WPP AUNZ LIMITED

ABN 84 001 657 370

HALF YEAR FINANCIAL REPORT - 30 JUNE 2016

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 2015 and any public announcements made by WPP AUNZ Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

WPP AUNZ LIMITED

ABN 84 001 657 370

HALF YEAR FINANCIAL REPORT - 30 JUNE 2016

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", "the Group") at the end of, or during, the half year ended 30 June 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

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

Robert Mactier	(Non-executive Chairman)
Michael Connaghan	(Chief Executive Officer and Executive Director)
Paul Richardson	(Non-executive Director)
Ian Tsicalas	(Non-executive Director) (resigned 8 April 2016)
Graham Cubbin	(Non-executive Director)
Peter Cullinane	(Non-executive Director)
Kim Anderson	(Non-executive Director)
Paul Heath	(Non-executive Director) (appointed 8 April 2016)
Ranjana Singh	(Non-executive Director) (appointed 8 April 2016)
John Steedman	(Executive Director) (appointed 8 April 2016)
Jonathan Steel	(Non-executive Director) (appointed 8 April 2016)
Geoffrey Wild	(Non-executive Director) (appointed 8 April 2016)

Change of Company Name

On 8 April 2016, shareholders of the Company approved the acquisition of predominately all of the Australian and New Zealand businesses ("the Businesses") of WPP plc ("the Transaction"), in accordance with the terms of the Share Sale Agreement dated 14 December 2015.

As a result of the Transaction the Company changed its name from STW Communications Group Limited to WPP AUNZ Limited on 25 May 2016. WPP AUNZ Limited ("WPP AUNZ", "The Company" ASX:WPP) is Australasia's leading marketing content and communications group.

Acquisition of Australian and New Zealand businesses of WPP plc

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

WPP plc is one of the largest communications services business in the world, with over £12 billion in revenue and a market capitalisation of c.£21 billion. WPP plc is listed in London and New York, and operates from over 3,000 offices in 112 countries.

The Transaction accelerates the Company's strategy of delivering 100% of its clients' customer experience budgets and is expected to deliver substantial benefits for clients, employees and shareholders. Clients benefit from a group that combines strong local market knowledge and access to international partners with iconic brands, tools, global reach and insights. Employees benefit from broader opportunities to further develop their careers. Shareholders benefit from material earnings per share accretion, with the realisation of synergies and a strengthened balance sheet with reduced leverage metrics.

FINANCIAL OVERVIEW

The reported results for the Company include the Businesses of WPP plc from 8 April 2016.

Net revenue (total revenue excluding share of net profits from joint ventures and associates and interest income less cost of goods sold expense) for the half year ended 30 June 2016 is $306.3 million (2015: $194.7 million).

Headline net profit attributable to members of WPP AUNZ for the half year ended 30 June 2016 is $18.8 million (2015: $15.1 million).

The 2016 half year results are impacted by one-off gains/costs associated with the Transaction. The 2015 half year results were impacted by one-off costs relating to the impairment of non-current assets and other non-cash items; strategic review costs; and business closure and other one-off costs.

The reported statutory net profit attributable to members of WPP AUNZ for the half year ended 30 June 2016 is $19.6 million (2015: loss $73.4 million).

A summary of the Group's headline results for the half year ended 30 June 2016 and 30 June 2015 are below. These exclude the impact of significant non-trading items:

	2016 $ million	**2015 $ million**
Net revenue	306.3	194.7
Operating profit	**41.7**	**30.3**
Share of net profit from joint ventures and associates	2.7	5.0
Headline EBITDA	**44.4**	**35.3**
Depreciation and amortisation	(5.9)	(4.8)
Profit before interest and tax	**38.5**	**30.5**
Net finance costs	(8.4)	(6.6)
Profit before tax	**30.1**	**23.9**
Income tax expense	(8.6)	(4.8)
Profit after tax	**21.5**	**19.1**
Non-controlling interests	2.7	4.0
Headline net profit attributable to members of WPP AUNZ	**18.8**	**15.1**
	Cents	**Cents**
Headline earnings per share	**3.0**	**3.7**

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

	2016 $ million	**2015 $ million**
Headline net profit attributable to members of WPP AUNZ	**18.8**	**15.1**
Significant non-trading items, net of tax		
1. Net gain of WPP business acquisition	5.7	-
2. Impairment of non-current assets and other non-cash items	(1.0)	(78.5)
3. Amortisation of acquired intangibles	(3.6)	(1.2)
4. Strategic review and restructure costs	-	(4.5)
5. Business close down and other one-off costs	(0.3)	(4.3)
Reported net profit/(loss) attributable to members of WPP AUNZ	**19.6**	**(73.4)**

SIGNIFICANT NON-TRADING ITEMS

The Group incurred a number of gains/(costs) in 2016 relating to the Transaction. In 2015 non-trading costs related to the impairment of non-current assets and other non-cash items; strategic review costs; and business closures. More details relating to these items are outlined below:

1. Net gain of WPP business acquisition - relates to costs specific to the Transaction including advisor fees, listing fees and costs associated with the restructure of debt facilities. These costs are offset by the net gain of transitioning equity accounted investments to controlled entities.

2. Impairment of non-current assets and other non-cash items – in 2016, the balances relate to loss on fair value adjustment of non-current liabilities (deferred cash settlement).

In the 2015 year, the impairment charges impact the carrying amount of non-current assets, investments accounted for using the equity method and plant and equipment. The impairment charges arose primarily as a result of weaker than forecast trading performance of entities within the mass communications, brand development and specialist communications cash generating units.

3. Amortisation of acquired intangibles – relates to the amortisation of identifiable intangibles. In 2016, the balance mainly relates to the amortisation of intangible assets acquired as part of the Transaction.

