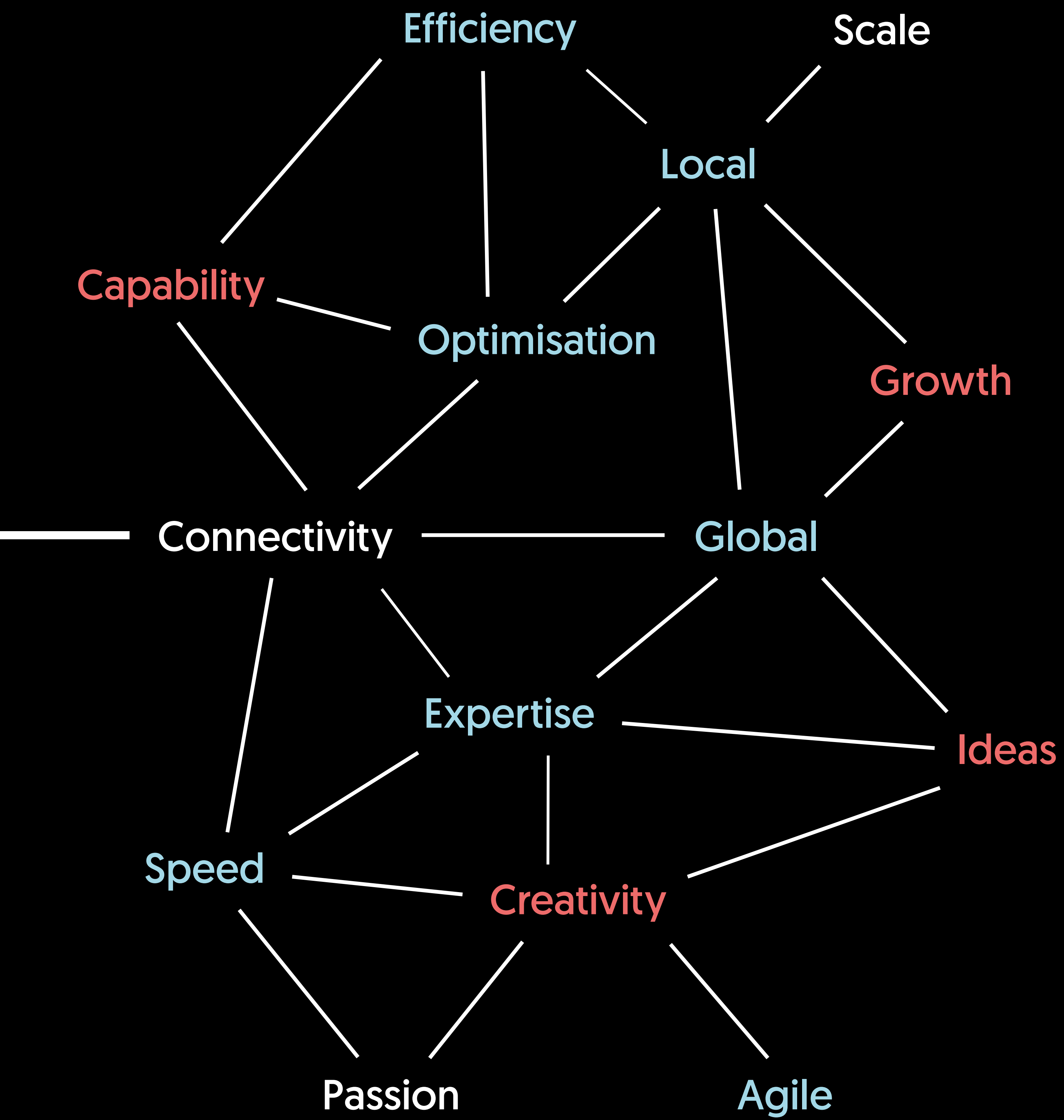
WPP AU NZ

ANNUAL REPORT 2016


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

Contents

Welcome to the world in which we live

We're WPP AUNZ.

And we are now the fifth largest market in the world for WPP.

When we merged the STW Group and the WPP businesses in Australia and New Zealand in April 2016, we knew we had within our grasp an opportunity to build something special and significant.

Mergers don't come around too often.

The good ones set the table properly from the very beginning and our table reserves its best seats for ingenuity, creativity, originality and local know-how. That is what we sell. To this, we have now added the global muscle that WPP gives us.

When we first started exploring the idea of this merger, we made a promise to each other and to our 5,500 people. We promised them a company that would teach them new skills. A company that would give them access to new colleagues from other companies, or from across the world. Companies who would (likely) share the same clients and would require fresh thinking, greater intellectual rigour, new technology, better design and more effective creativity for their clients' business.

We also promised them smarter ways of working together, to share knowledge and to use that knowledge to benefit our clients and to help grow their brands and businesses.

We call this way of working **'Connected Know-How'** and it is how we are driving WPP's core strategy of **horizontality** throughout our group.

Horizontality may sound like an odd word.

Put simply, horizontality is about ensuring we deploy our best talent for our clients. It is a way of working that unites people with diverse skills to deliver seamless solutions for our clients. As an example, a client for whom initially we might only plan and buy media, may be ready for a more lateral approach to how they spend their budget. We introduce our best technologists, data scientists, design thinkers, copywriters and strategists from across our 80 companies and we re-imagine their entire communications brief. We grow our business with this client and they in turn receive far more effective results for their company or brand.

Our merger is less than a year old and we have already seen some fantastic outcomes but our adventure is just beginning.

MINDSHARE

Connected Know-How

AMERICAN EXPRESS

webling

Westfield

Sibling.

Fusion®

KANTAR MILLWARD BROWN

Kimberly-Clark

MINDSHARE

Ogilvy

W

ikon

Stockland

Designworks.

VICTORIA State Government

DT

colmar brunton.

switched on media

Vision Australia

TOURISM AUSTRALIA

millipede

Designworks.

Our companies

Our 80 companies cover every single marketing discipline our clients might need.

From advertising to public relations, brand identity to design thinking, shopper marketing to digital technology, media planning and buying to data mining and analytics.

Take DT. This team of people is responsible for building Australia.com, the official website of Australia. It is the digital gateway for anybody who ever dreams of coming to Australia. It is a sacred privilege to help keep Australian tourism strong. The site is a 360-degree visual love affair with our country and the technology that DT uses is helped by another one of our companies Millipede, a business whose expertise lies in building apps and games.

Take JWT. JWT is working alongside academics at the University of Technology Sydney, to provide mentoring for its new Bachelor of Creative Intelligence and Innovation. UTS is one of Australia's most respected universities and having JWT work alongside these academics is a great privilege. Helping to shape Australia's next generation of creative thinkers is a rare opportunity and speaks volumes about the quality of innovation and creativity sitting inside our offices at JWT.

Then there is AMR, one of our research companies. AMR has created the country's most respected Reputation Index. The index charts corporate reputations and ranks them in order. Australian titans of industry subscribe to this to see how their consumers (and Australians in general) feel about their company and their brands. Depending on the outcome, AMR can then work with our advertising agencies, media companies or PR firms to help repair ailing brands or reposition new brands who wish to improve upon their corporate reputation.

Three examples of exactly the work our companies undertake on a daily basis. There are dozens and dozens of examples right across the group.

Our companies are diverse. The skills they possess are unique. Yet when they come together and work in concert, they complement one another. And in the final analysis, our clients are the ultimate winners.


Advertising
spinach
J. Walter Thompson Australia New Zealand
1 KENT STREET
Assignment
GREY
Sibling
ima
GPY&R
BLAZE
Ogilvy
the brand agency
Y&R NZ
gtb
Public Relations & Public Affairs
Cannings Purple
Burson-Marsteller
HawkerBritton
Parker&Partners
Howorth
PULSE
Ogilvy Public Relations
CANNINGS
OgilvyImpact
barton deakin
PPR
Hill+Knowlton Strategies
Ogilvy PR Health
Media Investment Management
groupm
essence.
maxus
ASTUS
ikon
plista
MINDSHARE
MEDIACOM
MEC
neo@Ogilvy
XAXIS
WPP AUNZ
Data Investment Management
data@Ogilvy
KANTAR TNS.
colmar brunton.
ADDED VALUE
KANTAR VERMEER
amr
beyondanalysis
KANTAR MILLWARDBROWN
ONLINE RESEARCH UNIT
Direct, Promotion, Relationship & Shopper Marketing
ACTIVE DISPLAY GROUP
MARKITFORCE
PLAY
evo INSPIRE SHOPPING BEHAVIOUR
PARAGON
SMOLLAN TRADE PARTNERS
geometry global
ONE20
buchanan
OgilvyOne
carnival
+ maverick
afi branding solutions
Mando
AGILE
idea works
GRAFFITI
im promos
THE STORE
Specialist, Branding & Digital
DT
Verticurl
human
Fusion
VICE
greyhealth group
heyday!
adcast NXT
TAGUCHI
PRISM
webling
aleph
feedbackasap
The Government & Public Sector Practice
SUDLER & HENNESSEY
Landor
Union.
Cornwell
Designworks.
THE WHITE AGENCY
heathwallace
CPR VISION
WUNDERMAN BIENALTO
social@Ogilvy
switched on media
Ogilvy CommonHealth
millipede
etcom
HAYLIX
PHUEL
VML

Our four strategic priorities

The great bonus that comes with any merger is the opportunity to reassess and restate the key priorities for that business. The formation of WPP AUNZ has given us a sharpened focus on our four strategic priorities.

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

GroupM is a world-class player in media technology, media data and digital execution. Coupled with Ikon, the best local media agency in the country, GroupM can now service clients who are global, and local clients who need agility and nuance. With the merger, the entire group is now able to access WPP's media expertise. The investment WPP continues to make in emerging technologies and the innovations that are borne of this, will give a number of our companies a smarter approach to media. It will also give our people a new window into the world's best media thinking along with the best practitioners in the industry.

The group also has the world's leading advertising businesses within its portfolio. These iconic brands include Ogilvy, Y&R, JWT and Grey. Between them, these agencies have created some of the world's greatest advertising campaigns. Today, the leaders of these businesses and the talented creatives who work alongside them know they have a reputation to uphold, and this healthy pressure has been a tremendous boost in developing new ways of connecting with Australian consumers. Along with these agency brands, sit strong local brands such as The Brand Agency, one of our most powerful and consistent performers in the group.

When it comes to public relations, Ogilvy PR leads a strong portfolio of specialist PR companies. Other leading businesses include Hill + Knowlton, Strategies, Burson-Marsteller and Professional Public Relations, each with their own unique national footprint. Public relations has been reinvented in the 21st century and our companies house some of the best social media experts in the country.

