.3%
Data Investment Management	50.1	48.6	3.1%	8.3	9.5	(12.6%)	16.6%	19.5%	(2.9%)
Public Relations & Public Affairs	29.0	28.6	1.4%	4.6	3.6	27.8%	16.0%	12.7%	3.3%
Specialist Communications	104.4	104.7	(0.3%)	8.6	9.2	(6.5%)	8.3%	8.8%	(0.5%)
Total	**416.3**	**410.0**	**1.5%**	**49.6**	**49.1**	**1.0%**	**11.9%**	**12.0%**	**(0.1%)**

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 $370.0 million (2017: $520.0 million) and a guarantee facility of $29.8 million (2017: $29.9 million) both expiring on 29 June 2021 and an overdraft facility of $150.0 million (2017: Nil) expiring on 29 June 2019 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.

Net debt

As at 30 June 2018, the Company's cash balance was $129.4 million (31 December 2017: $111.2 million). The Company's gross debt, finance lease liabilities and earnout liabilities were $434.4 million (31 December 2017: $361.2 million). The Company's net debt position increased to $305.0 million at 30 June 2018 (31 December 2017: $250.0 million). This was driven primarily by increased drawdowns from the debt facility to fund working capital requirements, acquisitions and additional tax payments made in the half year.

	30 Jun 2018 $ million	**31 Dec 2017 $ million**
Cash and cash equivalents	129.4	111.2
Secured bank loans	(412.6)	(338.8)
Finance lease liabilities	(2.3)	(2.7)
Earnout liabilities	(19.5)	(19.7)
Net debt	**305.0**	**250.0**

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 2018, the Company's estimated earnout liabilities are $19.5 million (31 December 2017: $19.7 million).

	$ million
31 December 2017	19.7
Payments made in 2018	(0.1)
New earnouts in 2018	0.2
Net revisions to prior earnout estimates	(0.3)
30 June 2018	**19.5**

Expected maturity profile (calendar year)

	$ million
2018	6.5
2019	10.2
2020+	2.8
Total	**19.5**

DIVIDEND PAYMENTS

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

	Cents per share	**$ million**	**Franking**
Final 2017	4.2	35.7	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 2018 and payable on 3 October 2018 (2017 interim dividend: 2.1 cents per share).

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OFF OF AMOUNTS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

Signed in accordance with a resolution of directors made pursuant to s306(3) of the *Corporations Act 2001*.

Robert Mactier
Chairman
Sydney
24 August 2018

Michael Connaghan
Chief Executive Officer
Sydney
24 August 2018

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

24 August 2018

Dear Board Members,

WPP AUNZ Limited

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

As lead audit partner for the review of the financial report of WPP AUNZ Limited for the half year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

WPP AUNZ LIMITED

Consolidated Statement of Profit or Loss
For the half year ended 30 June 2018

		Consolidated	
		Half year ended	
		30 Jun 2018	30 Jun 2017*
	Notes	**$'000**	$'000
Revenue		**511,243**	492,851
Cost of sale of goods and services rendered		**(94,911)**	(82,810)
Net sales	3(b)	**416,332**	410,041
Other income	3(e)	**8,755**	9,371
Share of net profit of joint ventures and associates accounted for using the equity method	3(e)	**2,634**	2,581
		427,721	421,993
Employee benefits expense		**(277,094)**	(274,768)
Occupancy costs		**(24,596)**	(23,524)
Depreciation expense	4(a)	**(8,417)**	(6,672)
Amortisation expense	4(a)	**(10,721)**	(10,184)
Finance costs	4(b)	**(15,239)**	(15,763)
Travel, training and other employee related costs		**(13,790)**	(13,842)
Office and administration costs		**(15,955)**	(13,714)
Research, new business and other commercial costs		**(13,456)**	(12,236)
Service fees to WPP plc	14	**(9,635)**	(10,373)
Compliance, audit and listing costs		**(6,681)**	(7,838)
Gain/(loss) on fair value adjustment of earnouts	4(c)	**1,021**	(727)
Profit before income tax		**33,158**	32,352
Income tax expense	6	**(16,516)**	(9,143)
Profit for the period		**16,642**	23,209
Net profit attributable to:			
- non-controlling interests		**3,571**	3,099
- **members of the Company**		**13,071**	20,110
		Cents	Cents
Earnings per share:			
Basic earnings per share		**1.54**	2.36
Diluted earnings per share		**1.54**	2.36

* Refer to Note 1(i) on update of prior year comparatives. The update to prior year comparatives has no impact on key metrics including net sales, EBIT and profit before income tax.