4. Strategic review and restructure costs – in 2015, this related to redundancy and staff salary costs incurred in achieving operational restructure and efficiency initiatives within corporate head office and operating businesses. Included within this category is $3.7 million of salary costs relating to exited employees during the 2015 year from within business units impacted by the strategic and structural review.

5. Business close down and other one-off costs – relates to costs associated with closing down and merging selected business units.

AUSTRALIAN CORE DEBT FACILITIES

In connection with the Transaction, the Company entered into a syndicated debt facility agreement ("Facility Agreement") dated 17 March 2016. The Facility Agreement refinanced the existing group debt facilities of the Company and settled certain intercompany indebtedness owed to WPP plc.

The Facility Agreement gives the Company access to debt facilities of $520 million to be used for general corporate purposes. The term of the debt facility is 3 years with the Facility Agreement expiring in April 2019.

There are two primary financial covenants requiring the Company to maintain: EBITDA to net interest expense ratio of greater than 4.00:1; and Net Debt to EBITDA ratio of less than 3.00:1. The covenant measures debt on a net cash basis and also excludes off-balance sheet property guarantees. The calculation of EBITDA for the purpose of debt covenants excludes the impact of impairment charges and other one-off adjustments and restructure costs as defined by the Facility Agreement.

CASH, GROSS DEBT AND EARNOUTS

	30 June 2016 $ million	31 Dec 2015 $ million
Cash	71.5	26.9
Bank debt	(370.0)	(227.1)
Finance lease liabilities	(4.2)	(4.7)
Earnout liabilities	(15.5)	(15.1)
Net Debt	**318.2**	**220.0**
EBITDA to net interest expense	**5.74x**	**5.79x**
Net Debt to EBITDA	**2.20x**	**2.52x**

As at 30 June 2016, the Company's net cash balance was $71.5 million (31 December 2015: $26.9 million). The Company's gross debt, finance lease liabilities and earnout liabilities were $389.7 million (31 December 2015: $246.9 million). The Company's net debt position increased to $318.2 million at 30 June 2016 (31 December 2015: $220.0 million) driven primarily by increased debt required as part of the expanded group post the Transaction.

Earnouts liabilities

The Company structures certain acquisitions by making an up-front payment to the vendor 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 2016, the Company's estimated earnout liability is $15.5 million (31 December 2015: $15.1 million).

	$ million
31 December 2015	15.1
Payments made in 2016	(5.8)
Assumed as part of the Transaction	2.9
Net revisions to prior earnout estimates	3.3
30 June 2016	**15.5**

The movement in earnout liabilities between 31 December 2015 and 30 June 2016 is driven by the earnouts taken on as a result of the Transaction.

Expected Maturity Profile (Calendar year)

	$ million
2016	3.3
2017	7.1
2018+	5.1
Total	**15.5**

DIVIDEND PAYMENTS

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

	Cents per share	**$ million**	**Franking**
Final 2015	3.6	15.4	100%

In addition to the above dividends, since the end of the half year, the Directors have declared the payment of a fully franked ordinary dividend of $17.9 million (2.1 cents per fully paid ordinary share), with a record date of 6 September 2016 and payable on 20 September 2016 (2015 interim dividend: 2.1 cents per share). The dividend represents a payout ratio of 69% of underlying earnings per share.

A Dividend Reinvestment Plan ("DRP") will not apply to this dividend.

Robert Mactier
Chairman
Sydney
19 August 2016

Michael Connaghan
Chief Executive Officer
Sydney
19 August 2016

Deloitte Touche Tohmatsu
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The Board of Directors
WPP AUNZ Limited
72 Christie Street
St Leonards, NSW 2065

19 August 2016

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 2016, 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 2016

	Notes	Consolidated Half year ended 30 June 2016 $'000	30 June 2015 $'000
Revenue		**353,594**	226,170
Other income	3(b)	**14,595**	2,013
Share of net profit of joint ventures and associates accounted for using the equity method	3(a)	**2,657**	4,966
		370,846	233,149
Cost of sale of goods		**(47,289)**	(31,511)
Changes in inventories, finished goods and work in progress		**(1,631)**	(1,247)
Employee benefits expense		**(200,534)**	(139,207)
Occupancy costs		**(18,650)**	(17,786)
Depreciation and amortisation expense	4(a)	**(10,946)**	(5,926)
Impairment of non-current assets	4(b)	**-**	(78,298)
Travel, training and other employee related costs		**(11,353)**	(6,748)
Research, new business and other commercial costs		**(9,930)**	(4,269)
Office and administration costs		**(12,549)**	(7,766)
Compliance, audit and listing costs		**(13,801)**	(6,914)
Service fees to WPP plc		**(5,566)**	-
Finance costs	4(c)	**(9,327)**	(6,796)
Profit/(loss) before income tax		**29,270**	(73,319)
Income tax (expense)/benefit	6	**(6,884)**	2,189
Profit/(loss) for the period		**22,386**	(71,130)
Net profit/(loss) attributable to:			
- members of the parent entity		**19,645**	(73,400)
- non-controlling interests		**2,741**	2,270
		Cents	Cents
Earnings per share:			
Basic earnings per share		**3.16**	(17.80)
Diluted earnings per share		**3.16**	(17.83)

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 2016

	Consolidated Half year ended 30 June 2016 $'000	30 June 2015 $'000
Profit/(loss) for the period	**22,386**	(71,130)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to the Consolidated Statement of Profit or Loss		
Exchange gain/(loss) arising on translation of foreign operations	**3,532**	(3,275)
Fair value gain/(loss) on cash flow hedges taken to equity	**219**	(197)
Income tax (expense)/benefit relating to components of other comprehensive income	**(66)**	59
Other comprehensive income/(loss) for the period (net of tax)	**3,685**	(3,413)
Total comprehensive income/(loss) for the period	**26,071**	(74,543)
Total comprehensive income/(loss) attributable to:		
- members of the parent entity	**23,151**	(75,995)
- non-controlling interests	**2,920**	1,452

