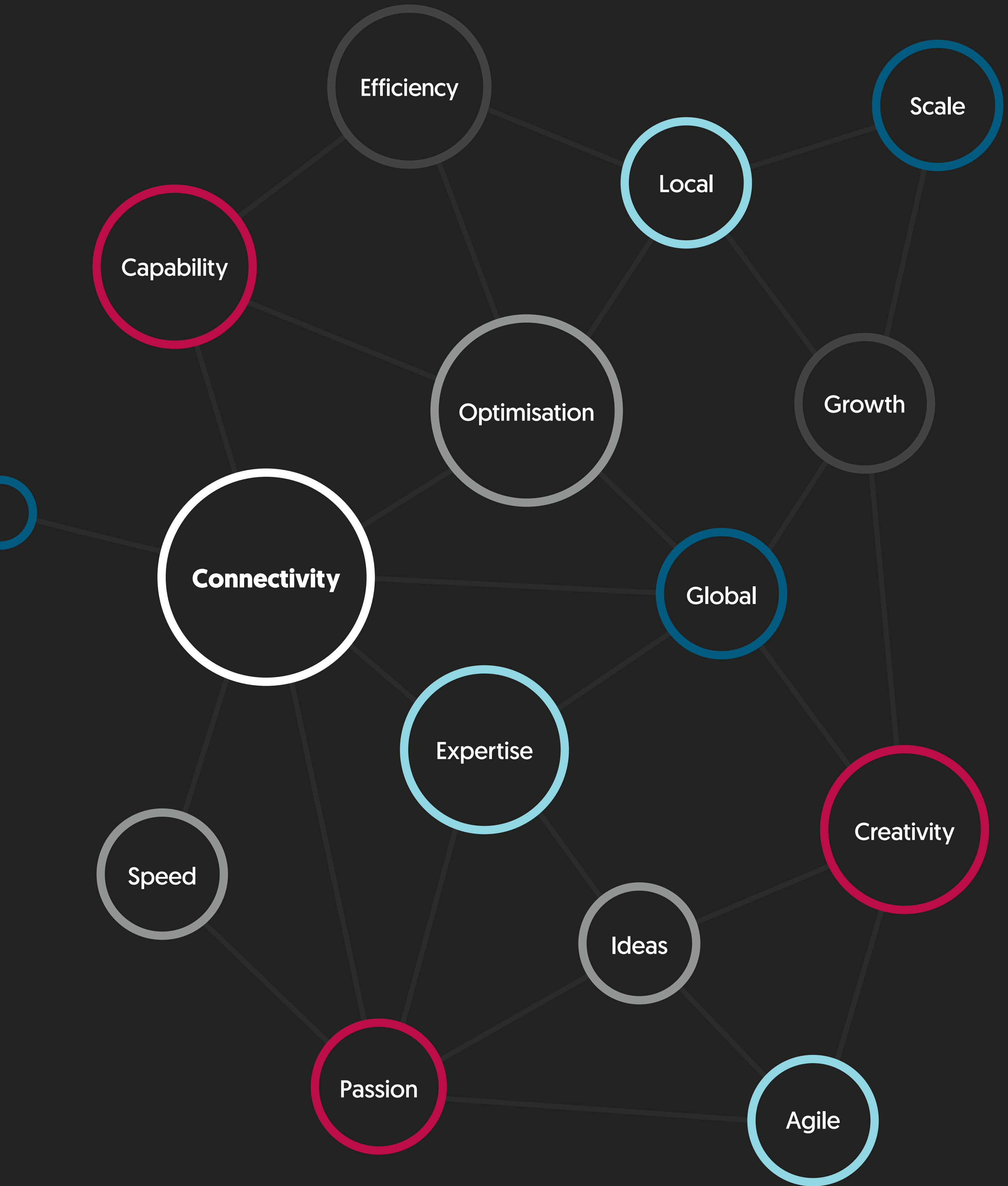
WPP AU NZ

Annual Report 2017


Efficiency
Scale
Local
Capability
Optimisation
Growth
Connectivity
Global
Expertise
Creativity
Speed
Ideas
Passion
Agile

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Welcome to WPP AUNZ

WPP AUNZ is Australasia's largest and most successful marketing services group. We are the fifth largest market in the world for WPP.

WPP AUNZ is made up of the leading companies in the following marketing and communications disciplines:

Advertising
Media Investment Management
Data Investment Management
Public Relations and Public Affairs
Branding and Identity
Healthcare Communications
Digital, Technology and e-Commerce Marketing
Shopper Marketing
Content Production
Specialist Communications.

Wherever a client might need to speak to a customer, be it via a social media post, or on a supermarket shelf, or via an online video or on a piece of packaging design, or through a TV campaign, or in any of the hundreds of channels where customers seek out information, WPP AUNZ is there.

Our business objective over the last two years has been (and continues to be), to service 100% of a client's customer experience needs. This leads to our higher mission, which is to apply a range of marketing communications tools to help our clients achieve real growth – in a challenging marketplace, where real growth is increasingly difficult to find.

There are 80 companies within our Group and each has its own distinctive brand and identity. Each offers its own unique expertise to its clients.

Among them, our companies work for many of the top 200 ASX-listed businesses in Australia and New Zealand.

It has been almost two years since we merged STW and WPP in Australasia to form WPP AUNZ. In that time, we have put into practice our own way of working which we call 'connected know-how' and it is how we have been driving WPP's strategy of horizontality.

Horizontality has always been about driving collaboration across the Group to the benefit of our clients as well as our people. Mixing together the best talent from across our 5,500 people results in far stronger ideas, far better execution and the best ways of reaching our clients' customers, the Australians and New Zealanders who buy our clients' products and services.

Today we have advanced this philosophy of horizontality. Advanced horizontality brings to our clients more streamlined team models. A dedicated group of experts who work on a client's business day-to-day with specialists brought in where and when needed. A more intelligent way of working. Streamlined processes and a method that removes duplication.

The ultimate result of horizontality is that it is far simpler for our clients to get the very best work from us. It enriches our people, and the team models allow for the sharing of skills and the teaching of better ways to work. The greatest asset we have is our highly talented workforce. Sharpening their skills and keeping them in continuous learning mode is the difference between good and great.

The merger continues to be a success. As we deepen and strengthen the connections among our 80 companies, we are also strengthening the relationships with our clients. This in turn allows us to achieve that ambition of servicing as much of our clients' marketing budgets as possible, all under the WPP AUNZ roof. It is a healthy ambition because when we do achieve this for our clients, the quality of ideas is outstanding, simplicity of working together is achieved and any wastage of time or money is minimised. Clients are happy and so are our people.

In the end, our role is to find the best and most effective ways to communicate to consumers on our clients' behalf. To market their products and services successfully and to do it in a way that benefits the economy, benefits our people and reinforces our clients' decision in having chosen WPP AUNZ.

connected know how

Our companies

Our 80 companies are diverse. That is their strength. When they come to the table to collaborate or to be part of a newly-created team model, they each have a clear role to play. They have clear skills they must bring into the room.

Clients seek expertise. They seek to access the most talented people in their field, be it in the guise of strategic planning, or social media management, or campaign development, or creative thinking, or design-thinking, or any of the dozens of disciplines we deliver to our clients on a daily basis.

Our technology companies, like AKQA and Aleph, are developing the next frontier of digital delivery for our biggest clients: banks, telecommunications companies, retailers and innovators. Rather than talk about the much quoted 'disruption of business models' they are building these models and testing them alongside our clients. Nothing speaks to expertise and capability more than being a pioneer.

Our advertising agencies, like Ogilvy, The Brand Agency and J. Walter Thompson, are reinventing so-called traditional businesses by making them powerhouse brands again. Brands that are both household names and iconic but now have the sales figures and business results to match.

Our media companies, like GroupM and Ikon, are turning media channel planning on its head. Taking media budgets into new spaces and putting brands on the map. Finding the gaps in the market and getting consumers to take notice like never before. And ultimately turning advertising into editorial and jumping the fence from intrusion to inclusion. From being outside the conversation to starting the conversation or better still becoming a part of popular culture.

Our digital companies, like VML and Heyday, live in the world of mobile, social and online. These companies understand that digital isn't the last part of the conversation, it's the centre of the conversation.

Our design companies, like Cornwell, Landor and Designworks, design aeroplanes and work spaces, as well as the packaging you might find on a supermarket shelf. Our design companies believe that a brand's greatest asset is how it presents itself to the world. That there is no better media channel than the owned channel of packaging.

Our data, research and consulting companies, like Kantar and Colmar Brunton, procure useful intel and insight about the behaviours and habits of Australians and New Zealanders. These companies give us the edge in understanding customer behaviour, spending patterns, media consumption habits, attitudes, biases and opinions which help shape not only the messages, but the business models we might recommend to our clients when reinventing their businesses. Our data scientists are committed to simplifying and separating useful intelligence from the mountain of information most of our clients have access to every day. In keeping with our overall principles of clarity and simplicity, our data and research businesses interpret and recommend the best course of action to our clients.

Our public relations companies, like Ogilvy PR and Pulse, are helping consumer brands find their authentic voice with their audience, and our financial public relations companies like Cannings are helping corporate Australia manage strategic communications, be it a merger or an acquisition or crisis management, if it is ever needed.

Our companies like Hogarth and WPP Health and Wellness, work across the entire Group. Hogarth is a full-service production company built for the digital age and can produce every content asset any one of our 80 companies might need. It is a centralised production hub that is proving to be an incredibly efficient machine for clients. WPP Health and Wellness provides expertise in the ever-growing segment of healthcare and wellbeing.

Our companies can each provide a specific expertise for clients. And they each have a role to play. But when there is an opportunity to collaborate, and when clients ask us to build for them a specific team model by drawing on the expertise of several of our businesses, there is a kind of alchemy that happens.

In the end, it is our clients who determine the way they would like to work with us. Be it with just one of our companies, or with several working together, our breadth and our depth of disciplines, skills and talents, continue to be one of our greatest strengths.


Advertising
spinach
J. WALTER THOMPSON AUSTRALIA NEW ZEALAND
Assignment
whiteGREY
Sibling
ima
Y&R ANZ
BLAZE
Ogilvy
the brand agency
gtb
Media Investment Management
groupm
essence.
WAVEMAKER MEDIA. CONTENT. TECHNOLOGY.
ASTUS AUSTRALIA
MINDSHARE
plista
[m] PLATFORM
ikon
MEDIACOM
neo@Ogilvy
XAXIS
Public Relations & Public Affairs
CANNINGS PURPLE
Burson-Marsteller
HawkerBritton
Parker&Partners
Howorth
PULSE
CANNINGS STRATEGIC COMMUNICATIONS
Ogilvy Public Relations
Ogilvyimpact
barton deakin
PPR
Hill+Knowlton Strategies
Ogilvy PR Health
WPP AUNZ
Data Investment Management
colmar brunton.
KANTAR TNS.
KANTAR ADDEDVALUE
amr
beyondanalysis
KANTAR MILLWARDBROWN
ORU ONLINE RESEARCH UNIT
Direct, Promotion, Relationship & Shopper Marketing
ACTIVE DISPLAY GROUP
geometry
SMOLLAN TRADE PARTNERS
buchanan
+ maverick
afi branding solutions
AUSTRALIA
im promos
idea works
GRAFFITI
THE STORE WPP THE WPP GLOBAL RETAIL PRACTICE
Specialist, Branding & Digital
AKQA
human
Performance Architects
Fusion
heyday!
greyhealth group
adcast NXT
TAGUCHI
PRISM
webling
aleph
WUNDERMAN BIENALTO
The Government & Public Sector Practice
SUDLER&HENNESSEY
WPP AUNZ CONSULTING
CPR VISION
Cornwell
etcom
Designworks.
Landor
heathwallace
SwitchedOn
Ogilvy CommonHealth
millipede
HAYLIX
pHuel
VML

Chairman's letter

Dear Shareholders,

WPP AUNZ has just completed its first full year of operation since the merger with the Australian businesses of WPP plc became effective in the second quarter of 2016. Within this time, WPP AUNZ has made significant progress in establishing itself in the market as the leading marketing communications company in Australia and New Zealand.

The opportunity that exists to capture more of our clients marketing and communications expenditure is very real, as is the opportunity for WPP AUNZ to win new clients.

The combination of our local ownership model and integrated structure; the scale of our business; the depth of our talent; and the benefits of being able to tap into WPP plc's technology and insights into global trends is unparalleled in the Australasian market. WPP AUNZ is uniquely positioned to deliver outstanding marketing communications solutions to clients and to assist them in responding to the technological disruption and changing consumer habits that are challenging many of their business models.

That said, our 2017 results demonstrate that the group has performed well in the current market environment but has not yet fully capitalised on its unique position or the firepower that we have access to.

In summary in 2017:

- We achieved top-line growth and growth in earnings per share, despite facing a challenging market environment with subdued economic conditions in many parts of the economy, particularly in the retail sector;
- A number of our group companies had a stellar year, most hit their targets, but a few performed below expectations, particularly in the data investment management division;
- We largely achieved the synergies we targeted under the merger although there have been significant challenges in integrating a myriad of different IT platforms post-merger, which has curtailed some of our progress in implementing change;
- Many of our clients have been experiencing margin pressure in addition to facing the uncertainties of technological disruption and the multiplication of channels to market that technology brings.

Whilst our 2017 results were credible in the context of the subdued market conditions, they did not fairly capture the opportunities afforded by the merger. We did not deliver organic growth to the level anticipated and the material synergies that were delivered have not been fully captured at the bottom line.

To recap on our reported results in calendar year 2017:

- Net sales were $869.9 million, up 0.6%;
- Earnings before interest and tax was $138.7 million, down 2.1%;
- Net profit before tax increased 3.1% to $125.0 million;
- Earnings per share increased 3.1% to 9.8 cents;
- A further reduction in the group's leverage ratio from 1.9x in 2016 to 1.6x in 2017;
- Strong cashflow generation with operating cashflow of $129 million;
- A final dividend of 4.2 cents per share, bringing total dividends for the year to 6.3 cents per share, an increase of 5%.

Pleasingly, the ongoing strength of our cashflows continues to reduce our gearing, and with limited capital expenditure needs, we have been able to retain a solid dividend payout ratio. As we look forward, our shareholders should reasonably expect these cash flows to lead to a continuing increase in dividends, or the potential for other capital management initiatives.

An area of opportunity for our business is to better communicate to existing and prospective clients what the new WPP AUNZ represents and what it can achieve on their behalf.

We will move more quickly in 2018 to continue to implement changes in how we go to market and to consolidate businesses where it makes sense to do so, such that we enable the strengths of the WPP AUNZ platform to come to the fore.

A key objective for the Board in 2018 will be to increase the ownership of WPP AUNZ shares amongst our employees. This is part of various share ownership programs and performance incentive schemes that we have been developing in order to retain the best people in the market and create a culture of ownership within the group. There will of course be costs associated with this but we are confident that they will be more than outweighed by the longer-term benefits.

We continue to rank as the fifth largest market globally, within WPP plc, and we are appreciative of the significant support and direction that we receive from our partnership with their global businesses and leaders.

In closing, I would like to thank our clients, our talented people, Mike Connaghan and our senior leadership team, and my fellow Board members, for their hard work and dedication to driving performance of the group throughout the year.

We look forward to updating you on our progress throughout the 2018 financial year.

Yours sincerely

Robert Mactier
Chairman

CEO's report

Dear Shareholders,

I would characterise 2017 as a year of learning for the group. In only our first full year as the newly minted WPP AUNZ there was a lot to do and no doubt much more to come. The learnings are largely about people, systems and process.

Our new mantra of "Know more, Do more, Be more", is well accepted in the group companies as our people unlock the incredible value in the group and understand the reality that we really are 'better together'.

Our number one priority moving forward is to drive profitable organic revenue growth. Growing the top line of our business, a business of significant scale and market share in the mature lower growth markets of Australia and New Zealand is no easy task. We absolutely believe it is possible and that we have the right strategy, the right partner in WPP plc and a great mix of local and global clients.

Our world is moving fast forward and the way our clients and Agencies pivot and adapt will be a key strategic battleground. No one client, company, agency or individual can possibly take it on alone. Together our group, with our clients, have a better opportunity to successfully navigate our clients marketing transformation and digitisation than any other. The way we engage consumers is in a constant state of transition. The best teams are also always in transition as new skills and new talent come to the fore in helping address the changing landscape.

This year we have a number of proprietary studies that we will bring to our people and clients. Millennium Monitor (Colmar Brunton), Brand Asset Valuator (BAV-Y&R), Eye on Australia (Grey) and BrandZ, an in-depth look at Australia's top 40 brands (Kantar). These, coupled with the vast pools of customer data and insights that our research and media companies hold, means that we as a group have the deep knowledge our companies and clients need to succeed in an ever-changing world.

WPP AUNZ is the largest and leading marketing communications group in our region and is part of the most powerful marketing communications group on the planet. We are WPP plc's fifth largest market. As such, we offer the opportunity to work on the richest canvas available. The biggest brands, the new emerging powerhouses, the most exciting challenges. That opportunity means we can attract the very best talent.

Our assets are our people and 2018 will be a year where we will concentrate our efforts on not just attracting more of the best, but on training, developing and rewarding our best people. By winning the talent war, we can maintain our ascendancy and enable growth.

Many of our companies delivered fantastic results in 2017. As is the nature of diversified businesses, we will always have a few who disappoint. There are myriad reasons for under-performance and often factors such as market contraction, seismic changes in a digital world, economic headwinds or changes of personnel on the client side are things we cannot control.

No doubt a few of our companies suffered from uncontrollable events and they will bounce back and be much better in 2018.

The creation of WPP AUNZ has resulted in some amazing opportunities. We have made solid progress on our stated goal of 'fewer, bigger, better' companies in our group. There is no 'perfect' number of companies that should make up our group. Any group company that has had a tough 2017 may well be a star of 2018. What we do know is that where the opportunity to bring people together, to combine skills, talent, even client opportunities exists we can absolutely create value for all the stakeholders.

Since the merger we have created our Health and Wellness practice bringing three brands Ogilvy Common Health, Grey Healthcare and Suddler and Hennesy into one practice.

We merged local Digital agency White with global Ad Agency Grey to create WhiteGREY.

Maxus and MEC have come together to create Wavemaker and are now our largest media buying and planning operation.

DT, a local digital powerhouse, has rebranded to the iconic WPP plc global brand AKQA. It is a perfect example of a local homebred success story becoming part of something bigger, but at the same time adding some serious firepower to the global brand.

We have merged the Australian operations of Designworks into the world leading design practice Landor.

A significant investment we are making is the establishment of production business Hogarth, in Australia. We intend to set up Hogarth as a 'Horizontal' business servicing all of the Groups production needs. Hogarth will have the most advanced facilities available in the market. Hogarth will also have direct client contracts and leverage some significant global mandates. Hogarth is one of the fastest growing global units for WPP and Australia is a logical place for expansion. The old STW Group had some significant production businesses such as One20 and Paragon, which will now fall under the Hogarth banner and set it off to a flying start.

There are many more initiatives under way and optimisation of our portfolio will be ongoing.

One area of frustration has been around the complexity of rationalising the disparate IT and accounting platforms. I'm pleased to say that in 2017 we have endured most of the headaches and in 2018 we will start to see the benefits both through synergies in the form of dollars but more importantly a more efficient streamlined process which will allow our companies to spend less time administrating and more time creating.

We have made good progress with our four-pronged strategy of 'big at home'; 'leverage the power of WPP'; 'future proof'; and 'drive horizontality'.

Horizontality is the single most important idea in our company. Horizontality will help our group to continue growing. The market we face is tight and ever changing. Our large scale means we don't have the luxury of coming off a small base or miraculously finding lots of brand new clients.

Doing more for our existing clients will fuel much of our growth. The 11% increase in our 'touch points' across the top 20 clients is encouraging. Pleasingly more and more clients are open to the notion of simplifying their own marketing structures. Pressure is on clients to drive return on investment like never before, and certainly our group can help them get more of their money 'on the street' and help them reduce complexity and make their marketing dollars work harder.

A growing number of clients are demanding a more holistic solution and I'm pleased to say that our group is making great strides in facilitating horizontality. It's not easy. P&L's get in the way. Ego's get in the way. Turf wars get in the way.

In 2017 we held the inaugural WPP AUNZ Leadership Day. On the day, 500 of our best and brightest came together for a full day of content – all designed to encourage collaboration and horizontality. Be it in sports, politics, military, charity, or business, our theme was 'no-one does it alone!' We also called out the best examples of cross company horizontality and celebrated the winning team by granting them WPP AUNZ shares. Leveraging our own stock and having more of our people as 'owners' is a key objective and should be seen as a unique benefit for attracting and retaining the best people.

I must thank our hard hardworking super talented 'EXCO'. We created an Executive Council structure to share the load of running a large and diverse group. Having passionate people with domain expertise overseeing the companies they understand intimately has brought huge benefits across our group.

In particular, I would like to thank our new Chief Financial Officer, Chris Rollinson. A quiet achiever, a considered man who understands and cares deeply for our company and I am personally hugely indebted to him for his calm and wise counsel.

Turning to the year ahead, I am confident many of the teething problems associated with the merger are now behind us. We are positioned strongly in the market as the largest marketing communications company and there is no doubt more clients are seeing and searching out the benefits that a group of scale such as ours can bring.

In closing, I would like to thank you, our shareholders, for your continued faith and support.

M Connaghan

Mike Connaghan
CEO

Our four strategic pillars

Our four strategic priorities continue to be our guiding principles for the decisions we make. They help us stay the course and give direction to every one of our 80 companies.

1. Big at home

Our first strategic priority is to maintain our leadership position in three core disciplines: media, advertising and public relations.

GroupM is a world-class player in media technology, media data and digital execution. The launch of [m]PLATFORM just over a year ago now, makes it possible for all media planners at GroupM agencies to use the most detailed consumer data to achieve the best results for clients. [m]PLATFORM unifies data analytics and digital services including search, social, mobile, digital ad operations and programmatic into one team so that clients have a completely open and fully transparent data and technology architecture. The global investment WPP continues to make in emerging technologies means that our clients will always get the smartest approach to media. Coupled with Ikon, the best local media agency in the country, WPP AUNZ can offer clients scale through GroupM and local expertise through Ikon.

Our Group also has the world's leading advertising businesses within its portfolio of companies. These icons include Ogilvy, Y&R, J. Walter Thompson and Grey. Some of the great advertising campaigns created in the last seventy years can be traced back to one of these four brands. Today the leaders and creative directors of these businesses have a winning tradition to uphold and are spurred on by creative excellence. It's a healthy competitive spirit we encourage, because the greater the competition, the better the ideas. Along with these agency brands, sit strong local brands such as The Brand Agency, one of most successful companies and consistent performers in the Group.

In the ever-evolving space of public relations, corporate affairs and government communications, Ogilvy PR leads a strong portfolio of specialist public relations companies. Other businesses include Cannings, Cannings Purple, Hill+Knowlton, PPR, Hawker Britton and Burson-Marsteller. The 21st century has seen the reinvention of public relations. These companies house some of our best social media experts and professionals who not only understand the world of media, but often come to us from the publishing and technology worlds. Our expertise is deep and relevant in a world consumed by the 24-hour news cycle.

2. Leverage the power of WPP globally

Our second strategic priority is to avail ourselves of the full power of WPP and its global expertise. We need to create pathways and opportunities for our 5,500 people to access the best ideas, the best case studies, the best teachers and the best knowledge. The intellectual property held inside WPP is vast and useful. There are 205,000 people working for WPP across 3,000 offices in 112 countries. This is a vast repository of insight and data that can help us here in Australia and New Zealand. We can learn from these examples. Our clients can access best practice, and we can see how our peers have solved similar problems.

The world is getting smaller but ever more complex, and having a global powerhouse as a partner affords us and our clients incredible insight into what's happening in the world.

3. Future-proof the Group

Our third strategic priority is to continue to plan our business for an evolving future. Part of the power of WPP lies in its ability to invest in technology platforms that would be impossible to fund locally. This creation of intellectual property allows every one of our 80 local companies to access the kind of technology that can meet the realities of a rapidly changing landscape. Technology and marketing automation continue to transform how customers buy, shop and select their brands on an almost daily basis. Our clients need to know that as soon as they are ready to move, so are we. We have the technology necessary to make these changes and evolve our clients and brands accordingly.

4. Drive horizontality

Finally, our fourth strategic priority is to continue to drive horizontality wherever it is right and good that we do so. Bringing 'connected know-how' to life across our companies is how we can ensure we are delivering the very best of what the Group has to offer for the benefit of our clients. The ultimate expression of horizontality is the WPP team model where a team is custom-designed for a client. But it can also mean a coalition of key people each with their unique expertise sitting around a table and solving a seemingly unsolvable problem for a client. Horizontality matters because this working philosophy has a track record of producing highly successful work.

Our WPP AUNZ Awards are built around horizontality. Our first WPP AUNZ Awards ceremony, held at our inaugural Leadership Day in August 2017, awarded our companies who demonstrated outstanding results for clients as a direct consequence of working with several companies in one united team. Horizontality is more than a word. It is a living methodology for how our companies and people collaborate.

Our four strategic priorities each play their role in keeping WPP AUNZ a strong market leader.

Big at home

Maintaining leadership in our core businesses of media, advertising and PR.

Leverage the power of WPP globally

Leveraging WPP's expertise in data, digital and media investment management.

Future-proof

Future-proofing the group through technology, content, mobile, shopper and proprietary offerings.

Drive horizontality

Driving collaboration and horizontality across our group for the benefit of our people, our companies and our clients.

Fact Trumps Fiction
How telling the truth and letting the facts carry the day, will make you a winner.

Rose Herceg
Chief Strategy Officer

When you are handed a great set of facts, it's so much easier to win the argument, to win over an audience, to win the hearts of the people.

Which is why in this era of fake news and alternative facts, it is easy to think that the way to make noise, is to make it up. Rely on spin, hyperbole, create fake evidence. Or worse still, when caught in a lie, believe that the best way to combat that lie, is to tell an even bigger lie.

But here's the thing.

Consumers, people, little kids, big kids, old kids, you and me, love facts. We love irrefutable facts that could stand up to all manner of scrutiny in a court of law.

We love products and services that are… wait for it… as advertised. That do what they say they will do. That never disappoint. That own their truth. That revel in their honesty. That claim to be no more or no less than what they are, what they believe and what they deliver.

They don't impose or force themselves into our lives. They know their place and they are respectful about asking if they can come a little bit closer into our worlds. Often, they are so good at never forcing themselves upon us, that we invite them into our world voluntarily and without any bartering, arm-twisting or data exchange quid pro quo required. They actually understand the meaning of the word 'privacy' and they respect it.

Marketing by its nature (and the urban myths surrounding it) tends to make us all think that flash is usually required to be noticed. To cut through the clutter, to make noise, to aid recall and every other bingo buzzword about being noticed (and remembered) in a world filled with thousands of advertising messages. Coming at us every day.

When brands use the facts (which usually goes hand in hand with owning their truth) strange things happen. Respect goes up. Trust goes up. And best of all, sales go up.

When our companies work with the facts, and our clients proudly own those facts, we find the elusive X factor that takes us from good to great.

KFC is one of the oldest fast-food brands around. It belongs squarely in the 'traditional' rather than the 'disruptive'. Swimming in a sea of contempt from parent groups, lobby groups, and the skinny people among us, all fast food is (apparently), responsible for the world's obesity problems. Rather than refashion itself as some kind of health-food brand, KFC proudly stands up and says 'we sell chicken'.

Fried chicken. It's delicious. In fact, it's finger lickin' good. It comes from Aussie chook farms. It's great value for money. It's honest to goodness chicken. It's not salads, it's not juice bars, it's not fruit. Or kale. Or quinoa. It's chicken.

Australians and New Zealanders have embraced KFC. They find the honesty comforting. They find the facts refreshing. They know exactly what they will get when they walk into a KFC or do drive-thru or get it delivered by UberEATS.

In an industry that is being picked apart by new competitors, new food choices, new delivery options, pre-packaged meals coming at us from everywhere including the local supermarket, right alongside the social movement of healthy food, healthy body, healthy mind, KFC has experienced over five years of strong year-on-year growth. That's right. More than five years.

Nothing speaks louder than facts.

Facts also have a way of gently telling someone who might not want to listen, that it's time to change behaviour. Telling truth to stubbornness is both hard and thankless. Sometimes, the only way in is through the front door. No gimmicks, no tricks. Only the truth.

Transport for New South Wales (TFNSW) has to keep the roads safe for all of us.

Despite the risks, many motorcyclists are averse to safety messages, especially when these messages come from government. Rather than resort to dramatic re-enactments of fatal accidents, TFNSW simply laid out the facts. They built for riders an interactive Hazard Perception Test and got riders to take it based on all of the choices riders could make in a variety of road conditions. Using real data and facts, they were able to show riders what would happen based on the choices they were making. Motorcycle fatalities have fallen in the state of NSW.

One very real fact also helped tell a story about youth homelessness.