Big at home

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

Leverage the power of WPP globally

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

Our second strategic priority is to ensure the full power of WPP and their global expertise is realised, allowing our 5,500 people to have the opportunity to learn from the very best in the business. This means making sure each of our people can access the best training, the best mentors and more importantly understand how they help make our clients' businesses a great deal more successful. The intellectual property some of our companies are beginning to develop is also teaching our people how we can create new revenue streams and develop the skills that will make us the recognised experts in that field.

Our third strategic priority is to continue to plan our business for an evolving future. WPP's power lies in its ability to invest and develop IP and technology platforms in a way that would be impossible to fund locally. This allows every one of our 80 companies to meet the realities of a rapidly changing landscape as technology and automation continue to reinvent how customers buy and shop on an almost daily basis.

Finally, our fourth strategic priority is to advance our practices of horizontality. The ultimate expression of horizontality is the WPP Team Model, where a custom-designed team is created to focus on a single client's challenges. These models make the business of marketing for our clients far simpler to navigate (and far more enjoyable). Most importantly, this style of working has a track record of producing highly successful work. Two of our recent horizontality initiatives include the integration of data commercialisation across the entire group and the successful launch of The Store, WPP's retail practice in our region.

Our four strategic priorities are set and we continue to keep delivering against them every day.

Future-proof

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

Drive horizontality

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

Chairman's address

Dear Shareholders

I begin this letter by acknowledging your overwhelming support last year for the merger between the STW Group and the WPP businesses in Australia and New Zealand in forming WPP AUNZ. Almost one year into our merger, it is evident that the decision we made has been the right strategic move for the company; its people, clients and shareholders.

In last year's Annual Report, I was unequivocal that the financial performance of your company in 2014 and 2015 was unacceptable. Fast-forward 12 months and 2016 has been a welcome return to year-on-year growth. On a full year pro forma, like-for-like basis the merged group:

- increased net revenue by 1.2% to $865 million
- grew EBIT by 3.5% to $141.6 million
- increased net profit after tax to $81.1 million, an increase of 4.1%
- delivered a 4.1% increase in earnings per share to 9.5 cents
- strengthened operating cash flow to $133 million, reflecting EBITDA cash conversion of 133%
- saw the full year dividend per share grow by 5.3% to 6.0 cents

Against the backdrop of the myriad operational challenges created by the integration and the significant increase in the size and scale of the group, as well as the bringing together of two corporate cultures, the 2016 results are probably best characterised as solid and encouraging. Perhaps I am a tough marker, but it is only driven by my confidence in the full capability and potential of your company.

I am heartened by some of the early achievements of the merger which points to an organisation discovering its full potential and its ability to collaborate in ways that clients have already started to welcome.

WPP AUNZ has begun to establish a platform that will enable us to accelerate the growth that was delivered in 2016. As Mike articulates in his CEO report, we now have an unrivalled arsenal of brands, talent, data, capabilities, market intelligence and insight enabling us to service more of our clients' marketing and communications spend. We are now in a position to better capture the attention of prospective clients and provide them with a superior offering.

Our capability and our scale is unique in the Australian and New Zealand market. Our depth of talent, coupled with breadth of offer is compelling to our clients. We expect that the potential for organic revenue growth, a greater capture of existing client revenue (currently serviced outside of the group) and further capitalisation on the significant cost savings available, will combine to deliver improved growth for shareholders in 2017 and beyond.

Whilst the merger has delivered a significant opportunity for growth and very exciting career paths for our employees, one of the most important benefits is the deepened relationship with WPP, the world's largest and most diversified marketing and communications group. The head start that WPP provides when it comes to identifying new trends and industry directions, alongside its significant spend on new and emerging technologies, is unsurpassed. Access to these assets will enable WPP AUNZ to deliver cutting-edge services and ideas to our clients. This allows us to 'future-proof' our company more so than any of our competitors. We are only just beginning to tap into these significant and substantive resources, made accessible through this strengthened relationship with WPP.

I am very pleased to say that the contribution of the many senior executives and leaders of WPP and their global brands - particularly the WPP nominee directors on your board - have been both constructive and collegial. It has also added deep insight into the many resources now available to us here in Australasia.

To Mike Connaghan and all of our senior management team and business leaders, our 5,500 valued employees and my fellow Directors, thank you for your efforts, contributions and counsel throughout 2016. It has indeed been an unrelenting year for many of our people as they put into practice the reality of the merger.

There is still much to do before we are operating at optimal capacity. We are confident that the strategic direction we have undertaken with our partners WPP is absolutely the right path for your company. The significant steps we have taken in 2016 means that WPP AUNZ is now well placed to grow market share in 2017 and deliver superior results for our shareholders.

Yours sincerely

Robert Mactier
Chairman

CEO's report

Dear Shareholders

In our 2015 Annual Report (our 21st) I said that 2016 represented a 'coming of age' for our group. The merger of STW Group with the Australian and New Zealand operations of WPP not only doubled the size of our business, but I believe goes a long way to fulfilling our destiny.

Our relationship with WPP started back in 1998 when John Singleton Advertising merged with Ogilvy & Mather, creating Singleton Ogilvy & Mather. That merger not only created the largest, most successful and profitable Advertising Agency in the Australia and New Zealand region, but also broadened our focus beyond just advertising.

The arsenal of local diversified marketing services we have built in Australia and New Zealand is second to none. The addition of the WPP companies and another $450 million worth of client revenue on top of our group and the wealth of incredible opportunities which come from better servicing those clients, provides a catalyst to grow our group.

The deal to bring our two organisations together was complex and time consuming. Both sides approached it in the right spirit and I believe it delivered a fantastic outcome. So much of the heavy lifting was done by our finance community, and I must specifically mention the efforts of past CFO Lukas Aviani, and the then Company Secretary Chris Rollinson.

Later in the year, we were confronted with the very disturbing news that Lukas was ill. I'm very glad to say that he received an early warning sign, has dealt with it and now has a clean bill of health. I'm sad to say that Lukas has decided a less frantic pace is needed, so Lukas has taken his leave to look after his fruit trees. I cannot thank Lukas enough for his hard work, good humour (usually), and friendship. We are a complex beast, filled with daily ups and downs. Lukas' intellect and broad shoulders have been an integral part of our make up for the best part of 10 years and I will miss his day to day counsel. We hope Lukas will be able to continue to play an ongoing role with us when needed, but for now the trees need pruning.

The 2016 year was not just a defining one for our group but also incredibly busy. As I write this, we are only less than a year old as a merged business. We have achieved so much, yet have so much opportunity ahead of us.

The level of engagement and genuine enthusiasm coming from our colleagues across the WPP globe has been outstanding. The creation of WPP AUNZ creates a fairly unique situation down here. The opportunity is now understood by all and I can only see more upside for our companies, our people, our clients and our shareholders.

I absolutely believe that pound for pound we have the best marketing communications business on the planet. When you combine the local power of a home grown group such as STW Group with the iconic brands of WPP's international units, we really do have an amazing platform. We have 5,500 people all with a mission to deliver 100% of our clients' customer experience needs. We are unassailable in our part of the world. WPP AUNZ now stands as the fifth biggest market in the world for WPP.

The power of our group means we know a lot. Our clients entrust us with close to one billion dollars to communicate with and to understand their customers and markets.

We have far more collective intel on how Australians and New Zealanders behave than any other group. How does our population consume? How do we spend? How do our behaviours change? And what does it take to change them? We have at our fingertips the answers to all of these burning questions and the new questions we face as we look forward to the future.

This information is also the catalyst for collaboration. It allows for serious and robust conversation about the best ways forward, and the sharpest minds arguing several different approaches until the very best strategy survives and is then recommended to a client.

But most of all we want to encourage our people to be the very best thinkers they can be. We want them to embody our WPP AUNZ ambitions.

We call it **'Connected Know-How'**. Because as a group we know more, do more and enable our people, companies and clients to be more. Being part of WPP AUNZ means you really are part of something bigger.

As a mature, low growth market, much of our growth will need to be driven by doing more for existing clients. Our clients are also under enormous pressure and the rise of procurement is well documented. We as a group must offer an alternative. A more effective solution. We believe with our 'Connected Know-How' we can absolutely do that.

WPP has named this strategic pillar 'horizontality'. We at WPP AUNZ intend to be the gold standard when it comes to horizontality and we are well on our way.

Through this report, you will see many examples and you will begin to hear much more about cases where our people and companies from across the full spectrum of our services have come together and applied their collective knowledge, to deliver outstanding results for our clients.

I believe the results we delivered in 2016 have set us up for a terrific future. It is a 'messy' set of numbers as we only took control of half the new group's revenues in April 2016. The budgets were set for all the legacy WPP businesses in the final quarter of 2015. Naturally, it would take some time for all the companies to become used to a new regime, a new way of working and frankly get to know each other.

I'm very pleased to say that the enthusiasm to embrace our new world was excellent from all corners.

I said at the beginning of this report, that the merger to create WPP AUNZ has gone a long way to fulfilling our destiny. We are now poised to take full advantage. The benefit should be appreciated by all stakeholders in WPP AUNZ in 2017 and beyond.

Thank you for your continued support.

Yours sincerely

Mike Connaghan
CEO

Every great story begins with great strategy

Rose Herceg
Chief Strategy Officer | WPP AUNZ

Strategy is one of those illusive words best explained with one great example rather than shiny rhetoric.

AAMI SmartPlates is that example.

One of Australia's leading insurers AAMI, in collaboration with Ogilvy Melbourne, launched AAMI SmartPlates into the Australian market.

SmartPlates is an app giving L-platers an alternative to the traditional logbook.

Everyone who has ever learnt to drive knows what it's like at the very beginning. Take a moment and think back to those days. It's new and it's exciting. It's also a little bit scary. It takes lots of practice and the confidence needed to handle a car in any traffic situation or weather condition, can only come with hours and hours of practice.

The technology driving AAMI SmartPlates allows young drivers to track their learning progress in real time and pinpoints skills that need practising. It uses smartphone technology to live-track learner driver hours, route choice, weather, road and traffic conditions, and then provides comprehensive feedback on progress.

The 'Road Block' feature switches on whenever a Learner starts driving. On Android devices, 'Road Block' silences all incoming calls, sending the caller an automated response informing them their friend is behind the wheel. On iOS devices, Learners receive a personalised message of discouragement when phone access is detected.

It's no surprise that young Aussie drivers are most at risk of being involved in an accident. They are new to driving and any technology that can help them be better drivers, is better for us all. It's also no secret that millennials use technology to manage almost every aspect of their lives, so why not rethink how AAMI might teach kids to drive and bring the Learner Driver programme into the digital world?

Resisting the temptation to release such a breakthrough to national audiences, SmartPlates was first launched to teens in high school events across Australia, allowing them to first discover the utility and then take it to their parents and instructors. Teenagers became both the messengers and our media. The campaign implored young drivers to become the 'smartest generation of drivers ever'.