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 2016

	Notes	Consolidated 30 June 2016 $'000	Consolidated 31 Dec 2015 $'000
Current assets			
Cash and cash equivalents		**71,473**	26,888
Trade and other receivables		**540,771**	166,007
Inventories		**3,253**	5,635
Current tax assets		**8,987**	2,313
Other current assets		**95,557**	7,064
Total current assets		**720,041**	207,907
Non-current assets			
Other receivables		**9,490**	11,980
Investments accounted for using the equity method	12	**17,198**	90,131
Other financial assets		**653**	557
Plant and equipment		**43,945**	31,772
Deferred tax assets		**45,030**	15,661
Intangible assets	9	**1,246,482**	522,697
Other non-current assets		**3,493**	2,384
Total non-current assets		**1,366,291**	675,182
Total assets		**2,086,332**	883,089
Current liabilities			
Trade and other payables		**754,403**	158,280
Borrowings		**979**	70,908
Provisions		**31,077**	7,687
Total current liabilities		**786,459**	236,875
Non-current liabilities			
Other payables		**14,304**	20,471
Borrowings		**373,241**	160,865
Deferred tax liabilities		**76,297**	4,538
Provisions		**3,242**	5,631
Total non-current liabilities		**467,084**	191,505
Total liabilities		**1,253,543**	428,380
Net assets		**832,789**	454,709
Equity			
Issued capital	8	**736,631**	334,516
Reserves		**40,935**	29,304
Retained earnings		**45,224**	40,978
Equity attributable to members of the parent entity		**822,790**	404,798
Non-controlling interests		**9,999**	49,911
Total equity		**832,789**	454,709

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 2016

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

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

* **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 relates 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.

WPP AUNZ LIMITED
Consolidated Statement of Changes in Equity (continued)
For the half year ended 30 June 2016

Consolidated	Notes	Issued Capital	Equity Settled Share-based Payment Reserve*	Transactions with Non-controlling Interests Reserve*	Brand Name Revaluation Reserve*	Interest Rate Hedge Reserve*	Foreign Currency Translation Reserve*	Retained Earnings	Total	Non-Controlling Interests	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2015		**322,471**	**304**	**6,053**	**16,275**	**(920)**	**9,649**	**116,798**	**470,630**	**55,071**	**525,701**
Net (loss)/profit		-	-	-	-	-	-	(73,400)	(73,400)	2,270	(71,130)
Other comprehensive loss		-	-	-	-	(138)	(2,457)	-	(2,595)	(818)	(3,413)
Total comprehensive (loss)/income		-	-	-	-	(138)	(2,457)	(73,400)	(75,995)	1,452	(74,543)
Non-controlling interests on acquisition and disposal of controlled entities and buy-out of non-controlling interests		-	-	(133)	-	-	-	-	(133)	242	109
Cost of share-based payments	8	61	(61)	-	-	-	-	-	-	-	-
Issue of executive share plan shares	8	7,574	-	-	-	-	-	-	7,574	-	7,574
Equity dividends provided for or paid	7	-	-	-	-	-	-	(14,283)	(14,283)	(12,269)	(26,552)
At 30 June 2015		**330,106**	**243**	**5,920**	**16,275**	**(1,058)**	**7,192**	**29,115**	**387,793**	**44,496**	**432,289**

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

* **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 relates 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.

WPP AUNZ LIMITED
Consolidated Statement of Cash Flows
For the half year ended 30 June 2016

		Consolidated	
		Half year ended	
	Notes	**30 June 2016 $'000**	30 June 2015 $'000
Cash Flows from Operating Activities			
Receipts from customers*		**1,322,229**	527,066
Payments to suppliers and employees*		**(1,233,848)**	(486,808)
Interest received		**876**	195
Interest and other finance costs paid		**(9,073)**	(6,215)
Dividends and trust distributions received from joint ventures and associates		**508**	9,330
Income taxes paid		**(18,318)**	(9,118)
Net cash flows from operating activities		**62,374**	34,450
Cash Flows from Investing Activities			
Payments for purchase of newly controlled entities, net of cash acquired	10(d)	**(275,772)**	(486)
Proceeds from sale of equity accounted investments		**-**	2,400
Payment for purchase of equity accounted investments		**(3,655)**	-
Payments for acquisition of non-controlling interest		**(35,388)**	-
Net cash outflow from sale of controlled entity	11(d)	**-**	(116)
Earnout payments and intangible assets acquired		**(7,139)**	(25,177)
Payments for purchase of plant and equipment		**(4,329)**	(2,418)
Receipts from/(loans to) joint ventures and associates		**8,941**	(2,871)
Net cash flows used in investing activities		**(317,342)**	(28,668)
Cash Flows from Financing Activities			
Proceeds from borrowings		**624,925**	138,690
Repayment of borrowings		**(709,117)**	(122,345)
Dividends paid to non-controlling interests		**(2,569)**	(12,269)
Equity holder dividends paid	7	**(15,399)**	(14,283)
Payments on finance leases		**(430)**	(403)
Proceeds from dividend reinvestment plan		**-**	7,574
Proceeds from issue of share capital		**401,814**	-
Net cash flows provided by/(used in) financing activities		**299,224**	(3,036)
Net increase in cash and cash equivalents		**44,256**	2,746
Effects of exchange rate changes on cash and cash equivalents		**329**	(75)
Cash at the beginning of the year		**26,888**	19,926
Cash at the end of the half year		**71,473**	22,597

***** 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. Basis of preparation of half year ended 30 June 2016

Statement of Compliance

The half year financial report is in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting.' Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by WPP AUNZ Limited during the interim reporting period.

