22 February 2019

Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

WPP AUNZ LIMITED – 31 DECEMBER 2018

Please find attached the following documents relating to the WPP AUNZ Limited (ASX: WPP) results for the year ended 31 December 2018:

- ASX Appendix 4E; and
- Annual Report.

Yours faithfully

Chris Rollinson
Chief Financial Officer

T. + 61 2 9290 7500 wppaunz.com
1 Kent Street, Millers Point NSW 2000

ASX APPENDIX 4E
PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

WPP AUNZ LIMITED
ABN 84 001 657 370

APPENDIX 4E
WPP AUNZ LIMITED

Name of entity

WPP AUNZ Limited

ABN or equivalent company reference	Year ended ('current period')	Year ended ('previous period')
84 001 657 370	**31 December 2018**	**31 December 2017**

Results for announcement to the market

In A$'000's (unless otherwise noted)

Revenues from ordinary activities	down	0.4%	to	$1,057,247
Loss from ordinary activities after tax attributable to members – Reported	down	123.3%	to	($17,095)
Net loss for the year attributable to members – Reported	down	123.3%	to	($17,095)
Earnings per share – Basic	down	123.3%	to	(2.0)¢
Earnings per share – Diluted	down	123.3%	to	(2.0)¢
Headline results				
Net profit for the year attributable to members - Headline	down	14.5%	to	$71,451
Earnings per share – Headline profit	down	14.5%	to	8.4¢

Dividends	Amount per security	Franked amount per security at 30%
Current Year:		
Final dividend declared subsequent to 31 December 2018	4.0¢	4.0¢
Interim dividend declared (paid 3 October 2018)	2.3¢	2.3¢
Previous Year:		
Final dividend declared subsequent to 31 December 2017 (paid 6 April 2018)	4.2¢	4.2¢
Interim dividend declared (paid 3 October 2017)	2.1¢	2.1¢
Record date for determining entitlements to the dividend	29 March 2019	
Date dividend is payable	5 April 2019	

A dividend reinvestment plan ("DRP") will not apply to the final dividend.

	Consolidated Entity 2018	Consolidated Entity 2017
Net tangible asset backing per ordinary share	(48.2)¢	(45.3)¢

Brief explanation of any of the figures reported above or other items of importance not previously released to the market:

Refer to the 2018 Annual Report lodged with this document.

Discussion and Analysis of the results for the year ended 31 December 2018:

Refer to the Operating and Financial Review section of the 2018 Annual Report lodged with this document.

WPP AUNZ

ANNUAL REPORT 2018

WE ARE A CREATIVE TRANSFORMATION COMPANY

CONTENTS

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.

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 Non-Executive Director of carsales.com Limited (from 2010), Marley Spoon (from 2018), Chair of Beem It, a fintech joint venture between CBA, NAB and Westpac (2018), and Acting Chair and Non-Executive Director of the Sax Institute (2017). 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, Harper Collins, and Reading Room Inc of which she was a founder and CEO.

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 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. 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.

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 2018 (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 (resigned 31 December 2018)
Paul Richardson, Non-executive Director
Graham Cubbin, Independent Non-executive Director
Kim Anderson, Independent Non-executive Director
Paul Heath, Non-executive Director (resigned 27 March 2018)
Ranjana Singh, Non-executive Director
John Steedman, Executive Director
Jon Steel, Non-executive Director (resigned 18 December 2018)
Geoffrey Wild AM, Non-executive Director.

Particulars of Directors' qualifications, experience and directorships in other listed entities are set out on pages 2 and 3 in this Annual Report.

PRINCIPAL ACTIVITIES

The principal activities of WPP AUNZ Group during the year were marketing, content and communications services. WPP AUNZ Group comprises leading companies in all the following disciplines: Advertising; Media Investment Management; Data Investment Management; Large Format Production; Public Relations and Public Affairs; Branding and Identity; 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 8 to 11 and form part of this Directors' Report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the significant items outlined in Note 38 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 2018 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	6	8	—	—	—	—
Paul Richardson	6	8	—	—	4	4
Graham Cubbin	8	8	4	4	4	4
Kim Anderson	8	8	—	—	4	4
Paul Heath	1	1	—	—	—	—
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 2018 year.

DIRECTORS' REPORT (CONTINUED)

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 2018, 6,060,237 (2017: 5,481,827) performance rights have been granted to participants in the executive share plan. These performance rights will vest and be transferred to eligible employees subject to the achievement of specific performance measures. As at 31 December 2018, 603,141 (2017: 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 employees' behalf.

SHARES

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

Table 2: Director interest in ordinary shares	Balance as at 1 Jan 18	Acquisitions	Disposals	Balance as at 31 Dec 18	Post year-end acquisitions	Post year-end disposals	Post year-end balance
Robert Mactier	577,964	—	—	577,964	—	—	577,964
Michael Connaghan*	688,365	112,178	—	800,543	—	—	800,543
Paul Richardson	—	—	—	—	—	—	—
Graham Cubbin	100,000	—	—	100,000	—	—	100,000
Kim Anderson	50,000	—	—	50,000	—	—	50,000
Paul Heath	—	—	—	—	—	—	—
Ranjana Singh	—	—	—	—	—	—	—
John Steedman	—	382,408	—	382,408	—	—	382,408
Jon Steel*	87,500	85,000	—	172,500	—	—	172,500
Geoffrey Wild	—	—	—	—	—	—	—

* Michael Connaghan held 800,543 shares on the date of his resignation on 31 December 2018. Jon Steel held 172,500 shares on the date of his resignation on 18 December 2018.

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 12.

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 2018 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 2018 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 37 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 37 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 (Rounding in Financial/Directors' Reports) 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 14 to 31 form part of this Directors' Report.

Signed in accordance with resolution of the Directors:

Robert Mactier
Chairman
Sydney, 22 February 2019

John Steedman
Executive Director

OPERATING AND FINANCIAL REVIEW

FINANCIAL OVERVIEW

The Operating and financial review forms part of the Directors' Report beginning on page 5.

This financial overview presents the results of the Group as outlined in the financial statements.

Net sales (revenue less cost of sale of goods and services rendered) for the year ended 31 December 2018 was $857.3 million, down 1.4% on the prior period (2017: $869.9 million).

The net loss attributable to members of WPP AUNZ for the year ended 31 December 2018 was $17.1 million compared to a net profit in 2017 of $73.3 million.

After adjusting for significant items, the headline profit for the year ended 31 December 2018 was $71.5 million, down 14.5% on the prior period (2017: $83.6 million).

A summary of the Group's results is below:

	2018 ($M)	2017 ($M)
Revenue	1,057.2	1,061.6
Cost of sale of goods and services rendered	(199.9)	(191.7)
Net sales	**857.3**	**869.9**
Other (expense)/income (excluding interest income)	(0.2)	1.7
Share of net profits from joint ventures and associates	5.0	5.4
Operating expenses	(728.8)	(725.7)
EBITDA	**133.3**	**151.3**
Depreciation, amortisation and impairment	(104.5)	(34.9)
EBIT	**28.8**	**116.4**
Net finance costs	(13.9)	(14.4)
Profit before tax	**14.9**	**102.0**
Income tax expense	(24.4)	(21.3)
(Loss)/profit after tax	**(9.5)**	**80.7**
Non-controlling interests	(7.6)	(7.4)
Net (loss)/profit attributable to members of WPP AUNZ	**(17.1)**	**73.3**

	Cents	Cents
Earnings per share ("EPS")	**(2.0)**	**8.6**

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:

	2018 ($M)	2017 ($M)
Net (loss)/profit attributable to members of WPP AUNZ	(17.1)	73.3
Significant items, net of tax		
1. Transaction related costs/(profit) and tax balances	8.5	(7.4)
2. Impairment, amortisation of acquired intangibles and other non-cash items	76.0	17.1
3. Business close down and other one-off costs	4.1	0.6
Total significant items, net of tax	**88.6**	**10.3**
Headline profit attributable to members of WPP AUNZ	**71.5**	**83.6**

SIGNIFICANT AND NON-CASH ITEMS

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

1. **Transaction related costs/(profit)** – The balance in 2018 relates to $8.5 million reversal of rights to future income tax deductions recognised as a significant item at 31 December 2017 due to a change in tax legislation. The balance in 2017 relates to adjustment which arose as a result of the acquisition of predominantly all of the Australian and New Zealand businesses of WPP plc ("Transaction").
2. **Impairment, amortisation of acquired intangibles and other non-cash items** – The balance in 2018 relates to the impairment of goodwill, acquired intangibles and other balance sheet items in relation to entities within the Large Format Production segment. It also includes amortisation of acquired intangible assets and gain on fair value adjustment of contingent cash settlements ("earnouts") across the Group. The balance in 2017 relates to amortisation of acquired intangibles and loss on fair value adjustment of earnouts.
3. **Business close down and other one-off costs** – Relate to restructure costs associated with closing down and merging selected businesses.

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

FINANCIAL HIGHLIGHTS OF HEADLINE RESULTS

The table below presents the results of the Group for the year ended 31 December 2018 compared to prior year:

Key measures	2018 ($M)	2017 ($M)	Change (%)
Net sales	857.3	869.9	(1.4%)
Headline earnings before interest and tax	121.0	138.7	(12.8%)
Headline margin	14.1%	15.9%	(1.8%)
Headline profit before tax	107.9	125.0	(13.7%)
Headline net profit after tax and minorities	71.5	83.6	(14.5%)
EPS – headline profit	8.4 cents	9.8 cents	(14.5%)

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.

	Net sales			Headline EBIT			Headline margin %		
($M)	2018	2017	Change %	2018	2017	Change %	2018	2017	Change
Advertising and Media Investment Management	481.1	495.4	(2.9%)	68.6	78.6	(12.7%)	14.3%	15.9%	(1.6%)
Data Investment Management	105.2	99.5	5.7%	19.5	19.9	(2.0%)	18.6%	20.0%	(1.4%)
Large Format Production	20.0	29.2	(31.5%)	(7.7)	0.3	(2,666.7%)	(38.6%)	1.1%	(39.7%)
Public Relations & Public Affairs	60.3	57.9	4.1%	12.1	9.3	30.1%	20.0%	16.0%	4.0%
Specialist Communications	190.7	187.9	1.5%	28.5	30.6	(6.9%)	14.9%	16.2%	(1.3%)
Total	**857.3**	**869.9**	**(1.4%)**	**121.0**	**138.7**	**(12.8%)**	**14.1%**	**15.9%**	**(1.8%)**

We have continued to see varied performance across our portfolio of companies in 2018. Our media, digital and public relations companies have performed well and achieved organic growth in net sales and profit. We are disappointed that the strong performance across many of our businesses has not translated into positive Group financial results. We have taken active steps to address the issues we are facing and position the business for growth.

In the 2018 year, we made significant investments for the future as we combined the strengths of traditional and digital creative agencies of VMLY&R and Wunderman Thompson, created a new Melbourne campus housing 15 agencies, and reshaped the portfolio of companies under WPP plc.

Like almost every industry, we too, are facing structural change. We have seen rapid digital transformation, economic headwinds, market contraction and we know that Chief Marketing Officers, and the C-Suite in general, are seeking agility and responsiveness when it comes to their marketing needs. Our clients look to us to help them navigate this new world and to remove any complexity that might be an impediment to growth.

Guided by the global strategy of WPP plc, as a business, our vision is to offer a far simpler structure and to utilise technology and data wherever we can to help our clients talk to, and transact with, their customers and other key stakeholders as effectively and easily as possible.

OPERATING AND FINANCIAL REVIEW

CASH, GROSS DEBT, FACILITIES AND EARNOUTS

AUSTRALIAN CORE DEBT FACILITIES

The Company renewed the syndicated debt facility agreement on 26 June 2018 ("Facility Agreement"). The Facility Agreement is split between a debt facility of $520.0 million (2017: $520.0 million) and a guarantee facility of $29.9 million (2017: $29.9 million). $370 million of the debt facility and the guarantee facility expire on 29 June 2021. The remaining $150.0 million of the debt facility expires on 29 June 2019, and is used to support intra-month working capital movements.

As at 31 December 2018, the Company's cash balance was $63.5 million (2017: $111.2 million). The Company's gross debt, finance lease liabilities and earnout liabilities were $333.8 million (2017: $361.2 million). The Company's net debt position increased to $270.3 million at 31 December 2018 (2017: $250.0 million), which was driven primarily by the decrease in the cash balance.

CASH, GROSS DEBT AND EARNOUTS

	2018 ($M)	2017 ($M)
Cash	63.5	111.2
Bank debt	(315.0)	(338.8)
Finance lease liabilities	(1.7)	(2.7)
Earnout liabilities	(17.1)	(19.7)
Net debt	**270.3**	**250.0**

EARNOUT LIABILITIES

The Company structures certain acquisitions by making an upfront payment to the vendor and agreeing to make future earnout payments based on the financial performance of the acquired company. The Company sees this as an effective way to structure acquisitions as it incentivises the vendors to drive the future performance of the acquired company. As at 31 December 2018, the Company's estimated earnout liability is $17.1 million (2017: $19.7 million).

Earnout liabilities	($M)
31 December 2017	19.7
Payments made in 2018	(3.1)
Net revisions to earnout liability estimates	0.5
31 December 2018	**17.1**

Expected maturity profile	($M)
2019	10.7
2020	6.4
2021+	—
Total	**17.1**

CASH FLOW

The Group's cash decreased by $47.7 million to $63.5 million at 31 December 2018. A breakdown of the cash flows for the year ended 31 December 2018 is below:

	2018 ($M)	2017 ($M)
Cash flows from operating activities	94.0	128.6
Cash flows used in investing activities	(50.9)	(31.2)
Cash flows used in financing activities	(88.5)	(72.2)
Net cash (outflow)/inflow	**(45.4)**	**25.2**
Opening cash	**111.2**	**87.2**
Effect of foreign exchange movements	(2.3)	(1.2)
Closing balance	**63.5**	**111.2**

OPERATING ACTIVITIES

Cash inflows for the 2018 year derived from operating activities were $94.0 million (2017: $128.6 million). The cash inflow was lower in 2018 primarily due to tax payments of $53.9 million made during the year (2017: tax refund of $8.6 million). The higher tax payments in 2018 included $45.4 million for 2018 and 2017 tax instalments as well as $8.5 million Right to Future Income Tax paid as a result of change in tax legislation. For the 2018 year, 117% of statutory EBITDA, adjusted for the impact of significant non-cash items, was converted to operating cash flows (2017: 88%). The Company targets cash conversion of between 85% and 100% of EBITDA.

INVESTING ACTIVITIES

Cash flows for the 2018 year used in investing activities were $50.9 million (2017: $31.2 million). The cash outflow was higher in 2018 primarily due to amounts paid for acquisition of newly controlled entities for $6.1 million (2017: $Nil) and non-controlling interests for $14.7 million (2017: $1.5 million). Payments for plant and equipment in 2018 were $20.5 million (2017: $23.3 million), consisting mainly of leasehold improvements for new campuses.

FINANCING ACTIVITIES

Cash outflows for the 2018 year used in financing activities were $88.5 million (2017: $72.2 million). The Company repaid net borrowings of $23.8 million during 2018 (2017: net repayment of $14.8 million). In addition to these debt repayments, $8.3 million (2017: $5.4 million) was paid in dividends to minority shareholders and $55.3 million (2017: $51.1 million) was paid to WPP AUNZ shareholders.

DIVIDEND PAYMENTS

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

	Cents per share	($M)	Franking
Final 2017	4.2	35.7	100%
Interim 2018	2.3	19.6	100%
Total	**6.5**	**55.3**	

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 4.0 cents per fully paid ordinary share, with a record date of 29 March 2019 and payable on 5 April 2019 (2017 final dividend: 4.2 cents per share).

The total dividends relating to the 2018 year are 6.3 cents per share (2017: 6.3 cents per share). The total dividend payments relating to the 2018 year are $53.6 million (2017: $53.6 million). This represents a dividend payout ratio of 75% of headline net profit after tax (2017: 64%).

	2018		2017	
	Cents per share	($M)	Cents per share	($M)
Interim	2.3	19.6	2.1	17.9
Final	4.0	34.0	4.2	35.7
Total	**6.3**	**53.6**	**6.3**	**53.6**

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

22 February 2019

Dear Directors

Auditor's Independence Declaration to WPP AUNZ Limited

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

As lead audit partner for the audit of the financial report of WPP AUNZ Limited for the financial year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

OUR REMUNERATION CHAIR'S LETTER

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2018.

Over the past twelve months, I have continued to enjoy speaking with a wide variety of stakeholders and hearing their views on what information shareholders want to see captured in our Remuneration Report. The Remuneration and Nominations Committee continues in its objective to deliver information to our shareholders in the most effective and meaningful way possible.

Set out below are some of the key remuneration outcomes which occurred during the 2018 year:

— Mike Connaghan announced his intention to resign as Chief Executive Officer on 23 October 2018. The effective date of the resignation was 31 December 2018. On cessation of his employment, he received benefits in accordance with his service agreement and the terms of the relevant incentive plans. The Board is currently undertaking a global search to identify a successor to Mr Connaghan.

— John Steedman is leading an executive steering committee during the transition phase prior to the appointment of a new Chief Executive Officer. As a result of these expanded accountabilities, Mr Steedman's annual fixed remuneration was increased to $950,000 with effect from 24 October 2018. His remuneration was determined with reference to comparable remuneration benchmarks.

— A new share ownership plan was introduced during the year. It is an annual grant of rights that will vest at the end of a 3-year period, subject to continued service. In addition, there is an opportunity for eligible employees to opt-in and purchase WPP AUNZ shares and then receive a grant of matched rights. The objective of the plan is to enhance the level of share ownership and assist with retention of key executives.

— A Group wide share ownership plan was introduced during the year. It provides all eligible employees with a grant of $500 of shares in WPP AUNZ, which will vest at the end of a 2-year period, subject to continued service. The objective of the plan is to drive broad based share ownership across the Group.

As in previous years, in this report the Company is voluntarily disclosing the actual cash remuneration received by Senior Executives, in addition to the statutory reporting obligations.

The Remuneration and Nominations Committee believes that WPP AUNZ's remuneration framework is fully aligned with and supports the Group's financial and strategic goals.

As always, we welcome your feedback on our Remuneration Report and look forward to discussions with many of you over the coming year.

Yours sincerely

Kim Anderson
Chair of the Remuneration and Nominations Committee

REMUNERATION REPORT

The Directors of WPP AUNZ Limited present this Remuneration Report for the year ended 31 December 2018. This Remuneration Report outlines our remuneration framework, strategy and practices that apply to key management personnel ("KMP"), and explains how the Group's 2018 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.

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 2018 are outlined in the table below:

Non-executive Directors
Robert Mactier, Non-executive Chairman
Paul Richardson, Non-executive Director
Kim Anderson, Non-executive Director
Graham Cubbin, Non-executive Director
Ranjana Singh, Non-executive Director
Geoffrey Wild, Non-executive Director
Paul Heath, Non-executive Director (resigned 27 March 2018)
Jon Steel, Non-executive Director (resigned 18 December 2018)

Executive Directors
Michael Connaghan, CEO (resigned 31 December 2018)
John Steedman, Executive Director

Other Senior Executive
Chris Rollinson, Chief Financial Officer ("CFO")

Michael Connaghan resigned as CEO and Executive Director of WPP AUNZ effective 31 December 2018.

Paul Heath resigned as a Non-executive Director on 27 March 2018.

Jon Steel resigned as a Non-executive Director on 18 December 2018.

There were no other changes to the above KMP during the reporting period, or since the end of the reporting period and up to the signing of this report.