It is work that demonstrates a true partnership between agency and client

Ogilvy AAMI

AAMI's brand platform (and its brand promise) to the country, is that they are 'Not Very Insurancey'. This makes it a thoroughly unique voice in the insurance category. It is now more than a promise. It is how the brand behaves. AAMI has evolved from an insurance company that covers accidents, to one that aims to prevent them from happening in the first place.

They say that prevention is better than cure. With this one piece of technology, AAMI is part of a new conversation with drivers: in this case, the next generation of drivers who will soon be looking for insurance providers of their own.

This strategic pivot separates AAMI from its competition. And it has been made possible because of a big idea.

A strategic move that shifts AAMI from the safety net a driver may one day need, to a company doing what it can to prevent an accident with the very audience who is statistically most likely to have one: young drivers.

South Australia is the first state to accept AAMI SmartPlates as an official record of completed learner driver hours. This kind of government-sanctioned support is encouraging.

It is work that makes us incredibly proud. It is work that demonstrates a true partnership between agency and client: in this case, Ogilvy and AAMI.

SmartPlates demonstrates that outstanding, fearless thinking must be at the beginning of everything we do. It automatically raises the bar and the level of discussion. It is the prerequisite for innovation and inspiration. SmartPlates gave us a seat at the table with government and critically, is useful to the thousands of young people who commence their driving careers every year.

And for the most important person in this conversation, our client AAMI, strategy made the difference between good and great. Between an insurance company that provides cover for accidents, to one that does everything it can to prevent them in the first place.

Now that's not very insurancey.

It's brilliant.

The power of horizontality

Rob Currie
Chief Business Director | WPP AUNZ

By now, you've read that horizontality is WPP shorthand for connecting our people in powerful ways so that they can give our clients the most robust strategies and the most exciting ideas.

One of the best demonstrations of this is the 'Wonderland by Myer' campaign.

Three of our companies with expertise in retail, advertising and shopper, Ideaworks, GPY&R and Active Display Group, brought Christmas to life by relaunching the entire Myer children's section

The idea? Bring the wonder back to retail with 'Wonderland by Myer'. Every design was created with a shopper in mind, bringing to life a fully immersive world above the clouds. In a series of world firsts including 2,500 individually hand drawn illustrations and a rocket lift ride, shoppers were given exclusive access straight from the ground floor, to Wonderland. The rocket featured a 360-degree immersive experience of sound and moving 3D content to give children the Wonderland Christmas experience.

Six-foot interactive screens were built, alongside hand-drawn Christmas backdrops allowing families to take as many photos as they liked in this Christmas Wonderland. Nutella, M&Ms, and famed dessert-maker Adriano Zumbo created a range of personalised treats exclusively for the Christmas season.

Wonderland by Myer is now considered one of the most compelling retail experiences in Australian retail history. This would not have happened if not for the dedicated teamwork of Ideaworks, GPY&R and Active Display Group.

This type of collaboration is what we practise every day. By working together, our ideas are far stronger and our execution is far better. Processes are more agile and when we work as one team, we can mobilise more quickly.

Some of our larger clients have over 100 marketing service partners and not surprisingly, are overwhelmed by the complexity of it all. One of the key benefits of WPP AUNZ's formation is that we have the capability to implement Team Models in our local Australia and New Zealand market – the ultimate expression of horizontality.

Our Team Models allow us to customise specialist talent to best meet our clients' challenges. The thinking is crisper, the ideas are sharper and the headaches that come with too many voices shouting to be heard are greatly reduced. These models range from loose alliances to more structured models. WPP are the world leaders when it comes to team building, with 48 teams operating across the globe representing over 30% of global revenue.

Horizontality is not only a strategy of collaboration, but a means to unlock new business opportunities from our existing clients.

Here at WPP AUNZ we have a bold objective for our region: to lead the WPP world in the implementation of horizontality. It is a big challenge; however with our unique structure, local management and clearly defined geography, we believe we can make this happen.

There are now eight WPP AUNZ Team Models in place and more on the way. Every month, more group companies are engaged with our largest clients. There are also new programmes in place for new business development, intergroup referrals and most importantly, reward and recognition for our people when they collaborate and help drive group connectivity. Automated systems in these areas are providing a rich source of data for management to ensure focus is put to the right parts of our new business development funnel.

The central office of WPP AUNZ has formed a Central Support Team to assist our people in key areas of strategy, data expertise, new business intelligence, creative leadership, production expertise, talent development and compliance. We have also appointed sub-market leaders across all capital cities and across the Tasman so that our people have someone they can call on for local assistance.

These sub-market leaders help gather our people together so they can build knowledge and trust in each other's capabilities which helps collaboration flourish in their markets.

Horizontality is not only a strategy of collaboration, but a means to unlock new business opportunities from our existing clients. In today's world, such growth increasingly depends on access to serious knowledge. The key programme we will be driving in 2017 will be focused on how we empower our highly talented leaders to harness the vast pool of intelligence across the whole of WPP AUNZ.

WPP Team Models:

Alliance

Coalition

Confederation

Centralisation

Fusion

CASE STUDY: BURGER KING

When brand advertising becomes a social movement

Truly great brands jump the fence from advertising to editorial. They become part of popular culture. They start a conversation and create social commentary. We talk about them around the water cooler and we all secretly wish we'd thought of the idea first.

The team at Y&RNZ who worked on this campaign figured out that if Burger King was to become part of the conversation, then it would need to get the much needed attention of younger fast food devotees.

When it comes to fast food, the millennial crowd (18-34 years old) is the key to success. Younger audiences were beginning to have a love affair with fast food competitors like Chipotle: a brand cleverly weaving its way into the hearts of young people by being socially aware. Of course as one the strategists at Y&RNZ said in one of the many ideas sessions they held, 'the more socially conscious Chipotle is, the more out of touch Burger King looks'.

What is required at times like these is a moment of genius or a great bolt of lateral thinking. And it came from the best strategic and creative minds at Y&RNZ in one of their infamous team huddles.

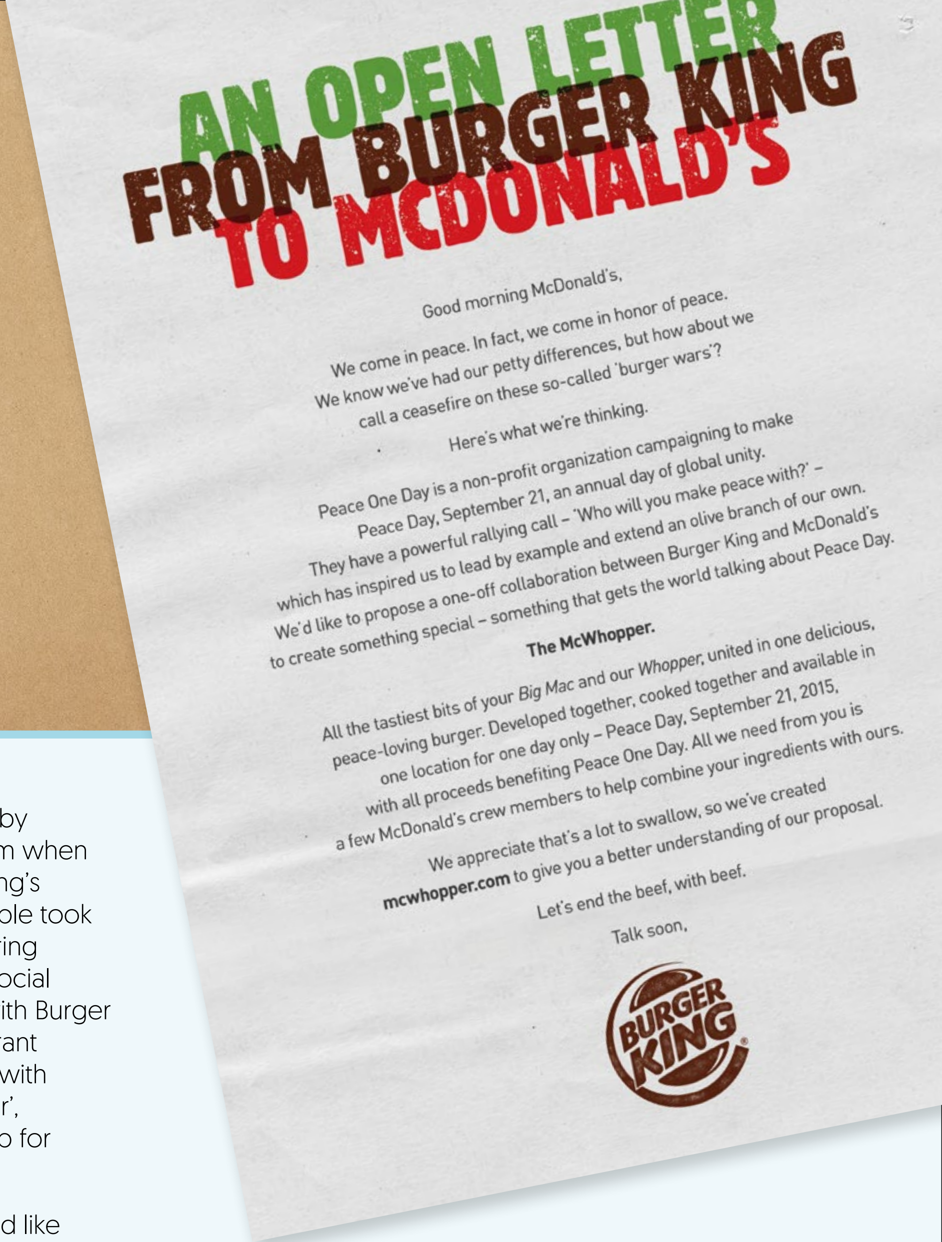
Peace One Day is a global non-profit organisation whose sole reason for being is to make United Nations International Day of Peace, on 21 September, an annual day of non-violence and global unity. An enormous goal given the state of the world in which we live. Each year, the organisation campaigns tirelessly to raise awareness of Peace Day under the theme 'Who Will You Make Peace With?'.

The Y&RNZ team had two big objectives. Get young people to take a fresh look at Burger King when they are in need of a fast food fix and raise awareness of Peace Day.

The great US president FDR once famously said that if you want someone to do something, announce it publicly so that they can't back out: If they do, it will make them look petty and small. So with that great strategy in mind, Burger King published an open letter in The New York Times and The Chicago Tribune and via social media, inviting McDonald's to put their differences aside and collaborate in creating and serving the 'McWhopper' on Peace Day. Two fast food giants – icons no less – and more importantly fierce competitors.

The letter was supported by outdoor media heralding 'McWhopper.com', a digital toolkit of co-branded assets including staff apparel, signage and a pop-up restaurant in the mix. Every asset was translated into multiple languages, to promote both global share-abiltiy and unity.