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 2018

	Consolidated	
	Half year ended	
	30 Jun 2018	30 Jun 2017
	$'000	$'000
Profit for the period	**16,642**	23,209
Other comprehensive income		
Items that may be reclassified subsequently to the Consolidated Statement of Profit or Loss		
Exchange gain/(loss) arising on translation of foreign operations	**3,875**	(1,960)
Fair value gain on cash flow hedges taken to equity	**-**	259
Income tax expense relating to components of other comprehensive income	**-**	(70)
Other comprehensive income/(loss) for the period (net of tax)	**3,875**	(1,771)
Total comprehensive income for the period	**20,517**	21,438
Total comprehensive income attributable to:		
- non-controlling interests	**3,743**	3,028
- **members of the Company**	**16,774**	18,410

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 2018

		Consolidated	
		30 Jun 2018	31 Dec 2017
	Notes	**$'000**	$'000
Current assets			
Cash and cash equivalents		**129,386**	111,223
Trade and other receivables		**535,447**	521,783
Inventories		**15,963**	15,078
Current tax assets		**2,173**	-
Other current assets		**92,180**	92,470
Total current assets		**775,149**	740,554
Non-current assets			
Other receivables		**328**	280
Investments accounted for using the equity method	11	**25,768**	23,370
Other financial assets		**708**	684
Plant and equipment		**56,609**	49,570
Deferred tax assets		**30,053**	32,718
Intangible assets	9	**1,238,456**	1,235,387
Other non-current assets		**2,802**	2,108
Total non-current assets		**1,354,724**	1,344,117
Total assets		**2,129,873**	2,084,671
Current liabilities			
Trade and other payables		**739,385**	711,307
Current tax liabilities		**-**	15,046
Borrowings		**132,275**	995
Provisions		**30,665**	28,504
Total current liabilities		**902,325**	755,852
Non-current liabilities			
Other payables		**19,299**	29,473
Borrowings		**282,577**	340,587
Deferred tax liabilities		**91,648**	94,023
Provisions		**4,918**	4,849
Total non-current liabilities		**398,442**	468,932
Total liabilities		**1,300,767**	1,224,784
Net assets		**829,106**	859,887
Equity			
Issued capital	8	**736,675**	736,631
Reserves		**16,775**	19,782
Retained earnings		**60,202**	85,009
Equity attributable to members of the Company		**813,652**	841,422
Non-controlling interests		**15,454**	18,465
Total equity		**829,106**	859,887

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 2018

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

* **Nature and purpose of reserves:**

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

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

WPP AUNZ LIMITED
Consolidated Statement of Cash Flows
For the half year ended 30 June 2018

	Notes	Consolidated Half year ended 30 Jun 2018 $'000	30 Jun 2017 $'000
Cash Flows from Operating Activities			
Receipts from customers*		**1,921,044**	1,853,124
Payments to suppliers and employees*		**(1,861,527)**	(1,779,315)
Interest received		**8,685**	8,099
Interest and other finance costs paid		**(14,918)**	(15,405)
Dividends and trust distributions received from joint ventures and associates		**1,465**	750
Income taxes paid		**(34,472)**	(1,997)
Net cash flows from operating activities		**20,277**	65,256
Cash Flows from Investing Activities			
Payments for purchase of newly controlled entities, net of cash acquired	10(d)	**(6,095)**	-
Proceeds from sale of equity accounted investments		**-**	2,160
Payments for acquisition of non-controlling interests		**(8,593)**	-
Earnout payments and intangible assets acquired		**(607)**	(1,698)
Payments for purchase of plant and equipment		**(15,405)**	(7,692)
Loans to joint ventures and associates		**(3,663)**	(3,165)
Net cash flows used in investing activities		**(34,363)**	(10,395)
Cash Flows from Financing Activities			
Proceeds from borrowings		**506,324**	581,615
Repayment of borrowings		**(432,589)**	(506,520)
Dividends paid to equity holders	7	**(35,742)**	(33,194)
Dividends paid to non-controlling interests		**(4,576)**	(2,634)
Payments on finance leases		**(466)**	(448)
Net cash flows provided by financing activities		**32,951**	38,819
Net increase in cash and cash equivalents		**18,865**	93,680
Effects of exchange rate changes on cash and cash equivalents		**(702)**	(368)
Cash at the beginning of the year		**111,223**	87,167
Cash at the end of the half year		**129,386**	180,479

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

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

Note 1. Significant accounting policies

Statement of Compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half year 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 2017 and any public announcements made by WPP AUNZ Limited during the interim reporting period.