The contents of the Remuneration Report are as follows:

Section 1 – Remuneration Governance, Strategy and Framework
Section 2 – Senior Executives' Remuneration Structure and Outcomes
Section 3 – Remuneration of the Chief Executive Officer
Section 4 – Senior Executives' Contract Details
Section 5 – Senior Executives' Remuneration – Statutory Disclosure
Section 6 – Non-executive Directors' Remuneration
Section 7 – KMP Holdings of Equity Instruments.

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;
— 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 are 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 2018 to inform Remuneration Committee's recommendations and decisions:

Advice and service provided in 2018	External advisor
Preparation of the new Share Ownership Plan documentation	Ernst & Young
Independent long-term incentive ("LTI") valuation for 2018 LTI grants Total shareholder return ("TSR") performance analysis for LTI awards	Mercer Consulting (Australia)

For the purpose of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, no remuneration recommendations in relation to KMP as defined by Division 1 of Part 1.2 of Chapter 1 of the Corporations Act 2001 were provided during 2018.

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 main components:

— fixed remuneration;

— short-term incentives ("STI"); and

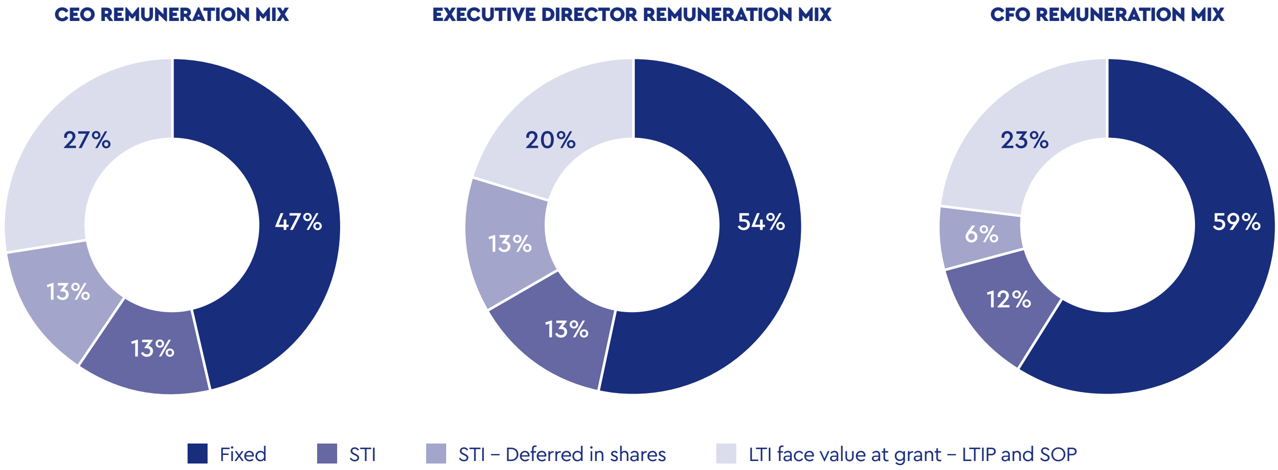
— LTI – Executive Share Plan ("LTIP") and new Share Ownership Plan ("SOP").

The Company aims to provide a level of remuneration which is appropriate to the executive's position and is competitive to the market. 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 to which each executive influences short and long-term performance outcomes.

The key objective for the Board in 2018 was to increase employee share ownership. In March 2018, the Board offered a new SOP to all permanent employees of wholly-owned WPP AUNZ companies, including Senior Executives. The purpose of the SOP is to assist with retaining the best people in the current competitive market conditions and to create a culture of ownership within the Company, encouraging participants to adopt behaviours that create value for shareholders over the long term. The same dollar ("face") value at grant under the SOP was established for eligible Senior Executives which ranges from 3% to 8% of their total target remuneration. The SOP face value at grant has been included in the remuneration mix charts below and further details of the SOP are outlined in the Section 2.5.

The diagram below outlines the 2018 remuneration mix assuming target performance is achieved under the STI and LTIP and each Senior Executive received 100% of the SOP opportunity offered in 2018:



REMUNERATION REPORT (CONTINUED)

SECTION 1 – REMUNERATION GOVERNANCE, STRATEGY AND FRAMEWORK (CONTINUED)

1.2 EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK (CONTINUED)

The table below outlines the current remuneration framework and how 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).	— Attracts and retains employees with required capabilities and experience.
At risk remuneration	Cash STI	— STI payable based on: – year-on-year growth in operating profit and operating margin improvement (75% total weighting); and – individual strategic objectives (25% weighting).	— Motivates and rewards annual performance. — Provides appropriate reward for superior Group and individual performance.
	Deferred STI	— For the CEO and the other Executive Director, 50% of the STI outcome is paid in cash and the remaining 50% is deferred in shares for a period of two years. — For the CFO, 2/3 of the STI outcome is paid in cash and the remaining 1/3 is deferred in shares for a period of two years. A minimum $25,000 in deferred STI needs to be achieved; otherwise, 100% of the STI outcome will be paid in cash and no deferral will apply. — All deferred STI awards are subject to clawback and forfeiture provisions.	— Aligns Senior Executives' reward to shareholders' interest. — Aligns Senior Executives' remuneration with WPP AUNZ's future operating performance which in turn drives the share price and assists with retention.
	LTIP	— The LTIP is a four-year plan, consisting of a two-year performance period, followed by a two-year service period. — LTIP awards vest subject to the achievement of EPS and normalised organic revenue growth performance hurdles measured over the two-year performance period. Vested awards must then be held for an additional two-year continuous service period. — LTIP hurdles are mutually dependent. No LTIP awards vest unless the minimum performance requirement (threshold) is achieved under each performance hurdle. — All LTIP awards are subject to clawback and forfeiture provisions.	— Aligns Senior Executives' interests with those of shareholders. — Aligns Senior Executives' remuneration with the long-term financial performance of the Group. — Assists in attracting and retaining key executive talent.
Retention and ownership	SOP	— Annual grant of rights ("Base Rights"), which vest after three years, subject to continued service. — Opportunity to opt-in to purchase WPP AUNZ shares and then to receive a grant of Matched Rights, based on the number of shares purchased during the two thirty days' time periods as determined by the Board ("Purchasing Periods"). Matched Rights vest after a period of three years, subject to continued service and any purchased shares being held over the three-year vesting period. — WPP AUNZ will source the shares on market to satisfy vested SOP grants. — SOP awards are subject to clawback and forfeiture provisions.	— Enhances the level of ownership amongst all employees to strengthen their alignment with shareholders' interests. — Assists with retention of critical executive talent and rewards for contribution to Group success. — Assists executives to build their required minimum shareholding. — Encourages Senior Executives to build long term-wealth creation for shareholders.

SECTION 2 – SENIOR EXECUTIVES' REMUNERATION STRUCTURE AND OUTCOMES

2.1 REALISED REMUNERATION OF SENIOR EXECUTIVES – VOLUNTARILY DISCLOSURE

The following table has been prepared to supplement the statutory requirements in Section 5. The purpose of this table is to provide shareholders with an outline of total remuneration which has been received by Senior Executives during 2018, and shows remuneration received during 2017 for comparative purposes. The table shows:

— fixed remuneration and the value of cash incentives earned in respect of 2018 and 2017; and

— at risk equity-based remuneration granted to Senior Executives in prior years that vested during 2018 and 2017. The value of the vested equity awards (if any) has been determined using the closing share price on the vesting date.

Unlike the Statutory Disclosure table in Section 5 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] $	Termination benefit[1] $	Cash STI payable[2] $	Deferred STI realised[3] $	Vested LTI value[4] $	Total remuneration $
Michael Connaghan	**2018**	**950,000**	**950,000**	—	**37,680**	**—**	**1,937,680**
CEO	2017	950,000	—	41,250	42,386	—	1,033,636
John Steedman	**2018**	**707,051**	—	**65,625**	**—**	**308,000**	**1,080,676**
Executive Director	2017	694,615	—	26,250	—	—	720,865
Chris Rollinson	**2018**	**405,000**	—	**81,500**	**—**	**—**	**486,500**
CFO	2017	330,000	—	75,000	—	—	405,000

1. This represents actual fixed remuneration received during the year (including base salary, salary sacrificed benefits and superannuation) and termination benefits:
   - Michael Connaghan ceased employment on 31 December 2018 and received termination benefits in accordance with his contractual entitlements;
   - John Steedman's annual fixed remuneration was reviewed up to $950,000 to reflect his expanded accountabilities as the lead of the executive steering committee during the transition phase to a new CEO and was determined in light of the comparable remuneration benchmarks. An increase in fixed remuneration was effective from 24 October 2018. As John Steedman opted in for additional annual leave during 2018 and 2017, this was reflected in the actual salary he received in both years; and
   - Chris Rollinson's fixed remuneration was reviewed to take into account his expanded accountabilities and to ensure market competitiveness of remuneration in light of the comparable benchmarks. An increase in fixed remuneration was effective from 1 March 2018.
2. Cash STI payable is the non-deferred portion of STI paid in respect of the 2018 performance period. The cash STI payable represents 50% of the total STI achieved for Michael Connaghan and John Steedman as further outlined in the Section 2.3 – Short-Term Incentives and a full STI amount achieved for Chris Rollinson:
   - 2018 – no STI was payable to Michael Connaghan for the year ended 31 December 2018 as he was not eligible to receive a bonus award under the conditions of the 2018 plan. Chris Rollinson received a Cash STI payment of $31,500 under the 2018 STI plan, as well as the final $50,000 payment pursuant to the total $100,000 cash award granted in 2017 in recognition of his performance in the role of Interim CFO.
   - 2017 – reflects cash STI paid in February 2018 in respect of performance for the year ended 31 December 2017. Chris Rollinson's amount includes a $50,000 cash award in recognition of his performance in the role of Interim CFO, which was paid in March 2017.
3. This represents the value of Michael Connaghan's deferred STI awarded in previous years that vested during 2018 and 2017 respectively:
   - 2018 – the value is based on 66,106 shares pursuant to the 2016 STI plan released at 31 December 2018 at a share price of $0.57; and
   - 2017 – the value is based on 46,072 shares pursuant to the 2015 STI plan released at 31 December 2017 at a share price of $0.92.
4. This represents the LTI awards granted in previous years that vested during 2018:
   - 2018 – performance hurdles under the 2016–2018 and 2017–2020 LTIP were not achieved as further outlined in Section 2.4. LTIP performance rights relating to 2016 and 2017 grants were forfeited;
   - 2018 – LTI value for John Steedman is based on 350,000 shares which vested during 2018 in accordance with the terms of his retention grant approved by shareholders during the 2016 Annual General Meeting, at a market share price of $0.88; and
   - 2017 – performance hurdles under the 2015–2017 LTIP were not achieved and all performance rights relating to the 2015 grant were forfeited.

REMUNERATION REPORT (CONTINUED)

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

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.

Fixed remuneration reflects the role scope and the individual's skills and experience. It is reviewed annually in line with the remuneration policy, individual and Group performance, taking into consideration market competitiveness and other business and talent-critical factors.

There was no change to the fixed remuneration for the CEO during 2018.

To take into account expanded accountabilities and to ensure market competitiveness, fixed remuneration for the CFO was reviewed during 2018 with effect from 1 March 2018. An increase in fixed remuneration for the CFO was determined with the consideration of an independent advice benchmarking of the CFO salary against that of the companies with a comparable market capitalisation level and revenue.

The Executive Director's fixed remuneration was reviewed to take into account his expanded accountabilities as the lead of the executive steering committee during the transition phase to a new CEO, with effect from 24 October 2018. An increase in fixed remuneration was determined with the consideration of comparable remuneration benchmarks.

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

2.3 SHORT-TERM INCENTIVES ("STI")

The purpose of the STI plan 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. Senior Executives' reward outcomes are based on total Group and individual performance. WPP AUNZ's 2018 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 annual 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 outcome is awarded 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.

2018 STI target opportunity for Senior Executives and maximum possible STI payable were as follows:

	Target STI – "On Plan"		Maximum STI – "Stretch Performance"	
Senior Executives	**% fixed remuneration**	**$**	**% fixed remuneration**	**$**
CEO	58%	550,000	87%	825,000
Executive Director[1]	50%	350,000	75%	525,000
CFO	30%	126,000	45%	189,000

1. Annual STI Target and Maximum opportunity for the Executive Director was established on the basis of $700,000 fixed remuneration for 2018.

STI 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 individual strategic 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 2017; and

— operating profit margin (%) improvement vs 2017.

Threshold performance levels apply under each performance measure. If the Threshold performance level has not been achieved at least under one measure, 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 2018 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 2017	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 2017	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	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)

STI 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 to the WPP AUNZ strategy. These individual strategic objectives are designed to ensure robust, long-term value is built for the Company and shareholders. Individual strategic objectives are reviewed by the Remuneration Committee for each executive to ensure they are appropriate.
Specific performance objectives	Threshold, Target, and Stretch performance hurdles under each measure of the STI plan are based upon business strategic priorities and determined annually. Specific financial growth targets are established with reference to the prior year performance results and current year budget. The Board is of the view that specific Group financial performance targets and individual strategic objectives under the STI plan are commercially sensitive, considering WPP AUNZ's position within the industry and disclosing the precise details of the objectives would potentially put the Group at a competitive disadvantage. Performance assessment results against specific objectives under 2018 STI plan and the outcomes of Senior Executives' STI awards are further presented in this section of the report.
Performance assessment under STI plan	Group financial and Senior Executives' individual performance under the STI plan is assessed by the Remuneration Committee and STI award recommendations are made to the Board for approval. The Board retains discretion in determining the overall outcome of the STI awards to ensure it is consistent with the performance of the Group and of the individual Senior Executive. Adjustments to the financial 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 outcome is paid in cash following the end of year assessment of the achievement of performance conditions and approval by the Board. The remaining 50% is deferred and delivered in the form of ordinary shares in the Company. The shares are held on trust for two years and ownership of the shares is transferred to the Executive Directors at the end of the two-year period. **For the CFO** – 2/3 of the STI outcome is paid in cash following the end of year assessment of the achievement of performance conditions and approval by the Board. The remaining 1/3 is deferred in the form of rights to WPP AUNZ shares for the two-year period, providing the amount to be deferred exceeds $25,000. If the $25,000 deferral threshold is not met, the entire STI outcome will be paid in cash and no deferral will apply. All shares allocated for the deferred STI component are valued at face value based on the volume weighted average price ("VWAP") over the 10 days immediately prior to the release of the Company's financial results for the year ended 31 December 2018.
STI treatment on employment cessation	To be eligible to receive a bonus award under the 2018 STI plan, the Senior Executive must be employed on the award payment date, unless the Remuneration Committee determines otherwise. The deferred portion of an STI award will be forfeited in the event that the Senior Executive's employment is terminated for cause. The Board has discretion to determine whether the Senior Executive retains any unvested deferred STI awards relating to the prior years' STI performance outcomes if an executive resigns or leaves due to special circumstances, having regard to the past performance and time elapsed to the date of cessation. Any deferred STI award shares retained upon cessation of employment are subject to post-employment vesting and remain on foot until the original vesting date.
Clawback provision – deferred STI	The Board has 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 circumstances where there has been a material misstatement, employee misconduct, executive breach of obligations in relation to confidentiality and restrictive covenants, or fraud).

The Board determined that no STI will be payable to Michael Connaghan for the year ended 31 December 2018 as he resigned as an executive of the Group on 31 December 2018.

2018 STI performance against financial objectives (75% of the award)

The Board determined that the Group did not achieve the financial performance threshold under the 2018 STI plan in relation to both operating profit and operating profit margin performance. This resulted in no STI award being available under the 75% financial component of the STI plan for eligible Senior Executives.

2018 STI performance against individual strategic objectives (25% of the award)

For the year ended 31 December 2018, the Board assessed eligible Senior Executives' performance against their individual strategic objectives and determined the following STI awards for 2018:

Senior Executives	Performance outcome on individual strategic objectives	STI award, % of STI Target for individual strategic objectives component
John Steedman[1]	Significantly overachieved and delivered outstanding results at stretch performance level	150%
Chris Rollinson	Achieved	100%

1. During the year ended 31 December 2018, John Steedman delivered outstanding performance outcomes under his individual strategic objectives as an Executive Director and stepped up to lead an executive steering committee during the transition time to a new CEO with effect from 24 October 2018. The Board determined that an ultimate maximum STI award will be available to John Steedman pertaining to his 2018 non-financial performance objectives' component under the 2018 STIP.

2018 STI outcomes

Based on the performance outcomes set out above, actual STI awards for the year ended 31 December 2018 for each Senior Executive were:

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 CEO	2018	550,000	—	0%	0%	100%	—	—
John Steedman[2] Executive Director	2018	350,000	131,250	37.5%	25%	75%	65,625	65,625
Chris Rollinson CFO	2018	126,000	31,500	25%	17%	83%	31,500	—

1. Where the STI payment is less than the maximum opportunity, the difference is forfeited and is not payable in the subsequent year. The minimum STI is $Nil if no performance conditions are met.
2. John Steedman's Target and Maximum STI opportunity was determined, based on his 1 January 2018 fixed remuneration ($700,000) and was not reviewed for the purpose of 2018 STI outcomes calculation.

WPP AUNZ performance and the link to STI outcomes

The table below shows WPP AUNZ performance over the past five years and correlation between Senior Executives' STI outcomes:

WPP AUNZ performance	2018	2017	2016	2015	2014
Headline net profit after tax ("NPAT") ($million)*	71.5	83.6	81.1	39.6	45.6
Headline NPAT growth (%)	(14.5)	3.1	104.8	(13.2)	(7.8)
Headline EPS (cents)*	8.4	9.8	9.5	9.5	11.3
Proportion of Maximum STI achieved — CEO (%)	—	10.0	25.0	14.0	—
Proportion of Maximum STI achieved – average of other Senior Executives (%)	21.0	13.5	25.0	—	—

* A reconciliation of the Group's statutory and headline profit is disclosed in the Operating and financial review section of the Annual Report. Historical headline NPAT and EPS for 2016 are on a like-for-like basis (unaudited) as if all businesses acquired as part of the Transaction.

REMUNERATION REPORT (CONTINUED)

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

2.4 LONG-TERM INCENTIVES – EXECUTIVE SHARE PLAN ("LTIP")

The LTIP is an at risk component of Senior Executives' total remuneration and is a forward-looking incentive to align their interests with those of shareholders. Key details of the LTIP operating between 1 January 2018 and 31 December 2021 are outlined below:

Description

LTIP 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 LTIP 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 by 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 2018 to 31 December 2021 comprises:

— performance period of two years (1 January 2018 to 31 December 2019); and

— subsequent two-year service period (1 January 2020 to 31 December 2021).

The Board considers that two years is an appropriate performance period to influence Group performance outcomes, encourage innovation, and validly reflect the investment horizon of the business. The additional two-year service period 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 face value of the LTIP target opportunity for each Senior Executive. The maximum LTI opportunity 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 LTIP award by the VWAP of the shares over the 30 days ending on the day prior to the date of grant. Grant date for the 2018 LTIP was the day following the May 2018 Annual General Meeting ("AGM").

The following 2018 LTIP opportunity levels were established by the Board for each Senior Executive:

Senior Executives	Target LTIP opportunity – face value $	Maximum LTIP opportunity – face value $
CEO	500,000	1,000,000
Executive Director	200,000	400,000
CFO	100,000	200,000

At the 2018 AGM, shareholders approved the grant of performance rights up to the maximum opportunity at the time of grant for the CEO and Executive Director.

Performance rights granted to Senior Executives represent the maximum number of performance rights that will be eligible for vesting if stretch performance hurdles are achieved (refer to the performance hurdles matrix below). If target performance hurdles are achieved, 50% of performance rights will vest.

LTI performance conditions and rationale

The number of performance rights that will be eligible to vest, subject to continued employment, 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 business growth achieved for each performance condition has been determined based on WPP AUNZ's 2017 Group results.