Donations to a charity called Youth Off The Streets were down 36%. In the past, much of the money had come from young people fundraising within the community. One powerful fact was highlighted. When young homeless people sleep on the streets, they sleep with their shoes on, for fear of having them stolen. Young people (who live safely at home) never have to sleep with their shoes on. They never have to worry about these kinds of realities. In a campaign called 'Lace It Up', blue shoelaces were created and sold online. They have become one of the official symbols for Youth Off The Streets. One fact about sleeping on the streets shared with young Australians to get donations to the charity moving in the right direction.

Each of these organisations is a WPP AUNZ client.

Someone once famously said that a lie can travel halfway around the world while the truth is putting its boots on. As alluring and as tempting as it might be to lean toward fiction, truth can be our biggest ally in creating lasting relationships with the very people we hope to convince. The people we hope to turn into loyal customers.

> ***"When brands use the facts (which usually goes hand in hand with owning their truth) strange things happen. Respect goes up. Trust goes up. And best of all, sales go up."***

A Front Row Seat to a Brave New World There's never been a better time to work in marketing communications.

John Steedman
Executive Chairman Media Investment Management

Whichever of the brands you work at across our 80 WPP AUNZ companies, you are witnessing perhaps the greatest show on earth.

WPP AUNZ sits at the epicentre of arguably, three of the greatest businesses today: technology, media and entertainment.

Each of these categories has undergone and continues to undergo extraordinary and cataclysmic change.

Just stop and think about some of these habitual realities.

2.1 billion people check their Facebook account almost every day. 3.5 billion searches are conducted daily on Google. That's 40,000 search queries every second or roughly 800,000 since you started reading this article.

The greatest entertainment content the world has ever enjoyed (and binge-watched), is being produced right now by the new brigade; Netflix, Hulu, Amazon, AMC, Stan. The old guard is just trying to keep up.

New publishers pop their heads up out of nowhere almost every day. Newbies, The Skimm, Axios and Patch join The Huffington Post, BuzzFeed and Politico, who joined the old media barons, The New York Times and The Washington Post.

And in the middle of this entirely messy, exciting, unpredictable revolution, sits WPP AUNZ.

Because it's our clients who want in on the show. Who want us to plant them ringside. Close to the cultural and behavioural changes created by new technology, by this new media and by this new content.

Every brand, every company, every marketer wants to know how to jump the fence from advertising to editorial. From eavesdropping on the cultural conversation to leading – or better still, creating the conversation.

We are the people who advise our clients on how to get in on the act and how to create for their customers a useful, effective and honest relationship with their brand or their company.

When Francis Bacon (back in 1597) said information is power, he could never have known just how eternal those words would prove to be.

Every day our clients look to us to catch them up on the latest marketing technology, new thinking on search, improvements in programmatic, new theories of behavioural science or buyer personas or gait biometric technology or blockchain… or any one of the 100 new ideas that will have been developed by someone somewhere in the last few months and in the next few years.

Our 5,500 people need to know their stuff. 'Connected know-how' might make for a catchy phrase, yet it's very real.

Getting ahead of the curve, observing the world's best companies, finding out what's on the drawing board in technology, media, publishing and entertainment – before our competitors, is what our clients seek.

But the missing piece of this puzzle is where we really earn our seat at the table.

The idea.

The creative, original, lateral, unusual, never-before-seen idea (or game plan) that nobody saw coming. Be it from data strategy, or media planning, or design, or research analysis, or from a creative campaign or a public relations plan.

Because no matter how big the scale and speed of the technology, media and entertainment changes, the brands we represent need to figure out how to play in this new world.

And those plans and ideas are yet to be invented.

But when they are, they will be coming from us.

“WPP AUNZ sits at the epicentre of arguably, three of the greatest businesses today: technology, media and entertainment.”

Why Rewarding Horizontality Brings out the Best in Our People

Rob Currie
Chief Business Director

In deciding to evolve our awards program for this new era in WPP AUNZ's history, we launched the first ever Horizontality Awards at our inaugural Leadership Day in August of 2017.

We received dozens of entries from across the Group, all fulfilling the awards criteria of demonstrating outstanding collaboration across our companies for the benefit of our clients.

After much rigorous and passionate debate, our judging panel whittled down the list to the five finalists.

On the Leadership Day, our five hundred leaders were invited to vote for the award entry they believed best exemplified horizontality and connected know-how.

The five finalists are as varied as they are unique. In total, they represent twenty-four of our 80 companies.

See the highlights from the five finalists on the following pages.

These campaigns are five examples of the 'connected know-how' we created in 2017.

There are dozens and dozens of additional examples created every day. All living, breathing case studies of practical horizontality.

We continue to improve on the ways we collaborate. We continue to learn from the very best case studies. We are at the beginning of our horizontality journey and it is paying dividends. We look forward to seeing who 2018's Horizontality Awards finalists will be.

"We continue to learn from the very best case studies."

ALDI

The Store, Active Display Group, Smollan Trading Partners and **Hogarth** all worked together on supermarket brand ALDI to make sure that **every Australian knows ALDI is the PRICE LEADER** in the Australian supermarket category.

ALDI has retained its crown as the cheapest supermarket in Australia and the reason why Aussies know this, is because our four companies tell us so, every single day.

In-store point of sale is everything in supermarket land.

The Store developed a shopper path-to-purchase strategy, tailoring each point in a shopper's journey from getting them into the store, all the way to checkout.

Active Display Group designed the point of sale and produced it, then installed it in all ALDI stores.

Smollan created the fixture installation and the point of sale maintenance, making sure everything is accurate and immediate.

Hogarth produced the video content and finished art for all of this activity.

Four WPP AUNZ companies all working together **for a single united purpose:** making sure that you and I, and every other Aussie, know that ALDI is the cheapest place to shop in Australia.

Latitude

Launching any new brand into the Aussie marketplace is hard.

Launching another financial services brand in a market dominated by the big 4 banks, could be called a suicide mission.

Latitude was launched into the Australian market offering personal loans.

Alec Baldwin is the face of the brand and the job of our three companies was to make as much noise and generate as many leads as possible, in a very crowded financial services market.

Together **Hill+Knowlton** and **Colloquial** developed the strategy.

Hill+Knowlton focused on traditional public relations, issues management, corporate reputation and events.

Colloquial developed the content, social media and digital influencer strategy.

Webling built the digital platform and brought in much-needed technical knowledge to make sure everything worked exactly as it was supposed to.

Each one of our companies had a very particular job to do. Many different pieces of communication going on, all **at the same time,** making sure that not a single piece would undo the good work of another.

Latitude's own attribution modelling reported that this combined effort was directly responsible for generating **$11 million in personal loan applications.** Not bad for a brand that didn't exist a year ago.

Z Energy

Five of our New Zealand companies came together to help Z Energy, one of New Zealand's biggest fuel distributors and service station brands, jump start their flybuys loyalty program.

J. Walter Thompson, Colmar Brunton, Mindshare, Assignment Group and **Heyday** all played a key role in giving the flybuys loyalty program a new lease of life.

Simply put, flybuys was 'down down' as a loyalty program with New Zealanders, and our five New Zealand companies needed to take this declining product and put it into growth.

The result is **Fly Buys Pumped:** the first significant sub-brand in flybuys history.

Getting a loyalty program to actually work and to make the mathematics stack up, is one of the hardest jobs in our industry. Getting New Zealanders to sign up and choose their service station based on their loyalty card, requires smart strategy and an eye on detail.

Optus Business

What started in 2016 as one WPP AUNZ company alone working with Optus Business, has today blossomed into several of our companies working with Optus Business.

This story began with **Ogilvy Sydney** creating the brand work as well as the media and social communications. **Ogilvy PR** handled all the Optus Business strategic and product-related communications. **Neo@Ogilvy** took care of all digital communications. With **Phuel** and **Ogilvy Impact** both responding to live briefs as they happened.

They did this by creating one of the **most dynamic thought leadership programs in the country.** The program provided deep insight into the future of technology, together with the latest innovations and global thinking on best practice from the trailblazers. Together, all five companies created a program to talk to the people who hold the technology budgets for Australia's biggest private and public companies.


Big business and start-ups must collaborate more: Optus Business chief

The future of the Australian economy depends on it, says John Paitaridis


How Hackathons Increase Engagement & Shape Culture

Published on October 17, 2016

Giovanni Ravone Follow
Head of Innovation at Rubik / Co-founder at HowAboutEat

Another weekend, another hackathon.

Last week I had the pleasure to work with AngelHack and Mastercard to help organize and run the first ITS MasterCard Smart City Hackathon in Melbourne.

With 15 projects hacked through the night and some truly inspiring teams and ideas, it was yet another example of how hackathons have the power to bring great people with bright ideas together to create innovative solutions that get instant exposure and opportunities.

However these events don't only present benefits to those attending them, but also to those companies involved in the process such us organizers, supporters and sponsors.

Hackathons (both external and within a firm) were listed in the latest Smart Disruption report by Optus – a collection of insights from the most innovative Australian organisations - as one of the main tools a company has to foster a culture of innovation and encourage the pursue of ideas that will drive the firm forward.

KFC

Our inaugural Horizontality Award winner is an example of a big idea that gets a lot bigger when six of our companies all work together incredibly well.

It was a collaboration across **Geometry Global, Ogilvy PR, MediaCom, Ogilvy Sydney, Maverick** and **Ogilvy X.**

KFC is a great brand that does one thing really well: chicken. Its chicken is delicious and unique. Yet non-KFC lovers still need convincing that KFC actually is **'finger lickin' good'.**

Demonstration of this fact is the cornerstone of this campaign. So how did our six agencies demonstrate this fact?

By creating KFC's first ever food truck and 'bringing the bird to Birdsville'.

Ogilvy Sydney and Ogilvy X created the strategy and the concept. Geometry Global delivered the food truck, built and managed the event. Ogilvy PR generated the media attention and public interest in the event. MediaCom delivered the channel planning and media buying.

And Maverick found the seven KFC brand superstars who became brand ambassadors for the event.

The Board of Directors

Robert Mactier

BEC MAICD

Independent Non-executive Chairman

Mr Mactier was appointed as a Director of WPP AUNZ in December 2006 and Chairman with effect from 1 July 2008. Mr Mactier is a consultant to the investment banking division of UBS AG in Australia, a role he has held since June 2007. He has extensive investment banking experience in Australia, having previously worked for Citigroup, E.L & C. Baillieu and Ord Minnett Securities between 1990 and 2006. During this time, he was primarily focused on the media and entertainment and private equity sectors and initial public offerings generally. Prior to these roles, he worked with KPMG from 1986 to 1990 during which time he qualified as a Chartered Accountant.

Mr Mactier is currently also the Non-executive Chairman of ASX listed ALE Property Group (since November 2016). He was a Non-executive Director of Melco Resorts and Entertainment Limited, which is publicly listed on NASDAQ, from December 2006 to January 2017.

Mr Mactier is a member of the WPP AUNZ Audit and Risk Committee.

Mike Connaghan

BA

Chief Executive Officer and Executive Director

Mr Connaghan was appointed as a Director of WPP AUNZ in July 2008. After graduating from Charles Sturt University in 1987, Mr Connaghan commenced his advertising career winning an Australian Federation of Advertising Graduate Scholarship. After spending his first four years as a copywriter at Clemenger BBDO Sydney, Mr Connaghan travelled the world. He joined John Singleton Advertising in 1993 to guide the Telecom Australia account through the country's telecommunication deregulation. In 2001, Mr Connaghan moved to WPP AUNZ, as Managing Director of Diversified Companies. He represented WPP AUNZ's interests and oversaw acquisitions, expansion and growth of the diversified companies.

Mr Connaghan joined WPP Group company JWT in January 2004 as Managing Director of Australia and New Zealand, until his move back to the STW Group and his appointment as Chief Executive Officer in January 2006. In April 2016, Mr Connaghan oversaw the merger of the STW Group with the local operations of WPP, doubling the size of the business to form WPP AUNZ.

Mr Connaghan is a Director of the Australian Association of National Advertisers and Chairman of the Board for the charity 'R U OK? Day'.

John Steedman

Executive Chairman Media Investment Management and Executive Director

Mr Steedman was appointed as a Director of WPP AUNZ in April 2016. Mr Steedman has been in the advertising business for over 40 years, having joined McCann Erickson in 1971. In 1973, he transferred to Adelaide as Media Manager. Mr Steedman joined JWT in 1976 and held a number of leadership roles across Australia and regionally over a 20 year period. In 1997, he was appointed the CEO of Mindshare Asia Pacific and relocated to Hong Kong.

Mr Steedman went on to be instrumental in setting up 17 Mindshare offices in 12 markets around the Asia Pacific region. In 2005, Mr Steedman was promoted to Chairman/CEO of GroupM Asia Pacific, the largest media investment management group in Asia Pacific. After a short break, Mr Steedman rejoined WPP plc in 2008 as Chairman/CEO of GroupM Australia, a role he occupied until stepping down in January 2016. After a sabbatical, Mr Steedman took on his current role of Executive Chairman Media Investment Management for WPP AUNZ.

At the Media Federation of Australia Awards 2013, Mr Steedman was inducted into its Hall of Fame.

Kim Anderson

BA GRAD DIP INF SC

Independent Non-executive Director

Ms Anderson was appointed as a Director of WPP AUNZ in November 2010.

Ms Anderson is a Director of carsales.com Limited (from 2010), Billabong International Limited (from December 2016), and The Sax Institute (2017). She was Chief Executive of Reading Room Inc and co-founder of bookstr.com (2009 — 2016), and a former Fellow of the Sydney University Senate. Ms Anderson has more than 25 years' experience in various media executive positions in both Australia and the US, including Southern Star Entertainment, Publishing and Broadcasting Limited, ninemsn and Harper Collins.

Ms Anderson is Chair of the WPP AUNZ Remuneration and Nominations Committee.

Graham Cubbin

BECON (HONS)

Independent Non-executive Director

Mr Cubbin was appointed as a Director of WPP AUNZ in May 2008. Mr Cubbin was a Senior Executive with Consolidated Press Holdings ("CPH") from 1990 until September 2005, including holding the position of Chief Financial Officer for 13 years.

Prior to joining CPH, Mr Cubbin held senior finance positions with a number of major financial companies including Capita Finance Group and Ford Motor Company. Mr Cubbin has over 20 years experience as a director and audit committee member of public companies in Australia and the US. He is a Director of Challenger Limited (from 2004), Bell Financial Group Limited (from 2007), White Energy Company Limited (from 2010) and McPherson's Limited (from 2010). Mr Cubbin was appointed Chairman of McPherson's Limited in July 2015.

Mr Cubbin is Chairman of the WPP AUNZ Audit and Risk Committee and a member of the Remuneration and Nominations Committee.

Paul Richardson
BA ACA MCT

Non-executive Director

Mr Richardson was appointed as a Director of WPP AUNZ in 1999 and is currently a Director of WPP plc.

Mr Richardson joined WPP plc in 1992 as Director of Treasury and has been Group Finance Director since 1996 (responsible for the group's worldwide finance function).

He is a former Non-executive Director of CEVA Group plc and Chime Communications plc and previously served on the British Airways Global Travel Advisory Board.

Mr Richardson is a member of the WPP AUNZ Remuneration and Nominations Committee.

Ranjana Singh

Non-executive Director

Ms Singh was appointed as a Director of WPP AUNZ in April 2016.

Ms Singh is a Botany Honours graduate from Delhi University, with a postgraduate diploma in Advertising and PR from the Indian Institute of Mass Communications, Delhi.

Ms Singh started her career in media at JWT India (Hindustan Thompson Associates). In March 1993 she moved to JWT Indonesia, to stabilise and grow its media function. Subsequently, she moved to client servicing and became the General Manager in 1998.

Ms Singh joined the newly launched Mindshare in 2000. As Managing Director and then CEO, she built GroupM to be the leading media agency with a leading market share. Ms Singh currently serves as the WPP plc Chairperson for Indonesia and Vietnam. She sits on the advisory board for the Asia Pacific Media Forum and the McKinsey YLI Young Leaders Indonesia initiative.

Geoffrey Wild AM
FAICD FAI (dip) FRSA

Non-executive Director

Mr Wild was appointed as a Director of WPP AUNZ in April 2016. Mr Wild has been Chairman and Country Manager of WPP plc in Australia and New Zealand since 1998. Mr Wild was with Clemenger BBDO until 1990 as Deputy Chairman, a member of the BBDO Worldwide Board and Chairman of BBDO Asia Pacific, when he retired from the advertising industry for a period, following which he was appointed as Chairman of the New South Wales Tourism Commission and a Vice-President of the Sydney 2000 Olympics Bid Company.

Mr Wild has been a Director of Arab Bank Australia Limited since 1995 and Chairman since 2011. He is also a Director of oOh!media Limited (since July 2007) and Ibisworld Pty Ltd. Mr Wild has been Chairman of the Advertising Federation of Australia and Chairman of the Australian Advertising Industry Council. Mr Wild is a Fellow of the Australian Institute of Company Directors, a Fellow of the Advertising Institute (by examination) and a Fellow of the Royal Society of Arts.

Mr Wild was made a Member of the Order of Australia in the Queen's Birthday Honour List in 2000.

Mr Wild is a member of the WPP AUNZ Audit and Risk Committee.

Paul Heath
BA

Non-executive Director

Mr Heath was appointed as a Director of WPP AUNZ in April 2016. He joined Ogilvy & Mather ("O&M") London as a graduate trainee in 1987. Since that time, he has held a variety of roles within WPP Group, principally in Asia and South America, including leadership roles on key global accounts. Under his leadership, Ogilvy in Asia won various prestigious awards including Campaign Asia's Network of the Year in 2014/16 as well as being Asia's most effective network as measured by the Effies. In January 2009, Mr Heath was promoted to CEO of O&M Asia Pacific and in May 2012, he was appointed O&M Asia Pacific Chairman.

Mr Heath moved to New York in the summer of 2016 to take on the role of Chief Growth Officer for O&M Worldwide. In this role, Mr Heath is focused on developing new capabilities to meet the needs of clients around the world and driving collaboration and integration across the Ogilvy Group companies.

Jon Steel
BA (HONS)

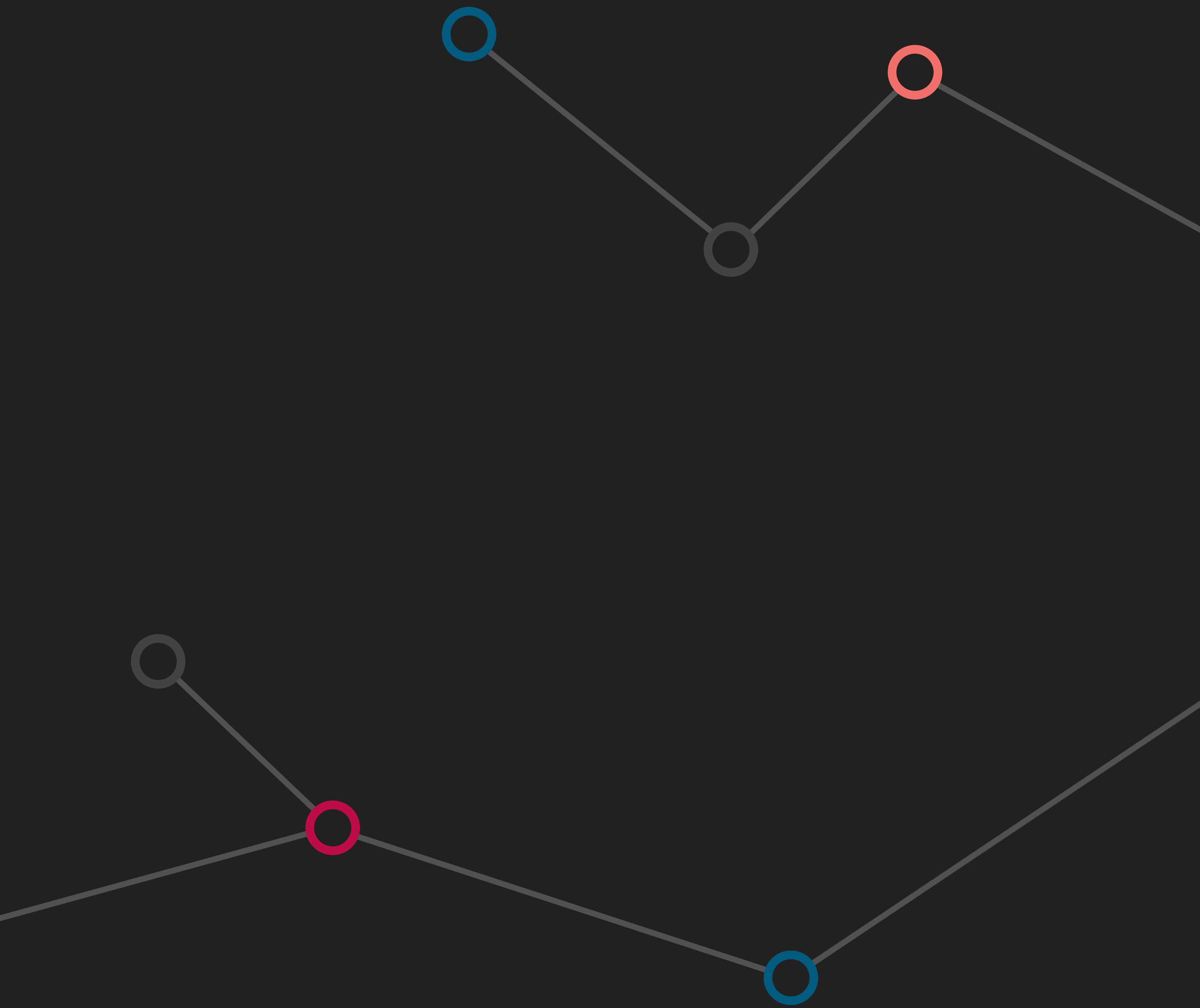
Non-executive Director

Mr Steel was appointed as a Director of WPP AUNZ in April 2016. A graduate of Nottingham University, Mr Steel began his advertising career at London agency Boase Massimi Pollitt in 1984, and was appointed to the agency's board at the age of 26.

In 1989, Mr Steel moved to affiliate agency Goodby, Silverstein & Partners in San Francisco, as the agency's first Head of Planning. He later became a Partner and Vice-Chairman.

In 2002, having returned to the UK, Mr Steel accepted the role of Group Planning Director for WPP plc. In this global role, he provides strategic and creative counsel to WPP plc agencies and clients alike. He also directs the WPP plc Fellowship, an elite graduate recruitment and training programme, designed to create future generations of leaders for WPP plc companies. Since 2009, he has been based in Western Australia, from where he combines his global WPP plc responsibilities with a roving role across WPP AUNZ's agencies.

Financial performance



Directors' Report

Your Directors present their report on the Consolidated Entity consisting of WPP AUNZ Limited ("Company", "WPP AUNZ" or "Parent Entity") and the entities it controlled at the end of, or during, the year ended 31 December 2017 (collectively "WPP AUNZ Group", "Group" or "Consolidated Entity").

DIRECTORS

The following persons were Directors of the Company during the whole of the 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)
Ranjana Singh (Non-executive Director)
John Steedman (Executive Director)
Jon Steel (Non-executive Director)
Geoffrey Wild AM (Non-executive Director).

Particulars of Directors' qualifications, experience and directorships in other listed entities are set out on pages 24 and 25 in this Annual Report.

PRINCIPAL ACTIVITIES

The principal activities of WPP AUNZ Group during the year were marketing, content and communications services. WPP AUNZ comprises leading companies in all the following disciplines: Advertising; Media Investment Management; Data Investment Management; Public Relations and Public Affairs; Branding and Identity; Healthcare Communications; Digital; e-commerce and Shopper Marketing; Production; and Specialist Communications. There have been no significant changes in the nature of these activities during the year.

REVIEW OF OPERATIONS

Information on the operations and financial position of the Company and its business strategies and prospects are outlined on pages 31 to 34 and forms part of this Directors' Report.

ACQUISITION OF AUSTRALIAN AND NEW ZEALAND BUSINESSES OF WPP PLC

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

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 became 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) then held the remaining shares on issue in the Company.

The Group's results for the year ended 31 December 2017 are presented on a 12 month basis. Comparatively, the Group's results for the year ended 31 December 2016 were materially impacted by the Transaction which was completed in April 2016. In accordance with accounting standards, the Group only accounted for profits of the Businesses from the acquisition date.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the significant items outlined in Note 40 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 Group, the results of those operations, or the state of affairs of the Group, in future periods.

DIRECTOR MEETINGS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year ended 31 December 2017 and the number of meetings attended by each Director are as set out in Table 1: Director meetings.

	Directors		Audit and Risk Committee		Remuneration and Nominations Committee	
Table 1: Director meetings	Attended	Held*	Attended	Held*	Attended	Held*
Robert Mactier	8	8	4	4	—	—
Michael Connaghan	8	8	—	—	—	—
Paul Richardson	4	8	—	—	3	3
Graham Cubbin	8	8	4	4	3	3
Kim Anderson	8	8	—	—	3	3
Paul Heath	7	8	—	—	—	—
Ranjana Singh	7	8	—	—	—	—
John Steedman	8	8	—	—	—	—
Jon Steel	7	8	—	—	—	—
Geoffrey Wild	8	8	4	4	—	—

* Reflects the number of meetings the Director was eligible to attend during the time the Director held office during the 2017 year.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit and Risk Committee and a Remuneration and Nominations Committee. Members acting on the Committees of the Board during the year and at the date of this report were:

AUDIT AND RISK COMMITTEE

Graham Cubbin (Chair)
Robert Mactier
Geoffrey Wild

REMUNERATION AND NOMINATIONS COMMITTEE

Kim Anderson (Chair)
Graham Cubbin
Paul Richardson.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Disclosure of information regarding likely developments in the operations of the Consolidated Entity in future years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated Entity (e.g. because the information is premature, commercially sensitive or confidential or could give a third party a commercial advantage).

Accordingly, this information has not been disclosed in this report. The omitted information relates to the Consolidated Entity's internal budgets, forecasts and estimates.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to environmental regulation under Commonwealth and State legislation. These regulations do not have a significant impact on the Consolidated Entity's operations. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of those environmental requirements as they apply to the Consolidated Entity.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Directors of the Company and such other officers as the Directors determine, are entitled to receive the benefit of an indemnity contained in the Constitution of the Company to the extent allowed by the Corporations Act 2001, including against liabilities incurred by them in their respective capacities in successfully defending proceedings against them.

During or since the end of the financial year, the Company has paid premiums under contracts insuring the Directors and officers of the Company and its controlled entities against liability incurred in that capacity to the extent allowed by the Corporations Act 2001. The officers to which these insurance contracts relate are any past, present or future Director, secretary, executive officer or employee of the Group.

The terms of the policies prohibit disclosure of the details of the liability and the premium paid.

Each Director has entered into a Deed of Access, Disclosure, Insurance and Indemnity which provides for indemnity by the Company against liability as a Director to the extent allowed by the law.

There have been no indemnities given or insurance premiums paid during or since the end of the financial year for any current or former auditor.

PERFORMANCE SHARES

As at 31 December 2017, 5,481,827 (2016: 3,949,399) performance rights have been granted to participants in the executive share plan. These performance rights will vest and be transferred to eligible executives subject to the achievement of specific performance measures. As at 31 December 2017, 1,135,919 (2016: 1,135,919) performance shares in the Company have been issued to the WPP AUNZ Executive Share Plan Trust. The trust holds the performance shares and all rights and entitlements attaching to the performance shares on the executives' behalf.

SHARES

The number of ordinary shares in which each Director has a relevant interest as at the date of this report is as set out in Table 2: Director interest in ordinary shares.

Table 2: Director interest in ordinary shares	Balance as at 1 Jan 17	Acquisitions	Disposals	Balance as at 31 Dec 17	Post year-end acquisitions	Post year-end disposals	Post year-end balance
Robert Mactier	577,964	—	—	577,964	—	—	577,964
Michael Connaghan	637,657	50,708	—	688,365	—	—	688,365
Paul Richardson	—	—	—	—	—	—	—
Graham Cubbin	100,000	—	—	100,000	—	—	100,000
Kim Anderson	50,000	—	—	50,000	—	—	50,000
Paul Heath	—	—	—	—	—	—	—
Ranjana Singh	—	—	—	—	—	—	—
John Steedman	—	—	—	—	—	—	—
Jon Steel	87,500	—	—	87,500	—	—	87,500
Geoffrey Wild	—	—	—	—	—	—	—

Directors' Report (continued)

AUDITOR INDEPENDENCE

The Directors have received a declaration of independence from Sandeep Chadha on behalf of Deloitte Touche Tohmatsu, the auditor of WPP AUNZ Limited, as reproduced on page 35.

NO OFFICERS ARE FORMER AUDITORS

No officer of the Consolidated Entity has been a partner of an audit firm or a director of an audit company that was the auditor of the Company and the Consolidated Entity for the financial year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of WPP AUNZ Limited support and have adhered to the principles of corporate governance.