Net Working Capital

As at 30 June 2016, the consolidated statement of financial position shows current liabilities in excess of current assets by $66.4 million (31 December 2015: $29.0 million). At 30 June 2016, the Company has secured loan facilities totalling $520 million which expire in April 2019 (of which $370 million is drawn at 30 June 2016). The Company has $150 million in undrawn facilities at 30 June 2016 to meet net working capital requirements.

Basis of Preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2015 annual report for the year ended 31 December 2015. These accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to the Company and effective for the current reporting period. The adoption of these new and revised accounting Standards and Interpretations have not resulted in changes to the Group's accounting policies.

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

Note 2. Segment information

The Company is a leading communications services organisation offering national and multinational clients a comprehensive range of communications services.

During the half year ended 30 June 2016, the Company acquired the Businesses of WPP plc. As a result of the Transaction, WPP plc became the major shareholder in the Company and took a majority of seats on the Company Board.

AASB 8 *Operating Segments* requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Board (the chief operating decision-maker). Discrete financial information about each of these operating segments is reported to the Board on a monthly basis. For the purposes of disclosure in the Group's financial report, the reportable segments are the same as operating segments.

The Company has changed its reportable segments to reflect the change in control and how the Board reviews the operations of the business.

The Company is organised into four reportable segments – Advertising and Media Investment Management; Data Investment Management; Public Relations & Public Affairs; and Specialist Communications. Specialist Communications includes entities operating in the areas of Branding/Identity and Digital, Direct & Interactive. A detailed list of all products and services provided by the Company is not disclosed due to the cost of extracting the information.

The prior year comparatives have been restated to the new reportable segments to reflect the segment information on a comparable basis.

The Company operates predominately in Australia and New Zealand.

HEAD OFFICE

Head office costs are those costs which are managed on a Group basis and not allocated to business segments. They include revenues from one-off projects undertaken by the head office for external clients and costs associated with strategic planning decisions, compliance costs and treasury related activities.

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)

REPORTABLE SEGMENTS

The following table presents revenue and profit information regarding reportable segments and a reconciliation between statutory and headline EBITDA including the impact of significant items. The prior year comparatives have been restated to reflect the segment information on a comparable basis to new reportable segments. Refer to Note 5 for further details in relation to significant items.

				Significant Items				
	Net revenue $'000	Share of net profit of joint ventures and associates $'000	Headline EBITDA $'000	Impairment of non-current assets and other non-cash items $'000	Strategic review costs $'000	Business close down costs and other one-off costs $'000	Net gain of WPP business acquisition $'000	Statutory EBITDA $'000
Half year ended 30 June 2016								
Advertising and Media Investment Management	151,232	1,067	22,894	-	-	-	2,035	24,929
Data Investment Management	37,033	19	11,146	-	-	-	-	11,146
Public Relations & Public Affairs	19,311	495	4,408	-	-	-	10,058	14,466
Specialist Communications	98,729	1,076	14,130	-	-	-	-	14,130
Head office	-	-	(8,181)	(991)	-	(278)	(6,554)	(16,004)
Total	**306,305**	**2,657**	**44,397**	**(991)**	**-**	**(278)**	**5,539**	**48,667**
Half year ended 30 June 2015 (restated)								
Advertising and Media Investment Management	83,895	3,331	19,133	(26,233)	(3,086)	(2,187)	-	(12,373)
Data Investment Management	18,213	13	3,641	(6,807)	(190)	(248)	-	(3,604)
Public Relations & Public Affairs	5,707	768	2,499	(9,450)	-	-	-	(6,951)
Specialist Communications	86,844	854	16,797	(35,176)	(3,451)	(1,076)	-	(22,906)
Head office	-	-	(6,761)	(4,546)	(1,104)	(2,547)	-	(14,958)
Total	**194,659**	**4,966**	**35,309**	**(82,212)**	**(7,831)**	**(6,058)**	**-**	**(60,792)**

Note 3. Revenue

	Consolidated	
	Half year ended	
	2016	2015
	$'000	$'000
Revenue for the half year includes the following items:		
(a) Share of net profits of joint ventures and associates		
Equity share of joint ventures and associates' net profits	**2,657**	4,966
(b) Other income		
Interest income	**876**	195
Net impact of transition from equity accounted investment to controlled entities*	**12,093**	-
Other income	**1,626**	1,818
	14,595	2,013

* The fair value of equity accounted investments at the date of the Transaction was $91,169,000. The book value at that date was $79,076,000.

Note 4. Expenses

	Consolidated	
	Half year ended	
	2016	2015
	$'000	$'000
Profit/(loss) before income tax includes the following specific expenses:		
(a) Depreciation and amortisation expense		
Depreciation of non-currents assets:		
Plant and equipment	**5,429**	4,577
Total depreciation of non-current assets	**5,429**	4,577
Amortisation of non-current assets:		
Intangible assets	**5,517**	1,349
Total amortisation of non-current assets	**5,517**	1,349
Total depreciation and amortisation expense	**10,946**	5,926
(b) Impairment of non-current assets		
Impairment of goodwill	**-**	38,528
Impairment of intangible assets	**-**	4,493
Impairment of investments accounted for using the equity method	**-**	30,395
Impairment of plant and equipment	**-**	4,882
Total impairment of non-current assets	**-**	78,298
(c) Finance costs		
Interest expense – deferred consideration payable	**254**	581
Interest expense – other parties	**9,073**	6,215
Total finance costs	**9,327**	6,796