The threshold level of performance needs to be achieved under both performance conditions before any performance rights are eligible to vest, except in the circumstances where the NOR threshold is not met and the absolute EPS CAGR exceeds 7.5%, in which case the Board may use its discretion.

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 an increased return on their investment over the corresponding performance period.

Vesting matrix

The vesting matrix determines the number of performance rights that will be eligible for vesting, as a percentage of maximum LTI opportunity.

Hurdles applying to each performance condition, as well as the matrix used to determine vesting outcomes, are set out below:

NOR/Net Sales two-year CAGR	Maximum 2018 LTI opportunity, % performance rights that vest			
Stretch: 2.5%	—	50%	75%	100%
Target: 2.0%	—	35%	50%	90%
Threshold: 1.5%	—	25%	45%	80%
Below Threshold (less than 1.5%)	—	—	—	—
EPS baseline (cents): 9.8 Net Sales baseline ($million): 869.9	Below Threshold (less than 5%)	Threshold: 5%	Target: 7.5%	Stretch: 10%
	Absolute EPS two-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 shareholder value.

Performance condition testing

The performance period is from 1 January 2018 to 31 December 2019. Testing of the performance conditions under the 2018 LTIP will occur shortly after the end of the performance period. Based on the audited financial outcomes at 31 December 2019, 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 on or around February 2022.

The Board retains discretion to adjust performance conditions to ensure that Senior Executives are neither advantaged nor disadvantaged by matters outside the Senior Executives' control that affect performance (e.g. by excluding one-off items or the impact of significant acquisitions or disposals).

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 service period (ignoring any franking credits).

The additional shares will be sourced on market.

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.

Cessation of employment

If an executive ceases employment due to termination for cause, all performance rights will be automatically forfeited.

In a situation where an executive resigns or leaves the Group due to special circumstances prior to the end of the vesting period, the Board has the discretion (as defined in the LTIP rules) to determine that an executive will retain a pro-rata portion of the LTIP grant having regard to the performance and time elapsed to the date of cessation.

The retained portion will be subject to post-employment vesting, where the performance rights will stay on foot until the end of the original performance period, and be subject to the original vesting date and performance conditions under the LTIP.

Hedging

The terms and conditions surrounding the LTIP 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 LTIP rules).

Clawback provision

The Board will have broad discretion to determine that some or all of the performance rights granted under the LTIP 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.

REMUNERATION REPORT (CONTINUED)

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

2.4 LONG-TERM INCENTIVES – EXECUTIVE SHARE PLAN ("LTIP") (CONTINUED)

Details of performance rights granted to executives under the LTIP operating between 1 January 2018 and 31 December 2021 are set out below:

Senior Executives	LTIP	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	2018 – 2021	1,080,264	31-Dec-19	Feb-22	0.81	—	875,014
John Steedman	2018 – 2021	432,105	31-Dec-19	Feb-22	0.81	—	350,005
Chris Rollinson	2018 – 2021	216,053	31-Dec-19	Feb-22	0.81	—	175,003

1. Performance rights that do not remain eligible to vest following performance test date, 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 29 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 2018 indicates that LTI performance targets are unlikely to be achieved and a relevant adjustment has been factored in an amortised accounting expense pursuant to the 2018 LTIP grant.

In accordance with LTIP rules the Board determined that Michael Connaghan will retain a pro-rata portion of his maximum 2018 LTIP grant. 196,412 performance rights representing his pro-rata entitlement, will stay on foot, subject to the post-employment vesting and performance conditions as outlined above in Section 2.4. The remaining 883,852 performance rights were forfeited on 31 December 2018.

LTIP outcomes – 2016 and 2017 Executive Share Plans

As at 31 December 2018, the performance hurdles were tested for the 2016 and 2017 LTIP, resulting in the following outcomes:

— 2016 – 2018 LTIP: WPP AUNZ did not achieve threshold performance for the EPS and TSR hurdles under the LTIP operating between 1 January 2016 and 31 December 2018. No performance rights pursuant to the 2016 plan vested and all were forfeited.

— 2017 – 2020 LTIP: WPP AUNZ did not achieve threshold performance for the two-year CAGR NOR/Net Sales and EPS under the LTIP operating between 1 January 2017 and 31 December 2020. No performance rights pursuant to the 2017 Plan were determined eligible for vesting and all were forfeited.

LTIP outcomes under the 2016 LTIP were determined based on the following minimum performance thresholds:

EPS (75% of the LTIP award)	TSR (25% of the LTIP award)
— The EPS performance threshold in respect of the 2016 – 2018 LTIP was achieving cumulative growth over the three years of a minimum 4% per annum or above. — The EPS baseline used to measure cumulative growth was 9.5 cents per share.	— The TSR performance hurdle compared the Company's TSR ranking at the end of the relevant period with the TSR of companies in the S&P/ASX 200 Consumer Discretionary Index as at 1 January 2016. — The executives only derive value from the TSR portion of the award if WPP AUNZ's TSR is at or greater than the 50th percentile of the comparator group. The TSR rank was independently calculated by Mercer Consulting (Australia).

LTIP outcomes under the 2017 LTIP were determined based on the following minimum performance thresholds:

EPS	NOR/Net Sales
— The EPS performance threshold in respect of the 2017 – 2020 LTIP was achieving a minimum of 5% or above CAGR over two years. — The EPS baseline used was 9.5 cents per share.	— The NOR/Net Sales performance threshold in respect of the 2017 – 2020 Plan was achieving the minimum of 2.5% or above CAGR over two years. — The NOR/Net Sales baseline used was $864.9 million.
The above minimum performance thresholds needed to be achieved under both the EPS and NOR/Net Sales hurdles to qualify for any vesting under the 2017 LTIP.	

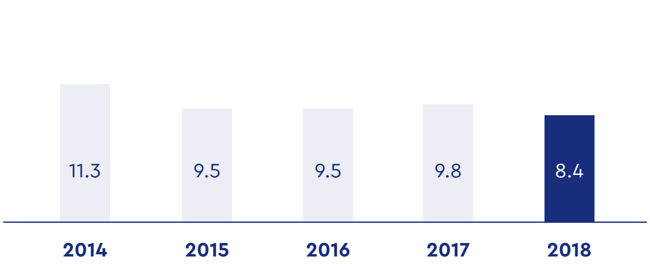
WPP AUNZ performance and the link to LTI outcomes

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

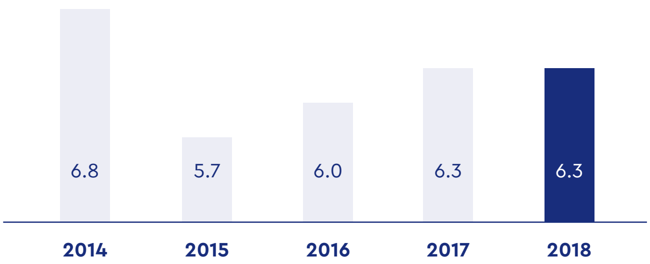
WPP AUNZ performance	2018	2017	2016	2015	2014
Headline NPAT ($million)[1]	71.5	83.6	81.1	39.6	45.6
Headline EPS growth (%)[1]	(14.5)	3.1	—	(15.9)	(8.1)
Share price (year end)	$0.57	$0.92	$1.21	$0.80	$0.98
Dividends per share (cents)	6.3	6.3	6.0	5.7	6.8
TSR (% per annum)[2]	(31.2)	(18.7)	58.7	(12.6)	(30.1)

1. A reconciliation of the Group's statutory and headline profit is disclosed in the Operating and financial review section of the Annual Report. These figures also exclude one-off gains and losses. Historical 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.
2. TSR is calculated as the movement in the share price and dividends received assuming reinvestment of dividends.

HEADLINE EPS (CENTS)



DIVIDENDS PER SHARE (CENTS)



A summary of performance rights vesting under the LTIP for the last three years is outlined in the following table:

Grant year	LTIP	Performance test date	EPS growth – minimum performance hurdle	NOR/Net Sales growth – minimum performance hurdle	TSR – minimum performance hurdle	Vested[1] %	Forfeited %
2014	2014 – 2016	31-Dec-16	Not achieved	n/a	Not achieved	—	100%
2015	2015 – 2017	31-Dec-17	Not achieved	n/a	Not achieved	—	100%
2016	2016 – 2018	31-Dec-18	Not achieved	n/a	Not achieved	—	100%
2017	2017 – 2020	31 Dec-18	Not achieved	Not achieved	n/a	—	100%

1. All LTIP participants had the same vesting and forfeiture outcome.

2.5 WPP AUNZ SHARE OWNERHIP PLAN – EXECUTIVE GRANTS

In March 2018, the Board offered a new SOP to all permanent employees of wholly-owned WPP AUNZ companies, including Senior Executives. The purpose of the SOP is to retain key executives, create a strong ownership culture, encourage executives to focus on shareholder wealth creation over the long term, and allow executives to share in the Group's success.

REMUNERATION REPORT (CONTINUED)

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

2.5 WPP AUNZ SHARE OWNERHIP PLAN – EXECUTIVE GRANTS (CONTINUED)

Key details relating to grants to Senior Executives under the SOP operating between 1 March 2018 and 1 March 2021 are outlined below:

Summary	Share Ownership grants ("SOP grants") to key Senior Executives are determined annually by the Board. Under the annual SOP offer, Senior Executives are eligible to receive Base Rights to WPP AUNZ shares, opt in to purchase shares, and receive additional Matched Rights up to the maximum number determined by the Board. If a Senior Executive decides not to purchase shares to receive Matched Rights, this does not impact the Senior Executive's eligibility to continue participating in the SOP or receiving the grant of Base Rights. No dividends or voting rights are attached to the Base Rights or Matched Rights granted under the SOP, but do apply for the purchased shares. The Company will source the shares on market to satisfy vested SOP awards.
SOP grant offer	Under the SOP operating between 1 March 2018 and 1 March 2021, Senior Executives were eligible to receive the SOP grants, comprising of: — **Base Rights** up to the face value of $30,000; and — **Matched Rights** up to a maximum number of 32,408, based on the number of WPP AUNZ shares each eligible Senior Executive purchased during the Purchasing Periods indicated in the next section. The number of Base Rights for each eligible Senior Executive was determined by dividing the face value of Base Rights ($30,000) by the VWAP of the shares over the one-month period ending on the day following the May 2018 AGM. The total SOP grant for each eligible Senior Executive was determined as 32,408 Base Rights and an opportunity to receive an additional grant of up to 32,408 Matched Rights in respect of the WPP AUNZ shares purchased during the Purchasing Periods.
Purchasing Periods	Purchasing Period 1: One-month period commencing on the day following the 2018 AGM. Purchasing Period 2: One-month period commencing on the day following the 2018 Half Year Results announcement.
Vesting conditions	2018 SOP grants are subject to a three-year vesting period from 1 March 2018. Vesting of SOP grants is conditional on a Senior Executive's continued service until the vesting date. No additional performance hurdles have been determined for the 2018 SOP grants as this is primarily a critical senior talent retention and ownership culture creation program. In addition, the vesting of Matched Rights is conditional on a Senior Executive continuing to hold the corresponding purchased shares in respect of Matched Rights until the vesting date.
Dividends	No dividends are payable in respect of SOP grants. Dividends are payable over the shares a Senior Executive purchases in respect of Matched Rights.
Cessation of employment	If a Senior Executive resigns before the vesting date or is terminated for cause, the SOP grants will lapse. If a Senior Executive ceases employment as a result of retirement, permanent disablement or death, the SOP grant will be eligible to vest on cessation on a pro-rata basis. The Board retains discretion to determine that a different treatment should apply to Senior Executive's unvested SOP grants upon cessation of employment. Senior Executives will retain any shares purchased during the Purchasing Periods in all circumstances.
Clawback	The Board will have broad discretion to determine that some or all of the rights granted under the SOP may lapse in certain circumstances to ensure that no unfair benefit is obtained due to fraud, gross misconduct or material misstatement or failure to comply with restrictions on transfer and hedging of rights, and executive breach of obligations in relation to confidentiality and restrictive covenants.

The details of 2018 SOP grants to Senior Executives are set out below:

Senior Executives	2018 SOP grant – Total Rights	Base Rights	Matched Rights	Vesting Date	Fair Value of Rights[2]	Maximum Fair Value
Michael Connaghan	**32,408**	32,408	—	Mar-21	$0.76	$24,630
John Steedman[1]	**64,816**	32,408	32,408	Mar-21	$0.76	$49,260
Chris Rollinson	**32,408**	32,408	—	Mar-21	$0.76	$24,630

1. John Steedman purchased 32,408 Company shares on market in August 2018 to opt in for the additional grant of Matched Rights under the conditions of the 2018 SOP.
2. The fair value of SOP rights was 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 29 to the financial statements.

The Board determined that Michael Connaghan will retain his 2018 SOP grant on termination of his employment to recognise his long time service with the Group. His 2018 SOP grant will be subject to post-employment vesting and will vest at the original vesting date as indicated above. Following the vesting date, WPP AUNZ will source the shares on market to satisfy the award.

SECTION 3 – REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

Michael Connaghan has been CEO and Executive Director of WPP AUNZ during 2018. He resigned from his role with effect from 31 December 2018.

Until the CEO's departure, the remuneration level and remuneration structure for the CEO was recommended by the Remuneration Committee and approved by the Board. In setting the CEO's remuneration, the Remuneration Committee received independent advice benchmarking the CEO's salary against that of companies with a comparable market capitalisation level, revenue, and industry.

Michael Connaghan's remuneration on termination was determined by the Board, taking into account existing contractual commitments, the terms of the relevant incentive plans, and CEO and Group performance.

Michael Connaghan's remuneration structure for the year ended 31 December 2018 is outlined below:

3.1 FIXED REMUNERATION

Mr Connaghan's fixed remuneration for the year ended 31 December 2018 was $950,000 (2017: $950,000).

3.2 SHORT-TERM INCENTIVES

For the year ended 31 December 2018, Michael Connaghan had the opportunity to earn $550,000 for on-target performance (2017: $550,000) and a maximum STI potential of $825,000 (2017: $825,000). Maximum STI opportunity represented 150% of STI Target.

The Board determined that no STI will be payable to Michael Connaghan for the year ended 31 December 2018 as he resigned from his Group executive role and was not eligible to receive a bonus award according to the terms and conditions of the 2018 STI plan.

The Board determined that Michael Connaghan will retain 66,106 performance shares issued to him in respect of his past performance under the STI plan for the year ended 31 December 2016. The shares representing the deferred portion of his 2016 STI award were released out of trust to Michael Connaghan on the original vesting date being 31 December 2018.

The Board determined that Michael Connaghan will retain 44,335 performance shares issued to him in respect of his past performance under the STI plan for the year ended 31 December 2017. The shares represent the deferred portion of his 2017 STI award and will continue to be held on trust, subject to the post-employment vesting at the original vesting date being 31 December 2019.

3.3 LONG-TERM INCENTIVES – EXECUTIVE SHARE PLAN

Shareholders approved a grant of performance rights to Mr Connaghan up to the maximum value of $1,000,000 under the LTIP operating between 1 January 2018 and 31 December 2021 (outlined in the Section 2.4 above).

Under this grant, Michael Connaghan was granted 1,080,264 performance rights representing his maximum LTIP opportunity under the 2018 LTIP.

In accordance with the LTIP rules, the Board determined that Michael Connaghan will retain 196,412 performance rights representing a pro-rata portion of his maximum LTIP 2018 grant, subject to the post-employment vesting at the original vesting date and achievement of LTIP performance conditions. The remaining 883,852 performance rights were forfeited on 31 December 2018.

3.4 WPP AUNZ SHARE OWNERHIP GRANT

During the year ended 31 December 2018, Michael Connaghan was granted 32,408 Base Rights under the SOP operating between 1 March 2018 and 1 March 2021, as outlined in Section 2.5 above. The Board determined that Michael Connaghan will retain the grant to recognise his long time service with the Group. The SOP grant will be subject to the post-employment vesting at the original vesting date. Following the vesting outcomes, WPP AUNZ will source the shares on market to satisfy the award.

SECTION 4 – SENIOR EXECUTIVES' CONTRACT DETAILS

Terms of employment for Senior Executives are contained in written employment agreements. These employment agreements are unlimited in term, but may be terminated by written notice by either party. 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 willful misconduct; or

— 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 and may provide the amount of notice required from the Company in these circumstances as set out in the below table. WPP AUNZ may alternatively give payment in lieu of notice.

REMUNERATION REPORT (CONTINUED)

SECTION 4 – SENIOR EXECUTIVES' CONTRACT DETAILS (CONTINUED)

Senior Executive	Michael Connaghan[1]	John Steedman[2]	Chris Rollinson[3]
Role	CEO	Executive Director	CFO
Contract expiry date	n/a[1]	Ongoing	Ongoing
Fixed remuneration (full year contractual salary)	2018 – $950,000 2017 – $950,000	2018 – $950,000 2017 – $700,000	2018 – $420,000 2017 – $330,000
STI plan (Target STI opportunity)[4]	2018 – $550,000 2017 – $550,000	2018 – $350,000 2017 – $350,000	2018 – $126,000 2017 – $100,000
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 months	12 months

1. Michael Connaghan ceased his employment with the Group as Chief Executive Officer and Executive Director on 31 December 2018.
2. John Steedman's fixed remuneration was reviewed with effect from 24 October 2018 to reflect his increased accountabilities as the lead of the executive steering committee during the transition phase to a new CEO and was determined in light of comparable remuneration benchmarks. His annual Target STI opportunity was determined on the basis of his prior fixed remuneration $700,000 and was not reviewed for the purpose of the 2018 STI outcomes calculation.
3. Chris Rollinson's remuneration was reviewed with effect from 1 March 2018 to take into account his expanded accountabilities. New fixed remuneration and annual Target STI opportunity were established with the consideration of an independent advice benchmarking of the CFO remuneration against that of the companies with a comparable market capitalisation level and revenue.
4. 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 outlines total remuneration for Senior Executives for the year ended 31 December 2018, as well as comparative figures for the year ended 31 December 2017, as required under the Corporations Act 2001 and has been prepared in accordance with Accounting Standards.

The LTI values in the table below represent the 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 the "Realised Remuneration" table in Section 2.1.

		Short-term employee benefits		Post-employment	Share-based payments		Other long-term benefits[4]				
		Base salary[1]	STI[2]	Superannuation contributions	Deferred STI	LTI[3]	Long service leave	Termination Benefit[5]	Total remuneration	Total at risk	Total in LTI
Senior Executives	**Year**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Michael Connaghan	**2018**	**929,710**	**—**	**40,821**	**—**	**33,858**	**16,253**	**929,469**	**1,950,111**	**2%**	**2%**
CEO	2017	930,168	41,250	19,832	41,250	30,284	16,348	—	1,079,132	10%	3%
John Steedman	**2018**	**686,761**	**65,625**	**20,290**	**65,625**	**56,065**	**24,120**	**—**	**918,486**	**20%**	**6%**
Executive Director	2017	674,783	26,250	19,832	26,250	175,000	12,002	—	934,117	24%	19%
Chris Rollinson	**2018**	**384,710**	**81,500**	**20,290**	**—**	**11,427**	**30,328**	**—**	**528,255**	**18%**	**2%**
CFO	2017	310,168	75,000	19,832	—	6,061	4,784	—	415,845	19%	1%
Total	**2018**	**2,001,181**	**147,125**	**81,401**	**65,625**	**101,350**	**70,701**	**929,469**	**3,396,852**	**9%**	**3%**
	2017	**1,915,119**	**142,500**	**59,496**	**67,500**	**211,345**	**33,134**	**—**	**2,429,094**	**17%**	**9%**

1. Base salary includes any salary sacrifice amounts and accrued annual leave paid out as part or salary and represents executives' actual earnings during the year ended 31 December 2018 being the same basis as the comparative figures for 2017:
   - John Steedman's salary was reviewed with effect from 24 October 2018 to reflect his increased accountabilities as the lead of the executive steering committee during the transition phase to a new CEO and a new $950,000 full year salary (including superannuation) was determined in light of comparable remuneration benchmarks. John Steedman opted in to purchase 15 days additional annual leave during 2018 and took 2 days unpaid leave during 2017 which has been reflected in his actual earnings respectively in each year. His 2017 full year salary was $700,000 (including superannuation); and
   - Chris Rollinson's salary was reviewed with effect from 1 March 2018 to account for his expanded accountabilities and a new $420,000 full year salary (including superannuation) was determined to ensure market competitiveness of the remuneration in light of comparable benchmarks.
   - The annual leave balance for Michael Connaghan was paid out on termination in accordance with the legislative requirement.