A copy of the Company's full 2017 Corporate Governance Statement, which provides detailed information about governance, and a copy of the Company's Appendix 4G which sets out the Company's compliance with the recommendations in the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) will be available on the corporate governance section of the Company's website at http://wppaunz.com.

The Board believes that the governance policies and practices adopted by the Company during 2017 are in accordance with the recommendations contained in the ASX Principles.

RISK MANAGEMENT

The Group takes a proactive approach to risk management. The Board has established a risk management policy for the oversight and management of risk and has delegated responsibility for reviewing risk, compliance and internal control to the Audit and Risk Committee. Management is ultimately responsible to the Board for the system of internal control and risk management within the business units. Details of risk mechanisms in place are detailed in the Corporate Governance Statement on the Company's website at http://wppaunz.com.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 39 to the financial statements. The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 39 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

ROUNDING

The Company is of a 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 financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

REMUNERATION REPORT

The Remuneration Report outlined on pages 36 to 51 form part of this Directors' Report.

Signed in accordance with resolution of the Directors:

Robert Mactier
Chairman

Michael Connaghan
Chief Executive Officer

Sydney, 23 February 2018

Operating and financial review

FINANCIAL OVERVIEW

The Operating and financial review forms part of the Directors' Report beginning on page 28.

This financial overview presents the results of the Group as outlined in the financial statements. The Group's results for the year ended 31 December 2016 were materially impacted by the Transaction which was completed in April 2016. In accordance with accounting standards, the Group only accounted for profits of the Businesses from the acquisition date.

Net revenue (revenue less cost of goods sold) for the year ended 31 December 2017 was $869.9 million, up 13.7% on the prior period (2016: $765.2 million).

The net profit attributable to members of WPP AUNZ for the year ended 31 December 2017 was $73.3 million compared to a net profit in 2016 of $55.0 million.

After adjusting for significant items, the underlying profit for the year ended 31 December 2017 was $83.6 million, up 12.1% on the prior period (2016: $74.6 million).

A summary of the Company's results for the year ended 31 December 2017 is below:

	2017 $million	2016 $million
Revenue	1,011.7	902.6
Cost of goods sold	(141.8)	(137.4)
Net revenue	**869.9**	**765.2**
Other income (excluding interest income)	1.7	11.3
Share of net profits from joint ventures and associates	5.4	4.1
Operating expenses	(725.7)	(645.4)
EBITDA	**151.3**	**135.2**
Depreciation and amortisation	(34.9)	(29.0)
EBIT	**116.4**	**106.2**
Net finance costs	(14.4)	(17.3)
Profit before tax	**102.0**	**88.9**
Income tax expense	(21.3)	(26.0)
Profit after tax	**80.7**	**62.9**
Non-controlling interests	(7.4)	(7.9)
Net profit attributable to members of WPP AUNZ	**73.3**	**55.0**

	Cents	**Cents**
Earnings per share ("EPS")	8.6	7.5

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

	2017 $million	2016 $million
Net profit attributable to members of WPP AUNZ	**73.3**	**55.0**
Significant items, net of tax		
1. Transaction related profit and tax balances	(7.4)	(1.6)
2. Amortisation of acquired intangible assets and other non-cash items	17.1	23.8
3. Business close down and other one-off costs/(profit)	0.6	(2.6)
Total significant items, net of tax	**10.3**	**19.6**
Headline profit attributable to members of WPP AUNZ	**83.6**	**74.6**

SIGNIFICANT ITEMS AND NON-CASH ITEMS

The Company incurred a number of one-off profit/costs relating to the Transaction, the amortisation of acquired intangible assets and other non-cash items.

1. **Transaction related profit and tax balances** – relates to Transaction adjustments and related tax balances recorded in 2017, the most significant being $8.5 million in rights to future income tax deductions. In 2016, the gain related to costs specific to the Transaction including advisor fees, listing fees and costs associated with the restructure of debt facilities. These costs were offset by the net gain on transitioning equity accounted investments to controlled entities.
2. **Amortisation of acquired intangible assets and other non-cash items** – the balances relate to the amortisation of acquired intangible assets and loss on fair value adjustment of contingent cash settlements.
3. **Business close down and other one-off costs/(profit)** – relates to costs/(profit) associated with closing down and merging selected businesses.

Further details relating to significant items are included in Note 5 to the financial statements.

Operating and financial review (continued)

FINANCIAL HIGHLIGHTS

The table below presents the results of the Group for the year ended 31 December 2017 compared to prior year. As the Transaction occurred on 8 April 2016, the 2016 figures are on a like-for-like basis to provide more meaningful and comparable results, as if all the Businesses were acquired from 1 January 2016, excluding one-off and significant items incurred during the period.

Key measures	2017 $million	2016 $million	Change %
Net revenue	869.9	864.9	0.6%
Headline earnings before interest and tax	138.7	141.6	(2.1%)
Headline margin	15.9%	16.4%	(0.5%)
Headline profit before tax	125.0	121.3	3.1%
Headline net profit after tax and minorities	83.6	81.1	3.1%
EPS - headline profit	9.8 cents	9.5 cents	3.1%

PERFORMANCE BY SEGMENT

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

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

	Net revenue			Headline EBIT			Headline margin %		
$million	2017	2016	Change %	2017	2016	Change %	2017	2016	Change
Advertising and Media Investment Management	485.8	461.7	5.2%	79.1	75.6	4.6%	16.3%	16.4%	(0.1%)
Data Investment Management	99.5	107.4	(7.4%)	19.9	25.3	(21.3%)	20.0%	23.6%	(3.6%)
Public Relations & Public Affairs	57.9	62.4	(7.2%)	9.3	9.3	—	16.1%	14.9%	1.2%
Specialist Communications	226.7	233.4	(2.9%)	30.4	31.4	(3.2%)	13.4%	13.5%	(0.1%)
Total	**869.9**	**864.9**	**0.6%**	**138.7**	**141.6**	**(2.1%)**	**15.9%**	**16.4%**	**(0.5%)**

The business has been resilient in soft market conditions. Post the Transaction, management has focused on strengthening the foundations of our business, investing in our people and culture, delivering more for our clients, with the goal of improving returns to shareholders in the long term.

The business has experienced a two-speed performance in its operating segments. Advertising and Media Investment Management segment is growing their market position with robust new business wins. Advertising agencies continue to transform their operating model and redefine their service offerings to clients. In Data Investment Management, Public Relations and Public Affairs, we have experienced pressure from both market softness and individual company underperformance. Within our Specialist Communications segment, digital businesses performed strongly, with client engagements focused on delivering marketing platforms and digital transformation. This has been offset by underperformance in our production businesses which have been impacted by client losses.

We continue to balance the portfolio to build scale and strengthen competitive positioning. Over the year, the Group saw the consolidation of 18 agencies that had strong complementary skills and clients. This included: advertising agency The White Agency with Grey; digital agency DT Digital with AKQA; branding agencies Designworks and Landor; media agencies Ikon New Zealand with GroupM; and MEC and Maxus to create Wavemaker.

COST SYNERGIES — ON TRACK TO DELIVER SYNERGIES

WPP AUNZ has committed to the market to deliver $15.0 million of cost synergies per annum over a three-year period and we are well on track in this process. The Group has achieved cost synergies of $9.9 million in the 2017 financial year (2016: cost synergies achieved in the year of $4.9 million). The achieved synergies are primarily from interest, property rationalisation, travel consolidation and through simplification of our corporate structure.

The consolidation of WPP AUNZ's property footprint is well progressed. In June, a Sydney campus was opened at The Bond building. This has provided office space for 630 people in 15 businesses and facilitated increased collaboration.

CASH, GROSS DEBT, FACILITIES AND CONTINGENT CASH SETTLEMENT

AUSTRALIAN CORE DEBT FACILITIES

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

As at 31 December 2017, the Company's cash balance was $111.2 million (2016: $87.2 million). The Company's gross debt, finance lease liabilities and contingent cash settlement liabilities were $361.2 million (2016: $380.4 million). The Company's net debt position decreased to $250.0 million at 31 December 2017 (2016: $293.2 million), which was driven primarily by increased repayments made to the debt facility.

CASH, GROSS DEBT AND CONTINGENT CASH SETTLEMENT

	2017 $million	2016 $million
Cash	111.2	87.2
Bank debt	(338.8)	(353.6)
Finance lease liabilities	(2.7)	(3.8)
Contingent cash settlement liabilities	(19.7)	(23.0)
Net debt	**250.0**	**293.2**

CONTINGENT CASH SETTLEMENT LIABILITIES

The Company structures certain acquisitions by making an upfront payment to the vendor and agreeing to make future contingent cash settlement 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 31 December 2017, the Company's estimated contingent cash settlement liability is $19.7 million (2016: $23.0 million).

Contingent cash settlement liabilities	$million
31 December 2016	23.0
Payments made in 2017	(10.8)
Net revisions to contingent cash settlement liability estimates	7.5
31 December 2017	**19.7**

The movement in contingent cash settlement liabilities between 2016 and 2017 is primarily driven by payments made during 2017 and revision of prior period contingent cash settlement liability estimates.

Expected maturity profile	$million
2018	7.2
2019	9.5
2020+	3.0
Total	**19.7**

CASH FLOW

The Group's cash increased by $24.0 million to $111.2 million at 31 December 2017. A breakdown of the cash flows for the year ended 31 December 2017 is below:

	2017 $million	2016 $million
Cash flows from operating activities	128.6	133.0
Cash flows (used in)/from investing activities	(31.2)	67.8
Cash flows used in financing activities	(72.2)	(140.6)
Net cash inflow	**25.2**	**60.2**
Opening cash	**87.2**	**26.9**
Effect of foreign exchange movements	(1.2)	0.1
Closing balance	**111.2**	**87.2**

OPERATING ACTIVITIES

Cash inflows for the 2017 year derived from operating activities were $128.6 million (2016: $133.0 million). For the 2017 year, 88% of statutory EBITDA, adjusted for the impact of significant non-cash items, was converted to operating cash flows (2016: 133%). The Company targets cash conversion of between 85% and 100% of EBITDA.

INVESTING ACTIVITIES

Cash flows for the 2017 year used in investing activities were $31.2 million (2016: inflow of $67.8 million). The cash inflow was higher in 2016 primarily due to the significant cash acquired as part of the Transaction in 2016. Cash outflows in 2017 relating to step up acquisitions in existing controlled entities was $1.5 million (2016: $1.3 million) and inflows relating to loans from joint ventures and associates was $3.2 million (2016: $7.5 million). Payment for fixed assets in 2017 was $23.3 million (2016: $13.2 million), increasing mainly as a result of the cost of leasehold improvements.

FINANCING ACTIVITIES

Cash outflows for the 2017 year derived from financing activities was $72.2 million (2016: $140.6 million). The Company repaid net borrowings of $14.8 million during 2017 (2016: net repayment of $100.5 million). In addition to these debt repayments, $5.4 million (2016: $5.9 million) was paid in dividends to minority shareholders and $51.1 million (2016: $33.3 million) was paid to WPP AUNZ shareholders.

Operating and financial review (continued)

DIVIDEND PAYMENTS

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

	Cents per share	$million	Franking
Final 2016	3.9	33.2	100%
Interim 2017	2.1	17.9	100%
Total	**6.0**	**51.1**	

In addition to the above dividends, since the end of the financial year, the Directors have declared the payment of a fully franked ordinary dividend of 4.2 cents per fully paid ordinary share, with a record date of 29 March 2018 and payable on 6 April 2018 (2016 final dividend: 3.9 cents per share).

The total dividends relating to the 2017 year are 6.3 cents per share (2016: 6.0 cents per share). The total cash dividend payments relating to the 2017 year are $53.6 million (2016: $51.1 million). This represents a dividend payout ratio of 64% of headline net profit after tax (2016: 63%), in line with the Company's target payout ratio of between 60% and 70% of headline profit.

2018 TRADING OUTLOOK

WPP AUNZ expects to deliver circa. 3% growth in headline earnings per share for the year ended 31 December 2018.

Auditor's independence declaration

Deloitte.

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

23 February 2018

Dear Directors

WPP AUNZ Limited

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

As lead audit partner for the audit of the financial report of WPP AUNZ Limited for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Sandeep Chadha
Partner
Chartered Accountants

Remuneration Report

The Directors of WPP AUNZ Limited present this Remuneration Report for the year ended 31 December 2017. This Remuneration Report outlines our remuneration framework, strategy and practices that apply to key management personnel ("KMP"), and explains how the Company's 2017 performance has driven their individual remuneration outcomes.

The information in this report has been prepared and audited as required by the Corporations Act 2001 and forms part of the Directors' Report beginning on page 28.

WPP AUNZ's KMP are assessed each year and comprise the Directors of the Company and Senior Executives. The term "Senior Executives" refers to the Chief Executive Officer ("CEO") and those executives with authority and responsibility for planning, directing and controlling the activities of the Company and the Group, directly or indirectly.

WPP AUNZ's KMP for 2017 are outlined in the table below:

Non-executive Directors
Robert Mactier, Chairman
Paul Richardson, Non-executive Director
Kim Anderson, Non-executive Director
Graham Cubbin, Non-executive Director
Paul Heath, Non-executive Director
Ranjana Singh, Non-executive Director
Jon Steel, Non-executive Director
Geoffrey Wild, Non-executive Director

Executive Directors
Michael Connaghan, CEO
John Steedman, Executive Director

Other Senior Executives
Chris Rollinson, Chief Financial Officer ("CFO")
Lukas Aviani, CFO - 2016 reported KMP

Chris Rollinson was appointed CFO in May 2017 as a result of an internal promotion. Prior to this appointment, Chris Rollinson operated in the same role in an acting capacity and has been assessed as a KMP for the full year.

Lukas Aviani resigned from the Group during the year ended 31 December 2016. He is not a KMP in relation to the year ended 31 December 2017.

There were no other changes to the above KMP during the reporting period, or after the reporting date up to the date the financial report was authorised for issue.

The structure of the Remuneration Report is outlined as follows:

SECTION 1 – REMUNERATION GOVERNANCE, STRATEGY AND FRAMEWORK

1.1 REMUNERATION GOVERNANCE

The Board has established the Remuneration and Nominations Committee ("Remuneration Committee"). The Remuneration Committee is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework;
- operation of the incentive plans which apply to Senior Executives, including the performance conditions, hurdles, and key performance indicators ("KPI");
- remuneration levels of Senior Executives; and
- Non-executive Director fees.

Their objective is to ensure that remuneration policies and structures are fair, competitive and aligned with the long-term interests of the Group. The Corporate Governance Statement (available in the corporate governance section of the Company's website at http://wppaunz.com), provides further information on the role of this Committee.

INVOLVEMENT OF INDEPENDENT ADVISORS

The Remuneration Committee operates independently of Senior Executives and engages directly with remuneration advisors. The requirements for external advisors' services is assessed annually in the context of remuneration matters that the Committee needs to address and external advisors' recommendations are used as a guide.

The following external advisors have been engaged during 2017 to inform Remuneration Committee's recommendations and decisions:

Advice and service provided in 2017	External advisor
Executive remuneration benchmarking, long-term incentive ("LTI") practice and share plan documentation	Ernst & Young
— Total shareholder return ("TSR") performance analysis for LTI awards — Independent LTI valuation for 2017 LTI grants	Mercer Consulting (Australia)

No remuneration recommendations as defined by the Corporations Act 2001 were provided.

1.2 EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK

The Company's remuneration objective is to attract, motivate and retain employees to ensure delivery of the business strategy. The Company's remuneration strategy is designed to ensure that remuneration is market competitive, performance based and aligned with shareholders' interests.

The executive remuneration framework has three components:

- fixed remuneration;
- short-term incentives; and
- long-term incentives — executive share plan.

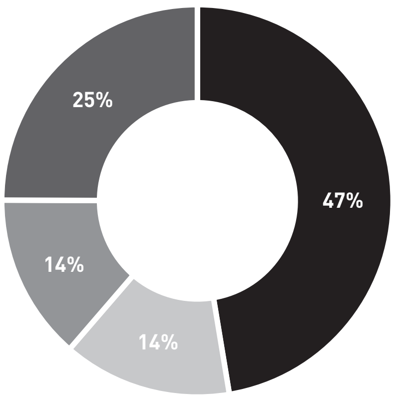
The Company aims to provide a level of remuneration which is appropriate to the executive's position and is competitive to the market.

The Company seeks to reward executives with a mix of remuneration to attract and retain executives with the appropriate level of expertise and align their interests with those of shareholders. Remuneration levels for all Senior Executives are considered annually through a remuneration review that considers market data and the performance of the Company and the individual.

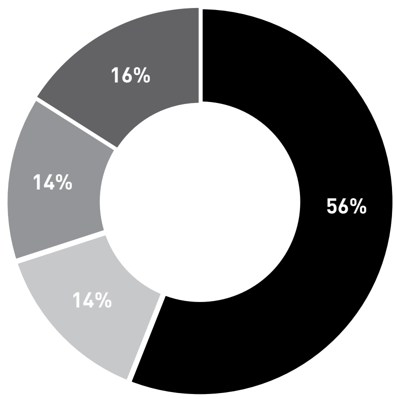
In structuring the executive remuneration mix for each KMP role, the Board aims to find the balance between fixed and at risk remuneration and to recognise the extent that each position influences short and long term performance outcomes.

The diagram below outlines the 2017 remuneration mix, assuming on-target performance is achieved under short-term incentive ("STI") and LTI plans.

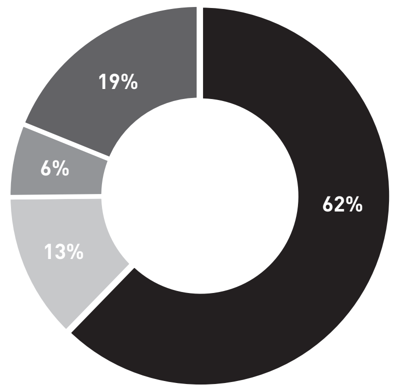
CEO remuneration mix



Executive Director remuneration mix



CFO remuneration mix



■ Fixed ■ STI ■ STI – deferred in shares ■ LTI – face value at grant

WPP AUNZ executive remuneration snapshot

The table below outlines the remuneration framework and the way in which each element of remuneration has been structured to support WPP AUNZ's business objectives and to align with the generation of shareholder wealth:

		Remuneration component	Strategic purpose
Fixed remuneration	Cash	— Salary and other benefits (including statutory superannuation).	— Designed to attract and retain employees with required capabilities and experience.
At risk remuneration	Cash STI	— STI payable based on: – growth in operating profit and operating margin improvement (75% total weighting); and – individual strategic objectives (25% weighting).	— Motivates and rewards performance within a year. — Provides appropriate reward for superior individual and Group performance.
	Deferred STI	— For the CEO and Other Executive Director, 50% of the STI outcome is paid in cash and the remaining 50% is deferred and paid in shares. — For other Senior Executives, 2/3 of STI outcome is paid in cash and the remaining 1/3 is deferred and paid in shares. A minimum $25,000 in shares needs to be achieved; otherwise, 100% of STI outcome will be paid in cash. — All deferred STI awards are subject to clawback and forfeiture provisions.	— Aligns Senior Executives' reward to shareholder interests. — Aligns Senior Executives' remuneration with future share price performance and retains their services.
	LTI	— LTI is a four year plan, consisting of a two year performance period, followed by a two year service period. — LTI outcomes subject to achieving performance hurdles of EPS and normalised organic revenue growth measured over two years and an additional two years' continuous service. — LTI performance hurdles are mutually dependent. No LTI vests unless the minimum performance requirement is (threshold) achieved under each performance hurdle. — All LTI awards are subject to clawback and forfeiture provisions.	— Aligns Senior Executives interests with those of shareholders. — Aligns Senior Executives' remuneration with longer-term financial performance of the Company. — Assists in attracting and retaining required executive talent.

Remuneration Report (continued)

SECTION 2 – SENIOR EXECUTIVES' REMUNERATION STRUCTURE AND OUTCOMES

2.1 REALISED REMUNERATION OF SENIOR EXECUTIVES

The following table has been prepared to supplement the statutory requirements in Section 5 of this report. The purpose of this information is to provide shareholders with an outline of total remuneration which has been received by Senior Executives, representing:

— fixed remuneration and the value of cash incentives earned in respect of 2017 and 2016; and

— past at risk equity-based remuneration that delivered value to Senior Executives in 2017 and 2016. The value of those equity awards vested (if any) has been determined, using the closing share price on the vesting date.

Unlike the statutory table which has been prepared in accordance with Accounting Standards, this table shows actual executive remuneration outcomes rather than the values reported on an accounting basis:

Senior Executives	Year	Fixed remuneration[1] $	Cash STI payable[2] $	Deferred STI realised[3] $	Vested LTI value[4] $	Total remuneration $
Michael Connaghan	**2017**	**950,000**	**41,250**	**42,386**	**—**	**1,033,636**
Chief Executive Officer	2016	950,000	68,750	—	365,072	1,383,822
John Steedman[1]	**2017**	**694,615**	**26,250**	**—**	**—**	**720,865**
Executive Director	2016	525,000	—	—	—	525,000
Chris Rollinson[1]	**2017**	**330,000**	**75,000**	**—**	**—**	**405,000**
Chief Financial Officer						
Lukas Aviani[5]	**2017**	**—**	**—**	**—**	**—**	**—**
Chief Financial Officer - 2016 reported KMP	2016	450,000	143,750	—	—	593,750

1. Fixed remuneration represents actual remuneration received during the year, including employer superannuation and salary sacrificed benefits.
   - John Steedman took two days of unpaid leave in 2017 and his full time annual fixed remuneration equivalent is $700,000. He commenced as a KMP with effect from April 2016. There were no increases in fixed remuneration for John Steedman for the year ended 31 December 2017.
   - Chris Rollinson was assessed as operating in a KMP role from 1 January 2017 and all remuneration components are disclosed accordingly.
2. Cash STI payable represents non-deferred portion of STI which relates to current performance period. For:
   - 2017 – cash STI paid in February 2018 in recognition of the performance in the year ended 31 December 2017. For Michael Connaghan and John Steedman, this amount represents 50% of their total STI earned in respect of 2017 performance and the other 50% will be deferred in shares for two years. Chris Rollinson received a $50,000 cash award in March 2017 in recognition of his performance in the role of Interim CFO and $25,000 representing his STI award achieved under the 2017 STI plan; and
   - 2016 – cash STI paid in February 2017 in recognition of the performance in the year ended 31 December 2016.
3. Deferred STI realised represents the value of Michael Connaghan's STI awarded in previous years that vested where the performance period has ended. For:
   - 2017 – the remuneration value is based on 46,072 shares pursuant to 2015 STI plan released at 31 December 2017 at a share price of $0.92; and
   - 2016 – no performance shares were issued pursuant to the 2014 STI plan due to the performance targets for the year ended 31 December 2014 not being achieved.
4. Vested LTI figures represent the value relating to the performance rights awarded in previous years where the vesting period has ended. For:
   - 2017 – performance hurdles under the 2015-2017 LTI plan have not been achieved and all unvested performance rights relating to the 2015 plan were forfeited; and
   - 2016 – performance hurdles under the 2014-2016 LTI plan were not achieved. The LTI value is based on 354,439 shares released to Michael Connaghan in April 2016 at a market price of $1.03, resulting from the Transaction, in accordance with his employment contract and represents a pro-rata entitlement for the shares pursuant to the 2014-2016 and 2015-2017 LTI plans.
5. Lukas Aviani resigned from the Group during the year ended 31 December 2016. He is not a KMP in relation to the year ended 31 December 2017.

2.2 FIXED REMUNERATION

Senior Executives receive fixed remuneration and benefits structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits. There is no guaranteed base pay increase included in any Senior Executive's contract.

Senior Executives receive salary continuance insurance cover. There are no other benefits offered at the expense of the Company.

There were no increases in fixed remuneration to the CEO and Other Senior Executives in 2017.

2.3 SHORT-TERM INCENTIVES ("STI")

The purpose of STI is to incentivise Senior Executives to deliver year-on-year business growth and to reward strong, sustainable performance as assessed against a balanced scorecard of measures. STI is an annual incentive plan delivered in the form of cash and deferred equity awards and Senior Executives' reward outcomes are based on total Group and individual performance. WPP AUNZ's 2017 STI plan has been structured as follows:

STI opportunity

At the beginning of the year, the Remuneration Committee determines the target STI opportunity for each Senior Executive. Target STI is determined as a percentage of fixed remuneration.

The minimum STI outcome is zero and the maximum bonus potential is capped at 150% of the Senior Executive's target opportunity. The maximum STI award may be made only if WPP AUNZ's stretch financial performance has been achieved and the Senior Executive made significant contribution to these results and delivered outstanding performance on individual strategic objectives.

2017 STI target opportunity for Senior Executives and maximum possible incentive payable have been determined as follows:

	Target STI - "On Plan"		Maximum STI - "Superior Performance"	
Senior Executives	% fixed remuneration	$	% fixed remuneration	$
Chief Executive Officer	58%	550,000	87%	825,000
Executive Director	50%	350,000	75%	525,000
Chief Financial Officer	30%	100,000	45%	150,000

Performance measures and rationale

Performance is measured against a balanced scorecard that uses objectives set against financial and non-financial measures.

Group financial performance makes up 75% of the balanced scorecard objectives, with the remaining 25% individual strategic objectives, based on non-financial measures. This provides a balance between rewarding the achievement of financial and non-financial objectives that drive the execution of WPP AUNZ's strategy. STI performance measures are recommended by the Remuneration Committee and approved by the Board and are the key measures to oversee the operation of the business.

Group financial performance measures (75%)

Two equally weighted performance measures apply for all Senior Executives' STI outcomes. Each measure is assessed independently:

— Operating profit ($million) growth vs 2016; and

— Operating profit margin (%) improvement vs 2016.

Financial performance requirements are established at the Threshold, Target, and Stretch levels. Vesting (STI payout) operates on a straight-line basis between these points. Threshold serves as a minimum requirement under each performance measure. If the Threshold level has not been achieved, no STI is payable under the financial component of the STI plan.

The following vesting schedule sets out the level of bonus outcomes, based on the achieved performance under the financial component of the 2017 STI plan:

		STI outcomes at each performance level, % of total STI Target				
Weight %	STI performance measure/performance level achieved	Threshold or below	Above Threshold – below Target	Target achieved (on plan)	Above Target – not yet Stretch	Targets overachieved (capped at Stretch level)
37.5%	Operating profit ($'million) growth vs 2016	nil	straight-line vesting between 0% and 37.5%	37.5%	straight-line vesting between 37.5% and 56.3%	56.3%
37.5%	Operating profit margin (%) improvement vs 2016	nil	straight-line vesting between 0% and 37.5%	37.5%	straight-line vesting between 37.5% and 56.3%	56.3%
75%	**STI outcomes for financial performance % of total STI Target**	**nil**	**combination (sum) of achieved outcomes**	**75%**	**combination (sum) of achieved outcomes**	**113%**

The Board is of the view that the selected approach provides a robust basis for assessing the level of financial performance and is well aligned with the business growth and value creation strategy.

Remuneration Report (continued)

SECTION 2 – SENIOR EXECUTIVES' REMUNERATION STRUCTURE AND OUTCOMES (CONTINUED)

2.3 SHORT-TERM INCENTIVES ("STI") (CONTINUED)

Performance measures and rationale (continued)	**Individual strategic objectives (25%)** The individual strategic objectives are set at the beginning of the year or at the time of appointment and are based on each Senior Executive's expected individual contribution into the WPP AUNZ strategy. These non-financial measures are designed to ensure robust, long-term value is built. Individual objectives are reviewed by the Remuneration Committee for each executive to ensure they are appropriate. The key focus areas for Executive Directors' individual strategic objectives are strategic planning and execution, improving the effectiveness of WPP AUNZ horizontality approach, and strengthening senior leadership teams. Key focus areas for the CFO have been working capital improvement, financial control, and finance transformation.
Performance targets	Threshold, Target, and Stretch performance requirements under each measure of the STI plan are based upon annual business priorities. The Board is of the view that Group performance objectives pursuant to the STI plan are commercially sensitive to be disclosed in advance of or during the relevant plan performance period. Group financial performance objectives pursuant to 2017 STI plan, performance results against these objectives, and executives' incentive award outcomes are presented in this section of the report.
Testing of performance measures	The CEO's and Other Executive Director's STI is recommended by the Remuneration Committee based on their balanced scorecard performance and is approved by the Board. The amount of STI paid to other Senior Executives is recommended by the CEO to the Remuneration Committee and is based on each Senior Executive's balanced scorecard performance and further recommended by the Remuneration Committee for approval by the Board. The Board retains suitable discretion in determining the STI outcomes to ensure they are appropriate. Adjustments to the financial balanced scorecard performance measures are typically made in limited cases where there is a strong rationale to better reflect underlying performance (e.g. to exclude the impact of one-off gains or losses or unbudgeted acquisitions or divestments).
STI delivery – combination of cash and shares	**For the Executive Directors** – 50% of the STI achieved will be paid in cash following the end of year assessment of the achievement of performance conditions and approval by the Board. The remaining 50% will be deferred and provided in the form of ordinary shares in the Company. The shares will be held on trust for two years and the Executive Director receives dividends on the shares during this period. At the end of the two year period, the ownership of the shares is transferred to the Executive Directors. **For other Senior Executives** – 2/3 of the STI achieved will be paid in cash following the end of year assessment of the achievement of performance conditions and approval by the Board. The remaining 1/3 will be deferred in the form of restricted shares for the two year period, subject to a minimum deferral threshold of $25,000 being achieved. If the $25,000 deferral threshold was not met, the entire achieved STI will be paid in cash. All shares allocated for the deferred component are valued at face value based on the volume weighted average market price over the 10 days immediately prior to the release of the Company's financial results for the year ended 31 December 2017.
Termination and forfeiture conditions	To be eligible for an STI award, the Senior Executive must be employed on the award date. Any deferred portion of an STI award will be forfeited in the event that the Senior Executive resigns, or their employment is terminated for cause, prior to the vesting date. Unvested deferred STI awards may be retained if they leave due to special circumstances such as redundancy, subject to Board discretion.
Clawback provision – deferred STI	The Board has the discretion to forfeit part or all of any unvested deferred STI prior to vesting where it transpires that the award would provide an executive with an unfair benefit (e.g. in the circumstances where there has been a material misstatement, employee misconduct, executive breach of obligations in relation to confidentiality and restrictive covenants, or fraud).