Net Working Capital

As at 30 June 2018, the consolidated statement of financial position shows current liabilities in excess of current assets by $127.2 million (31 December 2017: $15.3 million). At 30 June 2018, the Company has secured loan facilities totalling $520.0 million, of which $150.0 million will expire in June 2019 and the remaining will expire in June 2021. From the $520.0 million loan facility, $412.6 million was drawn at 30 June 2018 (31 December 2017: $338.8 million). The $107.4 million in undrawn facilities at the half year (31 December 2017: $181.2 million) along with projected future operating cash flows will enable the Company to meet its net working capital requirements.

Basis of Preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2017 annual report for the year ended 31 December 2017. 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

A number of new or amended standards became applicable for the current reporting period:

— AASB 15 Revenue from Contracts with Customers; and
— AASB 9 Financial Instruments.

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

Note 1. Significant accounting policies (continued)

Changes in significant accounting policies

(i) AASB 15 Revenue from Contracts with Customers

Impact of adoption

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 Revenue and related interpretations.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five step approach to revenue recognition:

— step 1: Identify the contract(s) with a customer;
— step 2: Identify the performance obligations in the contract;
— step 3: Determine the transaction price;
— step 4: Allocate the transaction price to the performance obligations in the contract; and
— step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied - i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Management of the consolidated entities reviewed their significant customer contracts, defined a relevant portfolio basis where applicable and assessed the impact on revenue recognition by the adoption of AASB 15. Their assessment process and conclusion were documented and reviewed by the Group centrally.

The Group adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of application (i.e. 1 January 2018).

The following table summarises the impact of adopting AASB 15 on the Group's consolidated statement of financial position as at 30 June 2018 and its consolidated statement of profit or loss and other comprehensive income for the half year ended 30 June 2018 for each of the line items affected.

30 June 2018 ($'000)	As reported under AASB 15 Dr./(Cr.)	Adjustments Dr./(Cr.)	Amounts without adoption of AASB 15 Dr./(Cr.)
Other current assets, which includes accrued revenue	92,180	(495)*	92,675
Deferred tax assets	30,053	39	30,014
Trade and other payables, which includes deferred income	(739,385)	(178)*	(739,207)
Opening retained earnings	(82,873)	2,136	(85,009)
Net sales	(416,332)	(2,298)	(414,034)
Profit before income tax	(33,158)	(2,298)	(30,860)
Income tax expense	16,516	618	15,898
Profit after tax	(16,642)	(1,680)	(14,962)

* $495,000 of revenue de-recognised as part of the adjustment has not met the criteria for recognition as at 30 June 2018 but is likely to be recognised in the 6 months to 31 December 2018. Of this, $178,000 has been received in cash and recorded in deferred income which is included in trade and other payables.

Note 1. Significant accounting policies (continued)

Changes in significant accounting policies (continued)

(i) AASB 15 Revenue from Contracts with Customers (continued)

Impact of adoption (continued)

The adjustments arose as a result of changes in the treatment of non-refundable upfront fees of one entity within the Group. The net impact was $1.7 million on profit after tax for the half year and only a limited number of contracts of the entity were impacted. The impact, net of tax, of transition to AASB 15 on retained earnings at 1 January 2018 was $2.1 million.

During the year, the Group performed an assessment of significant contracts across various consolidated entities and revenue streams and reassessed the principal/agent classification for certain contractual arrangements and concluded that revenue recognised on these contracts amounting to $21.9 million for the half year (full year impact of $49.9 million) should be presented as principal (revenue recorded on a gross basis) rather than agent (revenue recorded on a net basis). This assessment also identified that these specific contracts should have been identified as principal under the previous accounting standard, AASB 118 Revenue. The prior year comparatives have been re-presented accordingly to present such revenue on a gross basis. This re-presentation has no impact on key metrics including net sales, EBIT and profit before income tax.

(ii) AASB 9 Financial Instruments

Impact of adoption

In December 2014, AASB issued the final version of AASB 9 Financial Instruments (“AASB 9”), and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).

AASB 9 is the final version of a new principal standard that consolidates requirements for the classification and measurement of financial assets and liabilities, hedge accounting and impairment of financial assets. AASB 9 supersedes all previously issued and amended versions of AASB 139 Financial Instruments: Recognition and Measurement.

A reconciliation of financial instruments under the adoption of AASB 9 is detailed below. In relation to the impairment of financial assets, the Group applies the simplified approach to recognise lifetime expected credit losses for trade and other receivables.