2. The STI amount represents the actual cash STI award for the year ended 31 December 2018 paid in February 2019 and for 2017 the actual cash STI award paid in 2018 for the year ended 31 December 2017:
   - No STI was payable to Michael Connaghan for the year ended 31 December 2018 as he was not eligible to receive an award according to the conditions of the 2018 STI plan. The 2017 cash STI amount represents 50% of his total STI achieved under the 2017 STI plan and 50% was deferred in shares for two years;
   - The 2018 cash STI amount for John Steedman represents 50% of his total STI achieved under the 2018 STI plan and 50% will be deferred in shares for two years. Similar treatment applied to his 2017 achieved STI award; and
   - Chris Rollinson's total cash STI amount represents $31,500 bonus achieved under the 2018 STI plan and $50,000 payment he received during the year ended 31 December 2018 which is the balance of the total $100,000 cash award in recognition of his performance in the role of Interim CFO ($50,000 paid in March 2017).
3. LTI values are based on accounting treatment. The fair value of performance rights at grant is determined as set out in Note 29 to the financial statements and amortised accordingly with the performance conditions and vesting period of each plan. Details of KMP performance rights are further included in Section 7.3 below.
4. Other long-term benefits represent the movement in the Senior Executives' long service leave balance between the respective reporting periods. The long service leave balance for Michael Connaghan was paid out on termination in accordance with the legislative requirement.
5. The termination benefit paid in accordance with Michael Connaghan's contractual entitlement and represents 12 months of his base salary. Superannuation was paid in respect of this entitlement in accordance with the legislative requirement ($20,531) and was included in the total superannuation contributions amount in the above table.

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 on. 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 2018.

The following table outlines the Non-executive Directors' annual fees for the Board and Committees as at 31 December 2018:

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 PLC ALIGNED DIRECTORS

The following WPP plc 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, Ranjana Singh, Geoffrey Wild, Paul Heath (resigned) and Jon Steel (resigned).

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 plc 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 plc nominated Directors are 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 is determined from time to time by a general meeting. The latest determination approved by shareholders has been included in a current WPP AUNZ Constitution as an aggregate remuneration of $1,000,000 per year.

The total remuneration paid to Non-executive Directors for the year ended 31 December 2018 amounted to $465,000 (2017: $465,000) which is below the annual aggregate fee pool approved by shareholders.

6.4 MINIMUM SHAREHOLDING REQUIREMENT

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

6.5 REMUNERATION OF NON-EXECUTIVE DIRECTORS

The following table shows the total actual remuneration for Non-executive Directors for the year ended 31 December 2018, as well as comparative fees paid to the Directors for the year ended 31 December 2017:

REMUNERATION REPORT (CONTINUED)

SECTION 6 – NON-EXECUTIVE DIRECTORS' REMUNERATION (CONTINUED)

6.5 REMUNERATION OF NON-EXECUTIVE DIRECTORS (CONTINUED)

		Short-term employee benefits	Post-employment	
Total remuneration for Non-executive Directors[1]	Year	Base salary $	Superannuation contributions $	Total $
Robert Mactier	**2018**	**214,612**	**20,388**	**235,000**
	2017	214,612	20,388	235,000
Graham Cubbin	**2018**	**109,589**	**10,411**	**120,000**
	2017	109,589	10,411	120,000
Kim Anderson	**2018**	**100,457**	**9,543**	**110,000**
	2017	100,457	9,543	110,000
Paul Richardson	**2018**	**—**	**—**	**—**
	2017	—	—	—
Geoffrey Wild	**2018**	**—**	**—**	**—**
	2017	—	—	—
Ranjana Singh	**2018**	**—**	**—**	**—**
	2017	—	—	—
Paul Heath (resigned)	**2018**	**—**	**—**	**—**
	2017	—	—	—
Jon Steel (resigned)	**2018**	**—**	**—**	**—**
	2017	—	—	—
Total[2]	**2018**	**424,658**	**40,342**	**465,000**
	2017	**424,658**	**40,342**	**465,000**

1. Includes fees paid for the contribution to the Audit and Risk Committee and Remuneration and Nominations Committee.
2. The total fees for 2017 reflect the prior year remuneration for the 2017 reported Non-executive Directors.

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:

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	—	—	—	—
Ranjana Singh	—	—	—	—
Paul Heath (resigned)	—	—	—	—
Jon Steel (resigned)	87,500	—	85,000	172,500

Executive Directors and other Senior Executive	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]	688,365	112,178	112,178	800,543
John Steedman[3,4]	—	350,000	382,408	382,408
Chris Rollinson	30,625	—	—	30,625

1. The net change in shares for Michael Connaghan comprised of 66,106 shares relating to the deferred portion of the STI for the year ended 31 December 2016 that were released out of trust to Michael Connaghan on the vesting date 31 December 2018 and 46,072 shares relating to the deferred portion of the STI for the year ended 31 December 2015 that vested on 31 December 2017 and were released out of trust to Michael Connaghan earlier in 2018.

2. In addition to the ordinary shares held by Michael Connaghan on 31 December 2018, at the end of the year he held:
   - 44,355 performance shares relating to the deferred portion of the STI for the year ended 31 December 2017. The Board determined that Michael Connaghan will retain these shares and they will continue to be held on trust, subject to post-employment vesting at the original vesting date of 31 December 2019.
3. The net change in shares for John Steedman comprised of 350,000 shares vested and released during the year ended 31 December 2018 under the terms of his retention grant approved by shareholders during the 2016 AGM and 32,408 shares he purchased on market in August 2018.
4. In addition to the ordinary shares held by John Steedman on 31 December 2018, at the end of the year he held:
   - 28,226 performance shares relating to the deferred portion of the STI for the year ended 31 December 2017. The shares will be held on trust, subject to John Steedman being a WPP AUNZ employee until the vesting date of 31 December 2019.

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 the year	Balance at the end of the year	Exercisable post year end	Performance rights yet to vest or lapse
Michael Connaghan	**2018**	**1,642,594**	**1,112,672**	**—**	**(2,526,446)**	**228,820**	**—**	**228,820**
CEO	2017	981,113	869,565	—	(208,084)	1,642,594	—	1,642,594
John Steedman	**2018**	**697,826**	**496,921**	**(350,000)**	**(347,826)**	**496,921**	**—**	**496,921**
Executive Director	2017	350,000	347,826	—	—	697,826	—	697,826
Chris Rollinson	**2018**	**320,972**	**248,461**	**—**	**(320,972)**	**248,461**	**—**	**248,461**
CFO	2017	210,400	173,913	—	(63,341)	320,972	—	320,972

7.3 PERFORMANCE RIGHTS – MOVEMENTS 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, including the executive grants issued under the SOP:

						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[3]
Michael Connaghan[2] CEO	2016 – 2018 LTIP	Feb-16	773,029	456,087	Mar-19	—	—	773,029	456,087	—
	2017 – 2020 LTIP	Jun-17	869,565	939,130	Feb-21	—	—	869,565	939,130	—
	2018 – 2021 LTIP	May-18	1,080,264	875,014	Dec-21	—	—	883,852	715,920	196,412
	2018 SOP	May-18	32,408	24,630	Mar-21	—	—	—	—	32,408
Total			**2,755,266**	**2,294,861**		**—**	**—**	**2,526,446**	**2,111,137**	**228,820**
John Steedman Executive Director	2016 – 2018 Retention	Apr-16	350,000	350,000	Apr-18	350,000	350,000	—	—	—
	2017 – 2020 LTIP	Jun-17	347,826	375,652	Feb-21	—	—	347,826	375,652	—
	2018 – 2021 LTIP	May-18	432,105	350,005	Dec-21	—	—	—	—	432,105
	2018 SOP	May-18	64,816	49,260	Mar-21	—	—	—	__	64,816
Total			**1,194,747**	**1,124,917**		**350,000**	**350,000**	**347,826**	**375,652**	**496,921**
Chris Rollinson CFO	2016 – 2018 LTIP	Feb-16	147,059	86,765	Mar-19	—	—	147,059	86,765	—
	2017 – 2020 LTIP	Jun-17	173,913	187,826	Feb-21	—	—	173,913	187,826	—
	2018 – 2021 LTIP	May-18	216,053	175,003	Dec-21	—	—	—	—	216,053
	2018 SOP	May-18	32,408	24,630	Mar-21	—	—	—	—	32,408
Total			**569,433**	**474,224**		**—**	**—**	**320,972**	**274,591**	**248,461**

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 29 to the financial statements. The minimum value of the grant, if the applicable vesting conditions are not met, is $Nil in all cases.
2. The Board determined that Michael Connaghan will retain a pro-rata amount of the performance rights granted under 2018 – 2021 LTIP, subject to the post-employment vesting at the original vesting date and LTIP performance conditions. The pro-rata portion (196,412 rights) was determined, based on the original grant date and total vesting period which is consistent with the accounting treatment. The Board also determined that Michael Connaghan will retain his 2018 SOP grant to recognise his long time service with the Group, subject to the post-employment vesting at the original vesting date.
3. All performance rights granted to the executives under 2016 and 2017 LTI plans were forfeited, following 31 December 2018 performance testing as outlined in Section 2.4 above.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Consolidated Entity 2018 $'000	2017* $'000
Revenue		1,057,247	1,061,575
Cost of sale of goods and services rendered		(199,931)	(191,696)
Net sales	**4(B)**	**857,316**	**869,879**
Other income	4(B)	571	2,794
Share of net profits of joint ventures and associates accounted for using the equity method	4(B)	4,980	5,363
		862,867	**878,036**
Employee benefits expense		(558,383)	(549,916)
Occupancy costs		(51,152)	(48,063)
Depreciation expense	5(A)	(17,399)	(14,487)
Amortisation expense	5(A)	(20,825)	(20,373)
Travel, training and other personnel costs		(28,802)	(28,049)
Research, new business and other commercial costs		(25,630)	(27,933)
Office and administration costs		(31,762)	(31,811)
Compliance, audit and listing costs		(14,127)	(15,361)
Finance costs	5(B)	(14,592)	(15,500)
Gain/(loss) on fair value adjustment of earnouts	5(C)	1,275	(2,993)
Service fees to WPP plc	30(C)	(20,292)	(21,501)
Impairment expense	5(E)	(66,318)	—
Profit before income tax		**14,860**	**102,049**
Income tax expense	6	(24,361)	(21,286)
Net (loss)/profit		**(9,501)**	**80,763**
Net profit/(loss) attributable to:			
– Non-controlling interests		7,594	7,420
– Members of the Company		**(17,095)**	**73,343**

		Cents	Cents
Earnings per share:			
Basic earnings per share	7	**(2.0)**	**8.6**
Diluted earnings per share	7	**(2.0)**	**8.6**

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Consolidated Entity	
	2018 $'000	**2017 $'000**
Net (loss)/profit	**(9,501)**	**80,763**
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to the consolidated statement of profit or loss		
Exchange gain/(loss) arising on translation of foreign operations	16,277	(6,126)
Fair value gain on cash flow hedges taken to equity	—	487
Income tax expense relating to components of other comprehensive income	—	(144)
Other comprehensive income/(loss) (net of tax)	16,277	(5,783)
Total comprehensive income	**6,776**	**74,980**
Total comprehensive income/(loss) attributable to:		
– Non-controlling interests	8,511	7,088
– Members of the Company	**(1,735)**	**67,892**

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 2018

	Notes	Consolidated Entity 2018 $'000	Consolidated Entity 2017* $'000
Current assets			
Cash and cash equivalents	9	63,524	111,223
Trade and other receivables	10	484,902	521,783
Inventories	11	12,942	15,078
Current tax assets	6(B)	494	—
Other current assets	12	94,336	92,470
Total current assets		**656,198**	**740,554**
Non-current assets			
Other receivables	13	279	280
Investments accounted for using the equity method	14	21,864	23,370
Other financial assets	15	709	684
Plant and equipment	16	49,963	49,570
Deferred tax assets	17	27,574	32,718
Intangible assets	18	1,187,533	1,235,387
Other non-current assets	19	2,302	2,108
Total non-current assets		**1,290,224**	**1,344,117**
Total assets		**1,946,422**	**2,084,671**
Current liabilities			
Trade and other payables	20	714,456	711,307
Current tax liabilities	6(B)	—	24,960
Borrowings	21	59,747	995
Provisions	22	26,214	28,504
Total current liabilities		**800,417**	**765,766**
Non-current liabilities			
Other payables	23	20,099	29,473
Borrowings	24	257,001	340,587
Deferred tax liabilities	25	86,804	94,023
Provisions	26	5,345	4,849
Total non-current liabilities		**369,249**	**468,932**
Total liabilities		**1,169,666**	**1,234,698**
Net assets		**776,756**	**849,973**
Equity			
Issued capital	27	737,149	736,631
Reserves		23,471	19,782
Retained earnings		531	75,095
Equity attributable to members of the Parent Entity		**761,151**	**831,508**
Non-controlling interests		15,605	18,465
Total equity		**776,756**	**849,973**

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

* Refer to Note 6(H) on update of prior year comparatives.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Consolidated Entity	Notes	Attributable to members of the Parent Entity ($'000) 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* ("FCTR")	Retained earnings[1]	Total	Non-controlling interests $'000	Total equity $'000
At 1 January 2017 (restated)[1]	**6(H)**	**736,631**	**465**	**10,862**	**16,275**	**(343)**	**8,793**	**52,821**	**825,504**	**11,007**	**836,511**
Net profit		—	—	—	—	—	—	73,343	73,343	7,420	80,763
Other comprehensive income/(loss)		—	—	—	—	343	(5,794)	—	(5,451)	(332)	(5,783)
Total comprehensive income/(loss)		**—**	**—**	**—**	**—**	**343**	**(5,794)**	**73,343**	**67,892**	**7,088**	**74,980**
Buy-out of non-controlling interests	32	—	—	(11,308)	—	—	—	—	(11,308)	5,731	(5,577)
Cost of share-based payments	29	—	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**	**75,095**	**831,508**	**18,465**	**849,973**
Adoption of AASB 15 (net of tax)	1(A)(I)	—	—	—	—	—	—	(2,136)	(2,136)	—	(2,136)
At 1 January 2018 (restated)		**736,631**	**954**	**(446)**	**16,275**	**—**	**2,999**	**72,959**	**829,372**	**18,465**	**847,837**
Net (loss)/profit		—	—	—	—	—	—	(17,095)	(17,095)	7,594	(9,501)
Other comprehensive income		—	—	—	—	—	15,360	—	15,360	917	16,277
Total comprehensive income/(loss)		**—**	**—**	**—**	**—**	**—**	**15,360**	**(17,095)**	**(1,735)**	**8,511**	**6,776**
Buy-out of non-controlling interests	32	—	—	(12,082)	—	—	—	—	(12,082)	(3,038)	(15,120)
Issue of executive share plan shares	27	518	(518)	—	—	—	—	—	—	—	—
Cost of share-based payments	29	—	929	—	—	—	—	—	929	—	929
Equity dividends provided for or paid	8	—	—	—	—	—	—	(55,333)	(55,333)	(8,333)	(63,666)
At 31 December 2018		**737,149**	**1,365**	**(12,528)**	**16,275**	—	**18,359**	**531**	**761,151**	**15,605**	**776,756**

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 was 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.

1. Refer to Note 6(H) on update of prior year comparatives.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Consolidated Entity 2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		4,022,047	3,937,342
Payments to suppliers and employees		(3,863,975)	(3,806,413)
Net cash flows from operations		**158,072**	**130,929**
Interest received		733	1,105
Interest and other costs of finance paid		(13,925)	(14,910)
Dividends and trust distributions received from joint ventures and associates		3,056	2,923
Income taxes (paid)/received		(53,915)	8,599
Net cash flows from operating activities	**9**	**94,021**	**128,646**
Cash flows from investing activities			
Payments for purchase of newly controlled entities, net of cash acquired	31(D)	(6,095)	—
Payments for acquisition of non-controlling interests		(14,721)	(1,476)
Payments for purchase of plant and equipment	16	(20,478)	(23,339)
Proceeds from disposal of equity accounted investments		—	2,160
Earnout payments and intangible assets acquired		(6,753)	(11,689)
(Payments to)/receipts from related parties		(2,839)	3,177
Net cash flows used in investing activities		**(50,886)**	**(31,167)**
Cash flows from financing activities			
Proceeds from borrowings		1,430,749	1,070,117
Repayments of borrowings		(1,454,589)	(1,084,924)
Dividends paid to equity holders	8	(55,333)	(51,069)
Dividends paid to non-controlling interests		(8,333)	(5,361)
Payments on finance leases		(994)	(1,012)
Net cash flows used in financing activities		**(88,500)**	**(72,249)**
Net (decrease)/increase in cash held		(45,365)	25,230
Effects of exchange rate changes on cash and cash equivalents		(2,334)	(1,174)
Cash and cash equivalents at the beginning of the year		111,223	87,167
Cash and cash equivalents at the end of the year	**9**	**63,524**	**111,223**

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 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of WPP AUNZ Limited for the year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors, dated 22 February 2019.

WPP AUNZ Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Company's registered office is at 1 Kent Street, Millers Point NSW 2000 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.

AMENDMENTS TO ACCOUNTING STANDARDS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT REPORTING PERIOD

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

— AASB 15 Revenue from Contracts with Customers; and

— AASB 9 Financial Instruments.

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

(I) AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Impact of adoption

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

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

— **step 1:** identify the contract(s) with a customer;

— **step 2:** identify the performance obligations in the contract;

— **step 3:** determine the transaction price;

— **step 4:** allocate the transaction price to the performance obligations in the contract; and

— **step 5:** recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

The Group adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of application. Therefore, comparative prior periods have not been adjusted and continue to be reported under AASB 118.

The following table summarises the impact of adopting AASB 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 for each of the line items affected.

31 December 2018 $'000	As reported under AASB 15 Dr/(Cr)	Adjustments Dr/(Cr)	Amounts without adoption of AASB 15 Dr/(Cr)
Other current assets, which include accrued revenue*	94,336	(359)	94,695
FCTR	(18,359)	80	(18,439)
Opening retained earnings	(72,959)	2,136	(75,095)
Net sales	(857,316)	(2,537)	(854,779)
Profit before income tax	(14,860)	(2,537)	(12,323)
Income tax expense	24,361	680	23,681
Loss after tax	9,501	(1,857)	11,358

* $359,000 of revenue derecognised as part of the adjustment has not met the criteria for recognition as at 31 December 2018 but is likely to be recognised in the six months to 30 June 2019.

The adjustments arose as a result of changes in the treatment of non-refundable upfront fees of one entity within the Group. As per AASB 15, non-refundable upfront fees are recognised when the related performance obligations are satisfied. The net impact was $1.9 million on net loss after tax for the year and only a limited number of contracts were impacted. The impact, net of tax, of transition to AASB 15 on retained earnings at 1 January 2018 was $2.1 million.