For the year ended 31 December 2017, the Board determined that the minimum financial performance requirements under the STI plan have not been achieved. This resulted in no bonus award being available under the 75% financial component of the STI plan for all Senior Executives.

2017 STI performance against individual strategic objectives (25% of the award)

For the year ended 31 December 2017, the Board determined the following STI outcomes, resulted from Senior Executives' performance against their individual strategic objectives:

Senior Executives	Performance outcome on individual strategic objectives	Award, % of STI target for individual strategic objectives component
Michael Connaghan	Partially achieved	60%
John Steedman	Partially achieved	60%
Chris Rollinson	Achieved	100%

2017 STI outcomes

Based on the performance outcomes set out above, the actual STI award for the year ended 31 December 2017 for each Senior Executive was:

Senior Executives	Year	Target STI $	Actual STI achieved $	Actual STI as % of Target	Actual STI as % of maximum	% of maximum STI forfeited[1]	Actual STI payable in cash $	Actual STI deferred face value $
Michael Connaghan Chief Executive Officer	2017	550,000	82,500	15%	10%	90%	41,250	41,250
John Steedman Executive Director	2017	350,000	52,500	15%	10%	90%	26,250	26,250
Chris Rollinson Chief Financial Officer	2017	100,000	25,000	25%	17%	83%	25,000	—

1. Where the STI payment is less than the maximum potential, the difference is forfeited and is not payable in the subsequent year. The minimum STI is nil if no performance conditions are met.

WPP AUNZ performance and the link to STI outcomes

The STI plan operates to create a clear connection between Senior Executives' and WPP AUNZ's annual performance, motivating and rewarding Senior Executives for performance during the year. The table below shows WPP AUNZ performance over the past five years and correlation between Senior Executives' STI outcomes:

WPP AUNZ performance	2017	2016	2015	2014	2013
Headline NPAT ($million)*	83.6	81.1	39.6	45.6	49.5
Headline NPAT growth (%)	3.1	104.8	(13.2)	(7.8)	12.5
Headline EPS (cents)*	9.8	9.5	9.5	11.3	12.3
Proportion of maximum STI achieved — CEO (%)	10.0	25.0	14.0	—	41.2
Proportion of maximum STI achieved – other Senior Executives (%)	13.5	25.0	—	—	41.2

* Headline NPAT and EPS for 2016 are on a like-for-like basis (unaudited) as if all Businesses acquired as part of the Transaction were acquired from 1 January 2016. These figures also exclude one-off gains and losses. A reconciliation of the Group's statutory and headline profit is disclosed in the Operating and financial review section of the Annual Report.

Remuneration Report (continued)

SECTION 2 – SENIOR EXECUTIVES' REMUNERATION STRUCTURE AND OUTCOMES (CONTINUED)

2.4 LONG-TERM INCENTIVES ("LTI")

The LTI plan is an at risk component of Senior Executives' total remuneration and is a forward looking incentive to align their interests with those of the shareholders. Key details of the LTI plan operating between 1 January 2017 and 31 December 2020 are shown below:

Description

LTI awards are determined annually by the Board and delivered in the form of conditional rights to WPP AUNZ shares. Performance rights are awarded at no cost to executives.

The LTI is a four year plan consisting of a two year performance period, followed by a two year service period.

If the performance and continuous service conditions are achieved at the end of the four year vesting period, the relevant portion of performance rights vests and Senior Executives receive a share for each vested performance right.

No dividends or voting rights are attached to unvested performance rights. No amount is payable to Senior Executives on the vesting of the performance rights or on their conversion into shares.

Vesting period

The total four year vesting period from 1 January 2017 to 31 December 2020 comprises:

— performance measurement period of two years (1 January 2017 to 31 December 2018); and

— subsequent two years' service period (1 January 2019 to 31 December 2020).

The Board considers that two years is an appropriate performance measurement period to influence Group performance outcomes, encourage innovation, and validly reflect the investment horizon of the business, while an additional two years holding lock encourages executives to take ownership and continue driving the business growth over the four years.

LTI opportunity and performance rights allocation principle

At the beginning of each year, the Board, advised by the Remuneration Committee, sets the dollar ("face") value of the LTI award target opportunity for each Senior Executive. The maximum LTI award face value is capped at 200% of Target.

The number of performance rights each eligible Senior Executive receives is determined by dividing the face value of their LTI award by the volume weighted average market price ("VWAP") of the shares over the three month period ended 31 March. A three month VWAP period reduces the risk of unexpected volatility or price manipulation that could benefit or disadvantage executives.

Shareholders approved at the 2017 Annual General Meeting the maximum number of performance rights for the CEO and Other Executive Director that can vest if stretch performance is achieved (refer to performance hurdles matrix below). If target performance is achieved, 50% of performance rights will vest. Performance rights granted to other executives were allocated, based on the outlined principle above.

Performance conditions and rationale

The number of performance rights that will be eligible to vest provided the continued employment vesting condition is satisfied, will be determined using a matrix of:

— normalised two year organic revenue ("NOR"/"Net Sales") compound annual growth rate ("CAGR"); and

— absolute EPS two year CAGR.

The baseline to measure the level of achieved business growth for each financial performance measure has been determined, based on the 2016 Group results as if all Businesses were acquired from 1 January 2016.

The threshold level of performance needs to be achieved under each performance condition for any portion of performance rights to be eligible to vest. Should the stretch performance level be achieved on one performance condition and underperformance on the other, the Board will have discretion to recognise some degree of vesting. The Board considers that the performance conditions and vesting profile are appropriate to incentivise executives to drive profitable business growth. If the required level of performance is achieved, in turn, shareholders will be provided with increased return on their investment over the corresponding performance period.

Performance hurdles matrix

The performance hurdles matrix determines the number of performance rights that will be eligible for vesting, subject to satisfying performance conditions, as a % of maximum LTI grant. Hurdles applying to each performance measure as well as the matrix that will be used to determine the vesting outcomes are set out below:

NOR/Net Sales 2 year CAGR	Maximum LTI grant, % of performance rights that vest			
Stretch 4.5%	—	32.5%	62.5%	100%
Target 3.5%	—	20%	50%	87.5%
Threshold 2.5%	—	10%	40%	77.5%
Below Threshold (less than 2.5%)	—	—	—	—
EPS baseline (cents): 9.5 Net revenue baseline ($million): 864.9	Below Threshold (less than 5%)	Threshold 5%	Target 10%	Stretch 15%
	Absolute earnings per share - 2 year CAGR			

The performance conditions and hurdles matrix are reviewed each year prior to that year's LTI grants being made, to ensure that the requirements applying to a grant are appropriate and continue to effectively incentivise Senior Executives to create shareholders value.

Performance hurdles testing	The performance period is 1 January 2017 to 31 December 2018. Testing of the performance hurdles under the 2017 LTI plan will occur shortly after the end of the performance measurement period (i.e. in February 2019). Based on the audited financial outcomes at 31 December 2018, the Board will determine the number of performance rights that will be eligible to vest (if any), in accordance with the performance hurdles matrix. If the Senior Executive remains employed with WPP AUNZ for the duration of the full four year vesting period, the number of rights determined as eligible to vest, will vest in or around February 2021. The Board retains discretion to adjust performance conditions, to ensure that executives are neither advantaged nor disadvantaged by matters outside the executives' control that affect performance (e.g. by excluding one-off items or the impact of significant acquisitions or disposals). Performance hurdles are not retested. Performance rights that do not remain eligible to vest will lapse immediately. Any performance rights that do not vest over the vesting period will be forfeited.
Dividends	Unvested performance rights do not carry a right to receive dividends. However, to the extent performance rights vest, the executive is eligible to receive additional shares equivalent in value (at the time of vesting) to cash dividends paid on the underlying shares over the two year holding lock period (ignoring any franking credits). Where the executive elects to defer the exercise of performance rights following the vesting date, the executive will not be eligible to receive any additional shares in respect of any dividends paid between the end of the vesting period and allocation of shares upon exercise. The additional shares will be sourced on market.
Cessation of employment	If an executive ceases employment before the end of the performance period, unvested performance rights are forfeited. The Board will have discretion in exceptional circumstances (in the event of death and disability, or redundancy) that a pro-rata portion of the award is retained having regard to performance and time lapsed to the date of cessation. The retained portion would generally be subject to post-employment vesting, where the performance rights will stay on foot until the end of the performance period, and be subject to the original performance conditions under the LTI plan.
Hedging	The terms and conditions surrounding the 2017 LTI plan do not allow participants to hedge against future performance by entering into any separate equity or other arrangements.
Change in control	The Board has discretion to determine the treatment of unvested performance rights and the timing of such treatment if a change of control event occurs (as defined in the LTI plan rules).
Clawback provision	The Board will have broad discretion to determine that some or all of the performance rights granted under the LTI plan may lapse in certain circumstances to ensure that no unfair benefit is obtained due to employee misconduct, executive breach of obligations in relation to confidentiality and restrictive covenants, or if there is fraud, gross misconduct or material misstatement.

Performance rights granted to the Senior Executives in respect of future performance will vest only subject to satisfaction of performance and service conditions as outlined above.

Details of the performance rights granted under the 2017 plan (operating between 1 January 2017 and 31 December 2020) are set out below:

Senior Executives	LTI plan	Performance rights granted	Performance test date[1]	Vesting date	Fair value of performance rights[2] $	Minimum fair value of grant[3] $	Maximum fair value of grant[3] $
Michael Connaghan	2017-2020	869,565	31-Dec-18	Feb-21	1.08	—	939,130
John Steedman	2017-2020	347,826	31-Dec-18	Feb-21	1.08	—	375,652
Chris Rollinson	2017-2020	173,913	31-Dec-18	Feb-21	1.08	—	187,826

1. Performance rights that do not remain eligible to vest following performance test, will lapse immediately.
2. The fair value of performance rights is calculated at the time of grant and used for accounting purposes only. Further details on the calculation of the fair value can be found in Note 31 to the financial statements.
3. Maximum fair value assumes that performance conditions are fully achieved. The minimum value of the grant, if the applicable vesting conditions are not met, is $nil in all cases. The Group assessment at 31 December 2017 indicates that LTI performance targets are unlikely to be achieved and a relevant adjustment has been factored in an amortised accounting expense pursuant to 2017 LTI grant.

Remuneration Report (continued)

SECTION 2 – SENIOR EXECUTIVES' REMUNERATION STRUCTURE AND OUTCOMES (CONTINUED)

2.4 LONG-TERM INCENTIVES ("LTI") (CONTINUED)

Performance rights granted with reference to the following 2017 LTI opportunity levels set by the Board for the executive KMP roles were as follows:

		Target LTI grant		Maximum LTI grant	
Senior Executives	Remuneration mix	Face value $	Number of performance rights	Face value $	Number of performance rights
Chief Executive Officer	2017	500,000	434,783	1,000,000	869,565
Executive Director	2017	200,000	173,913	400,000	347,826
Chief Financial Officer	2017	100,000	86,957	200,000	173,913

2015 – 2017 LTI outcomes

At 31 December 2017, the performance hurdles were tested for the 2015-2017 LTI plan, operating between 1 January 2015 and 31 December 2017. WPP AUNZ did not achieve the minimum performance requirements for the EPS and TSR hurdles. No unvested performance rights pursuant to the 2015 plan vested in 2017 and all of them were forfeited.

Outcomes have been determined, based on the following hurdles and minimum requirements, pursuant to the 2015-2017 LTI plan:

2015 – 2017 LTI plan performance hurdles	— 75% of the LTI awards are subject to the achievement of EPS growth performance measured over the three year period; and — 25% of the LTI awards are subject to a relative TSR. TSR is calculated as the movement in share price and dividends received assuming reinvestment of dividends.
Minimum performance requirements	**EPS** — The EPS performance threshold (minimum performance requirement) in respect with the 2015-2017 LTI plan was achieving cumulative growth over the three years of a minimum 3% per annum or above. The EPS baseline used to measure cumulative growth was 11.3 cents per share. **TSR** — The TSR performance hurdle compared the Company's TSR ranking at the end of the relevant period with the TSR of the companies that were in the S&P/ASX 200 – Consumer Discretionary Index as at the start date of the 2015-2017 LTI plan. — The executives would only derive value from the TSR portion of the award if TSR performance is at or greater than the median (50th percentile) of the comparator group. The TSR rank was independently calculated by Mercer Consulting (Australia).

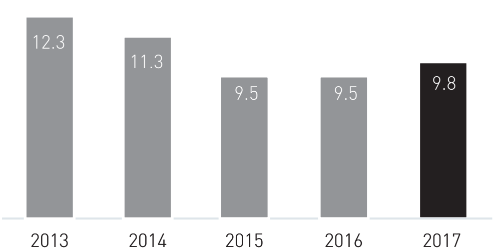
WPP AUNZ performance and the link to LTI outcomes

The following information details the link between WPP AUNZ performance history and Senior Executives' remuneration outcomes under the LTI plan:

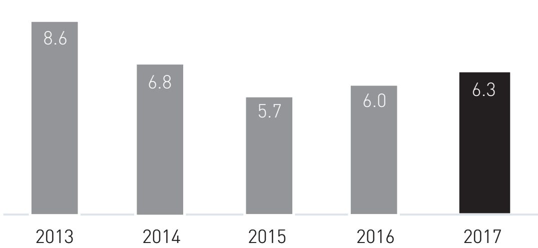
WPP AUNZ performance	2017	2016	2015	2014	2013
Headline NPAT ($million)[1]	83.6	81.1	39.6	45.6	49.5
Headline EPS growth (%)[1]	3.1	—	(15.9)	(8.1)	1.7
Share price (year end)	$0.92	$1.21	$0.80	$0.98	$1.50
Dividends per share (cents)	6.3	6.0	5.7	6.8	8.6
TSR (% per annum)[2]	(18.7)	58.7	(12.6)	(30.1)	42.9

1. Headline NPAT and EPS for 2016 are on a like-for-like basis (unaudited) as if all Businesses acquired as part of the Transaction were acquired from 1 January 2016. These figures also exclude one-off gains and losses. A reconciliation of the Group's statutory and underlying profit is disclosed in the Operating and financial review section of the Annual Report.
2. TSR is calculated as the movement in the share price and dividends received assuming reinvestment of dividends.

Headline EPS (cents)[1]

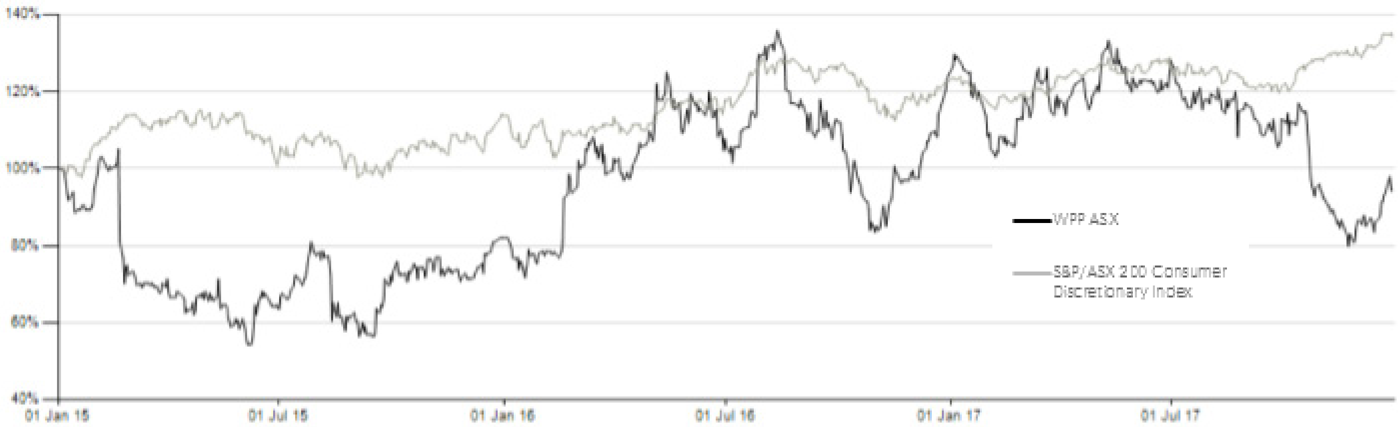


Dividends per share (cents)



WPP AUNZ's TSR performance over the last three years compared to the S&P/ASX 200 Consumer Discretionary Index is outlined below:

Price, volume and performance (rebased) – WPP ASX vs S&P/ASX 200 Consumer Discretionary Index



A summary of performance rights vesting under WPP AUNZ's LTI plan for the last three years is outlined in the following table.

Grant year	LTI plan	Test date	EPS growth – minimum performance hurdle	TSR – minimum performance hurdle	Vested[1] %	Forfeited %
2013	2013 - 2015	31-Dec-15	Not achieved	Not achieved	–	100%
2014	2014 - 2016	31-Dec-16	Not achieved	Not achieved	–	100%
2015	2015 - 2017	31-Dec-17	Not achieved	Not achieved	–	100%

1. All LTI plan participants had the same vesting and forfeiture outcome.

SECTION 3 – REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

The Company's CEO is Michael Connaghan. The remuneration level and remuneration structure for the CEO have been recommended by the Remuneration Committee and approved by the Board. In setting the CEO's remuneration, the Remuneration Committee receives independent advice benchmarking the CEO's salary against that of companies with a comparable market capitalisation level, revenue, and industry. The final remuneration is determined by the Board, taking into account the performance of the CEO and the Group, and with the reference to independent benchmarking data.

Mr Connaghan's remuneration structure for the year ended 31 December 2017 is outlined below.

3.1 FIXED REMUNERATION

Mr Connaghan's fixed remuneration for the year ended 31 December 2017 was $950,000 (2016: $950,000).

3.2 SHORT-TERM INCENTIVES

For the year ended 31 December 2017, Mr Connaghan had the opportunity to earn $550,000 for on-target performance (2016: $550,000) and a maximum STI potential of $825,000. Maximum STI opportunity represents 150% of STI target.

Subject to the satisfaction of the performance conditions, 50% of the actual award under the STI plan will be paid in cash after the release of the Group's full year results and 50% will be deferred for two years and paid in shares in WPP AUNZ Limited. The shares will be held on trust for two years and Mr Connaghan receives dividends on the shares during this period. At the end of the two year period, the ownership of the shares is transferred to Mr Connaghan. If Mr Connaghan resigns or his employment is terminated for cause prior to the end of the two year period, he will forfeit the shares.

75% of annual STI opportunity payable under the STI plan is based on achieving Group financial performance targets, based on the two equally weighted measures, Operating profit growth vs 2016 and Operating profit margin improvement vs 2016. The remaining 25% of STI opportunity payable under the STI plan is based on meeting Mr Connaghan's individual strategic objectives.

For the year ended 31 December 2017, the Board determined Mr Connaghan's STI outcomes as 15% of his target annual opportunity payable under the STI plan. He did not achieve the minimum performance requirements of the financial component of the STI plan and achieved 60% of the individual strategic objectives component of the STI. The CEO's actual STI award is a 10% of his ultimate maximum STI potential for 2017.

Remuneration Report (continued)

SECTION 3 – REMUNERATION OF THE CHIEF EXECUTIVE OFFICER (CONTINUED)

3.3 LONG-TERM INCENTIVES – EXECUTIVE SHARE PLAN

Shareholders approved the grant to Mr Connaghan of 869,565 performance rights in the Company's executive share plan operating between 1 January 2017 and 31 December 2020, and these will vest subject to the achievement of performance conditions tested at 31 December 2018. This grant was issued on the terms of the LTI plan outlined in Section 2.4 and represents his maximum 2017 LTI grant available at stretch performance level.

SECTION 4 – SENIOR EXECUTIVES' CONTRACT DETAILS

Terms of employment of Senior Executives are set up in written employment agreements. These employment agreements are unlimited in term, but may be terminated by written notice by either party or by the Company making payment in lieu of notice. They may also be terminated with cause, as set out below.

- termination of employment without notice and without payment in lieu of notice: the Company may terminate the employment of the Senior Executive without notice and without payment in lieu of notice in some circumstances. Generally, this includes in the event of any act which detrimentally affects the Company such as dishonesty, fraud or serious or wilful misconduct.
- termination of employment with notice and with payment in lieu of notice: the Company may terminate the employment of the Senior Executive at any time by giving them notice of termination with payment in lieu of such notice. The amount of notice required from the Company in these circumstances is set out in the below table.

Name	Michael Connaghan	John Steedman	Chris Rollinson
Role	Chief Executive Officer	Executive Director	Chief Financial Officer
Contract expiry date	Ongoing	Ongoing	Ongoing
Fixed remuneration	2017 – $950,000 2016 – $950,000	2017 – $700,000 2016 – $700,000	2017 – $330,000
Short-term incentive plan (target STI opportunity)[1]	2017 – $550,000 2016 – $550,000	2017 – $350,000 Eligible to participate in STI plan starting from 2017	2017 – $100,000 Has been in KMP assessed role since 1 January 2017
Termination benefit (Company initiated)	12 months' notice	6 months' notice	12 months' notice
Termination benefit (employee initiated)	6 months' notice	6 months' notice	3 months' notice
Non-solicitation of personnel and clients	12 months	12 months	12 months
Non-compete	12 months	12 month	12 months

1. Under the Group's remuneration and human resource policy, Senior Executives have no contractual entitlement to receive an STI award, and the Board retains discretion to amend or withdraw the STI at any point. The ultimate maximum bonus potential under the STI plan is 150% of STI target for all executives.

SECTION 5 – SENIOR EXECUTIVES' REMUNERATION — STATUTORY DISCLOSURE

The following table shows the details of the total remuneration for Senior Executives for the year ended 31 December 2017, as well as comparative figures for the year ended 31 December 2016, as required under the Corporations Act 2001 and has been prepared in accordance with Accounting Standards.

The LTI values in the table below represent an amortised accounting expense of all unvested grants during the year and accordingly, are not reflective of the actual value delivered to Senior Executives that has been disclosed in Section 2 of this report under "Realised Remuneration" table.

		Short-term employee benefits		Post employment	Share based payments		Other long-term benefits[4]			
Senior Executives	Year	Base salary[1] $	STI[2] $	Superannuation contributions $	Deferred STI $	LTI[3] $	Long service leave $	Total remuneration[5] $	Total at risk %	Total in LTI %
Michael Connaghan	**2017**	**930,168**	**41,250**	**19,832**	**41,250**	**30,284**	**16,348**	**1,079,132**	**10%**	**3%**
Chief Executive Officer	2016	930,384	68,750	19,616	68,750	359,743	46,804	1,494,047	33%	24%
John Steedman	**2017**	**674,783**	**26,250**	**19,832**	**26,250**	**175,000**	**12,002**	**934,117**	**24%**	**19%**
Executive Director	2016	510,288	—	14,712	—	131,250	9,007	665,257	20%	20%
Chris Rollinson[6]	**2017**	**310,168**	**75,000**	**19,832**	**—**	**6,061**	**4,784**	**415,845**	**19%**	**1%**
Chief Financial Officer	2016									
Lukas Aviani[7]	**2017**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Chief Financial Officer - 2016 reported KMP	2016	430,384	143,750	19,616	—	—	16,040	609,790	24%	—
Total	**2017**	**1,915,119**	**142,500**	**59,496**	**67,500**	**211,345**	**33,134**	**2,429,094**	**17%**	**9%**
	2016	1,871,056	212,500	53,944	68,750	490,993	71,851	2,769,094	28%	18%

1. Base salary includes salary-sacrifice amounts and accrued annual leave paid out as part of salary and represents executives' actual earnings during the year ended 31 December 2017, being the same basis as comparative figures for 2016. John Steedman took two days unpaid leave during 2017 and his full year base salary is $680,168. He commenced as a KMP with effect from April 2016.
2. This amount represents the actual cash STI performance award for the year ended 31 December 2017 paid in February 2018 and for 2016 the STI award paid in 2017 for the year ended 31 December 2016:
   – 2017 cash STI amounts for Michael Connaghan and John Steedman represent 50% of their achieved STI under the 2017 plan and 50% will be deferred in shares for two years.
   – Chris Rollinson's total cash STI amount represents $25,000 achieved under the 2017 STI plan and $50,000 cash award received in March 2017 in recognition of his performance in the role of Interim CFO.
3. The fair value of performance rights at grant is determined as set out in Note 31 to the financial statements and amortised accordingly with the performance conditions and vesting period of each plan. The LTI value for John Steedman represents an amortised expense related to his retention award of 350,000 performance rights granted in April 2016. Details of outstanding KMP performance rights are included in Section 7.3 of this Remuneration Report.
4. Other long-term benefits represent the movement in the Senior Executives' long service leave provisions measured as the present value of the estimated future cash outflows to be made in respect of the executives' service between the respective reporting periods.
5. Total remuneration does not include any amounts relating to termination benefits for the years ended 31 December 2017 and 31 December 2016.
6. Remuneration outcomes for Chris Rollinson included for the full year are based on the assessment of being in a KMP role since 1 January 2017.
7. Lukas Aviani resigned from the Group during the year ended 31 December 2016. He is not a KMP in relation to the year ended 31 December 2017.

Remuneration Report (continued)

SECTION 6 – NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive Directors receive fees to recognise their contribution to the work of the Board and the associated Committees that they serve. Fees are inclusive of superannuation contributions required by Superannuation Guarantee legislation.

Non-executive Directors do not receive any performance related remuneration.

6.1 DIRECTOR FEE FRAMEWORK

Under the current framework, Non-executive Directors are remunerated by way of an annual base fee, with additional fees paid to the Chairmen and members of Committees. The Board periodically reviews the Directors' fee framework. There was no change to Non-executive Director or Committee fees during 2017.

The following table outlines the Non-executive Directors' annual fees for the Board and Committees as at 31 December 2017:

Annual remuneration	Board	Audit and Risk Committee	Remuneration and Nominations Committee
Chairman	$230,000	$25,000	$20,000
Member	$90,000	$5,000	$5,000

6.2 WPP ALIGNED DIRECTORS

It is noted that the following WPP aligned Directors are not remunerated as a Board member of the Company and do not receive any other financial or non-financial benefit as a member of WPP AUNZ's Board: Paul Richardson, Paul Heath, Ranjana Singh, Jon Steel and Geoffrey Wild.

The Board is pleased to have access to the specialist skills and knowledge of these individuals. It is the Board's view that the non-payment to WPP aligned Directors does not detract or diminish from the discharging of their responsibilities and obligations to all shareholders of the Company.

According to the Governance Deed Poll, up to two WPP nominated Directors will be entitled to be paid Directors' fees or other remuneration in respect of his or her appointment as a Director.

6.3 DIRECTORS' FEE POOL

The maximum annual aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting in 2010 when shareholders approved aggregate remuneration of $750,000 per year.

The total remuneration paid to Non-executive Directors for the year ended 31 December 2017 amounted to $465,000 which is 62% of the annual aggregate amount approved by the shareholders (2016: $576,047).

6.4 MINIMUM SHAREHOLDING REQUIREMENT

In 2015, the Company introduced a Minimum Shareholding Policy requiring Directors and the Chief Executive Officer to hold shares in the Company valued at a minimum of 100% of one year's pre-tax remuneration. Other nominated Senior Executives must hold shares in the Company valued at a minimum of 50% of one year's pre-tax remuneration.

The minimum shareholding must be achieved within five years from the adoption of the policy or five years from the date of the Director's appointment.