Had Y&RNZ approached McDonald's behind closed doors, they were fairly confident they would have said no. By making the proposal so very public and especially in the Chicago Tribune (close to McDonald's headquarters in Oak Brook, Illinois), they knew McDonald's would be more likely to respond. However, the offer of unity under the banner of a McWhopper was so diligently planned, success did not hinge on a yes or a no from McDonald's.



AN OPEN LETTER FROM BURGER KING TO MCDONALD'S

Good morning McDonald's,

We come in peace. In fact, we come in honor of peace.
We know we've had our petty differences, but how about we call a ceasefire on these so-called 'burger wars'?

Here's what we're thinking.

Peace One Day is a non-profit organization campaigning to make Peace Day, September 21, an annual day of global unity.
They have a powerful rallying call – 'Who will you make peace with?' – which has inspired us to lead by example and extend an olive branch of our own.
We'd like to propose a one-off collaboration between Burger King and McDonald's to create something special – something that gets the world talking about Peace Day.

The McWhopper.

All the tastiest bits of your *Big Mac* and our *Whopper*, united in one delicious, peace-loving burger. Developed together, cooked together and available in one location for one day only – Peace Day, September 21, 2015, with all proceeds benefiting Peace One Day. All we need from you is a few McDonald's crew members to help combine your ingredients with ours.

We appreciate that's a lot to swallow, so we've created **mcwhopper.com** to give you a better understanding of our proposal.

Let's end the beef, with beef.

Talk soon,

BURGER KING

The joint peace effort of a McWhopper was met by frenzied public support. McDonald's drew criticism when they turned down the offer. Inspired by Burger King's online Burger Build film, tens of thousands of people took matters into their own hands by creating and sharing do-it-yourself McWhoppers on mainstream and social media, smashing together McDonald's product with Burger King's own. Simultaneously, four other rival restaurant chains raised their hands for peace and together with Burger King created the historic 'Peace Day Burger', a symbolic mash-up available at an Atlanta pop-up for one day only: Peace Day.

This campaign was born in social media and spread like wildfire through the channels of Facebook, Instagram and Twitter. But the weight of advertising in The New York Times and The Chicago Tribune gave this campaign the gravitas it needed to kick up a firestorm of social commentary.

This is WPP AUNZ at its best. A singular brilliant idea at the right time using the right channels for the right target audience all with one goal in mind: putting Burger King back on the map.

A singular brilliant idea at the right time using the right channels for the right target audience

CASE STUDY: AUSTRALIAN OPEN

Grand Slam turns into grand entertainment

Our greatest sporting events are steeped in tradition. Events like the Australian Open, one of four Grand Slam tennis tournaments that attract the greatest tennis players in the world and the millions of fans who follow them.

But the Australian Open is no longer simply a tennis event. It has evolved to become an entertainment experience that takes over the city of Melbourne every year. It's no surprise that Northern Hemisphere residents seem to find themselves in Australia (and especially Melbourne) for important business meetings that just so happen to coincide with the Open.

Landor, one of WPP AUNZ's leading brand consultancies, reminds us that brand is far more than just a logo. A strong brand tells the story of an organisation's purpose – who they are and what they stand for. By developing a unique and differentiated visual language and tone of voice across all communications, brand leads in delivering a multi-touchpoint experience to engage and connect with all audiences.

Tennis Australia did exactly this with its reinvention of the Australian Open. They asked Landor to create a new brand identity, that reflects the Open's transformation from a standalone sporting event to a future focused entertainment brand, and develops a lasting emotional connection that lives on long after the event is over.

The Australian Open is different from other tennis tournaments. It's progressive, energetic and fun – it's Australian. Starting with the brand in its simplest form, Landor used the 'A' and the 'O' to create a flexible identity that could interact across all communications. Simple, memorable and different enough to change the game.

The brand was brought to life across a multitude of touchpoints. From the tickets to the tennis balls, towels to TV idents. Fans posted selfies in front of a giant digital AO installation and inside the AO entertainment experience itself.

Official Australian Open partners have also taken the AO visual identity into their communications and merchandising sales have seen a significant lift.

The Australian Open was first played in 1905. Over 110 years later, it is as exciting and nail-biting as the first time it was held. The visual identity work done by Landor has played its role in keeping the brand fresh and relevant. May the Australian Open live on for another 110 years.

AO
australian open

A strong brand tells the story of an organisation's purpose – who they are and what they stand for.

CASE STUDY: KFC

When you’re breaking the rules you can’t be chicken

You’d be hard pressed to find a single piece of marketing communication anywhere in the world that doesn’t feature a scrumptious, mouth-watering product shot when talking about a fast food brand.

Until now.

When the Ogilvy team sat down with KFC to talk about ‘where to next?’ with the brand, they agreed that it was time to be fearless. Clients who are open to something new and fresh (in our experience) are always the best clients. They are brave. They recognise that the smartest way of growing sales for their product is by doing something in their category that is surprising, yet charming. Charm leads to brand awareness and brand awareness often leads to purchase.

This brings us to ‘Plucka’. A much-loved Aussie character who in so many ways personifies the best qualities of Australians. Australians are known the world over as being honest, easy-going, free-of-judgement and casual in their approach to life. And so is Plucka.

The entire KFC brand campaign features Plucka on a skateboard, racing down a mountain fearlessly. Plucka on a mission to enjoy the moment and to live free. No food shot. No price tag. No special offer. No retail hard sell. Plucka epitomises a ‘feeling’ about the KFC brand. That feeling? That life should always be this ‘Finger Lickin’ Good’. As you watch this piece of film, you wish you were that bird.

When filming this campaign KFC also became the first brand in the category to use 360-degree camera technology. Aussies who went to the KFC webpage could interact with Plucka on his skateboard using 360-degree observational technology. Australians across the country – just for a brief moment – felt as free as Plucka on his skateboard.

Australians have fallen in love with Plucka. The campaign won ‘Best Advertising in Australia and NZ 2016’ (The Stable) and on the win the judges said “KFC’s first major brand campaign created in Australia cuts through everything – the competition, the healthy food chatter and the clutter of ad messages in your head.”

Though winning creative awards is nice, the real reward was the sales growth of 4.6% for KFC on the back of the campaign. As the great man himself David Ogilvy once said “When I write an advertisement, I don’t want you to tell me that you find it creative, I want you to find it so interesting that you buy the product.”

The greatest creative work almost always sells.

The digital frontier

Brian Vella
CEO | DT

When the Chinese purportedly said "may you live in interesting times" they meant it ironically. Perhaps, it was more a curse than a blessing: the implication being that 'interesting' is code for turbulent and confronting.

This just about sums up the world in which companies like DT – of which I am CEO – and many of our other digital companies live in. Think about it this way. Nineteen years ago, Google didn't exist. Thirteen years ago, Facebook didn't exist. Ten years ago, Twitter didn't exist. And seven years ago, Instagram didn't exist.

Before Google, you and I shopped at the local store, the local shopping centre or when on a fancy overseas holiday, at their local store or their local shopping centre. Today, approximately 10% of all total retail sales happen online. USD$400 billion exchanges hands every year online. We do our banking online, we book our holidays online, we look up old friends (and old flames) online and every one of the clients we work with wants to know what will happen to them in this new online 'always-on' reality.

Will they be disrupted by the next Airbnb or Uber in their category?

Will some start-up kid in their parents' garage create an app that captures the imagination of their target audience?

How can brands created 100 years ago compete with new companies who don't have to worry about the thoroughly boring but necessary realities of legacy infrastructure, factories, existing supplier contracts and bricks and mortar supply chains?

We are starting to be inside many of these conversations. With Chief Executive Officers, Chief Marketing Officers, Chief Digital Officers and Chief Transformation Officers. Lots of chiefs but no matter how big the title, the brief is always the same: please help us take our business and make it meaningful to our customers today, as well as tomorrow.

There is no simple (or single) playbook for the advice we give. What we do know, is that companies who understand that design and creativity must be baked into the technology served to customers, have the true competitive advantage. We also know that our data scientists and software engineers are fast becoming our most valuable people. More than that, they are shaping our future.

The missing link then, is that disruption also means anything is possible. One company's fear and inertia are a competitor's chance at greatness. In our world, everything is how you look at it. We look at this change through the eyes of people who can build. Who code. Who draw. Who write. Who create. With our talent across WPP AUNZ, it's all possible.

CASE STUDY: EBAY

How eBay used new technology to change perception

eBay needed to tell consumers that it is a place for new items at fixed prices, and show Australian retailers that the platform is a great way to reach new Australian consumers.

Pulse therefore has one long-term objective from eBay: 'Position eBay as a destination for brand new fixed price goods, from Australian retailers'. With Myer coming onto the eBay site in 2016, this was a great opportunity to tell this story.

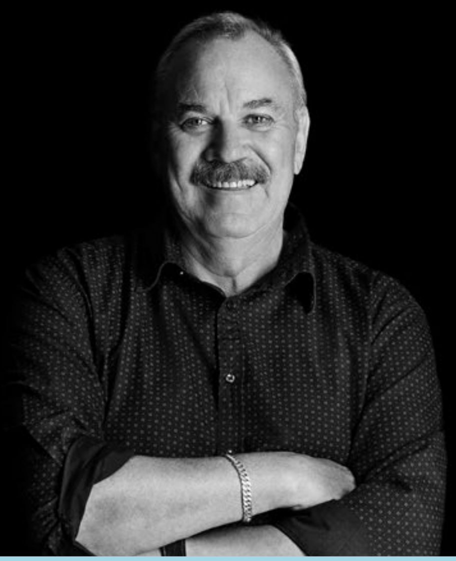
This big opportunity needed a very newsworthy approach. Virtual Reality (VR) has been on the lips of technologists everywhere for a few years now. 2016 was widely regarded as the year it reached a tipping point. According to Telsyte, one in five Australians say they are now interested in trying VR and seeing what upside it can actually provide. Pulse developed an idea to marry VR technology with Myer's product range using the eBay platform. Available as a downloadable app via iOS or Android, the world's first VR department store was launched in Australia in May 2016.

Pulse launched the eBay VR store in two ways. Firstly, to ensure that every Australian could access the new store, 20,000 eBay VR Viewers or 'Shopticals' were given away across the country over three weeks, selling out within minutes every morning. Secondly a three-day store opened in Sydney where media, influencers and consumers could try the first ever VR department store for themselves.

As a result, Pulse was able to cement eBay's position as a thought leader and innovator in retail. More than 700 pieces of editorial coverage including 250 pieces of broadcast media were achieved, as well as over 730,000 social media engagements, reaching over 800 million impressions around the world. As a result of the work, eBay's brand tracking results showed that Australia's understanding of eBay as a destination for new items from multiple retailers increased significantly".

One in five Australians say they are now interested in trying VR and seeing what upside it can actually provide.

A powerhouse of media muscle



John Steedman
Executive Chairman Media
Investment Management | WPP AUNZ

At the very beginning of this Annual Report, we stated that our first strategic priority is to maintain our leadership position in media.