AASB 9 did not have a significant impact on the Group’s consolidated financial statements for the half year, particularly given the short term nature of the Group’s receivables which are mainly due from large national or multinational companies.

Accounting policy on financial assets and liabilities

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Note 1. Significant accounting policies (continued)

Accounting policy on financial assets and liabilities (continued)

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

— Financial assets at amortised cost;
— Financial assets at fair value through profit or loss (“FVTPL”);
— Debt instruments at fair value through other comprehensive income (“FVTOCI”); or
— Equity instruments at FVTOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within other income or finance costs, except for impairment of trade receivables which is presented within research, new business and other commercial costs.

Financial assets at amortised cost

The Group’s trade and most other receivables fall into this category of financial instruments and are accounted for at amortised cost using the effective interest method.

Financial assets at FVTPL

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Investments in equity instruments fall into this category unless the Group irrevocably elects at inception to account as equity instruments at FVTOCI. The Group has elected to continue to account for its investments in listed shares at FVTPL. The Group currently does not hold any derivative financial instruments.

Trade and other receivables and other current assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as other current assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group’s financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group’s financial liabilities include trade and other payables, earnouts, finance lease liabilities and secured bank loans. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Note 1. Significant accounting policies (continued)

Accounting policy on financial assets and liabilities (continued)

Classification and measurement of financial liabilities (continued)

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within other income or finance costs.

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 January 2018:

	AASB 139 classification	AASB 9 classification	AASB 139 carrying amount ($'000)	AASB 9 carrying amount ($'000)
Financial Assets				
Cash and cash equivalents	Cash and cash equivalents	Cash and cash equivalents	111,223	111,223
Trade and other receivables	Loans and receivables	Amortised cost	522,063	522,063
Other financial assets	FVTPL	FVTPL	684	684
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	619,515	619,515
Earnouts	FVTPL	FVTPL	19,720	19,720
Finance lease liabilities	Amortised cost	Amortised cost	2,741	2,741
Secured bank loans	Amortised cost	Amortised cost	338,841	338,841

Impact of standards issued but not yet effective

AASB 16 Leases

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatment for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective. AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as operating and financing cash flows respectively.

Note 1. Significant accounting policies (continued)

Impact of standards issued but not yet effective (continued)

AASB 16 Leases (continued)

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. As at the reporting date, the Group has non-cancellable lease commitments of $132.2 million. AASB 117 does not require the recognition of any right-of-use asset or liability for future payments for these leases.

A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16.

The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Group is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Group completes the review.

The standard is mandatory for the first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

Note 2. Segment information

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

Operating segments

The Company is organised into four operating segments:
— Advertising and Media Investment Management;
— Data Investment Management;
— Public Relations & Public Affairs; and
— Specialist Communications.

The four operating segments are the reportable segments.

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.

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.

Note 2. Segment information (continued)

Business segments

The following tables present revenue and profit information regarding reportable segments and a reconciliation between statutory and headline EBITDA including the impact of significant items for the half year ended 30 June 2018 and 30 June 2017:

				Significant items		
	Net sales(i)	**Share of net profit of joint ventures and associates**	**Headline EBITDA(ii)**	**Transaction related profit**	**Other non-cash profit**	**Statutory EBITDA**
Half year ended 30 June 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Advertising and Media Investment Management	232,831	917	32,397	-	409	32,806
Data Investment Management	50,131	-	9,504	-	22	9,526
Public Relations & Public Affairs	28,966	178	4,858	-	283	5,141
Specialist Communications	104,404	1,539	11,070	-	307	11,377
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 net profit after tax of joint ventures and associates of $2.6 million.

Note 2. Segment information (continued)

Business segments (continued)

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

(i) Refer to Note 3(b) for definition of net sales.
(ii) Headline EBITDA includes share of net profit after tax of joint ventures and associates of $2.6 million.

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 and specialisms. Contracts often involve multiple agencies offering different services. As such, the terms of contracts can vary significantly to meet client needs and regulatory requirements and are reviewed by legal counsel. Consistent with the industry, contracts typically are short-term in nature and cancellable by either party with 90 days' notice. The Group is generally entitled to payment for work performed to date.

The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days. Revenue comprises 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 and are a series of services that are substantially the same with the same pattern of transfer to the customer and are accounted for as a single performance obligation. However, where there are contracts with services that are capable of being distinct, are distinct within the context of the contract, and are accounted for as separate performance obligations, revenue is allocated to each of the performance obligations based on relative standalone selling prices.