The following table shows the total actual remuneration for Non-executive Directors for the year ended 31 December 2017, as well as comparative fees paid to the Directors for the year ended 31 December 2016:

Total remuneration[1] for Non-executive Directors		Short-term employee benefits	Post-employment	
Non-executive Directors	Year	Base salary $	Superannuation contributions $	Total $
Robert Mactier	**2017**	**214,612**	**20,388**	**235,000**
	2016	205,684	19,540	225,224
Graham Cubbin	**2017**	**109,589**	**10,411**	**120,000**
	2016	107,421	10,205	117,626
Kim Anderson	**2017**	**100,457**	**9,543**	**110,000**
	2016	104,295	2,067	106,362
Paul Richardson	**2017**	**—**	**—**	**—**
	2016	—	—	—
Geoffrey Wild	**2017**	**—**	**—**	**—**
	2016	—	—	—
Paul Heath	**2017**	**—**	**—**	**—**
	2016	—	—	—
Ranjana Singh	**2017**	**—**	**—**	**—**
	2016	—	—	—
Jon Steel	**2017**	**—**	**—**	**—**
	2016	—	—	—
Total[2]	**2017**	**424,658**	**40,342**	**465,000**
	2016	533,635	42,412	576,047

1. Includes fees paid for the contribution to the Audit and Risk Committee and Remuneration and Nomination Committee.

2. The total fees for 2016 reflect the prior year remuneration for the 2016 reported Non-executive Directors.

Remuneration Report (continued)

SECTION 7 – KMP HOLDINGS OF EQUITY INSTRUMENTS

7.1 SHARES

The number of ordinary shares in WPP AUNZ Limited held during the year by each KMP, including their personally related parties, is shown in the table below:

KMP name Non-executive Directors	Balance at the beginning of the year	Vested and exercised during the year	Net change	Balance at the end of the year
Robert Mactier	577,964	—	—	577,964
Graham Cubbin	100,000	—	—	100,000
Kim Anderson	50,000	—	—	50,000
Paul Richardson	—	—	—	—
Geoffrey Wild	—	—	—	—
Paul Health	—	—	—	—
Ranjana Singh	—	—	—	—
Jon Steel	87,500	—	—	87,500

KMP name Executive Directors and other Senior Executives	Balance at the beginning of the year	Vested and exercised during the year	Net change	Balance at the end of the year
Michael Connaghan[1,2]	637,657	—	50,708	688,365
John Steedman	—	—	—	—
Chris Rollinson	30,625	—	—	30,625

1. The net change in shares for Michael Connaghan comprised of 50,708 shares purchased in on-market transactions (21,708 shares acquired in September and 29,000 in November 2017).
2. In addition to ordinary shares held by Michael Connaghan, at the end of the year he holds:
   - 66,106 performance shares relating to the deferred portion of the STI plan for the year ended 31 December 2016. The shares are held on trust for the two years since grant and subject to forfeiture if he resigns or his employment is terminated for cause prior to the end of the two year deferral period; and
   - 46,072 shares relating to the deferred portion of the STI plan ended 31 December 2015. These shares vested at 31 December 2017 and were issued to the CEO early in 2018.

7.2 PERFORMANCE RIGHTS – SENIOR EXECUTIVES' LTI BALANCE

The number of performance rights issued over the ordinary shares in WPP AUNZ Limited held during the year by each KMP, including their personally related parties, is shown in the table below:

Senior Executives	Year	Balance at the start of the year	Granted during the year	Vested and exercised during the year	Forfeited during of the year	Balance at the end of the year	Exercisable post year end	Performance rights yet to vest or lapse
Michael Connaghan	**2017**	**981,113**	**869,565**	**—**	**(208,084)**	**1,642,594**	**—**	**1,642,594**
Chief Executive Officer	2016	627,475	773,029	(354,439)	(64,952)	981,113	—	981,113
John Steedman	**2017**	**350,000**	**347,826**	**—**	**—**	**697,826**	**—**	**697,826**
Executive Director	2016	—	350,000	—	—	350,000	—	350,000
Chris Rollinson	**2017**	**210,400**	**173,913**	**—**	**(63,341)**	**320,972**	**—**	**320,972**
Chief Financial Officer								

7.3 PERFORMANCE RIGHTS – MOVEMENT DURING THE YEAR

The table below shows the details of the number and value of performance rights granted, vested and lapsed for KMP under the LTI plans:

						Vested		Forfeited		
Senior Executives	Plan	Grant date	Performance rights granted	Total value at grant date[1] $	Vesting date	Number	Value $	Number	Value $	Performance rights yet to vest or lapse
Michael Connaghan	2015 - 2017	May-15	208,084	96,238	Feb-18	—	—	208,084	96,238	—
Chief Executive Officer	2016 - 2018	Feb-16	773,029	456,087	Mar-19	—	—	—	—	773,029
	2017 - 2020	Jun-17	869,565	939,130	Feb-21	—	—	—	—	869,565
Total			**1,850,678**	**1,491,455**		**—**	**—**	**208,084**	**96,238**	**1,642,594**
John Steedman	2016 - 2018	Apr-16	350,000	350,000	Apr-18	—	—	—	—	350,000
Executive Director	2017 - 2020	Jun-17	347,826	375,652	Feb-21	—	—	—	—	347,826
Total			**697,826**	**725,652**		**—**	**—**	**—**	**—**	**697,826**
Chris Rollinson[2]	2015 - 2017	May-15	63,341	29,295	Feb-18	—	—	63,341	29,295	—
Chief Financial Officer	2016 - 2018	Feb-16	147,059	86,765	Mar-19	—	—	—	—	147,059
	2017 - 2020	Jun-17	173,913	187,826	Feb-21	—	—	—	—	173,913
Total			**384,313**	**303,886**		**—**	**—**	**63,341**	**29,295**	**320,972**

1. Total value at grant date in the above table represents the fair value of LTI awards, assuming all performance conditions pursuant to each LTI grant are met. Details of the assumptions underlying the valuations are set out in Note 31 to the financial statements. The minimum value of the grant, if the applicable vesting conditions are not met, is $nil in all cases.
2. Performance rights granted to Chris Rollinson under the 2015-2017 and 2016-2018 LTI plans related to his previous non-KMP role are included in the above table as supporting information to assess the outstanding performance rights and associated accounting expense pursuant to 2017 reporting period.

Consolidated statement of profit or loss for the year ended 31 December 2017

	Notes	Consolidated Entity 2017 $'000	2016 $'000
Continuing operations			
Revenue	4[a]	1,011,694	902,644
Other income	4[b]	18,168	23,799
Share of net profits of joint ventures and associates accounted for using the equity method	4[c]	5,363	4,053
Total		**1,035,225**	**930,496**
Cost of goods sold		[141,815]	[137,412]
Employee benefit expense		[549,916]	[476,899]
Occupancy costs		[48,063]	[44,366]
Depreciation expense	5[a]	[14,487]	[12,542]
Amortisation expense	5[a]	[20,373]	[16,462]
Travel, training and other personal costs		[28,049]	[25,535]
Research, new business and other commercial costs		[27,933]	[22,028]
Office and administration costs		[31,811]	[28,515]
Compliance, audit and listing costs		[15,361]	[17,324]
Finance costs	5[b]	[30,874]	[29,785]
Loss on fair value adjustment of contingent cash settlement	5[c]	[2,993]	[13,545]
Service fees to WPP plc	32[c]	[21,501]	[17,191]
Profit before income tax		**102,049**	**88,892**
Income tax expense	6	[21,286]	[25,997]
Net profit		**80,763**	**62,895**
Net profit attributable to:			
– Non-controlling interests		7,420	7,843
– Members of the Parent Entity		**73,343**	**55,052**
		Cents	Cents
Earnings per share:			
Basic earnings per share	7	**8.62**	**7.48**
Diluted earnings per share	7	**8.62**	**7.48**

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	Consolidated Entity	
	2017 $'000	2016 $'000
Net profit	**80,763**	**62,895**
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated statement of profit or loss		
Exchange (loss)/gain arising on translation of foreign operations	(6,126)	144
Fair value gain on cash flow hedges taken to equity	487	511
Income tax expense relating to components of other comprehensive income	(144)	(153)
Other comprehensive (loss)/income (net of tax)	(5,783)	502
Total comprehensive income	**74,980**	**63,397**
Total comprehensive income attributable to:		
– Non-controlling interests	7,088	8,213
– Members of the Parent Entity	**67,892**	**55,184**

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

Consolidated statement of financial position as at 31 December 2017

	Notes	Consolidated Entity 2017 $'000	2016* $'000
Current assets			
Cash and cash equivalents	9	111,223	87,167
Trade and other receivables	10	521,783	550,061
Inventories	11	15,078	12,618
Current tax assets	6[b]	—	12,886
Other current assets	12	92,470	74,433
Total current assets		**740,554**	**737,165**
Non-current assets			
Other receivables	13	280	3,315
Investments accounted for using the equity method	14	23,370	22,282
Other financial assets	15	684	838
Plant and equipment	16	49,570	41,252
Deferred tax assets	17	32,718	35,999
Intangible assets	18	1,235,387	1,257,617
Other non-current assets	19	2,108	2,848
Total non-current assets		**1,344,117**	**1,364,151**
Total assets		**2,084,671**	**2,101,316**
Current liabilities			
Trade and other payables	20	711,307	749,300
Current tax liabilities	6[b]	15,046	—
Borrowings	21	995	1,012
Provisions	22	28,504	28,186
Total current liabilities		**755,852**	**778,498**
Non-current liabilities			
Other payables	23	29,473	23,452
Borrowings	24	340,587	356,390
Deferred tax liabilities	25	94,023	93,811
Provisions	26	4,849	2,740
Total non-current liabilities		**468,932**	**476,393**
Total liabilities		**1,224,784**	**1,254,891**
Net assets		**859,887**	**846,425**
Equity			
Issued capital	27	736,631	736,631
Reserves	28	19,782	36,052
Retained earnings	29	85,009	62,735
Equity attributable to members of the Parent Entity		**841,422**	**835,418**
Non-controlling interests		18,465	11,007
Total equity		**859,887**	**846,425**

* Refer to Note 1 on changes in accounting policies.

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

Consolidated statement of changes in equity for the year ended 31 December 2017

		Attributable to members of the Parent Entity ($'000)									
	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
Consolidated Entity											
At 1 January 2016		**334,516**	**266**	**4,445**	**16,275**	**(701)**	**9,019**	**40,978**	**404,798**	**49,911**	**454,709**
Net profit		—	—	—	—	—	—	55,052	55,052	7,843	62,895
Other comprehensive income		—	—	—	—	358	(226)	—	132	370	502
Total comprehensive income		**—**	**—**	**—**	**—**	**358**	**(226)**	**55,052**	**55,184**	**8,213**	**63,397**
Non-controlling interests on acquisition of controlled entities and buy-out of non-controlling interests	34	—	—	6,417	—	—	—	—	6,417	(41,199)	(34,782)
Cost of share-based payments	28	—	500	—	—	—	—	—	500	—	500
Issue of executive share plan shares	27	301	(301)	—	—	—	—	—	—	—	—
Issue of new shares to WPP plc as part of the Transaction	27	401,814	—	—	—	—	—	—	401,814	—	401,814
Equity dividends provided for or paid	8	—	—	—	—	—	—	(33,295)	(33,295)	(5,918)	(39,213)
At 31 December 2016		**736,631**	**465**	**10,862**	**16,275**	**(343)**	**8,793**	**62,735**	**835,418**	**11,007**	**846,425**
Net profit		—	—	—	—	—	—	73,343	73,343	7,420	80,763
Other comprehensive income		—	—	—	—	343	(5,794)	—	(5,451)	(332)	(5,783)
Total comprehensive income		**—**	**—**	**—**	**—**	**343**	**(5,794)**	**73,343**	**67,892**	**7,088**	**74,980**
Non-controlling interests on acquisition of controlled entities and buy-out of non-controlling interests	34	—	—	(11,308)	—	—	—	—	(11,308)	5,731	(5,577)
Cost of share-based payments	28	—	489	—	—	—	—	—	489	—	489
Equity dividends provided for or paid	8	—	—	—	—	—	—	(51,069)	(51,069)	(5,361)	(56,430)
At 31 December 2017		**736,631**	**954**	**(446)**	**16,275**	**—**	**2,999**	**85,009**	**841,422**	**18,465**	**859,887**

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 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.

Consolidated statement of cash flows for the year ended 31 December 2017

	Notes	Consolidated Entity 2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		4,807,548	3,730,411
Payments to suppliers and employees		(4,676,619)	(3,553,563)
Net cash flows from operations		**130,929**	**176,848**
Interest received		16,479	12,456
Interest and other costs of finance paid		(30,284)	(29,251)
Dividends and trust distributions received from joint ventures and associates		2,923	2,885
Income taxes received/(paid)		8,599	(29,922)
Net cash flows from operating activities	9	**128,646**	**133,016**
Cash flows from investing activities			
Payments for purchase of newly controlled entities, net of cash acquired		—	88,368
Payments for acquisition of non-controlling interests		(1,476)	(1,326)
Payments for purchase of plant and equipment		(23,339)	(13,182)
Proceeds from the disposal of equity accounted investments		2,160	—
Contingent cash settlement payments and intangible assets acquired		(11,689)	(13,582)
Loans from joint ventures and associates		3,177	7,508
Net cash flows (used in)/from investing activities		**(31,167)**	**67,786**
Cash flows from financing activities			
Proceeds from borrowings		1,070,117	965,364
Repayments of borrowings		(1,084,924)	(1,065,885)
Dividends paid to equity holders	8	(51,069)	(33,295)
Dividends paid to non-controlling interests		(5,361)	(5,918)
Payments on finance leases		(1,012)	(920)
Net cash flows used in financing activities		**(72,249)**	**(140,654)**
Net increase in cash held		**25,230**	**60,148**
Effects of exchange rate changes on cash and cash equivalents		(1,174)	131
Cash and cash equivalents at the beginning of the year		87,167	26,888
Cash and cash equivalents at the end of the year	9	**111,223**	**87,167**

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

Contents – Notes to the financial statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of WPP AUNZ Limited for the year ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors, dated 23 February 2018.

WPP AUNZ Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX"). The Company's registered office is at 1 Kent Street, Millers Point NSW Australia.

(A) BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards ("AAS") and Australian Accounting Interpretations and complies with other requirements of the law. The financial report has also been prepared on an historical cost basis, except for the revaluation of certain financial instruments. Where necessary, comparatives have been reclassified and repositioned for consistency with current period disclosures. For reporting purposes, the Group is considered a for profit entity.

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

In November 2016, the IFRS Interpretations Committee issued its agenda decision related to the expected manner of recovery of indefinite life intangible assets. The Committee was asked to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for deferred tax measurement purposes. The Committee indicated that the fact that an entity does not amortise an indefinite life intangible asset does not necessarily mean that the carrying amount will be recovered only through sale and not use. Therefore, the entity should determine the expected manner of recovery of the carrying amount of the intangible asset. Previously, the Company measured deferred tax liabilities on the assumption of the tax consequences that would arise solely from the sale of the assets. Under its new policy, the Company considers its expected manner of recovery. The Company has implemented this guidance on a retrospective basis as a change in accounting policy to AASB 112 Income Taxes. The impact of these changes at 1 January 2016 and 31 December 2017 was to increase goodwill and deferred tax liabilities by $17,108,000.

(B) STATEMENT OF COMPLIANCE

Standards and Interpretations

The financial report complies with AAS. Compliance with AAS ensures that the consolidated financial report, comprising the consolidated financial statements and notes thereto, complies with International Financial Reporting Standards.

In the current period, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations.

At the date of authorisation of the financial report, a number of Standards and Interpretations which will be applicable to the Group were in issue, but not yet effective.

Standards and Interpretations	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments, and the relevant amending standards	1 Jan 18	31 Dec 18
AASB 15 Revenue from Contracts with Customers	1 Jan 18	31 Dec 18
AASB 16 Leases	1 Jan 19	31 Dec 19

AASB 9 FINANCIAL INSTRUMENTS

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

AASB 9 (2014) 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 (2014) supersedes all previously issued and amended versions of AASB 9.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017, all financial assets and liabilities will continue to be measured on the same basis as is currently adopted under AASB 139 Financial Instruments: Recognition and Measurement. In relation to the impairment of financial assets, the Group expects to apply the simplified approach to recognise lifetime expected credit losses for trade and other receivables. The Group does not anticipate the application of AASB 9 will have a significant impact on the Group's consolidated financial statements.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AABS 15 will supersede the current revenue recognition guidance and related Interpretations when it becomes effective.

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.

During the year ended 31 December 2017, the Group commenced its AASB 15 implementation project and issued an AASB 15 Accounting Policy and contract assessment requirements to the management of consolidated entities with significant revenue amounts within the Group. Management of these consolidated entities have 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 has been documented and reviewed by the Group centrally.

The review performed by the Group includes discussions with the management team of the consolidated entities, review of the significant contracts identified and the related AASB 15 contract assessment and discussions with the ultimate parent entity, WPP plc.

Updates from the assessment have been regularly shared with the Board and external auditors. Work to date has been focused on significant revenue streams and operating companies from these revenue streams. The Group recognises revenue from the following significant revenue streams:

— traditional advertising and production;
— media investment management;
— public relations and public affairs;
— data investment management; and
— digital and other specialist communications.

Based on the assessment performed to date which has covered the significant contracts or portfolio of contracts of the major revenue streams, the Group is of the view that current revenue recognition policies for these major revenue sources will continue to be appropriate under AASB 15. The Group does not anticipate at this point of time the application of AASB 15 will have a significant impact on the financial position and/or financial performance of the Group.

Although the Group has predominantly completed its impact assessment work, it is in the process of finalising its conclusions. This includes identifying any necessary changes to the Group's internal and external reporting requirements, IT systems, business process, and associated internal controls with the objective of supporting ongoing compliance with the new accounting standard requirements. The outcome of this analysis will ultimately determine the Group's adoption approach and application of the transition provisions of the new standard; however, the Group currently expects to adopt the modified transitional approach to implementation where any transitional adjustment is recognised in retained earnings at the date of implementation of the standard without adjustment of comparatives. The new standard will only be applied to contracts that remain in force at the transition date. The Group plans to adopt the new standard on the required effective date.

AASB 16 LEASES

In February 2016, the AASB issued AASB 16 Leases which replaces the current guidance in AASB 117 Leases.

The new standard 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 are 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 lease of low value assets. Depreciation of the leased asset and interest on lease liability will be recognised over the lease term.

The Group has a significant number of long-term non-cancellable property leases for office buildings, which are expected to have a material impact when recognised in the consolidated statement of financial position. The Group is currently assessing the impact of the new leasing standard on its financial results. This includes identifying changes to Group accounting policies, internal and external reporting requirements and controls. The adoption approach and application of the transition provisions under the new standard will depend on the outcome of this assessment which is yet to be finalised.

Net working capital

As at December 2017, the consolidated statement of financial position shows current liabilities in excess of current assets by $15.3 million. At 31 December 2017, the Consolidated Entity had secured loan facilities totalling $520.0 million (of which $338.8 million was drawn). The Company had $181.2 million in undrawn facilities at 31 December 2017 to meet net working capital requirements.

(C) BASIS OF CONSOLIDATION

(i) Controlled entities

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Company as at 31 December 2017 and the results of all controlled entities for the year then ended.

Control is achieved when the Company:

— has power over the investee;
— is exposed, or has rights, to variable returns from its involvement with the investee; and
— has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of controlled entities by the Group (refer to Note 1(i)).

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where the Group has an interest in a controlled entity, and both vendor and purchaser hold put and call option agreements whereby the Group's interest in the target entity will increase at a future date, it is the Group's policy to assess the facts and circumstances for each agreement and where applicable, consolidate the controlled entity's target earnings and statement of financial position based on the ultimate future ownership. This is notwithstanding that the Group's ownership interests in the target entity is less than the ultimate future ownership at year end. An estimate is made of the likely future capital payment to be made upon exercise of the put or call option. Additionally, an estimate is made of likely future distribution payments to be made to the non-controlling interests in their capacity as equity holders in the target entity. These amounts (at their present value as disclosed in Note 1(l)) are disclosed as either a current or non-current liability titled 'Contingent cash settlement for controlled entities and associates acquired' as shown in Notes 20 and 23. Any distribution payments made to non-controlling interests during the period are treated as a reduction of this contingent consideration liability. In all other circumstances, non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of profit or loss ("profit or loss"), consolidated statement of profit or loss and other comprehensive income ("statement of comprehensive income") and consolidated statement of financial position ("balance sheet"), respectively.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) BASIS OF CONSOLIDATION (CONTINUED)

(ii) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control involves the contractually agreed sharing of control over an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investments in joint ventures include goodwill identified on acquisition. Impairment losses are charged to the profit or loss and any reversals are credited to the profit or loss.

(iii) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates include goodwill identified on acquisition. Impairment losses are charged to the profit or loss and any reversals are credited to the profit or loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends or trust distributions receivable from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

A change in ownership interest results in an adjustment between the carrying amount of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

(D) ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

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 financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(E) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Australian dollars, which is WPP AUNZ Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss and statement of comprehensive income.

(iii) Group entities

The results and statement of financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position; and
- all resulting exchange differences are recognised in the foreign currency translation reserve, as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings, are taken to equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences is recognised in the profit or loss and statement of comprehensive income as part of the gain or loss on sale.

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

(F) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of any refunds, trade allowances and duties and taxes paid.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Advertising revenue

Advertising billings, which are not recognised in the profit or loss, comprise the total value of advertising placed by clients on which controlled entities earn commission and fees, and billings on fees earned for advertising not directly placed for clients. The value of advertising billings is included in 'Receipts from customers' in the consolidated statement of cash flows.

Advertising fee revenue from a contract to provide services is recognised by reference to the stage of completion of the advertising contract. The stage of completion of the advertising contract considers agreed contractual labour rates, direct expenses incurred and percentage of the contract completed.

(ii) Media revenue

Media commission and service fees are brought to account on a monthly basis, once advertisements have been run in the media and billed to clients. The value of media billings is included in 'Receipts from customers' in the consolidated statement of cash flows.

(iii) Production revenue

Production commission and service fees are brought to account when the costs incurred for production services are provided.

(iv) Retainer fees

Retainer fees arising from a contract to provide services are recognised on a straight-line basis over the period of the contract.

(v) Collateral revenue

Collateral revenue is brought to account when the related services are provided.

(vi) Interest

Interest revenue is recognised on a time proportional basis taking into account the effective interest rates applicable to the financial assets.

(vii) Dividends and trust distributions

Dividend and trust distribution revenue is recognised when the right to receive a dividend and/or trust distribution has been established. For the Consolidated Entity, dividends and trust distributions received from joint ventures and associates are accounted for in accordance with the equity method of accounting.

(viii) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(G) TAXES

(i) Income tax

The income tax expense or revenue for the period is the tax payable or tax refund on the current period's taxable income based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(ii) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense item as applicable; and
- trade and other receivables and trade and other payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(iii) Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. WPP AUNZ Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each other member of the tax-consolidated group in relation to the tax contribution amounts paid or payable between the Parent Entity and the other members of the tax-consolidated group in accordance with the arrangement.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) LEASES

Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases are depreciated over the estimated useful life of the leased assets.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(I) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is contingent, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the profit or loss.

If the contingent consideration relates to a put and call arrangement, its fair value is classified as other reserves on initial recognition and any subsequent remeasurements to fair value are recognised in the profit or loss.

Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB 3 Business Combinations.

Prior to control being obtained, the investment is accounted for under AASB 128 Investments in Associates and Joint Ventures, AASB 11 Joint Arrangements and AASB 139 Financial Instruments: Recognition and Measurement. On the date that control is obtained, the fair values of the acquired entity's assets and liabilities, including goodwill, are measured. Any resulting adjustments to previously recognised assets and liabilities are recognised in the profit or loss. Thus, attaining control triggers remeasurement.

(J) IMPAIRMENT OF ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. Value in use is based on future cash flows attributable to the asset or assets, and these cash flows are discounted using a weighted average cost of capital. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units ("CGUs")).

For assets other than goodwill, where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised.

(K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash, and that are subject to an insignificant risk of changes in value.

(L) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is raised when some doubt as to collection by the Group of all amounts due according to the original terms of receivables exists. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The amount of the impairment allowance is recognised in the profit or loss.

(M) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(N) INVESTMENTS AND OTHER FINANCIAL ASSETS

The Group classifies its investments in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of the investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less impairment. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity as an available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Financial assets are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in the fair value after an impairment loss is recognised directly in equity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the profit or loss.

(O) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) PLANT AND EQUIPMENT

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated using a straight-line method to allocate their cost, net of their residual values, over their estimated useful lives to the Consolidated Entity as follows – plant and equipment: 12% to 40% per annum.

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

(Q) INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired controlled entity or associate at the date of acquisition. Goodwill on acquisitions of controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's CGUs that is expected to benefit from the synergies of the combination.

An impairment loss recognised for goodwill is recognised immediately in the profit or loss and is not reversed in a subsequent period.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

(ii) Brand names

With each business combination, the Group assesses whether an acquisition of a brand name has taken place. Brand names are identifiable intangible assets with indefinite useful lives. They are not subject to amortisation; rather, they are subject to impairment testing in accordance with Note 1(j).

The value of brand names is determined using the relief from royalty method. This entails an estimate of the comparable royalty payments that would need to be made by the Group to license the use of the brand name. The valuation is the present value of these future payments discounted at the weighted average cost of capital.

(iii) Intellectual property

Intellectual property has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of intellectual property over its estimated useful life, which is 5 to 20 years.

(iv) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new technical knowledge and understanding, is recognised in the profit or loss as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour. Other development expenditure is recognised in the profit or loss as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which varies from three to five years.

(v) Customer relationships

Customer relationships are acquired as part of business combinations and recognised separately from goodwill. Customer relationships have a finite useful life and are carried at fair value less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method with estimated useful life of 10 to 20 years.

(R) TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at their fair value, which is the amount expected to be paid, and subsequently at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

(S) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Borrowings are subsequently measured at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(T) FINANCE COSTS

Finance costs are recognised as an expense in the period in which they are incurred. Finance costs include interest, amortisation of discounts or premiums, amortisation of ancillary costs incurred in connection with borrowings, and finance lease charges.

(U) PROVISIONS

Provisions are recognised when: the Group has a present obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(V) EMPLOYEE BENEFITS

(i) Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave, expected to be settled within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The liability for long service leave and long-term annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the executive share plan ("ESP"), as detailed in the Remuneration Report on pages 36 to 51.

The fair value of shares granted under the ESP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the executives become unconditionally entitled to the shares.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option or performance right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the performance right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance right.

The fair value of the shares granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each balance sheet date, the entity revises its estimate of the number of shares that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

(iv) Profit-sharing and bonus plans

The Group recognises a liability and an expense for profit sharing and bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(W) ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration, but are shown in equity as a deduction, net of tax, from the gross proceeds.

(X) DIVIDENDS

Provision is made for the amount of any dividend declared before or at the end of the year but not distributed at balance date.

(Y) EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing net profit/(loss) after income tax attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares, if any, issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(Z) DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps and caps. Further details of derivative financial instruments are disclosed in Note 30. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently remeasured to their fair value at each reporting date.

The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as hedges of highly probable forecast transactions ("cash flow hedges").

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(Z) DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of a hedging derivative is presented as a non-current asset or a non-current liability if the remaining period to maturity of the instrument is more than 12 months and the instrument is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss as part of other income or other expenses.

Amounts deferred in equity are recycled in the profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line of the profit or loss as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, or the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the profit or loss.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of goodwill, other intangible assets with indefinite useful lives and investments

The Group determines on at least an annual basis (and at such other times when indicators of impairment arise) whether goodwill, other intangible assets with indefinite useful lives and investments are impaired. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Notes 1(q) and 18(b).

(ii) Contingent costs of acquisition

The Group measures the cost of investments with reference to forecast results of the acquired entity. These forecast results are reassessed at least annually with reference to management accounts and projections. The treatment of contingent costs of investment acquisition liabilities is detailed further in Notes 1(c), 20 and 23.

(iii) Share-based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The employee benefit expense is then determined with reference to a binomial probability model which includes estimates of the probability factors of an employee meeting employment duration targets and the Group achieving certain performance targets as set annually by the Remuneration and Nominations Committee as detailed in the Remuneration Report on pages 36 to 51.

(iv) Valuation of identifiable intangible assets and allocation of goodwill

Significant judgement is required in valuing the identifiable intangible assets (brand names, intellectual property and customer relationships) and allocation of goodwill with respect to the Transaction. The Company engaged an independent external expert to assist in the valuation of identifiable intangible assets.

NOTE 3. SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

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

The reportable segments are the four operating segments.

OPERATING SEGMENTS

The Company is organised into four reportable segments:

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

A detailed list of all products and services provided by the Company is not disclosed due to the cost of extracting the information.

HEAD OFFICE

Head office costs are those costs which are managed on a Group basis and were previously reported separately. In the current period head office costs have been allocated to the above operating segments with the comparatives restated.