Note 4. Expenses (continued)

	Consolidated	
	Half year ended	
	2016	2015
	$'000	$'000
(d) Other expenses		
Loss on fair value adjustment of non-current liabilities (deferred cash settlement)	**991**	2,123
Loss on sale of investments accounted for using the equity method	**-**	334
Loss on sale of controlled entity	**-**	55
	991	2,512

Note 5. Significant Items

	Consolidated	
	Half year ended	
	2016	2015
	$'000	$'000
The net profit/(loss) after tax includes the following (income)/expense items whose disclosure is relevant in explaining the financial performance of the consolidated entity:		
1. Net gain of WPP business acquisition		
Advisor and listing fees	**5,856**	-
Net impact of transition from equity accounted investment to controlled entities	**(12,093)**	-
Debt restructure	**698**	-
Significant items before income tax	**(5,539)**	-
Income tax benefit	**(209)**	-
Significant items net of income tax	**(5,748)**	-
Non-controlling interest	**-**	-
Net amount attributable to members of the Parent Entity	**(5,748)**	-
2. Impairment of non-current assets and other non-cash items		
Impairment of goodwill	**-**	38,528
Impairment of intangible assets	**-**	4,493
Impairment of investments accounted for using the equity method	**-**	30,395
Impairment of plant and equipment	**-**	4,882
Impairment of plant and equipment	**-**	78,298
Lease accounting	**-**	1,791
Loss on fair value adjustment of non-current liabilities (deferred cash settlement)	**991**	2,123
Significant items before income tax	**991**	82,212
Income tax benefit	**-**	(3,168)
Significant items net of income tax	**991**	79,044
Non-controlling interest	-	(500)
Net amount attributable to members of the Parent Entity	**991**	78,544

Note 5. Significant Items (continued)

	Consolidated	
	Half year ended	
	2016	2015
	$'000	$'000
3. Strategic review and restructure costs		
Centralised cost restructuring	**-**	1,292
Operating restructure and staff efficiency measures	**-**	6,539
Significant items before income tax	**-**	7,831
Income tax benefit	**-**	(2,339)
Significant items net of income tax	**-**	5,492
Non-controlling interest	**-**	(1,045)
Net amount attributable to members of the Parent Entity	**-**	4,447
4. Business close down and other one-off costs		
Property rationalisation	**-**	2,428
Loss on closed and merged businesses	**278**	3,630
Significant items before income tax	**278**	6,058
Income tax benefit	**-**	(1,459)
Significant items net of income tax	**278**	4,599
Non-controlling interest	**-**	(251)
Net amount attributable to members of the Parent Entity	**278**	4,348

1. Net gain of WPP business acquisition - relates to costs specific to the Transaction including advisor fees, listing fees and costs associated with the restructure of debt facilities. These costs are offset by the net gain of transitioning equity accounted investments to controlled entities.

2. Impairment of non-current assets and other non-cash items – in 2016, the balances relate to loss on fair value adjustment of non-current liabilities (deferred cash settlement).

In the 2015 year, the impairment charges impact the carrying amount of non-current assets, investments accounted for using the equity method and plant and equipment. The impairment charges arose primarily as a result of weaker than forecast trading performance of entities within the mass communications, brand development and specialist communications cash generating units.

3. Strategic review and restructure costs – in 2015, this related to redundancy and staff salary costs incurred in achieving operational restructure and efficiency initiatives within corporate head office and operating businesses. Included within this category is $3.7 million of salary costs relating to exited employees during the 2015 year from within business units impacted by the strategic and structural review.

4. Business close down and other one-off costs – relates to costs associated with closing down and merging selected business units.

Note 6. Income Tax

	Consolidated	
	Half year ended	
	2016	2015
	$'000	$'000
Profit/(loss) from ordinary activities before income tax expense:	**29,270**	(73,319)
Tax at the Australian tax rate of 30% (2015: 30%)	**8,781**	(21,996)
Adjustments for current tax of prior periods	**26**	122
Tax adjustments resulting from equity accounting	**(797)**	(1,490)
Other items non-deductible/(deductible) for income tax purposes	**2,205**	(319)
Fair value adjustment of non-current liabilities	**297**	637
Impairment of intangible assets	**-**	11,738
Impairment of investments accounted for using the equity method	**-**	9,119
Net fair value adjustment of equity accounted interests	**(3,628)**	-
Income tax expense/(benefit) in the consolidated statement of profit or loss	**6,884**	(2,189)

Note 7. Dividends

	Consolidated	
	Half year ended	
	2016	2015
	$'000	$'000
Dividends declared and paid during the half year:		
Final franked dividend for 2015, paid in 2016: 3.6 cents per share (2014: 3.5 cents per share, paid in 2015)	**15,345**	14,134
Dividends paid pursuant to the executive share plan ("ESP")	**54**	149
	15,399	14,283
Dividends not recognised at the end of the half year In addition to the above dividends, since the end of the half year, the Directors have declared the payment of an interim dividend of 2.1 cents (2015: 2.1 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed interim dividend is expected to be paid on 20 September 2016 (23 September 2015), out of retained profits at the end of the half year, but not recognised as a liability at the end of the half year, is:	**17,871**	**8,859**

Note 8. Movement in ordinary shares on issue

	Consolidated		Consolidated	
	Half year ended		Half year ended	
	2016	2016	2015	2015
	Shares	$'000	Shares	$'000
At 1 January	**427,627,759**	**334,516**	407,449,931	322,471
Issue of shares to WPP plc as part of the Transaction	**422,961,825**	**401,814**	-	-
Issue of new shares under the dividend reinvestment plan	**-**	**-**	12,157,545	7,574
Issue of executive share plan shares (i)	**426,367**	**301**	86,783	61
At 30 June (ii)	**851,015,951**	**736,631**	419,694,259	330,106

(i) In February and April 2016, shares were transferred from being held in trust to being held by the relevant executive. These shares had at that time met the second vesting criteria in respect of their issue and as such became fully vested on that date.