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

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 are broad and generally not reconcilable to another input or output criteria. Revenue is recognised using a time-based method resulting in straight-line revenue recognition.

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

The Group acts as principal when the Group controls the specified good or service prior to transfer. When the Group acts as principal, the revenue recorded is the gross amount billed.

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.

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 not expected 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 for these services is typically derived from retainer fees and fees for services to be performed subject to specific agreement. Most revenue under these arrangements are earned over-time, in accordance with the terms of the contractual arrangement.

(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.

Note 3. Revenue (continued)

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

(c) Disaggregation of revenue

The Group has disaggregated revenue into four 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 2018	31 Dec 2017*
	$'000	$'000
Receivables, which are included in 'Trade and other receivables'	**508,542**	487,861
Accrued revenue, which is included in 'Other current assets'	**88,636**	84,332
Deferred income, which is included in 'Trade and other payables'	**107,154**	101,545

* The Group recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening retained earnings balance at 1 January 2018, hence the comparatives have not been restated.

Accrued revenue mainly relates to the Group's rights to consideration for work completed but not billed at the reporting date. Accrued revenue is transferred to receivables when the rights become unconditional. Deferred income mainly relates to advance consideration received for which work has not been completed at the reporting date.

(e) Revenue breakdown

	Consolidated	
	Half year ended	
	30 Jun 2018	30 Jun 2017
	$'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	**2,634**	2,581
Other income		
Interest income	**8,685**	8,099
Other income	**70**	1,272
	8,755	9,371

Note 4. Expenses

	Consolidated Half year ended	
	30 Jun 2018	30 Jun 2017
	$'000	$'000
Profit before income tax includes the following specific expenses:		
(a) Depreciation and amortisation expense		
Depreciation of non-currents assets:		
Plant and equipment	**8,417**	6,672
Total depreciation of non-current assets	**8,417**	6,672
Amortisation of non-current assets:		
Intangible assets	**10,721**	10,184
Total amortisation of non-current assets	**10,721**	10,184
Total depreciation and amortisation expense	**19,138**	16,856
(b) Finance costs		
Interest expense – earnouts	**321**	358
Interest expense – other parties	**14,918**	15,405
Total finance costs	**15,239**	15,763
(c) Other (income)/expenses		
(Gain)/loss on fair value adjustment of earnouts	**(1,021)**	727
Total other (income)/expenses	**(1,021)**	727

Note 5. Significant Items

	Consolidated	
	Half year ended	
	30 Jun 2018	30 Jun 2017
	$'000	$'000

The net profit after tax includes the following (income)/expense items whose disclosure is relevant in explaining the financial performance of the Consolidated Entity:

	30 Jun 2018 $'000	30 Jun 2017 $'000
1. Transaction related costs/(profit)		
Transaction related adjustments	**-**	(1,892)
Significant items before income tax	**-**	(1,892)
Rights to future income tax expense resulting from the Transaction	**8,507**	-
Income tax expense	**-**	568
Significant items net of income tax	**8,507**	(1,324)
Non-controlling interest	**-**	-
Net amount attributable to members of the Company	**8,507**	(1,324)
2. Amortisation of acquired intangible assets and other non-cash items		
Amortisation expense	**9,847**	9,669
(Gain)/loss on fair value adjustment of earnouts	**(700)**	727
Significant items before income tax	**9,147**	10,396
Income tax benefit	**(2,954)**	(2,901)
Significant items net of income tax	**6,193**	7,495
Non-controlling interest	**-**	-
Net amount attributable to members of the Company	**6,193**	7,495

1. Transaction related costs/(profit) – 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. The balance in 2017 relates to adjustments which arose as a result of the Transaction.

2. Amortisation of acquired intangible assets and other non-cash items – relates to the amortisation of acquired intangible assets arising from the Transaction and (gain)/loss on fair value adjustment of earnouts.

Note 6. Income Tax

	Consolidated	
	Half year ended	
	30 Jun 2018	30 Jun 2017
	$'000	$'000
Profit from ordinary activities before income tax expense:	**33,158**	32,352
Tax at the Australian tax rate of 30% (2017: 30%)	**9,947**	9,706
Adjustments for current tax of prior periods	**(1,158)**	225
Tax adjustments resulting from equity accounting	**(790)**	(774)
Tax rate adjustment	**(1,235)**	(611)
Trust distribution	**(567)**	(213)
Other items allowable for income tax purpose	**95**	-
Other items non-deductible for income tax purposes	**1,927**	592
Rights to future income tax expense resulting from the Transaction*	**8,507**	-
Fair value adjustment of non-current liabilities	**(210)**	218
Income tax expense in the consolidated statement of profit or loss	**16,516**	9,143

* $8.5 million expense relates to reversal of rights to future income tax deduction recognised at 31 December 2017 arising from the Transaction as a result of a change in tax legislation.