During the year, the Group performed an assessment of significant contracts across various consolidated entities and revenue streams and reassessed the principal/agent classification for certain contractual arrangements and concluded that revenue recognised on these contracts amounting to $49.9 million for the year should be presented as principal (revenue recorded on a gross basis) rather than agent (revenue recorded on a net basis).

This assessment also identified that these specific contracts should have been identified as principal under the previous accounting standard, AASB 118. The prior year comparatives have been re-presented accordingly to present such revenue on a gross basis. This re-presentation has no impact on key metrics including net sales, EBIT and profit before income tax.

(II) AASB 9 FINANCIAL INSTRUMENTS

Impact of adoption

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

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

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

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

Accounting policy on financial assets and liabilities – recognition and derecognition

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

Classification and initial measurement of financial assets

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

Subsequent measurement of financial assets

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

- financial assets at amortised costs;
- financial assets at fair value through profit or loss ("FVTPL");
- debt instruments at fair value through other comprehensive income ("FVTOCI"); or
- equity instruments at FVTOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within other income or finance costs, except for impairment of trade receivables which is presented within Research, new business and other commercial costs. The Group does not have any debt instruments at FVTOCI or equity instruments at FVTOCI.

Financial assets at amortised cost

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

Financial assets at FVTPL

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

Trade and other receivables and other current assets

The Group makes use of a simplified approach in accounting for the impairment of trade and other receivables as well as other current assets and records the loss allowance at the amount equal to the lifetime ECL. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. Per this calculation, it was determined that the ECL in trade and other receivables was immaterial to be disclosed separately.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AMENDMENTS TO ACCOUNTING STANDARDS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT REPORTING PERIOD (CONTINUED)

(II) AASB 9 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

(B) STATEMENT OF COMPLIANCE

(I) 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 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 16 Leases	1 January 2019	31 December 2019

(II) AASB 16 LEASES

AASB 16 is applicable to annual reporting periods beginning on or after 1 January 2019 and it will replace AASB 117 Lease and the related interpretations. The Standard introduces a comprehensive model for the identification of lease arrangements and accounting treatment for both lessors and lessees.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and 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. Lease expenses from short-term leases and lease of low-value assets are recognised as a straight-line expense over the lease term.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Depreciation of the right-of-use asset and interest on the lease liability will be recognised over the lease term. Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Determining whether an arrangement contains a lease

On transition to AASB 16, the Group can choose whether to apply:

— the AASB 16 definition of a lease to all its contracts; or

— a practical expedient and not reassess whether a contract is, or contains, a lease.

The Group has a significant number of long-term non-cancellable property leases for office buildings, which meets the AASB 16 definition. The Group does not generally enter into an arrangement that is not in the legal form of a lease for which the fulfilment is dependent on the use of a specific asset. As such, the Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 January 2019 and identified as a lease in accordance with IAS 17 and IFRIC 4.

Transition

As a lessee, the Group can either apply the standard using a:

— retrospective approach; or

— modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

During the year ended 31 December 2018, the Group commenced assessment of the financial impact of the implementation of AASB 16. To date, work has been focused on the following:

— understanding of the standard;

— establishment of the population of lease contracts which will extend beyond 1 January 2019;

— analysis of the impact from the population of lease contracts;

— determination of the discount rate;

— determination of the transition method used and the accompanying practical expedients; and

— establishment of the contract review process where required.

As at the reporting date, the Group has non-cancellable operating lease commitments of $117.1 million (see Note 33(B)). Of these commitments, approximately $7.9 million relate to short-term leases and $0.1 million relate to leases of low-value assets which will both be recognised on a straight-line basis as an expense in profit or loss due to the adoption of the practical expedients available from the standard.

The Group plans to apply the modified retrospective approach at transition. For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately $79.7 – $88.1 million, lease liabilities of $89.9 – $99.3 million and deferred tax assets of $3.0 – $3.4 million on 1 January 2019.

The Group expects the depreciation expense will increase by approximately $18.8 – $20.8 million and interest expense will increase by approximately $2.3 – $2.5 million for 2019 as a result of adopting the new rules.

The Group is currently finalising its review with its ultimate parent entity on the adoption of transition option and the application of practical expedients. The above estimated impact may change to reflect any changes impacting leases up to the date of implementation and the final decisions made on transition option and practical expedients to be adopted.

(III) NET WORKING CAPITAL

As at 31 December 2018, the consolidated statement of financial position shows current liabilities in excess of current assets by $144.2 million. At 31 December 2018, the Consolidated Entity had secured loan facilities totalling $520.0 million (of which $315.0 million was drawn). The Company had $205.0 million in undrawn facilities at 31 December 2018 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 2018 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 interest 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(I)) are disclosed as either a current or non-current liability titled "Earnouts" 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.

(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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) BASIS OF CONSOLIDATION (CONTINUED)

(II) JOINT VENTURES (CONTINUED)

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 profit or loss and any reversals are credited to 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 profit or loss and any reversals are credited to 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 (Rounding in Financial/Directors' Reports) 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 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 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

The Group is a leading communications services organisation offering national and multinational clients a comprehensive range of communications services across the Group's different agencies and specialisms. Contracts often involve multiple agencies offering different services. As such, the terms of contracts can vary to meet client needs and regulatory requirements.

Consistent with the industry, contracts typically are short term in nature and tend to be cancellable by either party with 90 days' notice. The Group is generally entitled to payment for work performed to date.

The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days, hence, the Group has determined that no significant financing component exists in relation to the Group's revenue streams. Revenue comprises commissions and fees earned in respect of amounts billed and is stated exclusive of GST. Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients. Costs to obtain a contract are typically expensed as incurred as the contracts are generally short term in nature.

In most instances, promised services in a contract are not considered distinct or represent a series of services that are substantially the same with the same pattern of transfer to the customer and, as such are accounted for as a single performance obligation. However, where there are contracts with services that are capable of being distinct, are distinct within the context of the contract, and are accounted for as separate performance obligations, revenue is allocated to each of the performance obligations based on relative standalone selling prices.

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

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

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

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

Further details on revenue recognition are detailed by sector below:

(I) ADVERTISING AND MEDIA INVESTMENT MANAGEMENT

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

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

(II) DATA INVESTMENT MANAGEMENT

Revenue for market research services is typically recognised over time based on input measures. For certain performance obligations, output measures such as the percentage of interviews completed, percentage of reports delivered to a client and the achievement of any project milestones stipulated in the contract are used to measure progress.

While most of the studies provided in connection with the Group's market research contracts are undertaken in response to an individual client's or group of clients' specifications, in certain instances a study may be developed as an off-the-shelf product offering sold to a broad client base. For these transactions, revenue is recognised when the product is delivered. Where the terms of the transaction provide for licensing the right to access a product on a subscription basis, revenue is recognised over the subscription period typically on a straight-line basis.

(III) LARGE FORMAT PRODUCTION

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

(IV) PUBLIC RELATIONS & PUBLIC AFFAIRS AND SPECIALIST COMMUNICATIONS

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) REVENUE RECOGNITION (CONTINUED)

(V) NET SALES

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

(VI) DISAGGREGATION OF REVENUE

The Group has disaggregated revenue into five reportable segments as disclosed in Note 3. The Group considers this consistent with how revenue is presented in other communications, how information is regularly reviewed by management to evaluate the financial performance of operating segments and how other information is used by the entity, or users of the financial statements, to evaluate financial performance or make resource allocation decisions.

(VII) OTHER INCOME

Interest

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

(VIII) SHARE OF NET PROFITS OF JOINT VENTURES AND ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

For the Consolidated Entity, the share of the profits or losses of the joint ventures and associates is determined on the basis of the Group's proportionate ownership interest in accordance with the equity method of accounting.

(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.

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 head entity and the other members of the tax-consolidated group in accordance with the arrangement.

(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 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 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 an earnout 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 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 profit or loss.

If the contingent consideration (earnouts) relates to a put and call arrangement, its fair value is recorded in other reserves on initial recognition and any subsequent remeasurements to fair value are recognised in 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 9 Financial Instruments. 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 profit or loss. Thus, attaining control triggers remeasurement.

(J) IMPAIRMENT OF NON-FINANCIAL 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 loss allowance/ECL. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability 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 (loss allowance/ECL 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 loss allowance/ECL 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 loss allowance/ECL is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 as amortised cost and FVTPL. 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) AMORTISED COST ASSETS AND EFFECTIVE INTEREST METHOD

Amortised cost assets 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. Amortised cost assets are included in trade and other receivables in the balance sheet.

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 and 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.

(II) FINANCIAL ASSETS AT FVTPL

This includes investments in equity instruments unless the Group designates an equity investment arising from a business combination as at FVTOCI on initial recognition. The Group has not made this election and will continue to account for its investments in equity instruments at FVTPL.

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.

(O) IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises a loss allowance for ECL on investments in financial assets held at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. The ECL on these financial assets is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

(I) SIGNIFICANT INCREASE IN CREDIT RISK

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, information such as the actual or significant deterioration in the financial instrument's external (if available) or internal credit rating and external market indicators, existing or forecast adverse changes in business, financial or economic conditions and an actual or expected significant deterioration in the operating results of the debtor is taken into account when assessing whether credit risk has increased significantly since initial recognition.

Despite the foregoing, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(II) DEFINITION OF DEFAULT

The Group considers the following as indicators of an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

— when there is a breach of financial covenants by the debtor; or
— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate or there are other facts that indicate the financial asset is recoverable.

(III) CREDIT IMPAIRED FINANCIAL ASSETS

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about events such as the events noted in (I) and (II) above.

(IV) WRITE-OFF POLICY

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the debtor has been placed in liquidation or has entered into bankruptcy proceedings, or the amounts are significantly past due.

(V) MEASUREMENT AND RECOGNITION OF ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(P) DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(Q) FINANCIAL LIABILITIES

The Group has the following financial liabilities:

(I) FINANCIAL LIABILITIES AT FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'gain/(loss) on fair value adjustment of earnouts' in profit or loss.

(II) FINANCIAL LIABILITIES MEASURED SUBSEQUENTLY AT AMORTISED COST

Financial liabilities that are not contingent consideration of an acquirer in a business combination, are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

(R) DERECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged or cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between the carrying amount of the liability before the modification, and the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss.

(S) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(S) FAIR VALUE ESTIMATION (CONTINUED)

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.

(T) 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 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 profit or loss. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

(U) 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 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

Brand names are acquired as part of business combinations and recognised separately from goodwill. Brand names 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.

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. Development costs that are directly attributable to the design and testing of identifiable and unique intellectual property controlled by the Group are recognised as intangible assets when the criteria of AASB 138 Intangible Assets is met. Directly attributable costs that are capitalised as part of the Intellectual property include employee costs and relevant third party costs. 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 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 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 3 to 5 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.

(V) 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.

(W) 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 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.

(X) 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.

(Y) 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.

(Z) 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 14 to 31.

The fair value of shares granted under the ESP is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees 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 right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the 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 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 benefits expense recognised each period takes into account the most recent estimate.

(AA) 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.

(AB) 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.

(AC) EARNINGS PER SHARE

(I) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net (loss)/profit 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(AC) EARNINGS PER SHARE (CONTINUED)

(II) DILUTED EARNINGS PER SHARE (CONTINUED)

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.

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:

(A) 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(U) and 18(C).

(B) EARNOUTS

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 earnout liabilities is detailed further in Notes 1(C), 20 and 23.

(C) 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 14 to 31.

(D) VALUATION OF IDENTIFIABLE INTANGIBLE ASSETS AND ALLOCATION OF GOODWILL

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

(E) TAX

The calculation of the Group's income tax expense and related tax balances involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority and the finalisation of tax returns. The amounts recognised in the consolidated financial statements in respect of tax balances, specifically tax expense and tax provisions (current and deferred tax liabilities) are derived from the Group's best estimation and judgement. However, the inherent uncertainty regarding the outcome of these items means the eventual resolution could differ from the tax provision and in such event the Group would be required to make an adjustment in a subsequent period which could have a material impact on the Group's profit or loss and/or cash position.

The Group is subject to income tax legislation in Australia and in jurisdictions where the Group has foreign operations. Judgement is required in determining the Group's worldwide provisions for income taxes and in assessing whether deferred tax balances are to be recognised in the consolidated statement of financial position. Changes in tax legislation in the countries the Group operates in may affect the amount of provision for income taxes and deferred tax balances recognised.

NOTE 3. SEGMENT INFORMATION

(A) IDENTIFICATION OF REPORTABLE SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision-maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by the Board based on reporting lines and the nature of goods and 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.

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

The reportable segments are the five operating segments.

(B) OPERATING SEGMENTS

The Company is organised into five reportable segments:

- Advertising and Media Investment Management;
- Data Investment Management;
- Large Format Production;
- 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.

(C) ACCOUNTING POLICIES

Segment revenues and expenses and the relevant head office costs have been allocated to the segments. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1.

(D) INTERSEGMENT TRANSFERS

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

(E) BUSINESS SEGMENTS

The following table presents revenue and (loss)/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 2018 and 31 December 2017. Refer to Note 5(E) for further details in relation to significant items and other non-cash items.

31 December 2018 ($'000)	Net sales*	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	481,110	2,357	77,701	—	1,098	(2,362)	76,437
Data Investment Management	105,158	(11)	17,572	—	51	(635)	16,988
Large Format Production	19,985	959	(6,792)	—	(19)	(1,682)	(8,493)
Public Relations & Public Affairs	60,331	422	14,206	—	42	(234)	14,014
Specialist Communications	190,732	1,253	34,998	—	103	(786)	34,315
Total	**857,316**	**4,980**	**137,685**	**—**	**1,275**	**(5,699)**	**133,261**
Depreciation, amortisation and impairment expense							(104,542)
Net interest expense							(13,859)
Profit before income tax							**14,860**
Income tax expense							(24,361)
Net loss							**(9,501)**
Net profit attributable to:							
– Non-controlling interests							7,594
– Members of the Parent Entity							**(17,095)**

31 December 2017 ($'000)[1]	Net sales*	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	495,417	2,256	87,958	1,049	68	—	89,075
Data Investment Management	99,491	42	26,626	226	213	—	27,065
Large Format Production	29,229	946	1,587	—	—	—	1,587
Public Relations & Public Affairs	57,902	415	7,944	131	64	—	8,139
Specialist Communications	187,840	1,704	28,939	486	(3,338)	(649)	25,438
Total	**869,879**	**5,363**	**153,054**	**1,892**	**(2,993)**	**(649)**	**151,304**
Depreciation and amortisation expense							(34,860)
Net interest expense							(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**

* Net sales is calculated as revenue less cost of sale of goods and services rendered. Refer to Note 1(F).

1. Comparatives have been restated to reflect the update in segments. Refer to Note 3(A).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 4. REVENUE

(A) CONTRACT BALANCES

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

	Consolidated Entity	
	2018 $'000	2017* $'000
Receivables, which are included in 'Trade and other receivables'	457,155	487,861
Accrued revenue, which is included in 'Other current assets'	85,327	84,332
Deferred income, which is included in 'Trade and other payables'	127,543	101,545

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

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

The Group has applied the practical expedient permitted by AASB 15 to not disclose the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) as of the end of the reporting period. This is due to contracts typically having an original expected duration of a year or less resulting in amounts that comprise the accrued revenue and deferred income balances at 31 December 2017 being recognised in net sales during the year and not forming part of the accrued revenue and deferred income balances at 31 December 2018.

(B) REVENUE BREAKDOWN

	Consolidated Entity	
	2018 $'000	2017 $'000
REVENUE		
Net sales	857,316	869,879
OTHER INCOME		
Interest income	733	1,105
Other (expense)/revenue	(162)	1,689
Total other income	**571**	**2,794**
SHARE OF NET PROFITS OF JOINT VENTURES AND ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		
Equity share of joint ventures and associates' net profits	4,980	5,363

NOTE 5. EXPENSES

	Consolidated Entity	
	2018 $'000	2017 $'000
Profit before income tax includes the following specific expenses:		
(A) DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of non-current assets:		
Plant and equipment	17,399	14,487
Amortisation of non-current assets:		
Intangible assets	20,825	20,373
Total depreciation and amortisation expense	**38,224**	**34,860**
(B) FINANCE COSTS		
Interest expense – earnouts	667	590
Interest expense – other parties	13,925	14,910
Total finance costs	**14,592**	**15,500**
(C) OTHER EXPENSES		
(Gain)/loss on fair value adjustment of earnouts	(1,275)	2,993
Loss on disposal of plant and equipment	342	534
Loss on disposal of joint ventures and associates	—	634
Loss on disposal of controlled entity	—	15
Superannuation contributions	30,108	29,777
(D) OPERATING LEASE RENTAL		
Minimum lease payments	49,185	44,761

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 5. EXPENSES (CONTINUED)

(E) SIGNIFICANT ITEMS AND OTHER NON-CASH ITEMS

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

	Consolidated Entity	
	2018 $'000	**2017 $'000**
(I) TRANSACTION RELATED COSTS/(PROFIT)[1]		
Transaction related profit	—	(1,892)
Significant items before income tax	**—**	**(1,892)**
Rights to future income tax deductions resulting from the Transaction	8,507	(8,507)
Income tax expense	—	2,964
Significant items net of income tax	**8,507**	**(7,435)**
Non-controlling interests	—	—
Net amount attributable to members of the Parent Entity	**8,507**	**(7,435)**
(II) IMPAIRMENT, AMORTISATION OF ACQUIRED INTANGIBLES AND OTHER NON-CASH ITEMS[2]		
Amortisation expense	19,880	19,339
Impairment expense	66,318	—
(Gain)/loss on fair value adjustment of earnouts (net of interest expense)	(608)	3,583
Significant items before income tax	**85,590**	**22,922**
Income tax benefit	(9,628)	(5,802)
Significant items net of income tax	**75,962**	**17,120**
Non-controlling interests	—	—
Net amount attributable to members of the Parent Entity	**75,962**	**17,120**
(III) BUSINESS CLOSE DOWN AND OTHER ONE-OFF COSTS[3]		
Business restructuring costs	3,174	—
Loss on closed and merged businesses	487	649
Other one-off costs	2,038	—
Significant items before income tax	**5,699**	**649**
Income tax benefit	(1,633)	—
Significant items net of income tax	**4,066**	**649**
Non-controlling interests	—	—
Net amount attributable to members of the Parent Entity	**4,066**	**649**

1. **Transaction related costs/(profit) –** The balance in 2018 relates to $8.5 million reversal of rights to future income tax deductions recognised as a significant item at 31 December 2017 due to a change in tax legislation. The balance in 2017 relates to an adjustment which arose as a result of the Transaction.
2. **Impairment, amortisation of acquired intangibles and other non-cash items –** The balance in 2018 relates to the impairment of goodwill, acquired intangibles and other balance sheet items in relation to entities within the Large Format Production segment. It also includes amortisation of acquired intangible assets and gain on fair value adjustment of earnouts across the Group. The balance in 2017 relates to amortisation of acquired intangibles and loss on fair value adjustment of earnouts.
3. **Business close down and other one-off costs –** relate to costs associated with closing down, merging and restructuring selected businesses.