The merger has allowed us to do exactly that. By merging our people, our cultures and sharing our intellectual property, we've opened up new group opportunities and this has already paid dividends.

GroupM includes the agencies of Mediacom, Mindshare, MEC and Maxus. These four companies made some huge strides at the end of 2016, setting us up for a great start in 2017. Wins covered a wide variety of categories and included Vodafone, QSR, Bupa, the Mars consolidation in Australia and New Zealand, News Corp consolidation, Ikea, Uber, Sunsuper and the Commonwealth Games. Some great brands and companies, many of whom have told us they have an appetite for challenging the conventions in their categories look to us for inspiration. The businesses also retained Phamacare, REA and CUB after comprehensive market reviews.

The year ahead looks extremely promising for the group. The objective of GroupM is to grow at a much greater rate than that of the market, through deeper collaboration, smarter client offerings and new business wins.

The media businesses will be focusing on three pillars – people, clients and technology. All of the agencies are building their cultures and strengthening their planning and proprietary strategy tools. Clients are rightly expecting more intellectual firepower from their agencies. To ensure we exceed their expectations, GroupM launched a client leaders programme in February 2017, designed to strengthen the skills of our client leaders with training, workshops, and a lecture series focusing on 'Brilliant Basics, Client Knowledge and Commercial Acumen'. Our people need to stay sharp and with the assortment of training programmes now available through the merger, we can do a great deal more to arm them with the tools they need to **know more, do more and be more**.

The launch of '[m]Platform' will take place this year. We are extremely proud of the IP we have created. It is unique to our industry and will give our clients an edge, providing a new global suite of technologies that will ensure GroupM clients have the ability to more precisely identify and target their consumers. [m]Platform will integrate teams, services and technology in data analytics, search, social, mobile, digital ad operations and programmatic from across the group. When we look to target the right people with the right message at the right time through the right media channel, it can sometimes feel like searching for a needle in a haystack. [m]Platform will help us to find this needle far more accurately.

By merging our people, our cultures and sharing our intellectual property, we've opened up new group opportunities and this has already paid dividends.

Whilst Ikon falls under the WPP AUNZ Media Investment Management banner, it continues to operate independently. Its name defines its culture. A team of 'ikonoclasts' who are judged by one measure – do the strategies and ideas they create have significant influence? Ikon is a full service media and communications agency, making it unique in comparison to the vast majority of other media agencies. Ikon also offers services including strategy, creative, data analytics, SEO and performance media (SEM, paid social, programmatic and mobile). This integrated model has been advantageous in securing a number of clients who prefer to work with a one-stop shop, including Pandora, Pfizer and Stockland.

Ikon will continue to roll out its unique tool for the future mapping of consumer insights – aptly named FutureTrack. FutureTrack is a forecasting tool that predicts consumer sentiments and trends. This client offer is the first of its kind in the market. FutureTrack is home grown IP and in line with horizontality, will be available for all WPP AUNZ companies to access.

Wise counsel when companies need it most

Kieran Moore
CEO Public Relations and Public Affairs | WPP AUNZ
CEO Ogilvy Public Relations Australia

Public Relations, Public Affairs and Government Relations have a long and established history in Australia and New Zealand. For more than 100 years, private and public organisations, governments and industry organisations have focused on public communication as an essential element of their business strategies.

If you haven't communicated effectively with your audience when it matters most, or if you haven't been in front of a story or a news cycle before your news breaks, it can quite often break you.

Media never sleeps. And in this new world of instant news, instant analysis and instant backlash, our PR practitioners and consultancies have to be the best in the business.

The PR and PA group of companies represents 500+ clients and is home to more than 350 employees. Our agencies represent global brands: Ogilvy PR, Hill+Knowlton Strategies, and Burson-Marsteller as well as home grown success stories including The Origin Agency, PPR, Sibling, Maverick, Cannings, Cannings Purple, Barton Deakin and Hawker Britton. We are experts in financial communications, technology, B2B, corporate, consumer, issues and crisis, government and public affairs.

Landmark campaigns undertaken by the group in 2016 have been inspirational and provocative. Here is just a brief snapshot:

When seven employees of an international mining contractor were taken hostage in Nigeria, Cannings Purple mobilised local and international teams to provide crisis media support to the management team and affected family members in three countries. Working around the clock for five days, our team achieved the client's objective of neutralising and minimising all national and international media coverage to support the efforts in securing the employees' safe release.

The decision and subsequent legislation to ban the greyhound industry and racing in NSW were headline news across Australia. A campaign by a number of companies in our group changed the course of history with a far reaching community, lobbying and media campaign, that ultimately led to the legislation being repealed.

Ogilvy PR Health spearheaded a campaign that brought opioid pain-killer dependence out of the shadows and into the mainstream. The media strategy targeted high-volume news websites, television and talk back radio to drive traffic to a new website, putting those addicted to pain killers in touch with specialists across the country. The campaign generated the placement of over 400 stories, with 91% of those stories mentioning the website. More importantly, many Australians battling this largely secretive addition were able to get the help they needed.

We have to continue to nurture and attract the best talent to ensure we remain one step ahead.

Cannings provided GenesisCare (a provider of cancer and cardiac services) with strategic media relations and stakeholder advice through its equity restructure and subsequent Australian Foreign Investment Review Board approval, in a deal worth $1.8 billion.

We are proud of what we have done but there is much more to do. The sophisticated demands of the Australian and New Zealand market and the ever increasing capabilities of our competitors, bring their own challenges. And, whilst some of the companies in the PR and PA cluster are shining, some are yet to develop their full potential. Herein lies our opportunity.

The approach of providing the best services to our clients, every time, is our mantra. We have to continue to nurture and attract the best talent to ensure we remain one step ahead. We have to use our size, breadth and depth for our competitive advantage. We have to commit to doing everything we can to make any and every client feel that when they need flawless representation or wise counsel in trying circumstances, we are the first and only choice.

The New Zealand voice in WPP AUNZ

Sven Baker
Chairman & CEO | Designworks Group
New Zealand Country Manager | WPP AUNZ

With a population of 4.5 million, New Zealand may be a small country but we are an extraordinary one.

When you look at some of the most interesting and exciting stories and campaigns in the WPP AUNZ network, quite a few of them come out of our New Zealand companies.

Take the work our company Designworks did for Fonterra, New Zealand's biggest dairy group, responsible for 30% of the world's dairy exports. Fonterra asked us to tell their entire corporate history in the foyer of their new Auckland headquarters. Designworks created a nature walk of sorts, exhibiting the rich history of Fonterra. Everything was designed using consistent, highly visual language, natural tones and sophisticated cues with minimal use of material and colour.

This 'Dairy for Life' story is an extraordinary journey through history. With the first dairy co-operative starting in New Zealand in 1871, telling a 146-year old story in one foyer in an Auckland corporate tower, is quite the challenge. The story is compelling and the use of digital and other technologies to tell this journey is one of the greatest showcases of any corporate foyer anywhere in the world.

HeyDay, a digital company with offices in Auckland and Wellington, built one of the most useful apps in the world. CalmKeeper is an app to help people who suffer high levels of panic attacks and anxiety. Developed for New Zealand psychologists, CalmKeeper includes a range of exercises that help distract the user from their panic attack, help them regulate their breathing or give them useful coping statements. Every interaction, exercise, user flow and visual element was designed carefully to ensure that the user experience was appropriate for someone using the app in a state of panic or anxiety.

JWT Auckland created a brilliant campaign for Ford. To coincide with the 37th National Mustang Convention, JWT partnered with Ford and Uber to give Aucklanders the chance to enjoy a truly unique experience – The Ford Mustang: Drive Thru Friday. To generate hype, JWT created teaser spots on social channels to keep people guessing before revealing what the actual event would be. Then on launch day from 10am to 2pm, Uber users in the CBD and inner-city suburbs of Auckland would be able to select a Mustang as an option within the Uber app. Those who were lucky enough to secure a ride were picked up in a brand new Ford Mustang and driven to the custom-built Drive Thru. Here they could order from a menu supplied by Dixie Barbecue and mingle with the All Blacks, Black Sticks as well as Kiwi influencers Matilda Rice and Logan Dodds. The event was so popular that the Uber app had 5,595 requests over a four-hour period – that's almost one request every two seconds.

In New Zealand, WPP AUNZ is blessed with a diverse, yet highly compatible portfolio of businesses.

Assignment Group was inspired by the hundreds of phone calls, letters and emails being sent to Griffin's from the biscuit lovers of New Zealand. So inspired were the team at Assignment, that they decided to create an entire campaign around it. Seizing on the groundswell of community activity and the voice of one woman from Upper Hutt (a Ms Amber Johnson who demanded Griffin's bring back her favourite childhood biscuit Choco-ade), Assignment fanned the flames of nostalgia using social media channels, online opinion polls and stories about their favourite childhood biscuits. This tactic got more and more consumers to join the bandwagon. Griffin's decided to bring the biscuit back and the company had over a $1 million of sales in the first week. Three months later, Choco-ade was still the number one selling biscuit in New Zealand.

The next step for us is to embrace that word you've already read so much about: horizontality. In New Zealand, WPP AUNZ is blessed with a diverse, yet highly compatible portfolio of businesses.

The collective know-how is deep and we firmly believe the best way to turn this shared knowledge into shared success with clients is through brilliant collaboration.

Are we practising horizontality as often as we should or would like to? Absolutely not. We've still got a way to go here in New Zealand. Trust must be built over time and value demonstrated to clients. But first and foremost, we need our people to understand and embrace the strategy as they are ingredients for its success and the key to its potency.

Let there be data

Rob Pardini
Chief Data Scientist | WPP AUNZ

In addition to Brexit and the election of Donald Trump, 2016 will be remembered as the year the much-hyped data stories of artificial intelligence and machine learning started to steal the spotlight.

'Big Data' has been a buzzword-bingo favourite for several years now. But in the last 12 months, honing in on a single person with a message just for them, became genuinely achievable. People started to have natural-language conversations with online ads. In October, consultants across the globe declared that we are in "an age of analytics" and concluded that the transformational potential of data is even greater than previously realised. Big words indeed.

Our clients are having their own love affair with data, and as the group's Chief Data Scientist, I welcome all this affection. We data people tend to be introverts, but we welcome the interest and the genuine enthusiasm our clients are showing in learning more. Data thoughtfully executed, can take a good idea and transform it into a meaningful, highly measurable campaign.

I may be slightly biased, (although I live in a world of proof, so I do have the evidence) but I believe some of our most talented minds belong to our data scientists. These brilliant analysts sort fact from fiction. They take hundreds of data points and turn them into a cohesive story. They separate white noise from the crucial insights that can help a client make the best and most informed marketing decisions.