Note 7. Dividends

	Consolidated	
	Half year ended	
	30 Jun 2018	30 Jun 2017
	$'000	$'000
Dividends declared and paid during the half year:		
Final franked dividend for 2017, paid in 2018: 4.2 cents per share (2016: 3.9 cents per share, paid in 2017)	**35,742**	33,190
Dividends paid pursuant to the executive share plan ("ESP")	**-**	4
	35,742	33,194
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 (2017: 2.1 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed interim dividend expected to be paid on 3 October 2018 (2017: 3 October 2017), 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:	19,574	17,871

Note 8. Issued capital

	Consolidated		Consolidated	
	Half year ended		Year ended	
	30 Jun 2018	30 Jun 2018	31 Dec 2017	31 Dec 2017
	Shares	$'000	Shares	$'000
At 1 January	**851,015,951**	**736,631**	851,015,951	736,631
Issue of executive share plan shares	**46,072**	**44**	-	-
At period end	**851,062,023**	**736,675**	851,015,951	736,631

Note 9. Intangible assets

	Consolidated	
	Half year ended	Year ended
	30 Jun 2018	31 Dec 2017
	$'000	$'000
Goodwill	**956,454**	949,539
Brand names	**146,294**	144,214
Intellectual property	**12,735**	13,245
Customer relationships	**122,973**	128,389
Total intangible assets	**1,238,456**	1,235,387

	Consolidated				
	Goodwill	Brand names	Intellectual property	Customer relationships	Total
At 1 January 2017	$'000	$'000	$'000	$'000	$'000
At cost	957,067	153,478	19,446	154,417	1,284,408
Accumulated impairment and amortisation	(3,267)	(3,970)	(7,571)	(11,983)	(26,791)
Net carrying amount	**953,800**	**149,508**	**11,875**	**142,434**	**1,257,617**
Year ended 31 December 2017					
Balance at the beginning of the year	953,800	149,508	11,875	142,434	1,257,617
Additions	2,628	-	637	-	3,265
Net exchange differences on translation	(6,871)	-	-	-	(6,871)
Movements in the estimate of earnouts	(18)	-	-	-	(18)
Transfer from completed work in progress	-	-	1,767	-	1,767
Amortisation expense	-	(5,294)	(1,034)	(14,045)	(20,373)
Balance at the end of the year	**949,539**	**144,214**	**13,245**	**128,389**	**1,235,387**

Note 9. Intangible assets (continued)

	Consolidated				
	Goodwill	Brand names	Intellectual property	Customer relationships	Total
At 31 December 2017	$'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**
Half year ended 30 June 2018					
Balance at the beginning of the year	949,539	144,214	13,245	128,389	1,235,387
Additions	125	-	364	-	489
Disposals	(1,048)	-	-	-	(1,048)
Acquisition of subsidiaries (Note 10)	3,538	4,890	-	1,621	10,049
Net exchange differences on translation	4,300	-	-	-	4,300
Amortisation expense	-	(2,810)	(874)	(7,037)	(10,721)
Balance at the end of the half year	**956,454**	**146,294**	**12,735**	**122,973**	**1,238,456**
At 30 June 2018					
At cost	959,721	158,368	22,214	156,038	1,296,341
Accumulated impairment and amortisation	(3,267)	(12,074)	(9,479)	(33,065)	(57,885)
Net carrying amount	**956,454**	**146,294**	**12,735**	**122,973**	**1,238,456**

Note 10. Business combinations

(a) Summary of acquisitions

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.

The initial accounting for the acquisitions during the half year have only been provisionally determined at the end of the reporting period.