ACCOUNTING POLICIES

Segment revenues and expenses are those directly attributable to the segments. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1.

INTERSEGMENT TRANSFERS

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

BUSINESS SEGMENTS

The following table presents revenue and profit information regarding reportable segments and a reconciliation between statutory and headline EBITDA including the impact of significant items for the years ended 31 December 2017 and 31 December 2016. 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 and other non-cash items.

31 December 2017 ($'000)	Net revenue*	Share of net profits of joint ventures and associates	Headline EBITDA	Significant items: Transaction related profit	Significant items: Other non-cash items	Significant items: Business close down and other one-off costs	Statutory EBITDA
Advertising and Media Investment Management	485,811	2,256	88,465	1,049	68	—	89,582
Data Investment Management	99,491	42	26,626	226	213	—	27,065
Public Relations & Public Affairs	57,902	415	7,944	131	64	—	8,139
Specialist Communications	226,675	2,650	30,019	486	(3,338)	(649)	26,518
Total	**869,879**	**5,363**	**153,054**	**1,892**	**(2,993)**	**(649)**	**151,304**
Depreciation and amortisation expense							(34,860)
Net interest							(14,395)
Profit before income tax							**102,049**
Income tax expense							(21,286)
Net profit							**80,763**
Net profit attributable to:							
– Non-controlling interests							7,420
– Members of the Parent Entity							**73,343**

31 December 2016 ($'000) (restated)	Net revenue*	Share of net profits of joint ventures and associates	Headline EBITDA	Significant items: Transaction related (costs)/profit	Significant items: Other non-cash items	Significant items: Business close down and other one-off profit	Statutory EBITDA
Advertising and Media Investment Management	394,511	855	76,322	(38)	(1,133)	—	75,151
Data Investment Management	92,963	68	18,350	442	(267)	—	18,525
Public Relations & Public Affairs	50,444	694	17,036	(133)	693	—	17,596
Specialist Communications	227,314	2,436	33,120	1,079	(12,838)	2,592	23,953
Total	**765,232**	**4,053**	**144,828**	**1,350**	**(13,545)**	**2,592**	**135,225**
Depreciation and amortisation expense							(29,004)
Net interest							(17,329)
Profit before income tax							**88,892**
Income tax expense							(25,997)
Net profit							**62,895**
Net profit attributable to:							
– Non-controlling interests							7,843
– Members of the Parent Entity							**55,052**

* Net revenue is calculated as revenue less cost of goods sold.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 4. REVENUE

	Consolidated Entity	
	2017 $'000	2016 $'000
(a) Revenue		
Services rendered	1,011,694	902,644
(b) Other income		
Interest income	16,479	12,456
Other revenue	1,689	11,343
Total other income	**18,168**	**23,799**
(c) Share of net profits of joint ventures and associates accounted for using the equity method		
Equity share of joint ventures and associates' net profits	5,363	4,053

NOTE 5. EXPENSES

	Consolidated Entity	
	2017 $'000	2016 $'000
Profit before income tax includes the following specific expenses:		
(a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
Plant and equipment	14,487	12,542
Total depreciation of non-current assets	14,487	12,542
Amortisation of non-current assets:		
Intangible assets	20,373	16,462
Total amortisation of non-current assets	20,373	16,462
Total depreciation and amortisation expense	**34,860**	**29,004**
(b) Finance costs		
Interest expense – contingent consideration payable	590	534
Interest expense – other parties	30,284	29,251
Total finance costs	**30,874**	**29,785**
(c) Other expenses		
Loss on fair value adjustment of non-current liabilities (contingent cash settlement)	2,993	13,545
Acquisition related costs	—	7,587
Loss on disposal of plant and equipment	534	4,661
Loss on disposal of joint ventures and associates	634	—
Loss on disposal of controlled entity	15	—
Superannuation contributions	29,777	26,237
(d) Operating lease rental		
Minimum lease payments	44,761	43,275

(e) Significant items and other non-cash items

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

	Consolidated Entity	
	2017 $'000	2016 $'000
1. Transaction related (profit)/costs and tax balances[1]		
Advisor, listing and debt restructure fees	—	7,587
Net impact of transition from equity accounted investments to controlled entities	—	(12,093)
Revaluation of useful life of non-current assets	—	3,156
Other adjustments	(1,892)	—
Significant items before income tax	**(1,892)**	**(1,350)**
Rights to future income tax deductions resulting from the Transaction	(8,507)	—
Income tax expense/(benefit)	2,964	(242)
Significant items net of income tax	**(7,435)**	**(1,592)**
Non-controlling interests	—	—
Net amount attributable to members of the Parent Entity	**(7,435)**	**(1,592)**
2. Amortisation of acquired intangible assets and other non-cash items[2]		
Amortisation expense	19,339	14,714
Loss on fair value adjustment of non-current liabilities (contingent cash settlement)	3,583	13,545
Significant items before income tax	**22,922**	**28,259**
Income tax benefit	(5,802)	(4,414)
Significant items net of income tax	**17,120**	**23,845**
Non-controlling interests	—	—
Net amount attributable to members of the Parent Entity	**17,120**	**23,845**
3. Business close down and other one-off costs/(profit)[3]		
Business restructuring profits	—	(3,203)
Loss on closed and merged businesses	649	611
Significant items before income tax	**649**	**(2,592)**
Income tax benefit	—	—
Significant items net of income tax	**649**	**(2,592)**
Non-controlling interests	—	—
Net amount attributable to members of the Parent Entity	**649**	**(2,592)**

1. **Transaction related (profit)/costs and tax balances** – relates to Transaction adjustment and related tax balances recorded in 2017, the most significant being $8.5 million in rights to future income tax deductions. In 2016, the net profit relates to costs specific to the Transaction including advisor fees, listing fees and costs associated with the restructure of debt facilities, offset by the net gain on transitioning equity accounted investments to controlled entities.
2. **Amortisation of acquired intangible assets and other non-cash items** – the balances relates to the amortisation of acquired intangible assets and loss on fair value adjustment of contingent cash settlement.
3. **Business close down and other one-off costs/(profit)** – relates to costs/(profit) associated with closing down and merging selected businesses.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 6. INCOME TAX

	Consolidated Entity 2017 $'000	2016 $'000
(a) Income tax expense		
Current tax	32,089	35,991
Deferred tax	(3,492)	(9,529)
Rights to future income tax deductions resulting from the Transaction*	(8,507)	—
Adjustments for current tax of prior periods	1,196	(465)
Income tax expense reported in the profit or loss	**21,286**	**25,997**
(b) Current tax assets and liabilities included in the financial statements		
Current tax (liabilities)/assets	(15,046)	12,886
(c) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**102,049**	**88,892**
Tax at the Australian tax rate of 30% (2016: 30%)	30,615	26,668
Adjustments for current tax of prior periods	771	(465)
Tax adjustments resulting from equity accounting	(1,609)	(1,217)
Tax rate adjustment	(1,961)	(2,500)
Gain on disposal of non-current assets	(82)	(323)
Loss on fair value adjustment of non-current liabilities (contingent cash settlement)	1,075	4,064
Other items allowable for income tax purposes	672	1,738
Transaction costs not allowable for income tax purposes	—	1,604
Deferred taxation write-off	425	1,974
Net impact of transition from equity accounted investments to controlled entities	—	(4,266)
Rights to future income tax deductions resulting from the Transaction*	(8,507)	—
Other gains not assessable for income tax	(113)	(1,280)
Income tax expense reported in the profit or loss	**21,286**	**25,997**
(d) Tax expense relating to components of other comprehensive income		
Cash flow hedges (refer to Note 28)	144	153

* This deduction has been claimed based on current application of laws in place. There are proposed amendments currently in parliament. If approved this will be retrospectively applied and this benefit disallowed.

(e) Tax losses

The Group's tax losses on revenue account after adjusting for the tax rate are $3,935,400 (2016: $4,815,432). The Group's tax losses on capital account after adjusting for the tax rate are $10,248,330 (2016: $7,432,156).

The revenue and capital losses are available indefinitely for offset against future taxable profits of the companies in which those losses arose.

Tax losses on revenue account and capital account are recognised as a deferred tax asset if it is probable that future taxable amounts will be available to utilise those losses.

(f) Unrecognised temporary differences

A deferred tax liability has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the Group's foreign subsidiaries. The deferred tax liability will only arise in the event of disposal of the subsidiaries, and no such disposal is expected in the foreseeable future.

At 31 December 2017, there is no recognised or unrecognised deferred income tax liability (2016: $Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, joint ventures and associates as the Group has no liability for additional taxation should such amounts be remitted.

(g) Tax consolidation legislation

WPP AUNZ Limited and its wholly-owned subsidiaries are a tax-consolidated group. The accounting policy in relation to this legislation is set out in Note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax-consolidated group entered into a tax sharing agreement, which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, WPP AUNZ Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate WPP AUNZ Limited for any current tax payable assumed and are compensated by WPP AUNZ Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to WPP AUNZ Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

NOTE 7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share has been described in Notes 1(y)(i) and 1(y)(ii), respectively.

The following reflects the income and share data used in the total operations' basic and diluted earnings per share computations:

	Consolidated Entity	
	2017 $'000	2016 $'000
Net profit attributable to members of the Company from continuing operations for basic earnings per share	73,343	55,052
Effect of dilution:		
Dilutive adjustments to net profit	—	—
Net profit attributable to members of the Company from continuing operations for diluted earnings per share	**73,343**	**55,052**
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	851,015,951	736,428,455
Impact of ESP shares where earnings per share growth performance targets have been met	—	46,072
Weighted average number of ordinary shares for diluted earnings per share	**851,015,951**	**736,474,527**
	Cents	Cents
Earnings per share for net profit from continuing operations attributable to members of the Company		
Basic earnings per share	8.62	7.48
Diluted earnings per share	8.62	7.48

Earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of shares makes allowances for shares reserved for employee share plans.

Performance rights of 5,481,827 (2016: 3,949,399) are considered to be contingently issuable and have not been allowed for in the diluted earnings per share calculation.

There have been no transactions involving ordinary shares between the reporting date and the date of completion of this financial report.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 8. DIVIDENDS PAID AND PROPOSED

	Consolidated Entity	
	2017 $'000	2016 $'000
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividend for 2016: 3.9 cents per share (2015: 3.6 cents per share)	33,190	15,345
Interim franked dividend for 2017: 2.1 cents per share (2016: 2.1 cents per share)	17,871	17,871
Dividends paid pursuant to the executive share plan	8	79
	51,069	**33,295**
In addition to the above dividends, since the end of the year the Directors have recommended the payment of a final dividend of 4.2 cents (2016: 3.9 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed final dividend payable on 6 April 2018 (2016: 31 March 2017) out of retained earnings, but not recognised as a liability, is:	**35,743**	**33,234**
Franking credit balance		
The franked portions of dividends recommended after 31 December 2017 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 December 2018.		
Franking credits available for subsequent years based upon a tax rate of 30%.	**123,822**	**139,256**

The above amounts represent the balance of the franking account as at the end of the 2017 year, adjusted for:

— franking credits that will arise from the payment of the current tax liability;

— franking credits that will arise from current dividends receivable; and

— franking debits that will arise from the payment of dividends provided at year end.

Impact on franking account balance of dividends declared but not recognised	**15,318**	**14,243**

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Notes	Consolidated Entity 2017 $'000	2016 $'000
Cash at bank and on hand		111,140	87,126
Cash on deposit		83	41
		111,223	**87,167**
Reconciliation of net profit to net cash flows from operating activities			
Net profit		80,763	62,895
Share of joint ventures and associates' net profits, net of dividends and trust distributions received		(2,441)	(1,168)
Depreciation and amortisation expense		34,860	29,004
ESP expense non-cash		489	500
Interest expense – contingent cash settlement payable	5(b)	590	534
Gain on disposal of associates and joint ventures		(809)	(1,078)
Loss on disposal of plant and equipment	5(c)	534	4,661
Loss on fair value adjustment of non-current liabilities (contingent cash settlement)	5(c)	2,993	13,545
Net impact of transition from equity accounted investments to controlled entities		—	(14,222)
Changes in operating assets and liabilities, net of effects of purchase and disposal of controlled entities during the financial year:			
Decrease/(Increase) in trade and other receivables		11,675	(62,395)
(Increase)/decrease in inventories		(4,230)	11,542
Decrease in current tax receivable		8,873	8,511
Decrease in other non-current receivables		440	1,506
Decrease in deferred tax assets		3,281	5,665
(Decrease)/increase in trade and other payables		(42,678)	62,452
Increase/(decrease) in current income tax liabilities		19,059	(4,013)
Increase/(decrease) in provisions		2,384	(1,203)
Increase in other liabilities		12,863	16,280
Net cash flows from operating activities		**128,646**	**133,016**

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2017 $'000	2016 $'000
Trade receivables	490,363	517,485
Provision for impairment of trade receivables	(2,502)	(1,189)
	487,861	516,296
Other receivables	18,519	19,530
Amounts receivable from related entities	15,403	14,235
	521,783	**550,061**

(A) TRADE AND OTHER RECEIVABLES

Trade and other receivables are not interest bearing and are generally on 30-day to 60-day terms.

(B) IMPAIRED TRADE RECEIVABLES

As at 31 December 2017, current trade receivables of the Group with a nominal value of $2,502,000 (2016: $1,189,000) were impaired. All impaired trade receivables are over 60 days old. The individually impaired receivables mainly relate to customers, who are in an unexpectedly difficult economic situation.

Movements in the provision for impairment of trade receivables are as follows:

	Consolidated Entity	
	2017 $'000	2016 $'000
Balance at the beginning of the year	1,189	516
Impairment losses recognised on receivables	1,985	2,214
Amounts written off as uncollectible	(391)	(1,200)
Impairment losses reversed	(281)	(341)
Balance at the end of the year	**2,502**	**1,189**

The creation and release of the provision for impairment of trade receivables have been included in the profit or loss expense category 'Research, new business and other commercial costs'.

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(C) PAST DUE BUT NOT IMPAIRED

As at 31 December 2017, trade receivables greater than 60 days of $56,643,000 (2016: $75,845,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of trade receivables is as follows:

	Consolidated Entity	
	2017 $'000	2016 $'000
1-30 days	299,078	279,053
31-60 days	132,140	161,398
Greater than 60 days	56,643	75,845
	487,861	**516,296**

There are no trade receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

Based on the credit history of trade receivables not past due or past due and not impaired, the Group believes that these amounts will be received.

The other classes within trade and other receivables do not contain impaired assets and the Group believes that these amounts will be fully recovered.

(D) FOREIGN EXCHANGE AND INTEREST RATE RISK

Information about the Group's exposure to foreign exchange risk and interest rate risk in relation to trade and other receivables is provided in Note 30.

(E) FAIR VALUE AND CREDIT RISK

Due to the short-term nature of trade receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

The Group does not hold any collateral as security. Refer to Note 30 for more information on the risk management policy of the Group and the credit quality of the Consolidated Entity's trade receivables.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 11. CURRENT ASSETS — INVENTORIES

	Consolidated Entity	
	2017 $'000	2016 $'000
Raw materials and stores	1,366	1,477
Work in progress	8,197	5,758
Finished goods	900	228
Media time	4,615	5,155
	15,078	**12,618**

NOTE 12. CURRENT ASSETS — OTHER CURRENT ASSETS

	Consolidated Entity	
	2017 $'000	2016 $'000
Prepayments	8,138	8,358
Accrued revenue	84,332	66,075
	92,470	**74,433**

NOTE 13. NON-CURRENT ASSETS — OTHER RECEIVABLES

	Consolidated Entity	
	2017 $'000	2016 $'000
Amounts receivable from related entities	280	3,315
	280	**3,315**

During the year ended 31 December 2017, there were no movements in the provision for impairment of other receivables (2016: $Nil).

(A) RELATED PARTY RECEIVABLES

For terms and conditions relating to related party receivables, refer to Note 32.

The Consolidated Entity and its joint ventures and associates maintain loan accounts, which can fluctuate throughout the year. There are no fixed terms of repayment on these amounts, some of which attract interest at commercial rates.

(B) FAIR VALUE

The carrying amounts of receivables are approximate to their fair value.

(C) RISK EXPOSURE

Information about the Group's exposure to foreign exchange risk, interest rate risk and credit risk is provided in Note 30.

NOTE 14. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated Entity 2017 $'000	Consolidated Entity 2016 $'000
Investments in joint ventures and associates	**23,370**	**22,282**

Name	Principal activity	Ownership interest 2017	Ownership interest 2016	Country of incorporation
AFI Branding Solutions Pty Limited	Promotional signage printing	50%	50%	Australia
AFI Fabrications Pty Limited	Promotional signage printing	45%	45%	Australia
Astus APAC Australia Pty Limited	Media investment management	50%	50%	Australia
BCG2 Limited	Advertising and communications	20%	20%	New Zealand
Beyond Analysis Australia Pty Limited	Data analytics	49%	49%	Australia
Bohemia Communications Pty Limited (i)	Media planning	—	24%	Australia
Campaigns and Communications Group Pty Limited	Campaign management	20%	20%	Australia
CPR Vision Pte Limited	Digital marketing	40%	40%	Singapore
Cudex Pty Limited	Market research	50%	50%	Australia
Feedback ASAP Pty Limited	Mystery shopping	20.4%	20.4%	Australia
Fusion Enterprises Pty Limited	Digital marketing	49%	49%	Australia
Ikon Perth Pty Limited	Media planning	45%	45%	Australia
Lakewood Holdings Pty Limited	Dormant	50%	50%	Australia
Purple Communications Australia Pty Limited	Public relations	49%	49%	Australia
Rapid Media Services Pty Limited	Media planning	30%	30%	Australia
Spinach Advertising Pty Limited	Advertising	20%	20%	Australia
TaguchiMarketing Pty Limited	E-mail marketing	20%	20%	Australia

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

(A) REPORTING DATES

All joint ventures and associates have prepared accounts as at 31 December 2017 for the purpose of preparing the consolidated financial statements. As such, there is no difference in the reporting dates or periods between the investor and the investees.

(B) PUBLISHED FAIR VALUES

The joint ventures and associates are not listed on any public exchange and therefore, there are no published quotation prices for the fair values of the investments.

(C) DIVIDENDS AND TRUST DISTRIBUTIONS RECEIVED

During the year, the Consolidated Entity received dividends and trust distributions of $2,923,000 (2016: $2,885,000) from its joint ventures and associates.

(D) COMMITMENTS

The Consolidated Entity's share of the joint ventures and associates' commitments is disclosed in Note 35.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 15. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Other financial assets are available-for-sale financial assets which include the following classes of financial assets:

	Consolidated Entity	
	2017 $'000	2016 $'000
Listed securities		
Shares in listed entities — at fair value	**684**	**838**

NOTE 16. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Consolidated Entity	
Plant and equipment	2017 $'000	2016 $'000
At cost	122,347	99,542
Accumulated depreciation	(72,777)	(58,290)
Total plant and equipment	**49,570**	**41,252**

RECONCILIATIONS

Reconciliations of the carrying amount of plant and equipment during the year are set out below:

At 1 January 2016	Plant and equipment $'000	Total $'000
At cost	77,520	77,520
Accumulated depreciation	(45,748)	(45,748)
Net carrying amount	**31,772**	**31,772**
Year ended 31 December 2016		
Balance at the beginning of the year	31,772	31,772
Additions	13,182	13,182
Acquisition of subsidiaries	13,501	13,501
Disposals	(4,661)	(4,661)
Depreciation expense	(12,542)	(12,542)
Balance at the end of the year	**41,252**	**41,252**
At 31 December 2016		
At cost	99,542	99,542
Accumulated depreciation	(58,290)	(58,290)
Net carrying amount	**41,252**	**41,252**
Year ended 31 December 2017		
Balance at the beginning of the year	41,252	41,252
Additions	23,339	23,339
Disposals	(534)	(534)
Depreciation expense	(14,487)	(14,487)
Balance at the end of the year	**49,570**	**49,570**

At 31 December 2017	Plant and equipment $'000	Total $'000
At cost	122,347	122,347
Accumulated depreciation	(72,777)	(72,777)
Net carrying amount	**49,570**	**49,570**

NOTE 17. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated Entity	
	2017 $'000	2016 $'000
Provisions	9,570	9,782
Doubtful debts	497	320
Accruals	8,789	10,883
Deferred interest rate hedge	—	1,087
Tax losses carried forward	3,935	4,815
Lease incentives	2,134	2,665
Plant and equipment	7,290	5,224
Other	503	1,223
Gross deferred tax assets	**32,718**	**35,999**
Movements		
Opening balance	35,999	15,661
Charged to the profit or loss	(3,137)	(17,489)
Acquisition of subsidiaries	—	37,980
Charged to equity	(144)	(153)
Closing balance	**32,718**	**35,999**

Movements – consolidated	Provisions $'000	Doubtful debts $'000	Accruals $'000	Deferred interest rate hedge $'000	Tax losses carried forward $'000	Lease incentives $'000	Plant and equipment $'000	Other $'000	Total $'000
At 1 January 2016	**3,461**	**122**	**3,362**	**300**	**3,890**	**1,437**	—	**3,089**	**15,661**
Credited/(charged) to the profit or loss	1,039	(204)	(11,222)	940	925	(161)	(6,752)	(2,054)	(17,489)
Acquisition of subsidiaries	5,282	402	18,743	—	—	1,389	11,976	188	37,980
Charged to equity	—	—	—	(153)	—	—	—	—	(153)
At 31 December 2016	**9,782**	**320**	**10,883**	**1,087**	**4,815**	**2,665**	**5,224**	**1,223**	**35,999**
(Charged)/credited to the profit or loss	(212)	177	(2,094)	(943)	(880)	(531)	2,066	(720)	(3,137)
Charged to equity	—	—	—	(144)	—	—	—	—	(144)
At 31 December 2017	**9,570**	**497**	**8,789**	**—**	**3,935**	**2,134**	**7,290**	**503**	**32,718**

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 18. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated Entity	
	2017 $'000	2016* $'000
Goodwill	949,539	953,800
Brand names	144,214	149,508
Intellectual property	12,405	11,875
Customer relationships	129,229	142,434
Total intangible assets	**1,235,387**	**1,257,617**

* Refer to Note 1 on changes in accounting policies.

RECONCILIATIONS

Reconciliations of the carrying amount of each class of intangible asset at the beginning and end of each year are set out below:

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

* Refer to Note 1 on changes in accounting policies.

Year ended 31 December 2017	Goodwill (restated)* $'000	Brand names $'000	Intellectual property $'000	Customer relationships $'000	Total $'000
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 of financial reports	(6,871)	—	—	—	(6,871)
Movements in the estimate of contingent cash settlement	(18)	—	—	—	(18)
Transfer from completed work in progress	—	—	1,767	—	1,767
Amortisation expense	—	(5,294)	(1,874)	(13,205)	(20,373)
Balance at the end of the year	**949,539**	**144,214**	**12,405**	**129,229**	**1,235,387**

At 31 December 2017					
At cost	952,806	153,478	21,850	154,417	1,282,551
Accumulated impairment and amortisation	(3,267)	(9,264)	(9,445)	(25,188)	(47,164)
Net book value	**949,539**	**144,214**	**12,405**	**129,229**	**1,235,387**

* Refer to Note 1 on changes in accounting policies.

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

(A) AMORTISATION CHARGE

The amortisation charge of $20,373,000 (2016: $16,462,000) is recognised in the amortisation expense in the profit or loss.

(B) IMPAIRMENT OF CASH GENERATING UNITS ("CGUS") INCLUDING GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS

In accordance with the Group's accounting policies, the Group performs its impairment testing at least annually for goodwill and intangible assets with indefinite useful lives. The Group has undertaken an impairment review and prepared a value in use model for the purpose of impairment testing during the year ended 31 December 2017, which did not indicate that any of its CGUs should be impaired and recognised no impairment.

Impairment of equity accounted investments and plant and equipment was calculated on the same basis as the impairment of intangible assets.

Impairment testing

In accordance with the Group's accounting policies, the Group has evaluated whether the recoverable amount of a CGU or group of CGUs exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs to sell, or its value in use.

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

Details of the key assumptions used in the value in use calculations during the year ended 31 December 2017 are included below:

Year 1 cash flows

This is based upon the annual budget for 2018 approved by the Directors, which reflects the best estimate of the CGU group's cash flows at the time. The budgets are derived from a combination of historical trading performance and expectations of the CGU group based on market and life cycle factors.

Year 2 to 5 cash flows

These cash flows are forecast using year 1 as a base and a growth rate applied to years 2 to 5. The rate of growth takes into account management's best estimate of the likely results in these periods, industry forecasts and historical actual rates. A revenue growth rate of 2.0% (2016: 2.0%) for all CGUs has been used for 2017 impairment testing.

Terminal growth factor

A terminal growth factor that estimates the long-term average growth for that CGU is applied to the year 5 cash flows into perpetuity. A rate of 1.5% (2016: 1.5%) has been used for each CGU's cash flows. The terminal growth factor is derived from management's best estimate of the likely longer-term trading performance with reference to external industry reports.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 18. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

(B) IMPAIRMENT OF CASH GENERATING UNITS ("CGUS") INCLUDING GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS (CONTINUED)

Discount rate

The discount rate is an estimate of the post-tax rate that reflects current market assessment of the time value of money and the risks specific to the CGU. The post-tax discount rate applied to the CGU group's cash flow projections was 10.50% (2016: 10.50%). The same discount rate for all CGUs is considered appropriate. All CGUs are based on providing services to similar customers; hence, they have similar levels of market risk.

(C) IMPAIRMENT CHARGE

There have been no impairment charges during the year ended 31 December 2017 (2016: $Nil).

Impact of possible change in key assumptions

Each of the above factors is subject to significant judgement about future economic conditions and the ongoing structure of the marketing and communications industry. The Directors have applied their best estimates to each of these variables but cannot warrant their outcome. To assess the impact of this significant uncertainty, and the range of possible outcomes, sensitivity analysis is disclosed below.

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

		Impairment $'000			
Sensitivity	Variable	Advertising and Media Investment Management	Data Investment Management	Public Relations & Public Affairs	Specialist Communications
Year 1-5 revenue growth rate	-0.5	—	—	—	—
Discount rate	+0.5	—	—	(2,464)	—
Terminal growth factor	-0.5	—	—	(1,013)	—

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

Impact of changes to growth rate

The annual growth rate that would result in each CGU group's recoverable amount falling below its carrying value is as follows: Advertising and Media Investment Management: (negative 18.0%); Data Investment Management: (negative 1.1%); Public Relations & Public Affairs: (0.7%); and Specialist Communications: (negative 4.4%).

Impact of changes to discount rate

Management notes that the discount rate would have to increase to 10.8% (post-tax) for the recoverable amount of the Public Relations & Public Affairs unit valuation to fall below its carrying value, all other assumptions being equal. The other segments continue to have valuations in excess of their carrying value with these changes.

Impact of changes to terminal growth factor

Management notes that the terminal growth factor would have to decrease to 1.1% for the recoverable amount of the Public Relations & Public Affairs unit valuation to fall below its carrying value, all other assumptions being equal. The other segments continue to have valuations in excess of their carrying value with these changes.

Loss of a major customer

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

(D) ALLOCATION OF GOODWILL TO CGUS

As at 31 December 2017, goodwill were allocated to the CGU groups below:

	Consolidated Entity	
	2017 $'000	2016* $'000
Advertising and Media Investment Management	500,160	504,413
Data Investment Management	133,129	133,481
Public Relations & Public Affairs	83,401	84,344
Specialist Communications	232,849	231,562
Total goodwill	**949,539**	**953,800**

* Refer to Note 1 on changes in accounting policies.

NOTE 19. NON-CURRENT ASSETS – OTHER NON-CURRENT ASSETS

	Consolidated Entity	
	2017 $'000	2016 $'000
Prepayments	**2,108**	**2,848**

NOTE 20. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2017 $'000	2016 $'000
Trade payables	500,959	485,558
Interest rate hedge liabilities (refer to Note 20(d))	—	481
Sundry and other payables	63,045	108,514
Amounts payable to related parties	38,525	48,548
Contingent cash settlement for controlled entities and associates acquired	7,233	16,325
Deferred income	101,545	89,874
	711,307	**749,300**

(A) RELATED PARTY PAYABLES

For terms and conditions relating to related party payables, refer to Note 32.

(B) TRADE, SUNDRY AND OTHER PAYABLES

Trade payables are not interest bearing and are normally settled on 60-day terms. Sundry and other payables are also not interest bearing and have an average term of two months.

(C) NET GST PAYABLES

The GST payables and receivables are netted. Net GST payables are remitted to the appropriate taxation authority as required.

(D) INTEREST RATE HEDGE LIABILITIES

The fair value of the interest rate hedge derivatives held at 31 December 2017 was as follows:

	Consolidated Entity	
	2017 $'000	2016 $'000
Total mark to market liability	**—**	**481**

Further details relating to the Group's derivative financial instruments are outlined in Note 30.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 21. CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
Secured – at amortised cost	2017 $'000	2016 $'000
Finance leases	**995**	**1,012**

(A) FAIR VALUE DISCLOSURES

The fair value of each of the borrowings is provided in Note 24.