They are focused on taking complicated, comprehensive mountains of information and figuring out which pieces of data make the most impact. Which of the levers change a marketplace, increase brand awareness and recall, drive sales and deliver the best price-point? Which customer segments need to see a message, at what time and through which medium? And what should that message be? These questions – and many more – are the big strategic puzzles our data scientists solve every day.

Data is one of WPP's global focus areas. As such, WPP AUNZ has invested in Zipline, a world-class product that integrates CRM data with online audience pools to enable segment-of-one targeting.

For data, horizontality is what we live and breathe. We are the connective tissue that joins so many of our companies together. More and more, our clients are seeking one data solution that places their entire data history, present and future into one simple, easy-to-read dashboard. Building these dashboards from scratch is what our people are proud of most.

A serious focus on data for WPP AUNZ is not only necessary, it is critical. As the next wave of technology brings artificial intelligence and machine learning to life, we too will evolve what we do for our clients. Who knows? One day soon, perhaps this whole Annual Report will be written by a machine.

Give me the answer

Ben Dixon
CEO Data Investment Management | WPP AUNZ

The author Zora Neale Hurston once said that "research is formalised curiosity. It is poking and prying with a purpose". A philosophy we respect greatly at all of our Data Investment Management companies.

Research is the life-blood of a business. It is the answer to the question. The evidence that a business model is sound or that a product is ready for the market or that a customer is willing to listen to a new message from a brand.

Research gives our clients the ammunition they need to build their case. Whether it's for listed companies to go to their boards for approval, for governments to change public policy, or for a food manufacturer to launch a new flavour of their product range: it's the marketing industry's version of evidence in a court of law.

The people across all our companies have turned being curious into a living. Whether they work at Kantar Millward Brown, Kantar TNS, Kantar Vermeer, Colmar Brunton, AMR, Added Value, Beyond Analysis or The ORU (or as we call it, Data Investment Management), they are some of the most knowledgeable people when it comes to our clients' business. Because they have access to the best information and the latest data, they understand what our clients' consumers think and feel. And this knowledge is priceless in our local Australian and New Zealand market.

The focus for 2017 is to make sure our clients are armed with exactly the evidence they need to make the big decisions. We will work to keep our best brains stretched and challenged so that they see us as an inspiring place to build their careers. Where we can, we will use the latest technology to cut down on unnecessary costs. We will continue to create new ways to research the minds and moods of the very consumers our clients wish to capture. And finally, when necessary, we will act as ongoing consultants to companies who need our wise counsel at times of great change.

We have already seen considerable success in the first nine months of our new world of horizontality. Each of our businesses has defined the areas where they will focus, areas in which they will collaborate and areas in which they will sometimes compete. Key clients across the finance, telco, automotive and FMCG industries have already been exposed to this, with some powerful results.

As we get to know our colleagues across the entire WPP AUNZ group, we can see how lending research and consulting support to GroupM, Ogilvy, JWT, Y&R and other agencies can make a real difference to both existing clients and potential new ones.

Our people love what they do. They get to find the answers to the most interesting questions. A thoughtful opinion is powerful, but a point of view based on solid fact is priceless.

Diversity makes for a richer culture

Jenny Willits Managing Director | JWT Sydney
Samantha Allen Managing Director | Human

Diversity can mean so many things. At WPP AUNZ, we keep the meaning fairly simple: a company that reflects the country as much as possible.

Australia is made up of over 216 nationalities and almost as many languages. We are an even split of women and men. We want to, as much as possible, see these faces reflected in our companies. Why? Because the more diverse we are, the better we are.

The best ideas tend to come from a broad range of opinions and rigorous debate between people who do not always subscribe to the same philosophies. Whenever we've had our people representing opinions from opposite ends of the spectrum, something brilliant happens.

To find out what our 5,500 people feel about this issue, we conducted a values survey across the group. Overwhelmingly, our people asked for more coaching and mentoring, greater cross-group teamwork and collaboration, a little more balance in their lives and more creativity and innovation.

We listened. This year we will be delivering our Diversity and Opportunity Programme across Australia and New Zealand.

We have created a group-wide Mentorship Programme where future leaders are identified, supported and mentored by experienced leaders across the group. A pilot programme and mentor training kicked off in December.

A Gender Equality Programme ensures we create the cultural conditions in which women are as well represented at top leadership levels, as they are across other levels of our businesses.

NextGen is a programme that will help us attract, keep and grow an even more diverse workforce, which will clearly help us create a less-biased culture.

An indigenous cultural awareness initiative to help us all build greater understanding and connections with indigenous communities, as well as to better attract Aboriginal and Torres Strait Islander people to our group has been implemented.

In addition, the Diversity and Opportunity Programme will support both the global initiative, Common Ground (a partnership with WPP, the United Nations and five other global marketing services groups) and The Agency Circle (an industry-wide charter to promote equality and diversity in communications in Australia).

Great companies make sure that their leaders are encouraged to attract people who are different to them. And when people talk about those great places to work, places that embrace the different, the unusual and the unique, we want WPP AUNZ to sit squarely among them.

Healthy mind, healthy life, healthy work

Fleur Marks
Talent Wellbeing & Development Director | WPP AUNZ

Making health a priority is a smart move for any company. It's good for our people, good for clients and ultimately, good for business.

The WPP AUNZ Wellbeing Programme is a demonstration that the group takes seriously the health and happiness of every employee and actively helps them to take care of themselves. In a demanding and stressful environment, this is central to both health and productivity.

We've called it Wellbeing rather than wellness, because when people hear the word wellness they think about nutrition and exercise.

WPP AUNZ Wellbeing will still offer access to yoga, meditation and nutrition advice but it will also address the emotional, psychological and financial challenges our people may face.

The programme will address anything that could affect how our people feel and perform in the workplace. It will encourage our people to embrace disruption in a rapidly changing work environment. It aims to teach them what to do when a problem turns into a crisis, and how to navigate their way through it.

WPP AUNZ Wellbeing is a new and unique initiative, and a work in progress which we will continue to evolve in the coming year.

We are proud of this initiative because it gives our people real-world solutions in an honest and constructive way. Techniques to practice. Tips to use. Advice to absorb. Things that can help our people feel better and be more.

Making health a priority is a smart move for any company. It's good for our people, good for clients and ultimately, good for business.

The Board of Directors

Robert Mactier
BEC MAICD

Independent Non-executive Chairman

Mr Mactier was appointed as a Director of STW Group 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 a Non-executive Director of ASX listed ALE Property Group (since November 2016) and was a Non-executive Director of Melco Crown Entertainment, which is publicly listed on NASDAQ, from December 2006 - January 2017.

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

Mike Connaghan
BA

Chief Executive Officer and Executive Director

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

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

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

John Steedman

Executive Chairman Media Investment Management and Executive Director

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

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

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

Kim Anderson
BA GRAD DIP INF SC

Non-executive Director

Ms Anderson was appointed as a Director of STW Group in November 2010.

Ms Anderson is a Director of carsales.com Limited (from 2010), and of Billabong International Limited (from December 2016), former Chief Executive of Reading Room Inc (now bookstr.com), a former Fellow of the Sydney University Senate and a former Director of The Sax Institute. Ms Anderson has more than 25 years experience in various media executive positions within companies such as Southern Star Entertainment, Publishing and Broadcasting Limited and Ninemsn.

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

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

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

Paul Richardson
BA ACA MCT

Non-executive Director

Mr Richardson was appointed as a Director of STW Group in 1999 and is currently a Director of WPP plc. Mr Richardson joined WPP plc in 1992 as Director of Treasury and has been Group Finance Director since 1996 (responsible for the group's worldwide finance function).

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

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

Ranjana Singh

Non-executive Director

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

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

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

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

Geoffrey Wild AM
FAICD FAI(dip) FRSA

Non-executive Director

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

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

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

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

Paul Heath
BA

Non-executive Director

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

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

Jonathan Steel
BA (HONS)

Non-executive Director

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

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

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

Financial performance

Directors' report

Your Directors present their report on the Consolidated Entity consisting of WPP AUNZ Limited ("Company", "WPP AUNZ" or "Parent Entity") and the entities it controlled at the end of, or during, the year ended 31 December 2016 (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 (Non-executive Chairman)
Michael Connaghan (Chief Executive Officer and Executive Director)
Paul Richardson (Non-executive Director)
Ian Tsicalas (Non-executive Director) (resigned 8 April 2016)
Graham Cubbin (Non-executive Director)
Peter Cullinane (Non-executive Director) (resigned 16 December 2016)
Kim Anderson (Non-executive Director)
Paul Heath (Non-executive Director) (appointed 8 April 2016)
Ranjana Singh (Non-executive Director) (appointed 8 April 2016)
John Steedman (Executive Director) (appointed 8 April 2016)
Jonathan Steel (Non-executive Director) (appointed 8 April 2016)
Geoffrey Wild AM (Non-executive Director) (appointed 8 April 2016)

Particulars of Directors' qualifications, experience and directorships in other listed entities are set out on pages 32 and 33 in this Annual Report.

CHANGE OF COMPANY NAME

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

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

PRINCIPAL ACTIVITIES

The principal activities of the WPP AUNZ Group during the year were advertising and diversified communications operations. The Group provides advertising and communications services for clients through various channels including television, radio, print, outdoor and electronic forms. There have been no significant changes in the nature of those activities during the year.

REVIEW OF OPERATIONS

Information on the operations and financial position of the Company and its business strategies and prospects is set out in the Operating and Financial Review on pages 38 to 41 of this Annual Report.

ACQUISITION OF AUSTRALIAN AND NEW ZEALAND BUSINESSES OF WPP PLC

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

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

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the significant item outlined in Note 40 to the financial statements, there has not arisen, in the interval between the end of the financial period and the date of signing of this Directors' Report, any item, transaction or event of a material or unusual nature which, in the opinion of the Directors, has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future periods.

	Directors		Audit and Risk Committee		Remuneration and Nominations Committee	
Table 1: Director Meetings	Attended	Held*	Attended	Held*	Attended	Held*
Robert Mactier	9	9	4	4	—	—
Michael Connaghan	9	9	—	—	—	—
Paul Richardson	7	9	—	—	3	3
Ian Tsicalas	1	1	—	—	1	1
Graham Cubbin	9	9	4	4	4	4
Peter Cullinane	9	9	—	—	—	—
Kim Anderson	9	9	—	—	4	4
Paul Heath	7	8	—	—	—	—
Ranjana Singh	8	8	—	—	—	—
John Steedman	8	8	—	—	—	—
Jonathan Steel	8	8	—	—	—	—
Geoffrey Wild	7	8	3	3	—	—

* Reflects the number of meetings the Director was eligible to attend during the time the Director held office during the 2016 year.

Directors' report (continued)

DIRECTORS MEETINGS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year ended 31 December 2016 and the number of meetings attended by each Director were as set out in Table 1: Director Meetings.