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

Note 10. Business combinations (continued)

(b) Goodwill

Details of the provisional fair value of the assets and liabilities acquired and goodwill are as follows:

	Note	Half year ended 30 Jun 2018 Essence $'000	Lightspeed $'000	Total $'000
Purchase consideration:				
Cash paid in the current period	10(d)	5,070	5,000	10,070
Less: Fair value of net identifiable assets acquired	10(c)	2,769	3,763	6,532
Goodwill acquired		**2,301**	**1,237**	**3,538**

(c) Assets and liabilities acquired

The provisional fair value of assets and liabilities arising from the acquisitions for the half year ended 30 June 2018 are as follows:

	Essence $'000	Lightspeed $'000	Total $'000
Current assets			
Cash and cash equivalents	1,775	2,200	3,975
Trade and other receivables	2,061	-	2,061
Other current assets	2,766	-	2,766
Non-current assets			
Intangible assets	2,389	4,122	6,511
Plant and equipment	86	63	149
Deferred tax assets	40	-	40
Current liabilities			
Trade and other payables	(5,210)	-	(5,210)
Current tax liabilities	(257)	-	(257)
Provisions	(5)	(139)	(144)
Non-current liabilities			
Deferred tax liability	(717)	(1,237)	(1,954)
Other payables	(159)	(1,242)	(1,401)
Provisions	-	(4)	(4)
Net assets	**2,769**	**3,763**	**6,532**
Non-controlling interests in net assets acquired	-	-	-
Net identifiable assets acquired	**2,769**	**3,763**	**6,532**

Note 10. Business combinations (continued)

(d) Purchase consideration

	Half year ended 30 Jun 2018		
	Essence **$'000**	**Lightspeed** **$'000**	**Total** **$'000**
Outflow of cash from acquisition of controlled entities:			
Cash consideration paid	5,070	5,000	10,070
Cash balances acquired	(1,775)	(2,200)	(3,975)
Outflow of cash	3,295	2,800	6,095

Note 11. Investments accounted for using the equity method

	Consolidated	
	Half year ended 30 Jun 2018 $'000	Year ended 31 Dec 2017 $'000
Investments in joint ventures and associates	**25,768**	23,370

	Ownership Interest	
Name	**30 Jun 2018**	**31 Dec 2017**
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	20%	20%
CPR Vision Pte Limited	40%	40%
Cudex Pty Limited	50%	50%
Feedback ASAP Pty Ltd (i)	-	20.4%
Fusion Enterprises Pty Limited	49%	49%
Ikon Perth Pty Limited	45%	45%
Lakewood Holdings Pty Limited	50%	50%
Purple Communications Australia Pty Limited	49%	49%
Rapid Media Services Pty Ltd	30%	30%
Smollan Australia Pty Ltd (ii)	25.5%	51%
Spinach Advertising Pty Limited	20%	20%
TaguchiMarketing Pty Limited	20%	20%

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

(ii) Smollan Australia Pty Ltd completed a restructure where the Group's effective interest decreased from 51% to 25.5%. This was performed through a scrip-for-scrip share transfer with no cash paid/received.

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 2018 and 31 December 2017. These are presented in the table below.

	30 Jun 2018 Carrying Amount $'000	31 Dec 2017 Carrying Amount $'000	**30 Jun 2018 Fair Value $'000**	31 Dec 2017 Fair Value $'000
Financial assets				
Cash and cash equivalents	**129,386**	111,223	**129,386**	111,223
Trade and other receivables	**535,775**	522,063	**535,775**	522,063
Other financial assets	**708**	684	**708**	684
	665,869	633,970	**665,869**	633,970
Financial liabilities				
Trade and other payables (excluding earnouts)	**632,022**	619,515	**632,022**	619,515
Earnouts	**19,508**	19,720	**19,508**	19,720
Finance lease liabilities	**2,275**	2,741	**2,275**	2,741
Secured bank loans	**412,577**	338,841	**412,577**	338,841
	1,066,382	980,817	**1,066,382**	980,817

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 $370.0 million (2017: $520.0 million) and a guarantee facility of $29.8 million (2017: $29.9 million) both expiring on 29 June 2021 and an overdraft facility of $150.0 million (2017: Nil) expiring on 29 June 2019 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.

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 2018 and 31 December 2017 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 2018 and 31 December 2017;

(ii) Level 2 – not applicable
There were no level 2 financial assets or liabilities as at 30 June 2018 and 31 December 2017;

(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 2018 and 31 December 2017:

At 30 June 2018	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Shares in listed entities	708	-	-	708
Total assets	**708**	**-**	**-**	**708**
Liabilities				
Earnouts	-	-	(19,508)	(19,508)
Total liabilities	**-**	**-**	**(19,508)**	**(19,508)**

At 31 December 2017	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Shares in listed entities	684	-	-	684
Total assets	**684**	**-**	**-**	**684**
Liabilities				
Earnouts	-	-	(19,720)	(19,720)
Total liabilities	**-**	**-**	**(19,720)**	**(19,720)**

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 2018.