(ii) The total issued capital is net of treasury shares held by the Executive Share Plan of 1,135,919 (June 2015: 2,162,286). The total shares on issue is 852,151,870 (June 2015: 421,856,545).

Note 9. Intangible assets

	Consolidated	
	Half year ended	Year ended
	June 2016	Dec 2015
	$'000	$'000
Goodwill	**932,868**	447,933
Brand Names	**152,155**	57,027
Intellectual Property	**12,004**	10,477
Customer relationships	**149,455**	7,260
Total intangible assets	**1,246,482**	522,697

Note 9. Intangible assets (continued)

	Consolidated				
At 1 January 2015	**Goodwill $'000**	**Brand Names $'000**	**Intellectual Property $'000**	**Customer Relationships $'000**	**Total $'000**
At cost	482,352	57,027	15,797	8,500	563,676
Accumulated impairment and amortisation	(3,267)	-	(4,368)	(400)	(8,035)
Net carrying amount	**479,085**	**57,027**	**11,429**	**8,100**	**555,641**
Year ended 31 December 2015					
Balance at the beginning of the year	479,085	57,027	11,429	8,100	555,641
Additions	6,734	-	648	-	7,382
Acquisition of subsidiary	1,057	-	-	-	1,057
Net exchange differences on translation	361	-	-	-	361
Movements in the estimate of deferred cash settlements	(776)	-	-	-	(776)
Amortisation expense	-	-	(1,454)	(840)	(2,294)
Transfer from completed work in progress	-	-	4,272	-	4,272
Impairment charge	(38,528)	-	(4,418)	-	(42,946)
Balance at the end of the year	**447,933**	**57,027**	**10,477**	**7,260**	**522,697**
At 31 December 2015					
At cost	451,200	57,027	16,299	8,500	533,026
Accumulated impairment and amortisation	(3,267)	-	(5,822)	(1,240)	(10,329)
Net carrying amount	**447,933**	**57,027**	**10,477**	**7,260**	**522,697**
Half year ended 30 June 2016					
Additions	279	-	1,435	-	1,714
Acquisition of WPP plc Businesses (refer to Note 10)	477,773	96,451	214	145,917	720,355
Net exchange differences on translation	4,769	-	-	-	4,769
Movement in the estimate of deferred cash settlements	2,114	-	-	-	2,114
Amortisation expense	-	(1,323)	(472)	(3,722)	(5,517)
Transfer from completed work in progress	-	-	350	-	350
Balance at the end of the half year	**932,868**	**152,155**	**12,004**	**149,455**	**1,246,482**
At 30 June 2016					
At cost	936,135	153,478	18,298	154,417	1,262,328
Accumulated impairment and amortisation	(3,267)	(1,323)	(6,294)	(4,962)	(15,846)
Net carrying amount	**932,868**	**152,155**	**12,004**	**149,455**	**1,246,482**

Note 10. Business combinations

(a) Summary of acquisitions

During the half year ended 30 June 2016:
On 8 April 2016, shareholders of the Company approved the acquisition of the Businesses of WPP plc, in accordance with the terms of the Share Sale Agreement dated 14 December 2015. The Transaction involved the Company acquiring 100% of the equity interest in Possible Australia Pty Ltd, a subsidiary of WPP plc for an enterprise value of approximately $512 million. In return, the Company issued 422,961,825 shares to WPP plc. Following the Transaction, WPP plc became the majority shareholder of the Company, with a shareholding of 61.5% of the issued share capital (from its previous shareholding of 23.55%). The Company's existing shareholders (pre-transaction) will hold the remaining shares on issue in the Company.

During the half year ended 30 June 2015:
On 1 March 2015, STW Group (NZ) Limited ("STW NZ") acquired 68.33% of Union Digital Limited ("Union Digital"). STW Media Services Pty Limited holds a 100% share in STW NZ. Union Digital is a full service digital marketing agency which operates out of Auckland.

(b) Goodwill

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

	Note	**Consolidated Half year ended 2016 $'000**	Consolidated Half year ended 2015 $'000
Purchase consideration:			
Fair value – equity accounted interest		**91,169**	-
Deferred cash settlement		**-**	286
Cash paid in the current period	10(d)	**363,584**	927
Total purchase consideration		**454,753**	1,213
Less: Fair value of net identifiable liabilities/(assets) acquired	10(c)	**23,020**	(429)
Goodwill acquired		**477,773**	784

The Businesses contributed revenues of $117,224,000 and net profit of $3,476,000 to the Group for the period between 9 April 2016 and 30 June 2016.

Note 10. Business combinations (continued)

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisitions are as follows:

	Consolidated	
	Half year ended	
	2016	2015
Fair value of net (liabilities)/assets acquired	**$'000**	$'000
Current assets		
Cash and cash equivalents	**87,812**	441
Trade and other receivables	**337,320**	405
Prepayments	**6,093**	20
Current tax assets	**13,407**	-
Inventories	**7,502**	-
Other current assets	**38,320**	7
Non-current assets		
Intangible assets – Brand names	**96,451**	-
Intangible assets – Customer relationships	**145,917**	-
Other intangible assets	**214**	-
Plant and equipment	**13,456**	59
Deferred tax assets	**26,649**	-
Other non-current assets	**287**	-
Current liabilities		
Trade and other payables	**(471,714)**	(30)
Provisions	**(16,221)**	(22)
Other current liabilities	**-**	(252)
Non-current liabilities		
Borrowings	**(211,902)**	-
Deferred tax liabilities	**(87,207)**	-
Provisions	**(1,259)**	-
Other payables	**(5,258)**	-
Net (liabilities)/assets	**(20,133)**	628
Non-controlling interests in net (liabilities)/assets acquired*	**(2,887)**	(199)
Net identifiable (liabilities)/assets acquired	**(23,020)**	429

* Non-controlling interest is measured at its proportionate share of identifiable net assets/liabilities.