NOTE 6. INCOME TAX

	Consolidated Entity 2018 $'000	2017 $'000
(A) INCOME TAX EXPENSE		
Current tax	22,957	32,089
Deferred tax	(4,187)	(3,492)
Rights to future income tax deductions resulting from the Transaction	8,507	(8,507)
Adjustments for current tax of prior periods	(2,916)	1,196
Income tax expense reported in profit or loss	**24,361**	**21,286**
(B) CURRENT TAX ASSETS AND LIABILITIES INCLUDED IN THE FINANCIAL STATEMENTS		
Current tax assets/(liabilities)*	494	(24,960)
(C) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Profit from continuing operations before income tax expense	14,860	102,049
Tax at the Australian tax rate of 30% (2017: 30%)	4,458	30,615
Adjustments for current tax of prior periods	(2,916)	771
Tax adjustments resulting from equity accounting	(1,494)	(1,609)
Foreign tax rate adjustment	(1,965)	(1,961)
Gain on disposal of non-current assets	—	(82)
(Gain)/loss on fair value adjustment of earnouts	(182)	1,075
Other items allowable for income tax purposes	2,005	672
Tax adjustments from impairment of non-current assets	15,948	—
Deferred taxation write-off	—	425
Rights to future income tax deductions resulting from the Transaction	8,507	(8,507)
Other gains not assessable for income tax	—	(113)
Income tax expense reported in profit or loss	**24,361**	**21,286**
(D) TAX EXPENSE RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME		
Cash flow hedges	—	144

* Refer to Note 6(H) on update of prior year comparatives.

(E) TAX LOSSES

The Group's tax losses on revenue account after adjusting for the tax rate are $3,969,565 (2017: $3,935,400). The Group's tax losses on capital account after adjusting for the tax rate are $10,500,136 (2017: $10,248,330).

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 2018, there is no recognised or unrecognised deferred income tax liability (2017: $Nil) for taxes that would be payable on the unremitted earnings of certain Group subsidiaries, joint ventures and associates as the Group has no liability for additional taxation should such amounts be remitted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 6. INCOME TAX (CONTINUED)

(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)(III).

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.

(H) TAX ADJUSTMENT

During the year, the Group and its controlled entities finalised their outstanding tax returns, at which point estimates and judgments made in the tax returns were finalised. This resulted in a restatement of $9.9 million to retained earnings and current tax assets, as shown below. The restatement has been made as at 31 December 2016, as the items giving rise to the adjustment, relate to periods prior to this date.

	As reported at 31 December 2016	Restatement	Restated as at 31 December 2016
Retained earnings	(62,735)	9,914	(52,821)
Current tax assets	12,886	(9,914)	2,972

NOTE 7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share has been described in Notes 1(AC)(I) and 1(AC)(II), respectively.

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

	Consolidated Entity	
	2018 $'000	**2017 $'000**
Net (loss)/profit attributable to members of the Company from continuing operations for basic EPS	**(17,095)**	**73,343**
Effect of dilution:		
Dilutive adjustments to net (loss)/profit	—	—
Net (loss)/profit attributable to members of the Company from continuing operations for diluted EPS	**(17,095)**	**73,343**
	Number	**Number**
Weighted average number of ordinary shares for basic earnings per share	851,202,640	851,015,951
Impact of ESP shares where performance targets have been met	—	—
Weighted average number of ordinary shares for diluted earnings per share	**851,202,640**	**851,015,951**
	Cents	**Cents**
EPS for net (loss)/profit from continuing operations attributable to members of the Company		
Basic EPS	(2.0)	8.6
Diluted EPS	(2.0)	8.6

EPS is calculated by dividing net (loss)/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 6,060,237 (2017: 5,481,827) 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.

NOTE 8. DIVIDENDS PAID AND PROPOSED

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividend for 2017, paid in 2018: 4.2 cents per share (2016: 3.9 cents per share paid in 2017)	35,742	33,190
Interim franked dividend for 2018: 2.3 cents per share (2017: 2.1 cents per share)	19,584	17,871
Dividends paid pursuant to the ESP	7	8
	55,333	**51,069**
In addition to the above dividends, since the end of the year the Directors have recommended the payment of a final dividend of 4.0 cents (2017: 4.2 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed final dividend payable on 5 April 2019 (2017: 6 April 2018) out of retained earnings, but not recognised as a liability, is:	**34,062**	**35,743**
Franking credit balance		
The franked portions of dividends recommended after 31 December 2018 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 2019.		
Franking credits available for subsequent years based upon a tax rate of 30%.	**151,049**	**123,822**
The above amounts represent the balance of the franking account as at the end of the 2018 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	**14,598**	**15,318**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Notes	Consolidated Entity 2018 $'000	2017 $'000
Cash at bank and on hand		63,270	111,140
Cash on deposit		254	83
		63,524	**111,223**
Reconciliation of net (loss)/profit to net cash flows from operating activities			
Net (loss)/profit		(9,501)	80,763
Share of joint ventures and associates' net profits, net of dividends and trust distributions received		(1,924)	(2,441)
Depreciation and amortisation expense	5(A)	38,224	34,860
Impairment expense relating to goodwill, acquired intangible assets and plant and equipment		62,977	—
ESP expense non-cash		929	489
Interest expense – earnouts	5(B)	667	590
Gain on disposal of associates and joint ventures		—	(809)
Loss on disposal of plant and equipment	5(C)	342	534
(Gain)/loss on fair value adjustment of earnouts	5(C)	(1,275)	2,993
Impact of AASB 15 Revenue from Contracts with Customers		(2,136)	—
Changes in operating assets and liabilities, net of effects of purchase and disposal of controlled entities during the financial year:			
Decrease in trade and other receivables		41,808	11,675
Decrease/(increase) in inventories		2,139	(4,230)
Decrease in current tax receivable		—	8,873
(Increase)/decrease in other non-current receivables		(22)	440
Decrease in deferred tax assets		4,964	3,281
Decrease in trade and other payables		(32,037)	(42,678)
(Decrease)/increase in current income tax liabilities		(35,253)	19,059
(Decrease)/increase in provisions		(1,880)	2,384
Increase in other liabilities		25,999	12,863
Net cash flows from operating activities		**94,021**	**128,646**

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2018 $'000	2017 $'000
Trade receivables	458,385	490,363
Loss allowance/ECL	(1,230)	(2,502)
	457,155	**487,861**
Other receivables	12,698	18,519
Amounts receivable from related parties	15,049	15,403
	484,902	**521,783**

(A) TRADE AND OTHER RECEIVABLES

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

The Group always measures the loss allowance for trade and other receivables at an amount equal to lifetime ECL. The ECL on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 60 days past due if there are no indicators that would affirm their recoverability.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

(B) IMPAIRED TRADE RECEIVABLES

As at 31 December 2018, current trade receivables of the Group with a nominal value of $1,230,000 (2017: $2,502,000) 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 loss allowance/ECL of trade receivables are as follows:

	Consolidated Entity	
	2018 $'000	2017 $'000
Balance at the beginning of the year	2,502	1,189
Impairment losses recognised on receivables	890	1,985
Amounts written off as uncollectible	(864)	(391)
Impairment losses reversed	(1,298)	(281)
Balance at the end of the year	**1,230**	**2,502**

The creation and release of the loss allowance/ECL of trade receivables have been included in 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

(C) PAST DUE BUT NO LOSS ALLOWANCE/ECL

As at 31 December 2018, trade receivables greater than 60 days of $49,188,000 (2017: $56,643,000) which is net of the allowance made as part of the ECL calculation, were past due with no loss allowance/ECL. These relate to a number of independent customers for whom there is no recent history of default and have been deemed recoverable by management subsequent to the assessment of factors noted above. The past due status, although an indicator of ECL, is not an absolute measure of ECL and factors such as the existence of slow paying debtors would result in the existence of past due debtors with no credit risk or ECL.

The ageing analysis of trade receivables is as follows:

	Consolidated Entity	
	2018 $'000	**2017 $'000**
1–30 days	296,865	299,078
31–60 days	111,102	132,140
Greater than 60 days	49,188	56,643
	457,155	**487,861**

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

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 28.

(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 28 for more information on the risk management policy of the Group and the credit quality of the Consolidated Entity's trade receivables.

NOTE 11. CURRENT ASSETS – INVENTORIES

	Consolidated Entity	
	2018 $'000	2017 $'000
Raw materials and stores	1,030	1,366
Work in progress	3,409	8,197
Finished goods	544	900
Media time	7,959	4,615
	12,942	**15,078**

NOTE 12. CURRENT ASSETS – OTHER CURRENT ASSETS

	Consolidated Entity	
	2018 $'000	2017 $'000
Prepayments	9,009	8,138
Accrued revenue	85,327	84,332
	94,336	**92,470**

NOTE 13. NON-CURRENT ASSETS – OTHER RECEIVABLES

	Consolidated Entity	
	2018 $'000	2017 $'000
Amounts receivable from related parties	279	280
	279	**280**

(A) RELATED PARTY RECEIVABLES

For terms and conditions relating to related party receivables, refer to Note 30.

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 due to their short-term nature.

(C) RISK EXPOSURE

Information about the Group's exposure to foreign exchange risk, interest rate risk and credit risk is provided in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

	Consolidated Entity	
	2018 $'000	2017 $'000
Investments in joint ventures and associates	21,864	23,370

Name	Principal activity	Ownership interest 2018	Ownership interest 2017	Country of incorporation
AFI Branding Solutions Pty Limited	Promotional signage printing	50%	50%	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
Campaigns and Communications Group Pty Limited	Campaign management	20%	20%	Australia
CPR Vision Pte Limited	Digital marketing	40%	40%	Singapore
Cudex Pty Limited (i)	Market research	—	50%	Australia
Feedback ASAP Pty Limited (i)	Mystery shopping	—	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
Smollan Australia Pty Ltd (ii)	Marketing specialist	25.5%	51%	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.

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

(A) REPORTING DATES

All joint ventures and associates have prepared accounts as at 31 December 2018 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 $3,056,000 (2017: $2,923,000) from its joint ventures and associates.

(D) COMMITMENTS

The Consolidated Entity's share of the joint ventures and associates' commitments is disclosed in Note 33.

NOTE 15. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Other financial assets are FVTPL assets which include the following financial assets:

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000
Shares in listed entities – at fair value	709	684

NOTE 16. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000
Plant and equipment		
At cost	140,139	122,347
Accumulated depreciation and impairment	(90,176)	(72,777)
Total plant and equipment	**49,963**	**49,570**

RECONCILIATIONS

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

At 1 January 2017	**Plant and equipment $'000**
At cost	99,542
Accumulated depreciation	(58,290)
Net carrying amount	**41,252**
Year ended 31 December 2017	
Balance at the beginning of the year	41,252
Additions	23,339
Disposals	(534)
Depreciation expense	(14,487)
Balance at the end of the year	**49,570**
At 31 December 2017	
At cost	122,347
Accumulated depreciation	(72,777)
Net carrying amount	**49,570**
Year ended 31 December 2018	
Balance at the beginning of the year	49,570
Additions	20,478
Acquisition of subsidiaries (Note 31)	149
Disposals	(342)
Disposal of controlled entity	(92)
Impairment expense	(2,762)
Depreciation expense	(17,399)
Net exchange difference	361
Balance at the end of the year	**49,963**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 16. NON-CURRENT ASSETS – PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2018	Plant and equipment $'000
At cost	140,139
Accumulated depreciation and impairment	(90,176)
Net carrying amount	**49,963**

NOTE 17. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated Entity	
	2018 $'000	2017 $'000
Provisions	9,742	9,570
Doubtful debts	482	497
Accruals	6,756	8,789
Tax losses carried forward	3,970	3,935
Lease incentives	1,765	2,134
Plant and equipment	4,471	7,290
Other	388	503
Gross deferred tax assets	**27,574**	**32,718**
Movements		
Opening balance	32,718	35,999
Charged to profit or loss	(4,964)	(3,137)
Acquisition of subsidiaries	40	—
Disposal of controlled entity	(220)	—
Charged to equity	—	(144)
Closing balance	**27,574**	**32,718**

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 2017	**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**
Credited/(charged) to the profit or loss	188	(15)	(2,031)	—	35	(369)	(2,819)	47	(4,964)
Acquisition of subsidiaries	—	—	40	—	—	—	—	—	40
Disposal of controlled entity	(16)	—	(42)	—	—	—	—	(162)	(220)
At 31 December 2018	**9,742**	**482**	**6,756**	**—**	**3,970**	**1,765**	**4,471**	**388**	**27,574**

NOTE 18. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000
Goodwill	917,115	949,539
Brand names	143,404	144,214
Intellectual property	15,924	13,245
Customer relationships	111,090	128,389
Total intangible assets	**1,187,533**	**1,235,387**

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 2017	Goodwill $'000	Brand names $'000	Intellectual property $'000	Customer relationships $'000	Total $'000
At cost	957,067	153,478	19,446	154,417	1,284,408
Accumulated impairment and amortisation	(3,267)	(3,970)	(7,571)	(11,983)	(26,791)
Net carrying amount	**953,800**	**149,508**	**11,875**	**142,434**	**1,257,617**
Year ended 31 December 2017					
Balance at the beginning of the year	953,800	149,508	11,875	142,434	1,257,617
Additions*	2,628	—	637	—	3,265
Net exchange differences	(6,871)	—	—	—	(6,871)
Movements in the estimate of earnouts	(18)	—	—	—	(18)
Transfer from completed work in progress	—	—	1,767	—	1,767
Amortisation expense	—	(5,294)	(1,034)	(14,045)	(20,373)
Balance at the end of the year	**949,539**	**144,214**	**13,245**	**128,389**	**1,235,387**
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)	(8,605)	(26,028)	(47,164)
Net carrying amount	**949,539**	**144,214**	**13,245**	**128,389**	**1,235,387**

* 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

Year ended 31 December 2018	Goodwill $'000	Brand names $'000	Intellectual property $'000	Customer relationships $'000	Total $'000
Balance at the beginning of the year	949,539	144,214	13,245	128,389	1,235,387
Additions	250	—	3,354	—	3,604
Net exchange differences	13,027	—	2,290	—	15,317
Disposals	(1,050)	—	—	—	(1,050)
Acquisition of subsidiaries (Note 31)	3,928	4,890	—	1,621	10,439
Amortisation expense	—	(5,700)	(945)	(14,180)	(20,825)
Impairment expense	(48,579)	—	(2,020)	(4,740)	(55,339)
Balance at the end of the year	**917,115**	**143,404**	**15,924**	**111,090**	**1,187,533**

At 31 December 2018					
At cost	968,961	158,368	27,494	156,038	1,310,861
Accumulated impairment and amortisation	(51,846)	(14,964)	(11,570)	(44,948)	(123,328)
Net book value	**917,115**	**143,404**	**15,924**	**111,090**	**1,187,533**

(A) AMORTISATION CHARGE

The amortisation charge of $20,825,000 (2017: $20,373,000) is recognised in the amortisation expense in the profit or loss.

(B) IDENTIFICATION OF CGUS

In the current year, management re-assessed the Group's CGUs as part of their strategic business review. Given the specific nature of the entities and their independence in the generation of cash from assets of other CGUs, Large Format Production entities were recognised as a separate CGU and the comparatives were re-presented accordingly.

(C) IMPAIRMENT OF 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 2018, which resulted in a $55,339,000 impairment relating to the Large Format Production CGU.

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

(I) 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 2018 are included below:

Year 1 cash flows

This is based upon the annual budget for 2019 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% (2017: 2.0%) for all CGUs has been used for 2018 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% (2017: 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.

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% (2017: 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.

(D) IMPAIRMENT CHARGES

There have been impairment charges of $55,339,000 during the year ended 31 December 2018 (2017: $Nil).

(I) 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**	**Large Format Production**	**Public Relations & Public Affairs**	**Specialist Communications**
Years 1–5 revenue growth rate	-1.0	—	—	—	—	—
Discount rate	+1.0	8,869	5,434	—	—	—
Terminal growth factor	-1.0	—	910	—	—	—

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: (0.1%); Data Investment Management: (negative 0.5%); Public Relations & Public Affairs: (negative 3.4%); Large Format Production (N/A) and Specialist Communications: (negative 6.8%).

Impact of changes to discount rate

Management notes that the discount rate would have to increase to 11.3% and 11.2% (post-tax) for the recoverable amount of the Advertising and Media Investment Management and Data Investment Management valuations respectively 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 0.6% for the recoverable amount of the Data Investment Management 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 in the 2019 budgeted EBIT

The decrease in the 2019 budgeted EBIT that would result in each CGU group's recoverable amount falling below its carrying value is as follows: Advertising and Media Investment Management: (negative 13.6%); Data Investment Management: (negative 5.9%); Public Relations & Public Affairs: (negative 13.0%); Large Format Production (N/A) and Specialist Communications: (negative 17.2%).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

(D) ALLOCATION OF GOODWILL TO CGUS

As at 31 December 2018, goodwill was allocated to the CGU groups below:

	Consolidated Entity	
	2018 $'000	2017* $'000
Advertising and Media Investment Management	507,099	500,160
Data Investment Management	136,826	133,129
Large Format Production	—	48,429
Public Relations & Public Affairs	83,423	83,401
Specialist Communications	189,767	184,420
Total goodwill	**917,115**	**949,539**

* Refer to Note 18(B) on update of prior year comparatives.

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

	Consolidated Entity	
	2018 $'000	2017 $'000
Prepayments	2,302	2,108

NOTE 20. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2018 $'000	2017 $'000
Trade payables	475,813	500,959
Sundry and other payables	65,177	63,045
Amounts payable to related parties	35,035	38,525
Earnouts	10,888	7,233
Deferred income	127,543	101,545
	714,456	**711,307**

(A) 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 60 days.

(B) RELATED PARTY PAYABLES

For terms and conditions relating to related party payables, refer to Note 30.

(C) NET GST PAYABLES

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

NOTE 21. CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
	2018 $'000	2017 $'000
Bank loans	58,000	—
Finance leases	1,747	995
	59,747	**995**

(A) FAIR VALUE DISCLOSURES

The fair value of each of the borrowings is provided in Note 28.

(B) RISK EXPOSURE

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 28.

NOTE 22. CURRENT LIABILITIES – PROVISIONS

	Consolidated Entity	
	2018 $'000	2017 $'000
Employee benefits	26,214	28,504

NOTE 23. NON-CURRENT LIABILITIES – OTHER PAYABLES

	Consolidated Entity	
	2018 $'000	2017 $'000
Earnouts	6,232	12,487
Sundry and other payables	9,315	12,731
Amounts payable to related parties	4,552	4,255
	20,099	**29,473**

(A) SUNDRY AND OTHER PAYABLES

Sundry and other payables are not interest bearing.

(B) RELATED PARTY PAYABLES

For terms and conditions relating to related party payables, refer to Note 30.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 24. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
	2018 $'000	**2017 $'000**
Bank loans	257,001	338,841
Finance leases	—	1,746
	257,001	**340,587**

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	315,001	338,841
Unused at balance date		
Facilities unused at balance date – bank loans	204,999	181,159

(A) SECURED LOANS

(I) AUSTRALIAN CORE BANKING FACILITIES

The Company renewed the Facility Agreement on 26 June 2018. The Facility Agreement is split between a debt facility of $520.0 million (2017: $520.0 million) and a guarantee facility of $29.9 million (2017: $29.9 million). $370 million of the debt facility and the guarantee facility expire on 29 June 2021. The remaining $150.0 million of the debt facility expires on 29 June 2019, and is used to support intra-month working capital movements.

The bank loan facility totalling $520,000,000 is secured by:

— registrations on the Personal Property Securities Register in Australia and New Zealand under the Personal Property Securities Act 2009 (Cth) and Personal Property Securities Act 1999 (New Zealand) for WPP AUNZ Limited and certain subsidiaries; and

— guarantee and indemnity between WPP AUNZ Limited and certain subsidiaries.

(II) NEW ZEALAND BANKING FACILITIES

During the year ended 31 December 2018, the Company had access to an overdraft for the amount of AUD 3,144,818 provided by Westpac New Zealand Limited (2017: AUD 3,205,714). At 31 December 2018, 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 $11,480,979 (2017: $21,137,070) supporting property rental and other obligations.