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 2018 and 31 December 2017:

	Earnouts $'000
Opening balance 1 January 2018	**(19,720)**
Earnout payments made during the period	118
Gain on fair value adjustment of earnouts recognised in net profit	1,021
Fair value adjustment of earnouts recognised in intangible assets	-
Fair value adjustment of earnouts recognised in other reserves	(379)
Interest expense – earnouts	(321)
Other	(227)
Closing balance 30 June 2018	**(19,508)**

	Earnouts $'000
Opening balance 1 January 2017	**(23,035)**
Earnout payments made during the period	10,809
Loss on fair value adjustment of earnouts recognised in expenses	(2,993)
Fair value adjustment of earnouts recognised in intangible assets	18
Fair value adjustment of earnouts recognised in other reserves	(4,102)
Interest expense – earnouts	(590)
Other	173
Closing balance 31 December 2017	**(19,720)**

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 2018 $'000	Unobservable inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Earnouts	19,508	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 $180,374. A decrease in the discount rate by 100bps would increase the fair value by $153,541.
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by $1,633,199. If expected cash flows were 5% lower, the fair value would decrease by $420,741.

Description	Fair value at 31 Dec 2017 $'000	Unobservable inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Earnouts	19,720	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 $192,560. A decrease in the discount rate by 100bps would increase the fair value by $197,448.
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by $566,490. If expected cash flows were 5% lower, the fair value would decrease by $549,219.

Note 13. Share based payments

The following share schemes have been adopted by the Company:
— Long Term Incentive Plan ("LTIP") operating between 1 January 2018 and 31 December 2021;
— Leader Plan operating between 1 March 2018 and 1 March 2021; and
— WPP AUNZ Share Ownership Plan – new group wide share plan operating from 1 March 2018.

LTIP - performance rights

2,765,475 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 service period. Any performance rights for which the relevant performance conditions are not satisfied will lapse. Any performance rights that do not vest over the performance period, will be forfeited.

Leader Plan – rights/restricted units

1,739,210 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 in three years, subject to a leader satisfying continuous service conditions until the vesting date. No dividends are payable until the leader grants vest.

WPP AUNZ Share Ownership Plan - rights

2,418,706 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 2018 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 2021, 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 is calculated at grant date as the fair value of each share granted multiplied by the number of shares expected to eventually vest.

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

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

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 2018 was $0.81 per share (2017: $1.08). The model inputs for performance rights granted during the half year ended 30 June 2018 included:

— performance rights are granted for no consideration;
— exercise price: $0;
— grant date: 3 May 2018;
— expiry date: December 2021; and
— share price at grant date: 2018: $0.90 (2017: $1.19).

Fair value of rights/restricted units granted under Leader Plan

The fair value of rights granted during the half year ended 30 June 2018 was $0.85 per share (2017: $1.03). The model inputs for the rights granted during the half year ended 30 June 2018 included:

— rights are granted for no consideration;
— exercise price: $0;
— dividend yield per annum: 2018: 6.0% (2017: 5.6%);
— grant date: 1 March 2018;
— expiry date: 1 March 2021; and
— share price at grant date: 2018: $1.02 (2017: $1.19).

Fair value of rights granted under WPP AUNZ Share Ownership Plan

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

— rights are granted for no consideration;
— exercise price: $0;
— dividend yield per annum: 6.0%;
— grant date: employee grants - 1 March 2018; executive grants – 3 May 2018;
— expiry date: employee grants - 1 March 2020; executive grants – 1 March 2021; and
— share price at grant date: employee grants: $1.02; executive grants: $0.90;

For the half year ended 30 June 2018, the Company has recognised $500,000 share based payment expense in the consolidated statement of profit or loss (2017: $242,817).

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 Annual Fee payable is 3.55% of the net sales of WPP plc brand businesses. The Annual Fee will be calculated and paid on an annual basis after the end of each financial year.

For the half year ended 30 June 2018, the Company has recognised service fees of $9,635,000 (2017: $10,373,000).

Other transactions between the Group and WPP plc related parties, joint ventures and associates during the half year ended 30 June 2018 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 2018.

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

The Directors declare that:

(a) in the directors' opinion, the financial statements and notes for the half year ended 30 June 2018 as set out on pages 7 to 37 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	Michael Connaghan
Chairman	Chief Executive Officer
Sydney	Sydney
24 August 2018	24 August 2018

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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 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half year ended on that date, selected explanatory notes and, the directors' declaration comprising the Company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 7 to 38.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the WPP AUNZ Limited's financial position as at 30 June 2018 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of WPP AUNZ Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of WPP AUNZ Limited's financial position as at 30 June 2018 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, 24 August 2018