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 (for example, 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 2016, 3,949,399 (2015: 2,435,029) performance rights have been granted to participants in the executive share plan. These performance rights will vest and be transferred to eligible executives subject to the achievement of specific performance measures. As at 31 December 2016, 1,135,919 (2015: 1,562,286) performance shares in the Company have been issued to the WPP AUNZ Executive Share Plan Trust. The trust holds the performance shares and all rights and entitlements attaching to the performance shares on the executives' behalf.

SHARES

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

Table 2: Director interest in ordinary shares	Balance as at 1 Jan 16	Acquisitions	Disposals	Balance as at 31 Dec 16	Post year-end acquisitions	Post year-end disposals	Post year-end balance
Ordinary shares							
Robert Mactier	577,964	—	—	577,964	—	—	577,964
Michael Connaghan	433,290	426,367	(222,000)	637,657	—	—	637,657
Paul Richardson	—	—	—	—	—	—	—
Graham Cubbin	100,000	—	—	100,000	—	—	100,000
Kim Anderson	—	50,000	—	50,000	—	—	50,000
Paul Heath	—	—	—	—	—	—	—
Ranjana Singh	—	—	—	—	—	—	—
John Steedman	—	—	—	—	—	—	—
Jonathan Steel	—	87,500	—	87,500	—	—	87,500
Geoffrey Wild	—	—	—	—	—	—	—

Peter Cullinane held 81,500 shares on the date of his retirement on 16 December 2016.

Ian Tsicalas held 65,643 shares on the date of his retirement on 8 April 2016.

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 42.

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 2016 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 2016 are in accordance with the recommendations contained in the ASX Principles.

RISK MANAGEMENT

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

NON-AUDIT SERVICES

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

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

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

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine 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/Director's Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

REMUNERATION REPORT

The Remuneration Report accompanies on page 43 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors:

Robert Mactier	**Michael Connaghan**
Chairman	Chief Executive Officer

Sydney, 24 February 2017

Operating and financial review

FINANCIAL OVERVIEW

Net revenue (total revenue including share of net profits from joint ventures and associates excluding interest income less cost of goods sold expense) for the year ended 31 December 2016 is $780.6 million, up 88.5% on the prior period (2015: $414.2 million).

The net profit attributable to members of WPP AUNZ for the year ended 31 December 2016 is $55.0 million compared to a loss in 2015 of $52.6 million.

After adjusting for non-recurring significant and other non-cash items, the headline profit for the year ended 31 December 2016 is $74.6 million, up 88.4% on the prior period (2015: $39.6 million).

A summary of the Company's results for the year ended 31 December 2016 are below:

	2016 $million	2015 $million
Total revenue (including share of net profits from joint ventures and associates excluding interest income)	918.0	492.5
Cost of goods sold	(137.4)	(78.3)
Net revenue	**780.6**	**414.2**
Operating expenses	(645.4)	(427.6)
EBITDA	**135.2**	**(13.4)**
Depreciation and amortisation	(29.0)	(10.9)
EBIT	**106.2**	**(24.3)**
Net finance costs	(17.3)	(13.2)
Profit/(loss) before tax	**88.9**	**(37.5)**
Income tax expense	(26.0)	(6.8)
Profit/(loss) after tax	**62.9**	**(44.3)**
Non-controlling interests	(7.9)	(8.3)
Net profit/(loss) attributable to members of WPP AUNZ	**55.0**	**(52.6)**

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:

	2016 $million	2015 $million
Net profit/(loss) attributable to members of WPP AUNZ	**55.0**	**(52.6)**
Significant items, net of tax		
1. Transaction related (gains)/costs	(1.6)	1.3
2. Impairment of non-current assets and other non-cash items	23.8	81.8
3. Strategic review and business restructure costs	—	4.5
4. Business close down and other one-off (gains)/costs	(2.6)	4.6
Total significant items, net of tax	**19.6**	**92.2**
Headline profit attributable to members of WPP AUNZ	**74.6**	**39.6**

	Cents	Cents
EPS – headline profit	10.1	9.5

SIGNIFICANT ITEMS AND OTHER NON-CASH ITEMS

The Company incurred a number of one-off gains/costs in 2016 relating to the Transaction, the impairment of non-current assets and other non-cash items, strategic review costs, and business closure and other one-off gains/costs.

1. **Transaction related gains/costs** – relates to costs specific to the Transaction including advisor fees, listing fees, costs associated with the restructure of debt facilities and revaluation of useful life of non-current assets. These costs are offset by the net gain on transitioning equity accounted investments to controlled entities.
2. **Impairment of non-current assets and other non-cash items** – in 2016, the balances relate to the amortisation of acquired intangibles and loss on fair value adjustment of deferred cash settlements.

   In 2015, the impairment charges impacted the carrying amount of non-current assets, investments accounted for using the equity method and plant and equipment. The impairment charges arose primarily as a result of weaker than forecast trading performance of entities within cash generating units.
3. **Strategic review and business restructure costs** – in 2015, this related to redundancy and staff salary costs incurred in achieving operational restructure and efficiency initiatives within corporate head office and operating businesses.
4. **Business close down and other one-off gains/costs** – relates to gains/costs associated with closing down and merging selected businesses.

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

FINANCIAL HIGHLIGHTS

The Group's results for the year ended 31 December 2016 are materially impacted by the size and scale of the Transaction which was completed in April 2016. In accordance with accounting standards, the Group only brings in profits of the business units that were acquired as part of the Transaction from the acquisition date.

To provide more meaningful and comparable results, the table below presents the results of the Group on a like-for-like basis, as if all the businesses were acquired from 1 January 2016, excluding one-off and significant items incurred during the period.

Key measures	2016 ($M)	2015 ($M)	Change (%)
Net revenue	$865	$855	+1.2%
Profit before interest and tax ("PBIT")	$141.6	$136.9	+3.5%
Net sales margin	16.4%	16.0%	+0.4%
EPS (cents per share)	9.5 cents	9.2 cents	+4.1%

Headline net revenue of $865 million, up 1.2% on prior period (2015: $855 million). The Group had strong new business performance in the final quarter of 2016, winning a number of new engagements across all business segments.

Headline profit before interest and tax of $141.6 million, up 3.5% on the prior period (2015: $136.9 million). Headline PBIT was delivered at a margin of 16.4%, an improvement on the prior period (2015: 16.0%). In a year of significant change, the Group has delivered organic growth at an improved operating margin.

PERFORMANCE BY SEGMENT - PRO-FORMA RESULTS

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

The performance across the segments was in line with the overall group performance. The key financial measures for each business segment is broken down in the table below:

	Net revenue			Headline PBIT			Headline margin %		
$AUD'M	2016	2015	% Change	2016	2015	% Change	2016	2015	% Change
Advertising and Media Investment Management	452.7	442.0	2.4%	75.3	75.7	(0.4%)	16.6%	17.1%	(0.5%)
Data Investment Management	107.4	105.8	1.6%	25.3	23.2	9.0%	23.6%	22.0%	1.6%
Public Relations & Public Affairs	62.4	59.8	4.2%	9.3	6.4	44.8%	14.9%	10.7%	4.2%
Specialist Communications	242.4	247.1	(1.9%)	31.7	31.6	0.3%	13.1%	12.8%	0.3%
Total	**864.9**	**854.7**	**1.2%**	**141.6**	**136.9**	**3.5%**	**16.4%**	**16.0%**	**0.4%**

MERGER AND INTEGRATION

Significant progress has been achieved during 2016 across the combined group. The integration of the combined businesses has been very positive with strong engagement and collaboration from local business units and support from WPP global operations. The substantial benefits of the Transaction are tangible providing the Group with access to new tools, technologies and client relationships. It has been a year of integration and establishing a platform for growth in 2017 and beyond.

COST SYNERGIES

With a merger of two large businesses, in order to generate cost savings, we have focused our efforts on the duplication of back office services and infrastructure while looking to standardise processes and systems. Further, we have looked to benefit from the Group's increased purchasing power that results from the scale of the combined business.

The end result of these initiatives is not purely to generate savings, but to deliver a 'core spine of services - both operational and commercial' that support the group companies and are scalable as our operations grow.

We have committed to the market $15 million in cost savings per annum, to be achieved over a period of 3 years. We are tracking well against these targets and have confidence in reaching and exceeding them.

We have put in place a range of initiatives to achieve these cost synergies. This was a necessary investment in people, processes and systems during 2016. The result of this investment is we have locked in material cost savings which we will begin to realise from the 2017 year and beyond.

Operating and financial review (continued)

Progress made in relation to the realisation in synergies is outlined in the table below

Synergy	Category Detail	Original three year target ($M)	Current expectations	Implementation progress
Corporate and administration	Focus on banking, corporate and administrative	1.8	↑	— Transition to WPP global insurance policy — Corporate reorganisation to simplify structure and reduce compliance costs — Debt restructure on materially enhanced debt terms
Property rationalisation	Consolidation of property footprint, better space planning of selected business units into campuses	2.5	–	— Transition of businesses into group campuses focus on delivering campus strategy — New Sydney campus will deliver material savings from mid-2017 — Trialing agile working environments
IT and shared services	Consolidation of duplicated infrastructure, operating costs and back office support functions	2.9	↓	— Key hires in Group CIO and Head of Finance Transformation — Entered into WPP global printer agreement — Large scale of realisation of cost savings delayed due to complexity of legacy systems and pre-existing contractual arrangements
Operating efficiencies	Efficiencies gained through local management oversight and driving integration of services across the Group	7.8	–	— Talent – Established WPP AUNZ Group Talent to focus on recruitment, on-boarding, training and retention — Production spend capture progressing slower than expected — Procurement – new head of procurements to develop capability aligned with a group of our size and scale
Total		**15.0**	**15.0**	

CASH, GROSS DEBT, FACILITIES AND EARNOUTS

AUSTRALIAN CORE DEBT FACILITIES

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

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

As at 31 December 2016, the Company's net cash balance was $87.2 million (2015: $26.9 million). The Company's gross debt, finance lease liabilities and earnout liabilities were $380.4 million (2015: $246.9 million). The Company's net debt position increased to $293.2 million at 31 December 2016 (2015: $220.0 million), which was driven primarily by increased debt required as part of the expanded group post the Transaction.

CASH, GROSS DEBT AND EARNOUTS

	2016 $million	2015 $million
Cash	87.2	26.9
Bank debt	(353.6)	(227.1)
Finance lease liabilities	(3.8)	(4.7)
Earnout liabilities	(23.0)	(15.1)
Net Debt	**293.2**	**220.0**

EARNOUTS

The Company structures certain acquisitions by making an up-front payment to the vendor and agreeing to make future earnout payments based on the financial performance of the acquired company. The Company sees this as an effective way to structure acquisitions as it incentivises the vendors to drive the future performance of the acquired company. As at 31 December 2016, the Company's estimated earnout liability is $23.0 million (2015: $15.1 million).