The initial accounting for the acquisition of the Businesses of WPP plc has been provisionally determined at the end of the reporting period.

For tax purposes, the tax values of these Businesses' assets and liabilities are required to be reset based on market values of these assets and liabilities. At the date of finalisation of the half year financial report, these calculations have not been finalised and they have therefore only been provisionally determined based on the managements' best estimate of likely tax values.

Note 10. Business combinations (continued)

(d) Purchase consideration

	Consolidated	
	Half year ended	
	2016	2015
	$'000	$'000
Outflow/(inflow) of cash from acquisition of controlled entities:		
Cash consideration paid	**363,584**	927
Cash balances acquired	**(87,812)**	(441)
Outflow of cash	**275,772**	486

Note 11. Disposal of subsidiary

During the half year ended 30 June 2015, the Company disposed of its interest in Data@Ogilvy Pty Limited. The effective date of the transaction was 30 April 2015.

There were no disposals for the half year ended 30 June 2016.

	Consolidated	
	Half year ended	
	2016	2015
	$'000	$'000
(a) Consideration received		
Consideration received in cash and cash equivalents	-	-
Deferred proceeds	-	-
Total consideration	-	-
(b) Analysis of assets and liabilities over which control was lost		
Current assets		
Cash and cash equivalents	-	116
Other receivables	-	5
	-	
Non-current assets	-	
Plant and equipment	-	2
Deferred tax assets	-	70
	-	
Current liabilities	-	
Trade creditors	-	(2)
Other current payables	-	(26)
Provision for tax	-	(94)
Provision for annual leave	-	(16)
Net assets disposed of	-	55
(c) Loss on disposal of subsidiary		
Disposal of net assets	-	(55)
Loss on disposal	-	(55)

Note 11. Disposal of subsidiary (continued)

(d) Net cash outflow on disposal of subsidiary	Consolidated	
	Half year ended	
	2016	2015
	$'000	$'000
Consideration received in cash or cash equivalents	-	-
Cash and cash equivalent balances disposed of	-	(116)
Net cash outflow on disposal	-	(116)

Note 12. Investments accounted for using the equity method

	Consolidated	
	Half year ended	Year ended
	June 2016	Dec 2015
	$'000	$'000
Investments in joint ventures and associates	**17,198**	90,131

	Ownership Interest	
Name	**June 2016**	**Dec 2015**
AFI Branding Solutions Pty Limited	50%	50%
AFI Fabrications Pty Limited	45%	45%
BCG2 Limited (ii)	20%	-
Beyond Analysis Australia Pty Limited	49%	49%
Bohemia Group Pty Limited	24%	24%
Campaigns and Communications Group Pty Limited	20%	20%
CPR Vision Management Pte Limited	40%	40%
Ewa Heidelberg Pty Limited (i)	-	49%
Feedback ASAP Pty Ltd	20.4%	20.4%
Fusion Enterprises Pty Limited	49%	49%
Houston Group Pty Limited	40%	40%
Ikon Perth Pty Limited	45%	45%
J. Walter Thompson International Limited (New Zealand) (i)	-	49%
Lakewood Holdings Pty Limited	50%	50%
M Media Group Pty Limited and its subsidiaries (i)	-	47.5%
Marketing Communications Holdings Australia Pty Limited and its subsidiaries (i)	-	49%
Ogilvy Public Relations Worldwide Pty Limited and its subsidiaries (i)	-	49%
Paragon Design Group Pty Limited	49%	49%
PSS Media Communications Pty Ltd (ii)	42.5%	-
Purple Communications Australia Pty Limited	49%	49%
Rapid Media Services Pty Ltd (ii)	30%	-
Spinach Advertising Pty Limited	20%	20%
TaguchiMarketing Pty Limited	20%	20%
The Origin Agency Pty Limited (i)	-	49%

(i) The entities became controlled entities of the Company with effect from 8 April 2016 as a result of the Transaction to acquire the Businesses of WPP plc.

(ii) The entities became associate entities of the Company with effect from 8 April 2016 as a result of the Transaction to acquire the Businesses of WPP plc.

Note 13. 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 2016 and 31 December 2015. These are presented in the table below:

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

	Jun 2016 Carrying Amount $'000	Dec 2015 Carrying Amount $'000	**Jun 2016 Fair Value $'000**	Dec 2015 Fair Value $'000
Financial assets				
Cash and cash equivalents	**71,473**	26,888	**71,473**	26,888
Trade and other receivables	**550,261**	177,987	**550,261**	177,987
Other financial assets	**653**	557	**653**	557
	622,387	205,432	**622,387**	205,432
Financial liabilities				
Trade and other payables (excluding deferred cash settlement and derivatives)	**752,380**	162,687	**752,380**	162,687
Deferred cash settlement	**15,543**	15,063	**15,543**	15,063
Finance lease liabilities	**4,220**	4,673	**4,220**	4,673
Secured bank loans	**370,000**	227,100	**370,000**	227,100
Derivative financial instruments	**784**	1,001	**784**	1,001
	1,142,927	410,524	**1,142,927**	410,524

(a) Fair value hierarchy and valuation techniques

The Group's financial assets and liabilities are measured and recognised at fair value at 30 June 2016 and 31 December 2015 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 2016 and 31 December 2015;

(ii) Level 2 – interest rate hedge reserve
The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

(iii) Level 3 – deferred cash settlement and shares in other entities
The fair value of deferred cash settlements is calculated as the present value of estimated future payments based on a discount rate which approximates the Group's cost of borrowing. Expected cash inflows are estimated on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it. The shares in other entities have been disclosed at historical cost which is approximate of the fair value.