(C) ASSETS PLEDGED AS SECURITY

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

	Consolidated Entity	
	2018 $'000	2017 $'000
Current assets		
Cash and cash equivalents	23,421	71,370
Trade and other receivables	459,028	521,842
Inventories	12,574	14,083
Current tax assets	4,120	—
Other current assets	81,637	71,014
Total current assets	**580,780**	**678,309**
Non-current assets		
Other receivables	279	—
Investments accounted for using the equity method	18,514	13,465
Other financial assets	285,936	261,120
Plant and equipment	45,781	45,045
Deferred tax assets	25,662	26,713
Intangible assets	916,391	949,648
Other non-current assets	1,574	867
Total non-current assets	**1,294,137**	**1,296,858**
Total assets	**1,874,917**	**1,975,167**

(D) RISK EXPOSURE

Information about the Group's exposure to foreign currency and interest rate changes is provided in Note 28.

(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 2017 $'000	Financing cash flows $'000	Fair value changes (non-cash) $'000	At 31 December 2018 $'000
Bank loans	24	338,841	(23,840)	—	315,001
Finance lease liabilities	21 and 24	2,741	(994)	—	1,747

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 25. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated Entity	
	2018 $'000	2017 $'000
Accrued revenue	10,270	13,260
Prepayments	187	61
Intangible assets	76,347	80,445
Other	—	257
Gross deferred tax liabilities	**86,804**	**94,023**
Movements		
Opening balance	94,023	93,811
(Credited)/charged to profit or loss	(9,151)	212
Acquisition of subsidiaries	1,954	—
Disposal of controlled entity	(22)	—
Closing balance	**86,804**	**94,023**

Movements – consolidated	Accrued revenue $'000	Pre-payments $'000	Intangible assets $'000	Other $'000	Total $'000
At 1 January 2017	**5,973**	**165**	**87,582**	**91**	**93,811**
Charged/(credited) to profit or loss	7,287	(104)	(7,137)	166	212
At 31 December 2017	**13,260**	**61**	**80,445**	**257**	**94,023**
(Credited)/charged to profit or loss	(2,968)	126	(6,052)	(257)	(9,151)
Acquisition of subsidiaries	—	—	1,954	—	1,954
Disposal of controlled entity	(22)	—	—	—	(22)
At 31 December 2018	**10,270**	**187**	**76,347**	**—**	**86,804**

NOTE 26. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated Entity	
	2018 $'000	2017 $'000
Employee benefits	5,345	4,849

NOTE 27. ISSUED CAPITAL

	2018 Number of shares	2017 Number of shares	2018 $'000	2017 $'000
Total issued capital*	851,548,729	851,015,951	737,149	736,631

* The total issued capital is net of treasury shares held by the ESP of 603,141 (2017: 1,135,919). The total shares on issue are 852,151,870 (2017: 852,151,870).

(A) MOVEMENTS IN TOTAL ISSUED CAPITAL

	2018 Number of shares	2018 $'000	2017 Number of shares	2017 $'000
At 1 January	**851,015,951**	**736,631**	**851,015,951**	**736,631**
Shares issued under the ESP	532,778	518	—	—
At 31 December	**851,548,729**	**737,149**	**851,015,951**	**736,631**

(I) 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.

(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 earnouts, 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 2018 and 31 December 2017 is as follows:

	Consolidated Entity	
	2018 $'000	2017 $'000
Total borrowings (including finance lease liabilities)	316,748	341,582
Add: earnouts	17,120	19,720
Less: cash and cash equivalents	(63,524)	(111,223)
Net debt	**270,344**	**250,079**
Headline EBITDA	137,685	153,054
Net debt to headline EBITDA ratio	**1.96x**	**1.63x**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 28. 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.

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)	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Great British Pound (GBP)	3,186	5,232	820	4,378
Indonesian Rupiah (IDR)	2,034	2,028	172	230
Malaysian Ringgit (MYR)	2,155	1,653	658	432
New Zealand dollar (NZD)	68,061	76,956	59,114	58,550
Singapore dollar (SGD)	8,811	13,378	9,405	5,953
Thai Baht (THB)	2,000	1,215	459	462
United States dollar (USD)	3,548	2,107	567	319
Others	1,228	2,948	1,131	2,664
	91,023	**105,517**	**72,326**	**72,988**

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

Sensitivity

The Group is mainly exposed to the Great British pound, Indonesian Rupiah, Malaysian Ringgit, New Zealand dollar, Singapore dollar, Thai Baht and United States dollar. The analysis below shows the impact on 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%.

	Impact to post-tax profit 2018 AUD '000	Impact to post-tax profit 2017 AUD '000
Great British Pound (GBP)	8	(99)
Indonesian Rupiah (IDR)	62	57
Malaysian Ringgit (MYR)	26	36
New Zealand dollar (NZD)	(702)	(9)
Singapore dollar (SGD)	(92)	(102)
Thai Baht (THB)	28	30
United States dollar (USD)	20	31
	(650)	**(56)**

(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.

During the year ended 31 December 2017, interest rate hedges of the Company matured. 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 settled the difference between the fixed and floating interest rate on a net basis.

The Group did not hold any derivative financial instruments as at 31 December 2018 and 31 December 2017.

(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 and receivables due from customers.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 Group. 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 2018	**≤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**
Trade and other payables (excluding earnouts)	576,026	—	13,866	—	—	589,892	589,892
Earnouts	9,497	1,247	6,706	—	—	17,450	17,120
Finance lease liabilities	1,750	—	—	—	—	1,750	1,747
Bank loans	—	58,924	—	278,332	—	337,256	315,001
Total financial liabilities	**587,273**	**60,171**	**20,572**	**278,332**	—	**946,348**	**923,760**

	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**
Trade and other payables (excluding earnouts)	602,529	—	16,986	—	—	619,515	619,515
Earnouts	6,697	549	13,124	—	—	20,370	19,720
Finance lease liabilities	570	570	1,776	—	—	2,916	2,741
Bank loans	—	—	353,214	—	—	353,214	338,841
Total financial liabilities	**609,796**	**1,119**	**385,100**	**—**	**—**	**996,015**	**980,817**

(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 loss allowance/ECL and of trade payables is 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 Group holds the following financial instruments:

	Consolidated Entity Carrying amount		Consolidated Entity Fair value	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial assets				
Cash and cash equivalents	63,524	111,223	63,524	111,223
Trade and other receivables	485,181	522,063	485,181	522,063
Other financial assets	709	684	709	684
	549,414	**633,970**	**549,414**	**633,970**
Financial liabilities				
Trade and other payables (excluding earnouts)	589,892	619,515	589,892	619,515
Earnouts	17,120	19,720	17,120	19,720
Finance lease liabilities	1,747	2,741	1,747	2,741
Bank loans	315,001	338,841	315,001	338,841
	923,760	**980,817**	**923,760**	**980,817**

(I) FAIR VALUE HIERARCHY AND VALUATION TECHNIQUES

The Group's financial assets and liabilities measured and recognised at fair value at 31 December 2018 were based on the following fair value measurement hierarchy:

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 2018;

Level 2 – not applicable

There were no level 2 financial assets or liabilities as at 31 December 2018 and 31 December 2017; and

Level 3 – earnouts

The fair value of earnouts is calculated as the present value of estimated future payments based on a discount rate which approximates the Group's cost of borrowing. Expected cash inflows are estimated on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) FAIR VALUE MEASUREMENTS (CONTINUED)

(II) RECOGNISED FAIR VALUE MEASUREMENTS

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2018 and 31 December 2017:

As at 31 December 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Entity				
Assets				
Shares in listed entities	709	—	—	709
Total assets	**709**	**—**	**—**	**709**
Liabilities				
Earnouts	—	—	(17,120)	(17,120)
Total liabilities	**—**	**—**	**(17,120)**	**(17,120)**

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				
Earnouts	—	—	(19,720)	(19,720)
Total liabilities	**—**	**—**	**(19,720)**	**(19,720)**

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

The Group's policy is to recognise transfers into and transfers out of 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 2018.

(III) 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 2018 and 31 December 2017:

	Earnouts $'000
Opening balance at 1 January 2018	(19,720)
Earnout payments made	3,143
Gain on fair value adjustment of earnouts recognised in expenses	1,275
Fair value adjustment of earnouts recognised in intangible assets	—
Fair value adjustment of earnouts recognised in other reserves	(539)
Interest expense – earnouts	(667)
Other	(612)
Closing balance at 31 December 2018	**(17,120)**
Opening balance at 1 January 2017	(23,035)
Earnout payments made	10,809
Loss on fair value adjustment of earnouts recognised in expenses	(2,993)
Fair value adjustment of earnouts recognised in intangible assets	18
Fair value adjustment of earnouts recognised in other reserves	(4,102)
Interest expense – earnouts	(590)
Other	173
Closing balance at 31 December 2017	**(19,720)**

(IV) 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 18 $'000	Unobservable inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Earnouts	17,120	Risk-adjusted discount rate	Discount rate which reflects the weighted average interest rate of secured bank loans	An increase in the discount rate by 100 basis points would decrease the fair value by $100,437 (2017: $192,560). A decrease in the discount rate by 100 basis points would increase the fair value by $102,417 (2017: $197,448).
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by $159,670 (2017: $566,490). If expected cash flows were 5% lower, the fair value would decrease by $159,670 (2017: $549,219).

(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 Note 24 and this note. The existing borrowing facilities are subject to various debt covenants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 29. SHARE-BASED PAYMENTS

The following share schemes were adopted by the Company during the year ended 31 December 2018:

— Long Term incentive Plan ("LTIP") operating between 1 January 2018 and 31 December 2021;

— Leader Plan operating between 1 March 2018 and 1 March 2021; and

— WPP AUNZ Share Ownership Plan – new Group wide share plan operating from 1 March 2018.

(A) LTIP – PERFORMANCE RIGHTS

2,765,475 performance rights over WPP AUNZ Limited ordinary shares were granted during the year to eligible senior executives. Performance rights were granted to executives at no cost as part of the long-term incentives component of their remuneration. The performance rights will vest, subject to achievement of the performance conditions as determined by the Board. The performance conditions include achievement of two years' compound annual growth rate in EPS and normalised organic revenue (net sales) and an executive satisfying subsequent two-year service period. Any performance rights for which the relevant performance conditions are not satisfied will lapse. Any performance rights that do not vest over the performance period, will be forfeited.

(B) LEADER PLAN – RESTRICTED SHARES

1,739,210 rights over WPP AUNZ Limited ordinary shares were granted during the year to the business leaders that are not participating in the LTIP and satisfy eligibility criteria as determined by the Board. Rights were granted to the leaders at no cost as part of their remuneration. The grants will vest in three years, subject to a leader satisfying continuous service conditions until the vesting date. No dividends are payable until the leader grants vest.

(C) WPP AUNZ SHARE OWNERSHIP PLAN – RIGHTS

2,565,360 rights over WPP AUNZ Limited ordinary shares were granted during the year ended 31 December 2018 under a new Share Ownership Plan to eligible permanent employees and executives that are not participating in the Leader Plan.

Under a Group wide Share Ownership Plan, the Board approved a grant of rights up to the value of $500 to be allocated on 1 March 2018 to each employee of the Company satisfying eligibility criteria, at no cost. The rights will vest in two years, subject to an employee satisfying continuous service condition until the vesting date. The Board also approved the grant of rights to qualifying executives in recognition of their contribution to the long-term success of the Company. The rights were granted to the executives at no cost and will vest on 1 March 2021, subject to an executive satisfying continuous service conditions until the vesting date. No dividends are payable until the rights vest.

(D) 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.

(I) FAIR VALUE OF PERFORMANCE RIGHTS GRANTED UNDER THE LTIP

The fair value at grant date of performance rights granted during the year ended 31 December 2018 was $0.81 per share (2017: $1.08). The model inputs for performance rights granted during the year ended 31 December 2018 included:

— performance rights are granted for no consideration;

— exercise price: $0;

— grant date: 3 May 2018;

— expiry date: December 2021; and

— share price at grant date: 2018: $0.90 (2017: $1.19).

(II) FAIR VALUE OF PERFORMANCE RIGHTS/RESTRICTED SHARES GRANTED UNDER THE LEADER PLAN

The fair value of rights granted during the year ended 31 December 2018 was $0.85 per share (2017: $1.03). The model inputs for the rights granted during the year ended 31 December 2018 included:

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

(III) FAIR VALUE OF RIGHTS GRANTED UNDER WPP AUNZ SHARE OWNERSHIP PLAN

The fair value of rights granted during the year ended 31 December 2018 for the eligible employees was $0.90 per share and $0.76 per share for executive grants. The model inputs for the rights granted during the year ended 31 December 2018 included:

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

For the year ended 31 December 2018, the Company has recognised $929,000 share-based payment expense in the consolidated statement of profit or loss (2017: $489,000).

NOTE 30. 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 35. 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 2018 and 31 December 2017 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 30. RELATED PARTY DISCLOSURES (CONTINUED)

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 2018 consisted of ($'000):

- sale of goods and services to related parties: $29,725 (2017: $19,348);
- purchase of goods and services from related parties: $75,372 (2017: $70,176);
- dividends received from joint ventures and associates: $3,056 (2017: $2,923);
- net trade payables to related parties: $14,926 (2017: $12,410);
- loans owing from related parties: $5,239 (2017: $2,695);
- loans owing to related parties: $14,580 (2017: $17,876); and
- service fee to WPP plc: $20,292 (2017: $21,501).

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 ("service fee"). The service fee payable for 2018 is 3.28% of net sales of the global brand network businesses. This rate could fluctuate marginally each year based on the changing structure of the business.

NOTE 31. BUSINESS COMBINATIONS

(A) SUMMARY OF ACQUISITIONS

During the year ended 31 December 2018:

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

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

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

During the year ended 31 December 2017:

There were no business acquisitions during the year ended 31 December 2017.

(B) GOODWILL

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

	Notes	Essence $'000	Lightspeed $'000	Total $'000
Purchase consideration				
Cash paid in the current period	31(D)	5,070	5,000	10,070
Less: fair value of net identifiable assets acquired	31(C)	2,379	3,763	6,142
Goodwill acquired		**2,691**	**1,237**	**3,928**

(C) ASSETS AND LIABILITIES ACQUIRED

The provisional fair value of assets and liabilities arising from the acquisitions for the year ended 31 December 2018 are as follows:

	Essence $'000	Lightspeed $'000	Total $'000
Current assets			
Cash and cash equivalents	1,775	2,200	3,975
Trade and other receivables	2,061	—	2,061
Other current assets	2,766	—	2,766
Non-current assets			
Intangible assets	2,389	4,122	6,511
Plant and equipment	86	63	149
Deferred tax assets	40	—	40
Current liabilities			
Trade and other payables	(5,210)	—	(5,210)
Current tax liabilities	(647)	—	(647)
Provisions	(5)	(139)	(144)
Non-current liabilities			
Deferred tax liabilities	(717)	(1,237)	(1,954)
Other payables	(159)	(1,242)	(1,401)
Provisions	—	(4)	(4)
Net assets	**2,379**	**3,763**	**6,142**
Non-controlling interests in net assets acquired	—	—	—
Net identifiable assets acquired	**2,379**	**3,763**	**6,142**

(D) PURCHASE CONSIDERATION

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 32. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(A) SUMMARY OF ACQUISITIONS

During the year ended 31 December 2018:

There were numerous buy-outs of non-controlling interests with only the acquisition of the additional 10% in Aleph Pte Limited and its controlled entities on 1 March 2018, being material.

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.

	Consolidated Entity	
	2018 $'000	**2017 $'000**
Carrying amount of non-controlling interests	2,639	(9,832)
Consideration paid to non-controlling interests	(14,721)	(1,476)
Excess of consideration paid for the acquisition of non-controlling interests	**(12,082)**	**(11,308)**

NOTE 33. EXPENDITURE COMMITMENTS

(A) CAPITAL EXPENDITURE COMMITMENTS

As at 31 December 2018, the Group had no commitments for capital expenditure (2017: $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.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 are as follows:

	Consolidated Entity	
	2018 $'000	**2017 $'000**
Within one year	30,101	34,647
Later than one year and not later than five years	79,430	78,041
Later than five years	7,568	9,848
	117,099	**122,536**
Share of joint ventures and associates' operating lease commitments	296	587

(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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Within one year	1,773	1,140	1,747	995
Later than one year and not later than five years	—	1,772	—	1,746
Later than five years	—	—	—	—
	1,773	**2,912**	**1,747**	**2,741**
Less: future finance charges	(26)	(171)	—	—
Present value of minimum lease payments	**1,747**	**2,741**	**1,747**	**2,741**

	Consolidated Entity	
	2018 $'000	**2017 $'000**
Included in the consolidated financial statements as:		
Current liabilities – borrowings	1,747	995
Non-current liabilities – borrowings	—	1,746
	1,747	**2,741**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 34. CONTINGENT LIABILITIES

The Consolidated Entity had contingent liabilities in respect of:

	Consolidated Entity	
	2018 $'000	2017 $'000
Bank guarantees	11,481	21,137

(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 $11,480,979 (2017: $21,137,070) 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 (2017: $520,000,000) is secured by:

- registrations on the Personal Property Securities Register in Australia and New Zealand under the Personal Property Securities Act 2009 (Cth) and Personal Property Securities Act 1999 (New Zealand) for WPP AUNZ Limited and certain subsidiaries; and
- guarantee and indemnity between WPP AUNZ Limited and certain subsidiaries.