(B) RISK EXPOSURE

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 30.

NOTE 22. CURRENT LIABILITIES — PROVISIONS

	Consolidated Entity	
	2017 $'000	2016 $'000
Employee benefits	**28,504**	**28,186**

NOTE 23. NON-CURRENT LIABILITIES – OTHER PAYABLES

	Consolidated Entity	
	2017 $'000	2016 $'000
Contingent cash settlement for controlled entities and associates acquired	12,487	6,710
Sundry and other payables	12,731	12,850
Amounts payable to related parties	4,255	3,892
	29,473	**23,452**

(A) RELATED PARTY PAYABLES

For terms and conditions relating to related party payables, refer to Note 32.

(B) SUNDRY AND OTHER PAYABLES

Sundry and other payables are not interest bearing.

NOTE 24. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
Secured – at amortised cost	2017 $'000	2016 $'000
Bank loans	338,841	353,649
Finance leases	1,746	2,741
	340,587	**356,390**

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

Available at balance date		
Total facilities — bank loans	520,000	520,000
Used at balance date		
Facilities used at balance date — bank loans	338,841	353,649
Unused at balance date		
Facilities unused at balance date — bank loans	181,159	166,351

(A) SECURED LOANS

(i) Australian core banking facilities

The Company entered into a syndicated debt 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 is split between a debt facility of $520,000,000 (2016: $520,000,000) and guarantee facility of $29,914,286 (2016: $29,885,000). The term of the debt facility is three years with the facility agreement expiring in April 2019.

The bank loan facility totalling $520,000,000 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.

(ii) New Zealand banking facilities

During the year ended 31 December 2017, the Company had access to an overdraft for the amount of AUD3,205,714 provided by Westpac New Zealand Limited. At 31 December 2017, the overdraft was undrawn. The overdraft is secured by a guarantee and indemnity provided by Ogilvy New Zealand Limited.

(iii) Classification

The loans have been classified as either current or non-current based on the expiry date of the loan facility agreements.

(B) INDEMNITY GUARANTEE FACILITY

The indemnity guarantee facility is in place to support financial guarantees. Specific guarantee amounts are $21,137,070 (2016: $25,655,564) supporting property rental and other obligations.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 24. NON-CURRENT LIABILITIES - BORROWINGS (CONTINUED)

(C) ASSETS PLEDGED AS SECURITY

The carrying amount of assets pledged as security for existing Australian core banking facilities is as follows:

	Consolidated Entity	
	2017 $'000	2016* $'000
Current assets		
Cash and cash equivalents	71,370	55,209
Trade and other receivables	521,842	467,323
Inventories	14,083	12,404
Current tax assets	—	12,706
Other current assets	71,014	61,167
Total current assets	**678,309**	**608,809**
Non-current assets		
Other receivables	—	116,786
Investments accounted for using the equity method	13,465	17,103
Other financial assets	261,120	181,250
Plant and equipment	45,045	34,674
Deferred tax assets	26,713	24,999
Intangible assets	949,648	958,784
Other non-current assets	867	2,689
Total non-current assets	**1,296,858**	**1,336,285**
Total assets	**1,975,167**	**1,945,094**

* Refer to Note 1 on changes in accounting policies.

(D) RISK EXPOSURE

Information about the Group's exposure to foreign currency and interest rate changes is provided in Note 30.

(E) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Notes	At 31 December 2016 ($'000)	Financing cash flows ($'000)	Fair value changes (non-cash) ($'000)	At 31 December 2017 ($'000)
Secured bank loan	24	353,649	(14,808)	—	338,841
Finance lease liabilities	21 & 24	3,753	(1,012)	—	2,741
Loans owing to related parties	32	18,964	(1,088)	—	17,876
Interest rate swaps	28	(343)	—	343	—

NOTE 25. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated Entity	
	2017 $'000	2016* $'000
Accrued income	13,260	5,973
Prepayments	61	165
Intangible assets	80,445	87,582
Other	257	91
Gross deferred tax liabilities	**94,023**	**93,811**
Movements		
Opening balance	93,811	21,646
Charged/(credited) to the profit or loss	212	(27,018)
Acquisition of subsidiaries	—	99,183
Closing balance	**94,023**	**93,811**

Movements – consolidated	Accrued income $'000	Pre-payments $'000	Plant and equipment $'000	Intangible assets (restated)* $'000	Other $'000	Total $'000
At 1 January 2016	**997**	**406**	**957**	**19,286**	**—**	**21,646**
(Credited)/charged to the profit or loss	(21,497)	(241)	(957)	(4,414)	91	(27,018)
Acquisition of subsidiaries	26,473	—	—	72,710	—	99,183
At 31 December 2016	**5,973**	**165**	**—**	**87,582**	**91**	**93,811**
Charged/(credited) to the profit or loss	7,287	(104)	—	(7,137)	166	212
At 31 December 2017	**13,260**	**61**	**—**	**80,445**	**257**	**94,023**

* Refer to Note 1 on changes in accounting policies.

NOTE 26. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated Entity	
	2017 $'000	2016 $'000
Employee benefits	**4,849**	**2,740**

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 27. ISSUED CAPITAL

	2017 Number of shares	2016 Number of shares	2017 $'000	2016 $'000
Total issued capital*	**851,015,951**	**851,015,951**	**736,631**	**736,631**

* The total issued capital is net of treasury shares held by the ESP of 1,135,919 (2016: 1,135,919). The total shares on issue are 852,151,870 (2016: 852,151,870).

(A) MOVEMENTS IN TOTAL ISSUED CAPITAL

	2017 Number of shares	2017 $'000	2016 Number of shares	2016 $'000
At 1 January	**851,015,951**	**736,631**	**427,627,759**	**334,516**
Shares issued to WPP plc	—	—	422,961,825	401,814
Shares issued under the ESP	—	—	426,367	301
At 31 December	**851,015,951**	**736,631**	**851,015,951**	**736,631**

Terms and conditions of ordinary shares

The Company's shares have no par value. Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Share buy-backs

There were no share buy-backs during the year ended 31 December 2017.

(B) CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of net debt and total equity balances.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Company is monitored using net debt to headline EBITDA ratio. Net debt is calculated as total interest bearing liabilities, plus contingent cash settlement, less cash and cash equivalents. Headline EBITDA is defined as headline consolidated earnings before interest, tax, depreciation and amortisation and is adjusted for significant items.

The net debt to headline EBITDA ratio for the Group at 31 December 2017 and 31 December 2016 is as follows:

	Consolidated Entity 2017 $'000	Consolidated Entity 2016 $'000
Total borrowings	341,582	357,402
Add: contingent cash settlement for controlled entities and associates acquired	19,720	23,035
Less: cash and cash equivalents	(111,223)	(87,167)
Net debt	250,079	293,270
Headline EBITDA	153,054	144,828
Net debt to headline EBITDA ratio	1.63x	2.02x

NOTE 28. RESERVES

	Consolidated Entity	
	2017 $'000	2016 $'000
Equity settled share-based payment reserve	954	465
Transactions with non-controlling interests reserve	(446)	10,862
Brand name revaluation reserve	16,275	16,275
Interest rate hedge reserve	—	(343)
Foreign currency translation reserve	2,999	8,793
Total reserves	**19,782**	**36,052**

MOVEMENTS

A reconciliation of the movement in reserves at the beginning and end of the current year are set out below:

	Consolidated Entity	
	2017 $'000	2016 $'000
Equity settled share-based payment reserve		
Opening balance	465	266
Cost of share-based payments	489	500
Issue of ESP shares	—	(301)
Closing balance	**954**	**465**
Transactions with non-controlling interests reserve		
Opening balance	10,862	4,445
Transactions with non-controlling interests of subsidiaries without change in control	(11,308)	6,417
Closing balance	**(446)**	**10,862**
Interest rate hedge reserve		
Opening balance	(343)	(701)
Fair value gain on cash flow hedges taken to equity	487	511
Deferred tax	(144)	(153)
Closing balance	**—**	**(343)**
Foreign currency translation reserve		
Opening balance	8,793	9,019
Exchange loss arising on translation of foreign operations	(5,794)	(226)
Closing balance	**2,999**	**8,793**

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 28. RESERVES (CONTINUED)

NATURE AND PURPOSE OF RESERVES

(i) Equity settled share-based payment reserve

The equity settled share-based payments reserve is used to recognise the amortised cost of share rights granted to executives, the value of which has not been transferred to the relevant executives.

(ii) Transactions with non-controlling interests reserve

The transactions with non-controlling interest reserve relates to transactions with non-controlling interests that do not result in a loss of control.

(iii) Brand name revaluation reserve

The brand name revaluation reserve was used to record the net upward revaluation of acquired brand names.

(iv) Interest rate hedge reserve

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.

(v) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the transaction of the financial statements of foreign controlled entities.

NOTE 29. RETAINED EARNINGS

	Consolidated Entity	
	2017 $'000	2016 $'000
Opening balance	62,735	40,978
Net profit	73,343	55,052
Equity dividends provided for or paid	(51,069)	(33,295)
Closing balance	**85,009**	**62,735**

NOTE 30. FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate 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 manages these risks using various financial instruments, governed by a set of policies approved by the Board. Derivative financial instruments are exclusively used for hedging purposes and not for speculative trading purposes.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange and interest rate risks; and ageing analysis for credit risk. Risk management is carried out in accordance with ageing policies approved by the Board.

(A) MARKET RISK

Market risk is the risk that the fair value and/or future cash flows from a financial instrument will fluctuate as a result of changes in market factors. The Group has exposure to market risk in the following areas: foreign exchange risk (due to fluctuations in foreign exchange rates) and interest rate risk (due to fluctuations in interest rates).

(i) Foreign exchange risk

Foreign exchange risk refers to the risk that the value or the cash flows arising from a financial commitment, or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's foreign exchange risk arises primarily from:

— sales and purchases denominated in foreign currency;
— borrowings denominated in foreign currency; and
— firm commitments and/or highly probable forecast transactions for receipts and payments settled in foreign currencies and prices dependent on foreign currencies, respectively.

The Group is exposed to foreign exchange risk from various currency exposures. All borrowings are in the functional currency of the borrowing entity. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Financial assets (i)		Financial liabilities (i)	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Canadian dollar (CAD)	1,518	1,197	625	400
Great British pound (GBP)	5,232	1,368	4,378	282
New Zealand dollar (NZD)	76,956	70,328	58,550	61,620
Singapore dollar (SGD)	13,378	11,274	5,953	14,379
United States dollar (USD)	2,107	2,567	319	1,145
Others	6,326	5,824	3,163	2,120
	105,517	**92,558**	**72,988**	**79,946**

(i) The above table shows foreign currency financial assets and liabilities in Australian dollars.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) MARKET RISK (CONTINUED)

(i) Foreign exchange risk (continued)

Sensitivity

The Group is mainly exposed to the Canadian dollar, Great British pound, New Zealand dollar, Singapore dollar and United States dollar. The analysis below shows the impact on the profit or loss and equity on a movement in foreign currency exchange rates against the Australian dollar on the Group's major currencies using the net exposure at the balance date. A sensitivity of 10% has been chosen as this is a reasonable measurement given the level of exchange rates and the volatility observed on a historic basis. A positive number below indicates an increase in profit or equity where the exchange rate strengthens by 10% against the relevant currency. For a 10% weakening of the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

The impact on the profit or loss and equity is post-tax at a rate of 30%. As shown below, a 10% movement in exchange rates would have a minimal impact on the Group's financial position:

	Impact to post-tax profit 2017 AUD '000	Impact to post-tax profit 2016 AUD '000
Canadian dollar (CAD)	(9)	22
Great British pound (GBP)	(99)	14
New Zealand dollar (NZD)	(9)	(176)
Singapore dollar (SGD)	(102)	(172)
United States dollar (USD)	31	53
	(188)	**(259)**

(ii) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rates on financial assets and financial liabilities are detailed in section (c) of this note.

During the year ended 31 December 2017, interest rate hedges of the Company matured. The breakdown of each hedge is outlined below:

- on 11 August 2014, the Company entered into an interest rate swap of $30 million at a fixed rate of 2.85% per annum. This interest rate hedge matured on 11 August 2017; and
- on 22 December 2014, the Company entered into an interest rate swap of $30 million at a fixed rate of 2.59% per annum. This interest rate hedge matured on 20 December 2017.

These interest rate hedges were repriced on a quarterly basis in advance and settled on a quarterly basis in arrears. The floating rate on the interest rate derivatives was based on the Australian BBSY and BBSW. The Group settle the difference between the fixed and floating interest rate on a net basis.
At 31 December 2016, the interest rate hedges were marked to market and gave rise to a mark to market liability at that date of $481,000 (refer to Note 20(d)).

(B) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group. Credit risk arises from cash and cash equivalents, receivables due from customers and derivative financial instruments.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Customers that do not meet minimum credit criteria are required to pay upfront. Customers who fail to meet their account terms are reviewed for continuing creditworthiness.

Trade receivables consist of a large number of clients, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables, and other receivables balances are monitored on an ongoing basis, with the result that the Group’s exposure to bad debts is not significant. A relatively small number of clients contribute to a significant percentage of the Group’s consolidated revenue. For certain customers, the Group purchases credit insurance to protect itself against collection risks.

Credit risk on derivative contracts is minimised by principally dealing with large banks with an appropriate credit rating.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in Note 10. For trade and other receivables, the Group does not hold any credit derivatives or collateral to offset its credit exposure. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The Group does not consider that there is any significant concentration of credit risk.

(C) LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by targeting a minimum liquidity level, ensuring long-term commitments are managed with respect to forecast available cash inflows, maintaining access to a variety of funding sources including loan facilities, and managing maturity profiles.

Maturities of financial liabilities

The table below provides management's expectation of the maturity analysis of financial liabilities for the Consolidated Entity. The maturity presented for the secured bank loans is on the basis of the term of the committed bank facility notwithstanding that the outstanding amount is subject to period roll overs of one month. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Maturity						
Contractual maturities of financial liabilities As at 31 December 2017	≤6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives							
Trade and other payables (excluding contingent cash settlement and derivatives below)	602,529	—	16,986	—	—	619,515	619,515
Contingent cash settlement	6,697	549	13,124	—	—	20,370	19,720
Finance lease liabilities	570	570	1,776	—	—	2,916	2,741
Secured bank loans	—	—	353,214	—	—	353,214	338,841
Total non-derivatives	**609,796**	**1,119**	**385,100**	**—**	**—**	**996,015**	**980,817**
Derivatives							
Net settled (interest rate swaps)	—	—	—	—	—	—	—

	Maturity						
Contractual maturities of financial liabilities As at 31 December 2016	≤6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives							
Trade and other payables (excluding contingent cash settlement and derivatives below)	640,476	—	18,886	—	—	659,362	659,362
Contingent cash settlement	16,655	—	1,837	5,358	—	23,850	23,035
Finance lease liabilities	636	583	1,142	1,776	—	4,137	3,753
Secured bank loans	—	—	—	380,479	—	380,479	353,649
Total non-derivatives	**657,767**	**583**	**21,865**	**387,613**	**—**	**1,067,828**	**1,039,799**
Derivatives							
Net settled (interest rate swaps)	481	—	—	—	—	481	481

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) FAIR VALUE MEASUREMENTS

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of cash, cash equivalents, and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity.

The fair value of trade receivables less impairment provision and trade payables are assumed to approximate the carrying value due to their short-term nature.

The fair value of assets and liabilities traded in active markets (such as publicly traded shares) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial assets and liabilities that are not traded in an active market is determined by valuing them at the present value of future contracted cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to timing of cash flows.

The fair value of interest rate swaps is determined as the present value of future contracted cash flows.

The Group holds the following financial instruments:

	Consolidated Entity Carrying amount		Consolidated Entity Fair value	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial assets				
Cash and cash equivalents	111,223	87,167	111,223	87,167
Trade and other receivables	522,063	553,376	522,063	553,376
Other financial assets	684	838	684	838
	633,970	**641,381**	**633,970**	**641,381**
Financial liabilities				
Trade and other payables (excluding contingent cash settlement and derivatives)	619,515	659,362	619,515	659,362
Contingent cash settlement	19,720	23,035	19,720	23,035
Finance lease liabilities	2,741	3,753	2,741	3,753
Secured bank loans	338,841	353,649	338,841	353,649
Derivative financial instruments	—	481	—	481
	980,817	**1,040,280**	**980,817**	**1,040,280**

(i) Fair value hierarchy and valuation techniques

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

(a) Level 1 – shares in listed entities

Shares in listed entities are held at fair value with reference to the market price on the New Zealand stock exchange as at 31 December 2017;

(b) 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; and

(c) Level 3 – contingent cash settlement

The fair value of the contingent cash settlement 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.

Recognised fair value measurements

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

As at 31 December 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Entity				
Assets				
Shares in listed entities	684	—	—	684
Total assets	**684**	**—**	**—**	**684**
Liabilities				
Derivatives used for hedging	—	—	—	—
Contingent cash settlement	—	—	(19,720)	(19,720)
Total liabilities	**—**	**—**	**(19,720)**	**(19,720)**

As at 31 December 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Entity				
Assets				
Shares in listed entities	838	—	—	838
Total assets	**838**	**—**	**—**	**838**
Liabilities				
Derivatives used for hedging	—	(481)	—	(481)
Contingent cash settlement	—	—	(23,035)	(23,035)
Total liabilities	**—**	**(481)**	**(23,035)**	**(23,516)**

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

The Group's policy is to recognise transfers into and transfers out of 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 31 December 2017.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) FAIR VALUE MEASUREMENTS (CONTINUED)

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

The following table presents the changes in level 3 instruments for the years ended 31 December 2017 and 31 December 2016:

	Contingent cash settlement $'000	Total $'000
Opening balance at 1 January 2017	(23,035)	(23,035)
Contingent cash settlement payments made	10,809	10,809
Loss on fair value adjustment of contingent cash settlement recognised in expenses	(2,993)	(2,993)
Fair value adjustment of contingent cash settlement recognised in Intangible assets	18	18
Fair value adjustment of contingent cash settlement recognised in other reserves	(4,102)	(4,102)
Interest expense — contingent consideration payable	(590)	(590)
Other	173	173
Closing balance at 31 December 2017	**(19,720)**	**(19,720)**
Opening balance at 1 January 2016	(15,063)	(15,063)
Contingent cash settlement payments made	10,860	10,860
Acquisition of subsidiaries and associates	(2,952)	(2,952)
Loss on fair value adjustment of contingent cash settlement recognised in expenses	(13,545)	(13,545)
Fair value adjustment of contingent cash settlement recognised in the consolidated statement of financial position	(1,587)	(1,587)
Interest expense — contingent consideration payable	(534)	(534)
Other	(214)	(214)
Closing balance at 31 December 2016	**(23,035)**	**(23,035)**

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 31 Dec 17 $'000	Unobservable inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Contingent cash settlement	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 100 basis points would decrease the fair value by $192,560 (2016: $213,671). A decrease in the discount rate by 100 basis points would increase the fair value by $197,448 (2016: $219,865).
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by $566,490 (2016: $1,078,569). If expected cash flows were 5% lower, the fair value would decrease by $549,219 (2016: $594,773).

(E) CAPITAL RISK

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. This is achieved by maintaining a flexible financing structure to be able to fund capital expenditure, new acquisitions and additional amounts payable in respect of past acquisitions and to pay dividends. This policy is balanced against the desire to ensure efficiency in the debt/equity structure of the balance sheet in the longer term through proactive capital management programs.

Borrowing facilities are maintained with the Group's bankers that are sufficient to meet contractual cash obligations arising in the ordinary course of business, details of which are set out in Notes 24 and Note 30. The existing borrowing facilities are subject to various debt covenants.

NOTE 31. SHARE BASED PAYMENTS

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

— Long term incentive plan operating between 1 January 2017 and 31 December 2020; and
— Leader Plan (Restricted Shares Plan) operating between 1 January 2017 and 31 December 2019.

Long term incentive plan (LTIP) - performance rights

As at 31 December 2017, 1,956,522 performance rights over WPP AUNZ Limited ordinary shares were granted to senior executives. Performance rights were granted to executives at no cost as part of the long-term incentives component of their remuneration. The performance rights will vest, subject to achievement of the performance conditions as determined by Remuneration and Nominations Committee. The performance conditions comprising of achievement of the two years' compound annual growth rate in EPS and net sales and an executive satisfying subsequent two years' service period. Any performance rights for which the relevant performance conditions are not satisfied will lapse. Any performance rights that do not vest over the performance period, will be forfeited.

Leader Plan - restricted shares

As at 31 December 2017, 1,145,217 restricted shares were granted to the eligible executives that are not participating in the LTIP, at no cost as part of their remuneration. Restricted shares will vest in three years, subject to an executive's continuous service. No dividends are payable on restricted shares until they vest.

Fair value

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

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

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

Fair value of performance rights granted

The fair value is calculated at grant date of performance rights granted during the year ended 31 December 2017 was $1.08 (2016: $0.59) per share. The model inputs for performance rights granted during the year ended 31 December 2017 included:

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

Fair value price of restricted shares granted

The weighted average fair value at grant date of restricted shares granted during the year ended 31 December 2017 was $1.03 per share. The model inputs for restricted shares granted during the year ended 31 December 2017 included:

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

For the year ended 31 December 2017, the Company has recognised $489,000 share-based payment expense in the profit or loss (2016: $500,000).

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 32. RELATED PARTY DISCLOSURES

(A) ULTIMATE PARENT ENTITY

The ultimate Australian parent entity within the Group is WPP AUNZ Limited and the ultimate parent entity of the Group is WPP plc, incorporated in Jersey.

(B) SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and the controlled entities as listed in Note 37. The Company is the parent entity of the Consolidated Entity.

Transactions between the Company and other entities in the wholly-owned group during the years ended 31 December 2017 and 31 December 2016 consisted of:

— loans advanced by/repaid to the Company;
— loans advanced to/repaid by the Company;
— the payment of interest on the above loans;
— the payment of dividends and trust distributions to the Company; and
— the provision of accounting and administrative assistance.

With the exception of interest-free loans provided by the Company, all other transactions were on commercial terms and conditions.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(C) TRANSACTIONS WITH RELATED PARTIES

Transactions between the Group and WPP plc related parties, joint ventures and associates during the year ended 31 December 2017 consisted of ($'000):

— sale of goods and services to related parties: $19,348 (2016: $18,861);
— purchase of goods and services from related parties: $70,176 (2016: $73,859);
— dividends received from joint ventures and associates: $2,923 (2016: $2,885);
— net trade payables to related parties: $12,410 (2016: $19,892);
— loans owing from related parties: $2,695 (2016: $3,966);
— loans owing to related parties: $17,876 (2016: $18,964); and
— service fee to WPP plc: $21,501 (2016: $17,191).

The Management Fee Framework Agreement sets an aggregate fee that will be paid by WPP AUNZ Limited 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 net sales of the global brand network businesses. The Annual Fee will be calculated and paid on an annual basis after the end of each financial year.

NOTE 33. BUSINESS COMBINATIONS

During the year ended 31 December 2017

There were no business acquisitions during the year ended 31 December 2017.

During the year ended 31 December 2016

On 8 April 2016, shareholders of the Company approved the Transaction, 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 and WPP Holdings (NZ) Limited, subsidiaries 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) then held the remaining shares on issue in the Company.

The acquired businesses contributed revenues of $418.6 million and headline profit of $38.6 million to the Group for the period between April 2016 to December 2016. If the acquisitions had occurred on 1 January 2016, consolidated revenue for the year ended 31 December 2016 would have been higher by $116.8 million and the headline profit for the year ended 31 December 2016 would have been higher by $3.9 million.

The goodwill acquired was attributable to the high profitability of the acquired business and synergies expected to arise after the Company's acquisition of the new controlled entities. The methods used in determining the fair value of assets and liabilities acquired are summarised in Notes 1(i) and 1(o).

The Group's 2016 annual financial statements included provisional fair values for assets and liabilities acquired in the business combination. Accounting for the business combination was completed in the first half of the 2017 year. Measurement period adjustments have been made which decrease the fair value of trade and other receivables at the acquisition date by $1.7 million, decrease current tax assets by $1.5 million, decrease trade and other payables by $0.8 million and increase goodwill by $2.4 million.

On 1 July 2016, STW Media Services Pty Limited ("SMS") acquired an additional 51% of Paragon Design Group Pty Limited ("Paragon"), thereby increasing SMS's ownership to 100%. Paragon is a full service advertising agency which operates out of Sydney. The total purchase consideration was $2.8 million for Paragon's net identifiable assets of $1.5 million and the goodwill acquired was $1.3 million.

NOTE 34. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

During the year ended 31 December 2017, the Company acquired the non-controlling interest of 25% in Switched on Media Pty Limited.

During the year ended 31 December 2017, the Company acquired an additional 19% in STW Geometry Holdings Pty Limited, thereby increasing its ownership to 70%. In addition there is a put/call arrangement over the remaining non-controlling interest of 30%. The fair value of this put/call arrangement has been recorded as part of other reserves.

During the year ended 31 December 2016, there were numerous buy-outs of non-controlling interests, with only the acquisition of non-controlling interests as a result of the Transaction being material.

	2017 $'000	2016 $'000
Equity issued	—	(34,576)
Carrying amount of non-controlling interests	(9,832)	42,319
Consideration paid to non-controlling interests	(1,476)	(1,326)
Excess of consideration (paid for)/received from recognised in the transactions with non-controlling interests reserve within equity	**(11,308)**	**6,417**

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 35. EXPENDITURE COMMITMENTS

(A) CAPITAL EXPENDITURE COMMITMENTS

As at 31 December 2017, the Group had no commitments for capital expenditure (2016: $Nil).

(B) OPERATING LEASE COMMITMENTS

The Group leases various offices with terms of between one and ten years and renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases. There are no contingent rentals payable. No assets under operating leases have been sublet to third parties.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2017 are as follows:

	Consolidated Entity	
	2017 $'000	2016 $'000
Within one year	34,647	33,888
Later than one year and not later than five years	78,041	55,361
Later than five years	9,848	10,997
	122,536	**100,246**
Share of joint ventures and associates' operating lease commitments	**587**	**509**

(C) OBLIGATIONS UNDER FINANCE LEASE

The Group leased certain of its assets under finance lease. The lease term is five years. The interest rate underlying the obligations under the finance lease is 6.42% per annum. The Group has options to purchase the assets for a nominal amount at the end of the lease term. The Group's obligations under finance lease are secured by the lessor's title to the leased assets.

	Minimum lease payments		Present value of minimum lease payments	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Within one year	1,140	1,214	995	1,012
Later than one year and not later than five years	1,772	2,912	1,746	2,741
Later than five years	—	—	—	—
	2,912	**4,126**	**2,741**	**3,753**
Less: future finance charges	(171)	(373)	—	—
Present value of minimum lease payments	**2,741**	**3,753**	**2,741**	**3,753**

	Consolidated Entity	
	2017 $'000	2016 $'000
Included in the consolidated financial statements as:		
Current liabilities - borrowings	995	1,012
Non-current liabilities - borrowings	1,746	2,741
	2,741	**3,753**

NOTE 36. CONTINGENT LIABILITIES

The Consolidated Entity had contingent liabilities in respect of:

	Consolidated Entity	
	2017 $'000	2016 $'000
Bank guarantees	**21,137**	**25,656**

(A) LEGAL AND REGULATORY PROCEEDINGS

The Group has been involved from time to time in various claims and proceedings arising from the conduct of its business. There are currently no claims or proceedings, either individually or in aggregate, which are likely to have a material effect on the Group's financial position. The Group maintains insurance cover to minimise the potential effects of such claims, and where appropriate provisions have been made.

(B) GUARANTEES

The Company has provided various bank guarantees totalling $21,137,070 (2016: $25,655,564) on behalf of various controlled entities, joint ventures and associates. These guarantees will give rise to a liability for the Consolidated Entity if the various controlled entities, joint ventures and associates do not meet their obligations under the terms of the lease agreements.

The bank loan facility totalling $520,000,000 (2016: $520,000,000) 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.