Note 13. Fair value measurement of financial instruments (continued)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2015 and 30 June 2016:

At 30 June 2016	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Shares in listed entities	653	-	-	653
Shares in unlisted entities	-	-	-	-
Total Assets	**653**	**-**	**-**	**653**
Liabilities				
Deferred cash settlement	-	-	(15,543)	(15,543)
Derivatives used for hedging	-	(784)	-	(784)
Total Liabilities	**-**	**(784)**	**(15,543)**	**(16,327)**

At 31 December 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Shares in listed entities	557	-	-	557
Shares in unlisted entities	-	-	-	-
Total Assets	**557**	**-**	**-**	**557**
Liabilities				
Deferred cash settlement	-	-	(15,063)	(15,063)
Derivatives used for hedging	-	(1,001)	-	(1,001)
Total Liabilities	**-**	**(1,001)**	**(15,063)**	**(16,064)**

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 2016.

Note 13. 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 2016 and 31 December 2015:

	Unlisted equity securities $'000	Deferred cash settlement $'000	Total $'000
Opening balance 1 January 2016	**-**	**(15,063)**	**(15,063)**
Deferred cash settlement payments made during the period	-	5,824	5,824
Acquisition of subsidiaries and associates	-	(2,952)	(2,952)
Loss on fair value adjustment of non-current liabilities recognised in other income	-	(991)	(991)
Fair value adjustment of non-current liabilities recognised in the consolidated statement of financial position	-	(2,114)	(2,114)
Interest expense – deferred consideration payable	-	(254)	(254)
Other	-	7	7
Closing balance 30 June 2016	**-**	**(15,543)**	**(15,543)**

	Unlisted equity securities $'000	Deferred cash settlement $'000	Total $'000
Opening balance 1 January 2015	**118**	**(31,664)**	**(31,546)**
Deferred cash settlement payments made	-	20,228	20,228
Acquisition of subsidiaries and associates	-	(559)	(559)
Loss on fair value adjustment of non-current liabilities recognised in other income	-	(3,129)	(3,129)
Fair value adjustment of non-current liabilities recognised in the consolidated statement of financial position	-	776	776
Interest expense – deferred consideration payable	-	(906)	(906)
Other	(118)	191	73
Closing balance 31 December 2015	**-**	**(15,063)**	**(15,063)**

Note 13. 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 2016 $'000	Unobservable inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Deferred cash settlement	$15,543	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 $170,429. A decrease in the discount rate by 100bps would increase the fair value by $175,507.
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by $1,029,410. If expected cash flows were 5% lower, the fair value would decrease by $559,872.

Description	Fair value at 31 Dec 2015 $'000	Unobservable inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Deferred cash settlement	$15,063	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 $129,036. A decrease in the discount rate by 100bps would increase the fair value by $122,142.
		Expected cash inflows	Loss before tax	If expected cash flows were 5% higher, the fair value would increase by $588,970. If expected cash flows were 5% lower, the fair value would decrease by $486,436.

Note 14. Share Based Payments

In February 2016, 3,104,206 performance shares were granted to senior executives under the Executive Share Plan. The performance shares will vest subject to the achievement of performance conditions, as determined by the Remuneration and Nominations Committee. The performance conditions are tested over a three year period, based on average compounded annual growth in EPS and the Company's TSR performance compared to the TSR performance of the companies in the S&P/ASX All Ordinaries - ASX Consumer Discretionary index. Any performance shares for which the relevant performance condition is not satisfied will lapse. Any performance shares that do not vest over the performance period will be forfeited.

Fair value of performance shares granted

The weighted average fair value at grant date of performance shares granted during the half year ended 30 June 2016 was $0.59 per share (31 December 2015: $0.46). The fair value of performance shares at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the performance shares, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the performance share. The model inputs for performance shares granted during the half year ended 30 June 2016 included:
— performance rights are granted for no consideration;
— exercise price: $0;
— grant date: February 2016;
— expiry date: March 2019;
— share price at grant date: 2016: $0.76;
— expected price volatility of the Company shares: 2015: 35%;
— expected dividend yield per annum: 5.58%; and
— risk-free interest rate per annum: 2.025%. The expected price volatility is based on historical volatility adjusted for any expected changes to future volatility due to publicly available information.

For the half year ended 30 June 2016, the Company has recognised $500,830 of share-based payment expense in the consolidated statement of profit or loss (30 June 2015: $nil).

Note 15. Related Party Disclosures

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

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

Service Fees

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

During the half year ended 30 June 2016, the Company recognised service fees of $5,566,000 (2015: $nil).

Note 16. Subsequent Events

Subsequent to the end of the half year, the Directors have declared the payment of an interim dividend of 2.1 cents per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed interim dividend is expected to be paid on 20 September 2016.

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

WPP AUNZ LIMITED
Directors' Declaration

The Directors declare that:

(a) in the directors' opinion, the financial statements and notes for the half year ended 30 June 2016 as set out on pages 6 to 30 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(b) in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Robert Mactier	Michael Connaghan
Chairman	Chief Executive Officer
Sydney	Sydney
19 August 2016	19 August 2016

Deloitte.

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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, which comprises the consolidated statement of financial position as at 30 June 2016, 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 6 to 31.

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 2016 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.

Deloitte.

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 2016 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, 19 August 2016