NOTE 35. SUBSIDIARIES

(A) 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 2018	Ownership interest 2017	Country of incorporation/ formation
Hoed Holdings Pty Limited (i)	**Ordinary**	**—**	**100%**	**Australia**
Possible Australia Pty Ltd	**Ordinary**	**100%**	**100%**	**Australia**
— Young & Rubicam Brands Holdings Pty Ltd (i)	Ordinary	—	100%	Australia
– Young & Rubicam Group Holdings Pty Ltd (i)	Ordinary	—	100%	Australia
WPP AUNZ Analytics Pty Ltd*	**Ordinary**	**100%**	**100%**	**Australia**
STW Media Services Pty Limited*	**Ordinary**	**100%**	**100%**	**Australia**
— Active Sites Alive Pty Limited*	Ordinary	100%	100%	Australia
– Active Display Group (Asia) Limited	Ordinary	100%	100%	Hong Kong
– Boxlink Pty Limited* (iii)	Ordinary	100%	80%	Australia
— Adcast Group Pty Ltd (i)	Ordinary	—	100%	Australia
— Added Value Australia Pty Limited*	Ordinary	100%	100%	Australia
— Agile Content Productions Pty Ltd	Ordinary	100%	100%	Australia
— Alpha Salmon Pty Limited	Ordinary	100%	100%	Australia
– STW Group Asia Management Pte Limited (i)	Ordinary	—	100%	Singapore
— AMR Interactive Pty Ltd*	Ordinary	100%	100%	Australia
— Badjar Ogilvy Pty Limited*	Ordinary	100%	100%	Australia
– Badjar Advertising Pty Limited (i)	Ordinary	—	100%	Australia
— Blaze Advertising Pty Limited*	Ordinary	100%	100%	Australia
— Buchanan Advertising (Australia) Pty Limited*	Ordinary	100%	100%	Australia
— Burson-Marsteller Pty Ltd*	Ordinary	100%	100%	Australia
— Cannings Advisory Services Pty Limited*	Ordinary	100%	100%	Australia
– Cannings Corporate Communication Pty Limited ATF Cannings Unit Trust (i)	Ordinary	—	100%	Australia
— Cohn & Wolfe Australia Pty Ltd*	Ordinary	100%	100%	Australia
— Colloquial Australia Pty Limited	Ordinary	100%	100%	Australia
— Colmar Brunton Pty Limited* (iii)	Ordinary	100%	81.98%	Australia
— Cornwell Design Pty Limited*	Ordinary	100%	100%	Australia
— Customer Brand Services Pty Limited ATF CBS Marketing Trust (i)	Ordinary	—	100%	Australia
— Designworks (Melbourne) Pty Limited (i)	Ordinary	—	100%	Australia
— AKQA Pty Limited (formerly DT Digital Pty Limited)*	Ordinary	100%	100%	Australia
– DT Millipede Pty Limited*	Ordinary	100%	100%	Australia
— Essence Global Australia Pty Limited*(iii)	Ordinary	100%	—	Australia
— Finance Plus Australia Pty Limited*	Ordinary	100%	100%	Australia
— Graffiti Group Pty Ltd	Ordinary	55%	55%	Australia
— Green Five Pty Limited	Ordinary	100%	100%	Australia
– Shift Communications Pty Limited	Ordinary	100%	100%	Australia
— Grey Australia New Zealand Pty. Limited*	Ordinary	100%	100%	Australia
— Daipro Pty. Ltd. ATF Grey Services Unit Trust (i)	Ordinary	—	100%	Australia
– Grey Canberra Pty Ltd ATF Grey Canberra Unit Trust (i)	Ordinary	—	100%	Australia
— Grey Global Group Australia Pty Ltd*	Ordinary	100%	100%	Australia
— Greyhealth Australia Pty Ltd ATF Grey Healthcare Unit Trust	Ordinary	100%	100%	Australia
— Grey Worldwide Pty Ltd*	Ordinary	100%	100%	Australia
— GroupM Communications Pty Ltd*	Ordinary	100%	100%	Australia

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 35. SUBSIDIARIES (CONTINUED)
(A) LIST OF SUBSIDIARIES (CONTINUED)

	Type of share/unit	Ownership interest 2018	Ownership interest 2017	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
— GTB Australia Pty Limited (formerly Blue Hive Australia Pty Limited)*	Ordinary	100%	100%	Australia
— Haylix Services Pty Limited (i)	Ordinary	—	100%	Australia
— Hill and Knowlton Australia Pty. Limited*	Ordinary	100%	100%	Australia
— Human Communications Pty Limited*	Ordinary	100%	100%	Australia
— Ikon Communications Pty Limited*	Ordinary	100%	100%	Australia
— Ikon Communications (Melbourne) Pty Limited*	Ordinary	100%	100%	Australia
— I.M Advertising Pty Limited	Ordinary	70%	70%	Australia
— I.M Promos Pty Limited (i)	Ordinary	—	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 (i)	Ordinary	—	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
— Lightspeed Australia Pty Limted* (iii)	Ordinary	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
– Mirum Pty Ltd (formerly Webling Pty Ltd)* (iii)	Ordinary	100%	75%	Australia
— Markitforce Group Pty Limited ATF Markitforce Group Unit Trust and its controlled entities	Ordinary	100%	100%	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
— New Dialogue Pty Limited	Ordinary	100%	100%	Australia
— Ogilvy Commonhealth Pty Ltd*	Ordinary	100%	100%	Australia
— OPR Agency Pty Ltd (formerly Ogilvy Public Relations Worldwide Pty Limited)*	Ordinary	100%	100%	Australia
– Howorth Communications Pty. Limited*	Ordinary	100%	100%	Australia
– Pulse Communications Pty Limited*	Ordinary	100%	100%	Australia
– Life Agency Pty Ltd* (ii)	Ordinary	100%	—	Australia
– O2 Agency Pty Ltd* (ii)	Ordinary	100%	—	Australia
– OPR Employee Experience Pty Ltd (formerly Impact Employee Communications Pty Limited)*	Ordinary	100%	100%	Australia
– OPR Health Pty Limited (formerly Ogilvy PR Health Pty Ltd)*	Ordinary	100%	100%	Australia
– Parker & Partners Pty Ltd*	Ordinary	100%	100%	Australia
— Origami Pty Ltd*	Ordinary	100%	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 (i)	Ordinary	—	100%	Australia

	Type of share/unit	Ownership interest 2018	Ownership interest 2017	Country of incorporation/ formation
— Peach Advertising Pty Limited (i)	Ordinary	—	100%	Australia
— Picnic Software Pty Limited * (iii)	Ordinary	100%	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
— Sibling Agency Pty Ltd (formerly Moon Communications Pty Limited)*	Ordinary	100%	100%	Australia
– WPP AUNZ Solutions Pty Ltd*	Ordinary	100%	100%	Australia
— Singleton Ogilvy & Mather (Holdings) Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
– Barton Deakin Pty Limited*	Ordinary	100%	100%	Australia
– Bento Productions Pty Limited (i)	Ordinary	—	100%	Australia
– Bullseye Group Pty Limited*	Ordinary	100%	100%	Australia
– Carnival Productions Pty Ltd	Ordinary	100%	100%	Australia
– Hawker Britton Group Pty Limited*	Ordinary	100%	100%	Australia
– WPP AUNZ GR Pty Ltd*	Ordinary	100%	100%	Australia
– Hogarth Australia Pty Ltd*	Ordinary	100%	100%	Australia
– Neo Media Australia Pty Limited*	Ordinary	100%	100%	Australia
– Ogilvy Australia Pty Limited (formerly Ogilvy & Mather (Sydney) Pty Limited)*	Ordinary	100%	100%	Australia
– Bullseye (Asia Pacific) Pty Limited	Ordinary	100%	100%	Australia
– Bullseye Digital (New Zealand) Limited	Ordinary	100%	100%	New Zealand
– Ethnic Communications Pty Limited*	Ordinary	100%	100%	Australia
– OgilvyAction Pty Limited*	Ordinary	100%	100%	Australia
– PT Bullseye	Ordinary	100%	100%	Indonesia
– Singleton Ogilvy & Mather (Melbourne) Pty Limited (i)	Ordinary	—	100%	Australia
– Singleton Ogilvy One Pty Limited (i)	Ordinary	—	100%	Australia
– Ogilvy Red Consulting Pty Limited (i)	Ordinary	—	100%	Australia
– Red Tape Commercials Pty Limited*	Ordinary	100%	100%	Australia
– Singleton OgilvyInteractive Pty Limited (i)	Ordinary	—	100%	Australia
– Singleton Ogilvy & Mather (NZ) Limited	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 (iii)	Ordinary	75%	65%	Singapore
– Antics International Holdings Limited (i)	Ordinary	—	100%	Hong Kong
– Antics Studios Pte Limited (i)	Ordinary	—	100%	Singapore
– Buchanan Group Holdings Pte Limited	Ordinary	100%	100%	Singapore
– Buchanan Advertising (Canada) Inc.	Ordinary	100%	100%	Canada
– Buchanan Advertising (Malaysia) Sdn. Bhd	Ordinary	100%	100%	Malaysia
– Buchanan Advertising (Russia) (i)	Ordinary	—	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 35. SUBSIDIARIES (CONTINUED)

(A) LIST OF SUBSIDIARIES (CONTINUED)

	Type of share/unit	Ownership interest 2018	Ownership interest 2017	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
– STW Group Investments Pte Limited (i)	Ordinary	—	100%	Singapore
– Edge Marketing Limited and its controlled entities (i)	Ordinary	—	100%	British Virgin Islands
– Edge Asia Holdings Pte Limited (i)	Ordinary	—	100%	Singapore
– Edge Marketing Limited (i)	Ordinary	—	100%	Hong Kong
– The New Media Edge Company Limited (i)	Ordinary	—	100%	Thailand
– Mindcookies Company Limited (i)	Ordinary	—	100%	Thailand
– Edge Marketing Vietnam Limited (i)	Ordinary	—	100%	Vietnam
— STW Geometry Holdings Pty Limited	Ordinary	70%	70%	Australia
– Ogilvy Action 2012 Pty Ltd	Ordinary	100%	100%	Australia
– Evocatif Pty Ltd	Ordinary	100%	100%	Australia
– ICRE8 Pty Ltd (i)	Ordinary	—	100%	Australia
– Geometry Global Pty Ltd	Ordinary	100%	100%	Australia
– Geometry (Sydney) Pty Limited (i)	Ordinary	—	100%	Australia
— STW Smollan Field Marketing Pty Limited	Ordinary	51%	51%	Australia
— Sudler & Hennessey Australia Pty Ltd*	Ordinary	100%	100%	Australia
— Switched on Media Pty Limited*	Ordinary	100%	100%	Australia
– Switchedonmedia Services UK Limited (i)	Ordinary	—	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 (NZ) Ltd	Ordinary	100%	100%	New Zealand
– The Brand Agency Limited	Ordinary	61%	61%	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
— The Online Research Unit Pty Ltd*	Ordinary	100%	100%	Australia
— Tribe Marketing Pty Limited	Ordinary	100%	100%	Australia
— The Store WPP AUNZ Pty Ltd*	Ordinary	100%	100%	Australia
— Wavemaker Australia Pty Limited (formerly Mediaedge:CIA Pty. Limited)*	Ordinary	100%	100%	Australia
— White Digital Pty Limited*	Ordinary	100%	100%	Australia
– SBS Asia Pacific Pty Limited (i)	Ordinary	—	100%	Australia
— Whitegrey Pty Ltd (formerly Jay Grey Pty Ltd)*	Ordinary	100%	100%	Australia
— WPPAUNZ Team Red Pty Ltd*	Ordinary	100%	100%	Australia
— WPP AUNZ Experiences Pty Ltd (formerly Maverick Marketing and Communications Pty Ltd)	Ordinary	80%	80%	Australia
— WPP Holdings (Australia) 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 (iii)(iv)	Ordinary	98.7%	91.4%	New Zealand

	Type of share/unit	Ownership interest 2018	Ownership interest 2017	Country of incorporation/ formation
– Commercial Creativity Limited (formerly Young & Rubicam Holdings Limited)	Ordinary	100%	100%	New Zealand
– Y & R Limited	Ordinary	100%	100%	New Zealand
– 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
– Mindshare NZ Limited (ii)	Ordinary	100%	—	New Zealand
– Millward Brown NZ Limited	Ordinary	100%	100%	New Zealand
– Colmar & Brunton Research Limited (iii)	Ordinary	88.37%	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 (iii)	Ordinary	74%	68.33%	New Zealand
– Wavemaker NZ Limited (ii)	Ordinary	100%	—	New Zealand
— Yellow Edge Pty Limited	Ordinary	84%	84%	Australia
— Young & Rubicam Group Pty Limited*	Ordinary	100%	100%	Australia
– ABKP Ideaworks Pty Ltd*	Ordinary	100%	100%	Australia
– Expanded Media Holdings Pty Limited*	Ordinary	100%	100%	Australia
– Expanded Media Investments Pty Limited (i)	Ordinary	—	100%	Australia
– PR Dynamics Australia Pty Limited (i)	Ordinary	—	100%	Australia
– Professional Public Relations Pty Ltd* (iii)	Ordinary	100%	85%	Australia
– ITX Corporation Pty Ltd (i)	Ordinary	—	100%	Australia
– Professional Public Relations NZ Holdings Limited	Ordinary	100%	100%	New Zealand
– PR Dynamics Limited (i)	Ordinary	—	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 (i)	Ordinary	—	100%	Australia
– Ideaworks (Holdings) pty Ltd (i)	Ordinary	—	100%	Australia
– VML Digital Pty Limited*	Ordinary	100%	100%	Australia

(i) The entity was deregistered during the year.

(ii) The Company was involved in several new internal start-ups.

(iii) During the year, the Company purchased/disposed some or all of its interests in these entities.

(iv) 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)).

* 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 36. 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 2018 of the closed group consisting of WPP AUNZ Limited and its relevant controlled entities:

	2018 $'000	2017 $'000
Consolidated statement of profit or loss		
(Loss)/profit before income tax	(22,498)	80,916
Income tax expense	(8,662)	(16,260)
Net (loss)/profit	**(31,160)**	**64,656**

	2018 $'000	2017 $'000
Consolidated statement of profit or loss and other comprehensive income		
Net (loss)/profit	**(31,160)**	**64,656**
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
Income tax expense relating to components of other comprehensive income	—	(144)
Other comprehensive income (net of tax)	**—**	**343**
Total comprehensive (loss)/income	**(31,160)**	**64,999**

Consolidated statement of financial position	2018 $'000	2017* $'000
Current assets		
Cash and cash equivalents	15,964	56,678
Trade and other receivables	429,133	455,119
Inventories	12,215	14,083
Current tax assets	2,867	—
Other current assets	77,992	62,023
Total current assets	**538,171**	**587,903**
Non-current assets		
Other receivables	279	72,680
Investments accounted for using the equity method	18,271	13,483
Other financial assets	294,341	231,434
Plant and equipment	41,549	38,803
Deferred tax assets	24,838	30,653
Intangible assets	872,046	939,819
Other non-current assets	1,574	865
Total non-current assets	**1,252,898**	**1,327,737**
Total assets	**1,791,069**	**1,915,640**
Current liabilities		
Trade and other payables	632,325	620,862
Borrowings	59,747	992
Current tax liabilities	—	32,884
Provisions	21,219	22,503
Total current liabilities	**713,291**	**677,241**
Non-current liabilities		
Other payables	15,152	13,748
Borrowings	257,001	340,587
Deferred tax liabilities	86,108	92,262
Provisions	5,179	3,584
Total non-current liabilities	**363,440**	**450,181**
Total liabilities	**1,076,731**	**1,127,422**
Net assets	**714,338**	**788,218**
Equity		
Issued capital	737,149	736,631
Reserves	20,397	27,670
Retained earnings	(43,208)	23,917
Total equity	**714,338**	**788,218**

* Refer to Note 6(H) on update of prior year comparatives.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

NOTE 37. AUDITORS' REMUNERATION

	Consolidated Entity	
	2018 $	2017 $
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	1,395,000	1,560,000
— other services	47,000	55,000
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	175,000	232,000
	1,617,000	**1,847,000**

NOTE 38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the end of the year, the following event occurred:

— the Directors declared the payment of a fully franked final dividend of 4.0 cents per fully paid ordinary share, with a record date of 29 March 2019 and payable on 5 April 2019 (2017 final dividend: 4.2 cents per share).

Apart from the item 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.

NOTE 39. 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	
	2018 $'000	**2017 $'000**
Statement of financial position		
Current assets	34,383	58,767
Non-current assets	1,405,318	1,314,719
Total assets	**1,439,701**	**1,373,486**
Current liabilities	312,448	300,422
Non-current liabilities	315,001	340,906
Total liabilities	**627,449**	**641,328**
Net assets	**812,252**	**732,158**
Equity		
Issued capital	737,149	736,631
Reserves	1,365	862
Retained earnings	73,738	(5,335)
Total equity	**812,252**	**732,158**
Net profit	**134,461**	**40,444**
Total comprehensive income	**134,461**	**40,787**

(B) CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Parent Entity has contingent liabilities in respect of:

	2018 $'000	**2017 $'000**
Bank guarantees	11,481	21,137

The Company has provided various bank guarantees totalling $11,480,979 (2017: $21,137,070) 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 (2017: $520,000,000) is secured by a guarantee and indemnity by and between the Company and certain subsidiaries, as outlined in Note 24.

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 2018 and performance for the year ended 31 December 2018, 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 ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission. 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 36 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 36.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001:

ROBERT MACTIER
Chairman

JOHN STEEDMAN
Executive Director

Sydney, 22 February 2019

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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 2018, 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 2018 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.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Accounting for the income tax expense, current tax liabilities and tax adjustments arising on finalisation of tax returns.

Refer to Summary of Significant Accounting Policies – Taxes (notes 1G, 2E, and 6).

As disclosed in note 6, as at 31 December 2018, the Group recognised an income tax expense of $24.4 million and current tax assets of $0.5 million.

During the year, the Group and its controlled entities finalised their outstanding tax returns, at which point estimates and judgments made in the tax returns were finalised. This resulted in a restatement of $9.9 million to retained earnings and current tax assets as at 31 December 2016, as disclosed in note 6.

Significant judgement is required due to the complexity of the Group's disaggregated operations and the number of entities submitting tax returns which may result in material tax adjustments not being appropriately made or disclosed in the financial statements.</td><td>Our procedures, performed in conjunction with our tax specialists included, but were not limited to:

• discussing with Management and its tax advisers the Group's processes, and evaluating the controls over the management and payment of tax in the jurisdictions in which it operates;

• reviewing the Group's correspondence with the relevant tax authorities (where applicable) in order to support the tax position of the Group;

• reviewing taxation estimates made in prior years to amounts actually paid and payable to relevant tax authorities;

• evaluating material adjustments made to current and deferred tax balances due to finalisation and lodgement of outstanding tax returns;

• assessing Management and its tax advisers' interpretation and application of relevant tax law, and challenging the appropriateness of its assumptions and estimates in relation to income tax expense and current tax liabilities; and

• assessing the appropriateness of the Group's disclosure of its tax positions in the notes to the financial statements and that they comply with relevant accounting standards.</td></tr>
<tr><td>Identification of cash generating units and the carrying value of intangible assets including goodwill.

Refer to Summary of Significant Accounting Policies Notes - Intangible Assets (notes 1U, 2A and 18).

As disclosed in note 18, as at 31 December 2018, the Group has intangible assets of $1,187.5 million.

The identification of appropriate cash generating units ("CGUs") and evaluation of the recoverable amount of intangible assets requires the exercise of significant judgement.</td><td>Our procedures, performed in conjunction with our valuation specialists included, but were not limited to:

• understanding Management's processes and controls around the:

o identification of CGUs; and
o review of the impairment model and the underlying assumptions;

• assessing and challenging:

o the allocation of net assets, including goodwill, to the respective CGUs;
o the recoverable value of the respective CGUs;
o the FY19 budget by comparing the budget to the FY18 and FY17 actual results and assessing Management's ability to forecast accurately by</td></tr>
</table>

Identification of appropriate cash generating units During the financial year, the Company identified 'Large Format Production' as a separate CGU. *Evaluation of the recoverable amount of intangible assets* The recoverability of the intangible assets of the Advertising and Media Investment Management ($722.7 million), and the Data Investment Management ($190.8 million) CGUs, 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 'Large Format Production' CGU incurred an impairment of $53.3 million relating to intangible assets, comprising of goodwill ($48.6 million) and customer relationships ($4.7 million) respectively.	comparing FY18 and FY17 actual results to budget; o the assumptions used for the growth rates by comparing to the relevant industry forecast growth rates and assumptions for forecast EBIT Margins through inspection of supporting evidence of budgeted revenue and future cost savings; o the key assumptions for terminal growth rates in the forecast cash flows by comparing them to historical results and industry forecasts; and o 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 analysis in relation to key assumptions including discount rate, growth rate and terminal value; • assessing and challenging specifically with respect to the 'Large Format Production' CGU the: o identification of the 'Large Format Production' as a separate CGU; and o impairment charge in relation to the CGU; and • assessing the appropriateness of the disclosures including those relating to identification of CGUs, impairment of 'Large Format Production' and sensitivities in the assumptions used, included in Notes 1U, 2A and 18 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the "Directors' Report" and "Remuneration Chair's Letter", which we obtained prior to the date of this auditor's report, and 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", 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.

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", 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.

Responsibilities of the Directors 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's audit. We remain solely responsible for our audit opinion.

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 included on pages 14 to 30 of the Directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of WPP AUNZ Limited, for the year ended 31 December 2018, 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

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 22 February 2019

CORPORATE DIRECTORY

NON-EXECUTIVE DIRECTORS
Robert Mactier (Chairman)
Paul Richardson
Graham Cubbin
Kim Anderson
Ranjana Singh
Geoffrey Wild

EXECUTIVE DIRECTOR AND INTERIM CEO
John Steedman

CHIEF FINANCIAL OFFICER
Chris Rollinson

AUDITOR
Deloitte Touche Tohmatsu

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