Cross guarantees given by WPP AUNZ Limited are described in Note 38.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 37. SUBSIDIARIES

LIST OF SUBSIDIARIES

The consolidated financial statements include the financial statements of WPP AUNZ Limited and its controlled entities listed in the following table:

	Type of share/unit	Ownership interest 2017	Ownership interest 2016	Country of incorporation/ formation
Hoed Holdings Pty Limited	**Ordinary**	**100%**	**100%**	**Australia**
Possible Australia Pty Ltd and its controlled entities	**Ordinary**	**100%**	**100%**	**Australia**
– Young & Rubicam Brands Holdings Pty Ltd and its controlled entities	Ordinary	100%	100%	Australia
– Young & Rubicam Group Holdings Pty Ltd	Ordinary	100%	100%	Australia
WPP AUNZ Analytics Pty Ltd (formerly STW Media Pty Limited)*	**Ordinary**	**100%**	**100%**	**Australia**
– Ikon Communications Pty Limited*	Ordinary	100%	100%	Australia
STW Media Services Pty Limited and its controlled entities*	**Ordinary**	**100%**	**100%**	**Australia**
– Active Sites Alive Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
– Active Display Group (Asia) Limited	Ordinary	100%	100%	Hong Kong
– Boxlink Pty Limited	Ordinary	80%	80%	Australia
– Adcast Group Pty Ltd	Ordinary	100%	100%	Australia
– Added Value Australia Pty Limited*	Ordinary	100%	100%	Australia
– Alpha Salmon Pty Limited	Ordinary	100%	100%	Australia
– STW Group Asia Management Pte Limited	Ordinary	100%	100%	Singapore
– AMR Interactive Pty Ltd*	Ordinary	100%	100%	Australia
– Badjar Ogilvy Pty Limited*	Ordinary	100%	100%	Australia
– Badjar Advertising Pty Limited	Ordinary	100%	100%	Australia
– Buchanan Advertising (Australia) Pty Limited*	Ordinary	100%	100%	Australia
– Burson-Marsteller Pty Ltd*	Ordinary	100%	100%	Australia
– Cohn & Wolfe Australia Pty Ltd* (iv)	Ordinary	100%	—	Australia
– Colloquial Australia Pty Limited (formerly Carl Byoir & Associates Australia Pty. Limited)	Ordinary	100%	100%	Australia
– Colmar Brunton Pty Limited	Ordinary	80.62%	80.62%	Australia
– Cornwell Design Pty Limited*	Ordinary	100%	100%	Australia
– Customer Brand Services Pty Limited ATF CBS Marketing Trust	Ordinary	100%	100%	Australia
– Designworks (Melbourne) Pty Limited*	Ordinary	100%	100%	Australia
– DT Digital Pty Limited*	Ordinary	100%	100%	Australia
– DT Millipede Pty Limited*	Ordinary	100%	100%	Australia
– Finance Plus Australia Pty Limited*	Ordinary	100%	100%	Australia
– Green Five Pty Limited	Ordinary	100%	100%	Australia
– Shift Communications Pty Limited	Ordinary	100%	100%	Australia
– Grey Australia New Zealand Pty. Limited* (iii)	Ordinary	100%	100%	Australia
– Daipro Pty. Ltd. ATF Grey Services Unit Trust	Ordinary	100%	100%	Australia
– Grey Canberra Pty Ltd ATF Grey Canberra Unit Trust	Ordinary	100%	100%	Australia
– Grey Global Group Australia Pty Ltd* (iii)	Ordinary	100%	100%	Australia
– Graffiti Group Pty Ltd	Ordinary	55%	55%	Australia
– Greyhealth Australia Pty Ltd ATF Grey Healthcare Unit Trust	Ordinary	100%	100%	Australia
– Grey Worldwide Pty Ltd*	Ordinary	100%	100%	Australia
– Jay Grey Pty Ltd*	Ordinary	100%	100%	Australia

	Type of share/unit	Ownership interest 2017	2016	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
– GroupM Communications Pty Ltd*	Ordinary	100%	100%	Australia
– GTB Australia Pty Limited (formerly Blue Hive Australia Pty Limited)*	Ordinary	100%	100%	Australia
– Haylix Services Pty Limited	Ordinary	100%	100%	Australia
– Heath Wallace Australia Pty Limited	Ordinary	87.5%	87.5%	Australia
– Hill and Knowlton Australia Pty. Limited*	Ordinary	100%	100%	Australia
– Human Communications Pty Limited*	Ordinary	100%	100%	Australia
– Ikon Communications (Melbourne) Pty Limted*	Ordinary	100%	100%	Australia
– I.M Advertising Pty Limited	Ordinary	70%	70%	Australia
– I.M Promos Pty Limited	Ordinary	100%	100%	Australia
– Issues & Images (Holdings) Pty Limited and its controlled entities	Ordinary	100%	100%	Australia
– The Issues & Images Group Pty Limited	Ordinary	100%	100%	Australia
– Designworks (Sydney) Pty Limited*	Ordinary	100%	100%	Australia
– KBM Group Australia Pty Ltd	Ordinary	100%	100%	Australia
– L'Atelier Media Pty Ltd (formerly Mediacompete Pty Ltd)*	Ordinary	100%	100%	Australia
– Landor Associates Pty Limited*	Ordinary	100%	100%	Australia
– Lawrence Creative Strategy Pty Limted*	Ordinary	100%	100%	Australia
– Marketing Communications Holdings Australia Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
– Chameleon Digital Systems Pty. Ltd.*	Ordinary	100%	100%	Australia
– J. Walter Thompson Australia Pty. Limited*	Ordinary	100%	100%	Australia
– Webling Pty Ltd	Ordinary	75%	75%	Australia
– Markitforce Group Pty Limited ATF Markitforce Group Unit Trust	Ordinary	100%	100%	Australia
– Maverick Marketing and Communications Pty Limited	Ordinary	80%	80%	Australia
– Mayko Trading Pty Ltd	Ordinary	72.5%	72.5%	Australia
– Wunderman Pty Limited	Ordinary	100%	100%	Australia
– Mediacom Australia Pty Limited*	Ordinary	100%	100%	Australia
– Millward Brown Pty Ltd*	Ordinary	100%	100%	Australia
– M Media Group Pty Ltd*	Ordinary	100%	100%	Australia
– Motivator Media Pty Ltd*	Ordinary	100%	100%	Australia
– Sibling Agency Pty Ltd (formerly Moon Communications Pty Limited)*	Ordinary	100%	100%	Australia
– WPP AUNZ Solutions Pty Ltd	Ordinary	100%	100%	Australia
– Agile Content Productions Pty Ltd	Ordinary	100%	100%	Australia
– Ogilvy Commonhealth Pty Ltd*	Ordinary	100%	100%	Australia
– Ogilvy Public Relations Worldwide Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
– Cannings Advisory Services Pty Limited*	Ordinary	100%	100%	Australia
– Cannings Corporate Communication Pty Limited ATF Cannings Unit Trust	Ordinary	100%	100%	Australia
– Howorth Communications Pty. Limited*	Ordinary	100%	100%	Australia
– Pulse Communications Pty Limited*	Ordinary	100%	100%	Australia

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 37. SUBSIDIARIES (CONTINUED)

LIST OF SUBSIDIARIES (CONTINUED)

	Type of share/unit	Ownership interest 2017	Ownership interest 2016	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
– Impact Employee Communications Pty Limited*	Ordinary	100%	100%	Australia
– Ogilvy PR Health Pty Ltd*	Ordinary	100%	100%	Australia
– Parker & Partners Pty Ltd*	Ordinary	100%	100%	Australia
– Origami Pty Ltd* (iv)	Ordinary	100%	—	Australia
– Outrider Australia Pty Ltd*	Ordinary	100%	100%	Australia
– Oxygen Learning Pty Limited (trading as Phuel)*	Ordinary	100%	100%	Australia
– The Paragon Design Group Pty Limited*	Ordinary	100%	100%	Australia
– Peach Advertising Pty Limited	Ordinary	100%	100%	Australia
– Picnic Software Pty Limited	Ordinary	90%	90%	Australia
– Play Communications Pty Ltd	Ordinary	75%	75%	Australia
– Prism Team Australia Pty Ltd*	Ordinary	100%	100%	Australia
– Research International Australia Pty Ltd	Ordinary	100%	100%	Australia
– Senior Minds Pty Limited*	Ordinary	100%	100%	Australia
– Singleton Ogilvy & Mather (Holdings) Pty Limited and its controlled entities* (iii)	Ordinary	100%	100%	Australia
– Barton Deakin Pty Limited*	Ordinary	100%	100%	Australia
– Bento Productions Pty Limited	Ordinary	100%	100%	Australia
– Bullseye Group Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
– Bullseye (Asia Pacific) Pty Limited	Ordinary	100%	100%	Australia
– Bullseye Digital (New Zealand) Limited	Ordinary	100%	100%	New Zealand
– PT Bullseye	Ordinary	100%	100%	Indonesia
– Hawker Britton Group Pty Limited*	Ordinary	100%	100%	Australia
– Neo@Ogilvy Pty Limited*	Ordinary	100%	100%	Australia
– Ogilvy & Mather (Sydney) Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
– Ethnic Communications Pty Limited*	Ordinary	100%	100%	Australia
– OgilvyAction Pty Limited	Ordinary	100%	100%	Australia
– Singleton Ogilvy & Mather (Melbourne) Pty Limited	Ordinary	100%	100%	Australia
– Singleton Ogilvy One Pty Limited	Ordinary	100%	100%	Australia
– Ogilvy Red Consulting Pty Limited	Ordinary	100%	100%	Australia
– Hogarth Australia Pty Ltd (formerly One20 Pty Limited)*	Ordinary	100%	100%	Australia
– Red Tape Commercials Pty Limited*	Ordinary	100%	100%	Australia
– Carnival Productions Pty Ltd	Ordinary	100%	100%	Australia
– Singleton OgilvyInteractive Pty Limited	Ordinary	100%	100%	Australia
– Singleton Ogilvy & Mather (NZ) Limited and its controlled entities	Ordinary	100%	100%	New Zealand
– Ogilvy New Zealand Limited	Ordinary	85%	85%	New Zealand
– Geometry Global Ltd	Ordinary	100%	100%	New Zealand
– STW Group Asia Holdings Pte Limited	Ordinary	100%	100%	Singapore
– Aleph Pte Limited and its controlled entities	Ordinary	65%	65%	Singapore
– Antics International Holdings Limited	Ordinary	100%	100%	Hong Kong
– Antics Studios Pte Limited	Ordinary	100%	100%	Singapore
– Buchanan Group Holdings Pte Limited	Ordinary	100%	100%	Singapore
– Buchanan Advertising (Canada) Inc.	Ordinary	100%	100%	Canada

	Type of share/unit	Ownership interest 2017	Ownership interest 2016	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
– Buchanan Advertising (Malaysia) Sdn. Bhd	Ordinary	100%	100%	Malaysia
– Buchanan Advertising (Russia)	Ordinary	100%	100%	Russia
– Buchanan Advertising (UK) Limited	Ordinary	100%	100%	United Kingdom
– Buchanan Advertising (US) LLC	Ordinary	100%	100%	USA
– Buchanan Licensing Singapore Pte Ltd	Ordinary	100%	100%	Singapore
– STW Group Investments Pte Limited	Ordinary	100%	100%	Singapore
– Edge Marketing Limited and its controlled entities	Ordinary	100%	100%	British Virgin Islands
– Edge Asia Holdings Pte Limited	Ordinary	100%	100%	Singapore
– Edge Marketing Limited	Ordinary	100%	100%	Hong Kong
– The New Media Edge Company Limited	Ordinary	100%	100%	Thailand
– Mindcookies Company Limited	Ordinary	100%	100%	Thailand
– Edge Marketing Vietnam Limited	Ordinary	100%	100%	Vietnam
– STW Geometry Holdings Pty Limited (iii)	Ordinary	70%	51%	Australia
– Ogilvy Action 2012 Pty Ltd (iii)	Ordinary	100%	51%	Australia
– Geometry Global Pty Ltd (iii)	Ordinary	100%	100%	Australia
– Evocatif Pty Ltd (iii)	Ordinary	100%	100%	Australia
– ICRE8 Pty Ltd (iii)	Ordinary	100%	100%	Australia
– Geometry (Sydney) Pty Limited (iii)	Ordinary	100%	67.77%	Australia
– The Store WPP AUNZ Pty Ltd (formerly STW Perfect Store Pty Limited)*	Ordinary	100%	100%	Australia
– STW Smollan Field Marketing Pty Limited	Ordinary	51%	51%	Australia
– Smollan Australia Pty Limited	Ordinary	100%	100%	Australia
– Sudler & Hennessey Australia Pty Ltd*	Ordinary	100%	100%	Australia
– Switched on Media Pty Limited*(ii)	Ordinary	100%	75%	Australia
– Switchedonmedia Services UK Limited	Ordinary	100%	100%	United Kingdom
– Taylor Nelson Sofres Australia Pty Limited*	Ordinary	100%	100%	Australia
– Team Red Communications Pty Limited	Ordinary	100%	100%	Australia
– The Brand Agency Pty Limited ATF Brand Agency Unit Trust	Ordinary	84%	84%	Australia
– TBA Communications Ltd	Ordinary	100%	100%	New Zealand
– The Brand Agency Limited	Ordinary	100%	100%	United Kingdom
– The Campaign Palace Pty Limited	Ordinary	100%	100%	Australia
– The Punch Agency Pty Limited	Ordinary	100%	100%	Australia
– TheMissingLink Pty Limited*	Ordinary	100%	100%	Australia
– The Origin Agency Pty Limited*	Ordinary	100%	100%	Australia
– Tribe Marketing Pty Limited	Ordinary	100%	100%	Australia
– The Online Research Unit Pty Ltd	Ordinary	100%	100%	Australia
– White Digital Pty Limited*	Ordinary	100%	100%	Australia
– SBS Asia Pacific Pty Limited	Ordinary	100%	100%	Australia
– New Dialogue Pty Limited (trading as Tongue)	Ordinary	100%	100%	Australia
– Wavemaker Australia Pty Limited (formerly Mediaedge:CIA Pty. Limited)*	Ordinary	100%	100%	Australia
– WPP Holdings (Australia) Pty Limited*	Ordinary	100%	100%	Australia

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 37. SUBSIDIARIES (CONTINUED)
LIST OF SUBSIDIARIES (CONTINUED)

	Type of share/unit	Ownership interest 2017	Ownership interest 2016	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
– WPPAUNZ Team Red Pty Ltd (formerly Premier Automotive Advertising Pty Limited)*	Ordinary	100%	100%	Australia
– WPP Holdings (New Zealand) Limited	Ordinary	100%	100%	New Zealand
– Assignment Group New Zealand Limited	Ordinary	100%	100%	New Zealand
– Designworks (NZ) Limited (i)	Ordinary	91.4%	91.4%	New Zealand
– Designworks Strategic Branding Pte Ltd (formerly One20 Asia Pte Limited)	Ordinary	100%	100%	Singapore
– DT Digital Ltd	Ordinary	100%	100%	New Zealand
– Chemistry Media Limited	Ordinary	100%	100%	New Zealand
– Financial & Media Services (NZ) Limited	Ordinary	100%	100%	New Zealand
– Ikon Communications (NZ) Limited	Ordinary	100%	100%	New Zealand
– GroupM New Zealand Limited	Ordinary	100%	100%	New Zealand
– J. Walter Thompson International (NZ) Limited	Ordinary	100%	100%	New Zealand
– Heyday Limited	Ordinary	75%	75%	New Zealand
– Millward Brown NZ Limited	Ordinary	100%	100%	New Zealand
– Colmar & Brunton Research Limited	Ordinary	83.83%	83.83%	New Zealand
– NFO Worldgroup N.Z. Holdings Limited	Ordinary	100%	100%	New Zealand
– TNS New Zealand Limited	Ordinary	100%	100%	New Zealand
– STW Group (NZ) Limited	Ordinary	100%	100%	New Zealand
– Union Digital Limited	Ordinary	68.33%	68.33%	New Zealand
– Young & Rubicam Holdings Limited	Ordinary	100%	100%	New Zealand
– Y & R Limited	Ordinary	100%	100%	New Zealand
– Yellow Edge Pty Limited	Ordinary	84%	84%	Australia
– Young & Rubicam Group Pty Limited*	Ordinary	100%	100%	Australia
– Expanded Media Holdings Pty Limited	Ordinary	100%	100%	Australia
– Blaze Advertising Pty Ltd*	Ordinary	100%	100%	Australia
– Expanded Media Investments Pty Limited	Ordinary	100%	100%	Australia
– PR Dynamics Australia Pty Limited*	Ordinary	100%	100%	Australia
– Professional Public Relations Pty Ltd	Ordinary	85%	85%	Australia
– ITX Corporation Pty Ltd	Ordinary	100%	100%	Australia
– Professional Public Relations NZ Holdings Limited	Ordinary	100%	100%	New Zealand
– PR Dynamics Limited	Ordinary	100%	100%	New Zealand
– Professional Public Relations NZ Limited	Ordinary	100%	100%	New Zealand
– George Patterson Y & R Pty Limited*	Ordinary	100%	100%	Australia
– George Patterson Partners Pty Limited*	Ordinary	100%	100%	Australia
– Y&R Group Pty Limited*	Ordinary	100%	100%	Australia
– Group Employee Services Pty Limited*	Ordinary	100%	100%	Australia
– Ideaworks (Holdings) pty Ltd	Ordinary	100%	100%	Australia
– ABKP Ideaworks Pty Ltd*	Ordinary	100%	100%	Australia
– VML Digital Pty Limited*	Ordinary	100%	100%	Australia

(i) With put and call option agreements in place for these entities, the Group's policy is to consolidate the entity's target earnings and statement of financial position based on the ultimate future ownership (refer to Note 1(c)(i)).
(ii) During the year, the Company purchased the remaining 25% of Switched on Media Pty Limited.
(iii) During the year, these entities were involved within an internal restructure which resulted in changes in ownership for the Company as a result.
(iv) The Company was involved in several new internal start-ups.

* These subsidiaries have been granted relief from the necessity to prepare a financial report in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

NOTE 38. DEED OF CROSS GUARANTEE

WPP AUNZ Limited and certain of its Australian wholly-owned entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

(A) CONSOLIDATED STATEMENT OF PROFIT OR LOSS, CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The above companies represent a closed group for the purpose of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by WPP AUNZ Limited, they also represent the extended closed group.

Set out below is a consolidated statement of profit or loss, a consolidated statement of profit or loss and other comprehensive income and a consolidated statement of financial position as relevant for the year ended, or as at 31 December 2017 of the closed group consisting of WPP AUNZ Limited and its relevant controlled entities:

	2017 $'000	2016 $'000
Consolidated statement of profit or loss		
Profit before income tax	80,916	74,600
Income tax expense	(16,260)	(17,876)
Net profit	**64,656**	**56,724**
Consolidated statement of profit or loss and other comprehensive income		
Net profit	**64,656**	**56,724**
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated statement of profit or loss		
Fair value gain on cash flow hedges taken to equity	487	511
Income tax expense relating to components of other comprehensive income	(144)	(153)
Other comprehensive income (net of tax)	343	358
Total comprehensive income	**64,999**	**57,082**

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 38. DEED OF CROSS GUARANTEE (CONTINUED)

(A) CONSOLIDATED STATEMENT OF PROFIT OR LOSS, CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Consolidated statement of financial position	2017 $'000	2016* $'000
Current assets		
Cash and cash equivalents	56,678	54,252
Trade and other receivables	455,119	441,253
Inventories	14,083	12,404
Current tax assets	—	12,253
Other current assets	62,023	57,982
Total current assets	**587,903**	**578,144**
Non-current assets		
Other receivables	72,680	62,079
Investments accounted for using the equity method	13,483	17,103
Other financial assets	231,434	161,425
Plant and equipment	38,803	33,170
Deferred tax assets	30,653	25,101
Intangible assets	939,819	1,025,485
Other non-current assets	865	2,703
Total non-current assets	**1,327,737**	**1,327,066**
Total assets	**1,915,640**	**1,905,210**
Current liabilities		
Trade and other payables	620,862	627,589
Borrowings	992	1,012
Current tax liability	22,970	—
Provisions	22,503	21,825
Total current liabilities	**667,327**	**650,426**
Non-current liabilities		
Other payables	13,748	25,350
Borrowings	340,587	356,390
Deferred tax liabilities	92,262	87,733
Provisions	3,584	2,245
Total non-current liabilities	**450,181**	**471,718**
Total liabilities	**1,117,508**	**1,122,144**
Net assets	**798,132**	**783,066**
Equity		
Issued capital	736,631	736,631
Reserves	27,670	27,946
Retained earnings	33,831	18,489
Total equity	**798,132**	**783,066**

* Refer to Note 1 on changes in accounting policies.

NOTE 39. AUDITORS' REMUNERATION

	Consolidated Entity	
	2017 $	2016 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
– an audit of the financial report of the entity and any other entity in the Consolidated Entity	1,560,000	2,083,000
– tax consulting	—	88,680
– tax compliance services in relation to the entity and any other entity in the Consolidated Entity	—	207,060
– other services	55,000	28,000
Amounts received or due and receivable by Deloitte International Associates — Services provided to international subsidiaries		
– an audit or review of the financial report of the New Zealand subsidiaries	232,000	335,000
	1,847,000	**2,741,740**

NOTE 40. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the end of the year, the following events occurred:

— the Directors declared the payment of a fully franked final dividend of 4.2 cents per fully paid ordinary share, with a record date of 29 March 2018 and payable on 6 April 2018 (2016 final dividend: 3.9 cents per share).

— on 19 February 2018, STW Media Services Pty Ltd executed an agreement to purchase 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.

Apart from the items disclosed above, there has not arisen, in the interval between the end of the 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 Group, the results of those operations, or the state of affairs of the Group, in future periods.

Notes to the financial statements for the year ended 31 December 2017 (continued)

NOTE 41. PARENT ENTITY FINANCIAL INFORMATION

(A) FINANCIAL POSITION AND PERFORMANCE OF THE PARENT ENTITY

The individual financial statements for the Parent Entity show the following aggregate amounts:

	Parent Entity	
	2017 $'000	2016 $'000
Statement of financial position		
Current assets	58,767	23,487
Non-current assets	1,314,719	1,247,352
Total assets	**1,373,486**	**1,270,839**
Current liabilities	300,422	162,692
Non-current liabilities	340,906	366,045
Total liabilities	**641,328**	**528,737**
Net assets	**732,158**	**742,102**
Equity		
Issued capital	736,631	736,631
Reserves	862	121
Retained earnings	(5,335)	5,350
Total equity	**732,158**	**742,102**
Net profit	40,444	35,897
Total comprehensive income	**40,787**	**36,255**

(B) CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Parent Entity had contingent liabilities in respect of:

	2017 $'000	2016 $'000
Bank guarantees	21,137	25,656

The Company has provided various bank guarantees totalling $21,137,070 (2016: $25,655,564) on behalf of various controlled entities, joint ventures and associates. These guarantees will give rise to a liability for the Consolidated Entity if the various controlled entities, joint ventures and associates do not meet their obligations under the terms of the lease agreements.

Bank facility totalling $520,000,000 (2016: $520,000,000) are secured by a cross guarantee and indemnity by and between the Company and certain subsidiaries, as outlined in Note 24.

Cross guarantees given by WPP AUNZ Limited are described in Note 38.

Directors' declaration

The Directors of WPP AUNZ Limited declare that:

(a) 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;

(b) in the Directors' opinion, the accompanying financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

(c) in the Directors' opinion, the accompanying financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position at 31 December 2017 and performance for the year ended 31 December 2017, of the Company and the Consolidated Entity; and

(d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by Australian Securities and Investments Commission Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the members of the extended closed group identified in Note 38 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 38.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001:

Robert Mactier	**Michael Connaghan**
Chairman	Chief Executive Officer

Sydney, 23 February 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of WPP AUNZ Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
CARRYING VALUE OF INTANGIBLE ASSETS INCLUDING GOODWILL As disclosed in note 18, at 31 December 2017, the Group has intangible assets of $1,235 million. The evaluation of the recoverable amount requires the exercise of significant judgement. The recoverability of the intangible assets of Data Investment Management ($183 million) and the Public Relations & Public Affairs ($91 million) cash generating units, are the most sensitive to changes in assumptions. The key assumptions include: — Revenue and EBIT Margin Growth rates; — Terminal growth factor; and — Discount rate. The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets including goodwill in relation to the Data Investment Management and the Public Relations & Public Affairs cash generating units is a key audit matter. Refer Notes 1Q, 2(i) and 18 of the financial report.	Our procedures, performed in conjunction with our valuation specialists, included but were not limited to: — Understanding the process that management had undertaken to perform the impairment assessment; — assessing and challenging: • the FY18 budget by comparing the budget to the FY17 and FY16 actual results; • the assumptions used for the growth rate by comparing to the relevant industry forecast growth rate and assumptions for forecast EBIT Margins through inspection of supporting evidence of future cost savings; • the key assumptions for terminal growth rate in the forecast cash flows by comparing them to historical results and industry forecasts; and • the discount rate applied by comparing the WACC to a WACC independently calculated by our valuation specialists. — testing, on a sample basis, the mathematical accuracy of the cash flow models; — agreeing the inputs in the cash flow models to relevant data including approved budgets and latest forecasts; — performing sensitivity analyses in relation to key assumptions including discount rate, growth rate and terminal value; and — assessing the appropriateness of the disclosures including those relating to sensitivities in the assumptions used, included in Notes 1Q, 2(i) and 18.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report. The other information also includes the following documents which will be included in the annual report (but does not include the financial report and our auditor's report thereon): The "Board of Directors", Chairman's Address, CEO's Report and ASX Additional Information which are expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the "The Board of Directors", Chairman's Address, CEO's Report and ASX Additional Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

OPINION ON THE REMUNERATION REPORT

We have audited the Remuneration Report which forms part of the directors' report and is included in the annual report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of WPP AUNZ Limited, for the year ended 31 December 2017, complies with section 300A of the Corporations Act 2001.

RESPONSIBILITIES

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 23 February 2018

ASX additional information as at 13 March 2018

Additional information required by the Australian Securities Exchange ("ASX") and not shown elsewhere in this report is as follows. The information is current as at 13 March 2018 unless otherwise stated.

(A) DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, in each class of shares is:

	Ordinary shares	
	Number of holders	**Number of shares**
1 - 1,000	1,526	559,231
1,001 - 5,000	1,390	4,065,891
5,001 - 10,000	804	6,348,352
10,001 - 100,000	1,227	35,712,726
100,001 and over	94	805,465,670
	5,041	**852,151,870**

(B) MARKETABLE PARCEL

The number of shareholders holding less than a marketable parcel of shares (i.e. $500 worth of shares) is 1,071. In accordance with ASX Business Rules, the last sale price of the Company's shares on the ASX on 13 March 2018 was used to determine the number of shares in a marketable parcel.

(C) TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest holders of quoted shares are:

	Quoted Ordinary shares	
	Number of shares	**Percentage of shares**
Cavendish Square Holdings BV	524,042,123	61.50
HSBC Custody Nominees (Australia) Limited	122,569,071	14.38
JP Morgan Nominees Australia Limited	56,231,162	6.60
Citicorp Nominees Pty Limited	40,094,098	4.71
National Nominees Limited	22,433,216	2.63
Citicorp Nominees Pty Limited (Colonial First State INV A/C)	6,817,000	0.80
UBS Nominees Pty Ltd	4,456,243	0.52
BNP Paribas Noms Pty Ltd (DRP)	3,765,235	0.44
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	2,883,393	0.34
HSBC Custody Nominees (Australia) Limited - GSCO ECA	2,875,479	0.34
CPU Share Plans Pty Ltd	1,135,929	0.13
Aust Executor Trustees Ltd (Henroth Pty Limited)	893,130	0.10
Leithner & Company Pty Ltd	825,000	0.10
Kilcare Holdings Pty Ltd (The Kilcare A/C)	700,000	0.08
JE & FJ Cunningham Superannuation Pty Ltd (JE & FJ Cunningham S/F A/C)	681,463	0.08
Boathol Pty Ltd (Lord S/F A/C)	600,000	0.07
Mr. Michael Lewis Connaghan (Connaghan Nominees P/L A/C)	513,140	0.06
CS Third Nominees Pty Limited (HSBC Cust Nom AU Ltd 13 A/C)	396,155	0.05
Mrs Cindy Bee Har Koo	391,270	0.05
Dental Union of Australia Pty Ltd (Ian Weatherlake S/F A/C)	357,368	0.04
	792,660,475	**93.02**

(D) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Quoted Ordinary shares	
	Number of shares	Percentage of shares
Cavendish Square Holdings BV (i)	524,042,123	61.50

(i) Cavendish Square Holdings BV is a wholly-owned subsidiary of WPP plc.

(E) VOTING RIGHTS

At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and, on a poll, one vote for each share.

Corporate directory

DIRECTORS
Robert Mactier (Chairman)
Michael Connaghan (Chief Executive Officer)
Paul Richardson
Graham Cubbin
Kim Anderson
Paul Heath
Ranjana Singh
John Steedman
Jon Steel
Geoffrey Wild

CHIEF EXECUTIVE OFFICER
Michael Connaghan

CHIEF FINANCIAL OFFICER/COMPANY SECRETARY
Chris Rollinson

AUDITOR
Deloitte Touche Tohmatsu

REGISTERED OFFICE
1 Kent Street
Millers Point NSW 2000
Telephone: (02) 9290 7500

SHARE REGISTRY
Computershare Investor Services Pty Limited

Level 3
60 Carrington Street
Sydney NSW 2000
Telephone: (02) 8234 5000

WEBSITE ADDRESS
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