Earnout Liabilities	$million
31 December 2015	15.1
Payments made in 2016	(10.9)
Assumed as part of the Transaction	2.9
Net revisions to earnout estimates	15.9
31 December 2016	**23.0**

The movement in earnout liabilities between 2015 and 2016 is primarily driven by payments made during 2016 and the net revision of prior earnout estimates due to the better than forecasted performance of companies within the Group.

Expected Maturity Profile	$million
2017	16.3
2018	1.8
2019+	4.9
Total	**23.0**

CASH FLOW

WPP AUNZ cash increased by $60.3 million to $87.2 million at 31 December 2016. A breakdown of the cash flows for the year ended 31 December 2016 is below:

	2016 $million	2015 $million
Cash flow from operating activities	133.0	47.0
Cash flow from investing activities	67.8	(33.3)
Cash flow from financing activities	(140.6)	(6.9)
Net cash inflow	**60.2**	**6.8**
Opening cash	**26.9**	**19.9**
Effect of foreign exchange movements	0.1	0.2
Closing balance	**87.2**	**26.9**

OPERATING ACTIVITIES

Cash inflows for the 2016 year derived from operating activities were $133.0 million (2015: $47.0 million). The Company's cash flows were positively impacted by the improvement in working capital position. This is a good performance, in line with operating cash flow targets and an improvement on the prior year result. For the 2016 year, 133% of statutory EBITDA, adjusted for the impact of significant non-cash items, was converted to operating cash flows (2015: 104%). The Company targets cash conversion of between 85% and 100% of EBITDA.

INVESTING ACTIVITIES

Cash inflows for the 2016 year derived from investing activities was $67.8 million (2015: outflow of $33.3 million). This increase from 2015 was primarily driven by the significant cash acquired as part of the Transaction. Net cash outflows relating to step up acquisitions in existing controlled entities was $1.3 million (2015: $0.7 million) and inflows relating to loans with joint ventures and associates was $7.5 million (2015: outflow of $2.6 million). Payment for fixed assets in 2016 was $13.2 million (2015: $5.5 million), increasing as a result of the WPP Businesses joining the Group.

FINANCING ACTIVITIES

Cash outflows for the 2016 year derived from financing activities was $140.6 million (2015: $6.9 million). The Company repaid net borrowings of $100.5 million during 2016 (2015: net proceed of $19.9 million). In addition to these debt repayments, $5.9 million (2015: $14.4 million) was paid in dividends to minority shareholders and $33.3 million (2015: $23.2 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	$million	Franking
Final 2015	3.6	15.4	100%
Interim 2016	2.1	17.9	100%
Total	**5.7**	**33.3**	

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 3.9 cents per fully paid ordinary share, with a record date of 24 March 2017 and payable on 31 March 2017 (2015 final dividend: 3.6 cents per share).

The total dividends relating to the 2016 year are 6.0 cents per share (2015: 5.7 cents per share). The total cash dividend payments relating to the 2016 year are $51.1 million (2015: $24.4 million). This represents a dividend payout ratio of 63% of headline net profit after tax (2015: 60%), in line with the Company's target payout ratio of between 60% and 70% of headline profit.

2017 OUTLOOK

2017 TRADING OUTLOOK

As a standalone business, in 2017, the Company is expected to deliver mid single digit growth in headline earnings per share.

Auditor's independence declaration

Deloitte Touche Tohmatsu
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The Board of Directors
WPP AUNZ Limited
Ogilvy House
72 Christie Street
ST LEONARDS NSW 2065

24 February 2017

Dear Directors

WPP AUNZ LIMITED

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

As lead audit partner for the audit of the financial statements of WPP AUNZ Limited for the financial year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

Remuneration report

The Directors of WPP AUNZ present this Remuneration Report for the year ended 31 December 2016. This Remuneration Report outlines WPP AUNZ's remuneration philosophy and practices, explains how the Company's 2016 performance has driven executive remuneration outcomes, and provides the details of specific remuneration arrangements that apply to key management personnel ("KMP") in accordance with the requirements of the Corporations Act 2001.

The information in this report has been audited as required by section 308(3C) of the Corporations Act 2001.

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 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 2016 are outlined in the table below:

Non-executive Directors
Robert Mactier, Chairman
Paul Richardson
Kim Anderson
Graham Cubbin
Paul Heath (appointed 8 April 2016)
Ranjana Singh (appointed 8 April 2016)
Jonathan Steel (appointed 8 April 2016)
Geoffrey Wild (appointed 8 April 2016)
Peter Cullinane (resigned 16 December 2016)
Ian Tsicalas (resigned 8 April 2016)

Executive Directors
Michael Connaghan, Chief Executive Officer
John Steedman, Executive Director (appointed 8 April 2016)

Other Senior Executive
Lukas Aviani, Chief Financial Officer (resigned 19 October 2016)

Apart from the changes, outlined in the above table, there were no changes to KMP during the reporting period, or after the reporting date up to the date the financial report was authorised for issue.

The structure of Remuneration Report is outlined as follows:

Section 1 – Remuneration Governance
Section 2 –Senior Executives' Remuneration Structure and Outcomes:
Section 3 – Remuneration of Chief Executive Officer
Section 4 – Senior Executives' Contract Details
Section 5 – Senior Executives' Remuneration —Statutory Disclosure
Section 6 – Non-executive Directors' Remuneration
Section 7 – Other Information

SECTION 1 – REMUNERATION GOVERNANCE

1.1 REMUNERATION AND NOMINATIONS COMMITTEE

The Board has established the Remuneration and Nominations Committee. It 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 key performance indicators and performance hurdles;
— 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/corporate-governance/) provides further information on the role of the Committee.

1.2 INVOLVEMENT OF INDEPENDENT ADVISORS

Remuneration and Nominations 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 were engaged during 2016 to inform the Committee's recommendations and decisions:

Advice and service provided in 2016	External advisor
Total Shareholder Return ("TSR") performance analysis for LTI awards	Mercer Consulting (Australia)
• Independent LTI valuation. • Remuneration market practices and review of existing executive remuneration arrangements.	Guerdon Associates
Executive incentives practices for 2017	Ernst & Young

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

SECTION 2 — SENIOR EXECUTIVES' REMUNERATION STRUCTURE AND OUTCOMES

2.1 REMUNERATION FRAMEWORK

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

The executive pay and reward framework has three components:

(i) fixed remuneration;

(ii) short-term incentives; and

(iii) long-term incentives – executive share plan.

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

The Company seeks to reward executives with the remuneration mix to attract and retain executives with an appropriate level of expertise, align their interests with those of shareholders, and recognise the extent that each position influences short and long-term performance outcomes. Remuneration levels are considered annually through a remuneration review that considers market data and the performance of the Company and the individual.

Remuneration Report (continued)

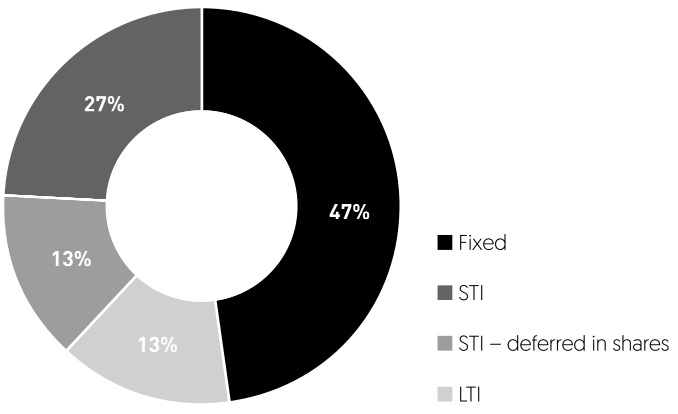
SECTION 2 – SENIOR EXECUTIVES' REMUNERATION STRUCTURE AND OUTCOMES (CONTINUED)

2.1 REMUNERATION FRAMEWORK (CONTINUED)

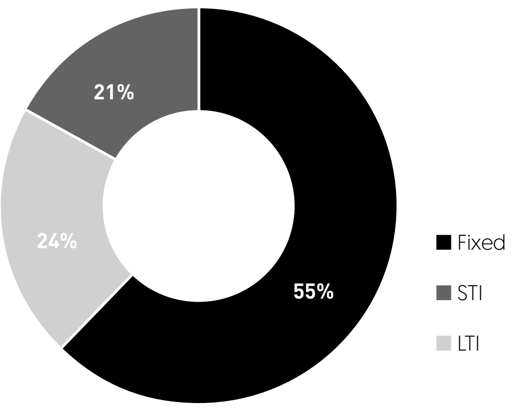
The diagram below shows the mix of fixed and at-risk components of remuneration, as a percentage of total annual remuneration, for the Chief Executive Officer ("CEO") and other Senior Executives. Remuneration outlined in the diagram is based on the fixed remuneration at 1 January 2016 and the incentive payable if all performance conditions are satisfied and assumes full vesting of the LTI plan and the deferred portion of the STI plan.

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

CEO remuneration mix



Other Senior Executives remuneration mix



		Remuneration component	Strategic purpose
Fixed remuneration	Cash	— Salary and other benefits (including statutory superannuation).	— Designed to attract and retain employees with required capabilities and experience.
At-risk remuneration	Cash STI	— STI payable based on Group achieving: – net profit after tax ("NPAT") target (75% weighting); and – individual objectives (25% weighting). — For Senior Executives, excluding the CEO, the STI outcome is paid in cash following the end of year assessment and approval by the Board. — For the CEO, 50% of the STI outcome is paid in cash and the remaining 50% is deferred and paid in shares.	— Motivates and rewards performance within a year. — Provides appropriate reward for superior individual and Group performance.
	Deferred STI – CEO	— For the CEO, 50% of the STI outcome is paid in shares and deferred over a period of two years, subject to ongoing employment conditions.	— Aligns the CEO's reward to shareholder interests. — Aligns CEO's remuneration with longer-term financial performance and retains CEO's services.
	LTI	— Provided as a grant of performance rights. — Performance measured over a three year performance period. LTI Plans: — Base Plan subject to performance hurdles of earnings per share ("EPS") (weighting 75%) and total shareholder return ("TSR") (weighting 25%) being achieved.	— Aligns the interest of Senior Executives with those of shareholders. — Aligns Senior Executive's remuneration with longer-term financial performance. — Assists in attracting and retaining required executive talent.

2.2 REALISED REMUNERATION OF SENIOR EXECUTIVES

The following table shows remuneration 'actually realised' by the Senior Executives. This is a voluntary disclosure and some of the figures in the below table differ to the statutory remuneration disclosures presented in Section 5. The main difference is that the accounting table in Section 5 includes an apportioned accounting value for all unvested LTI grants during the year (some of which remain subject to satisfaction of performance and service conditions and may not ultimately vest). The table below, on the other hand, shows the LTI value based on the awards that actually vested, based on LTI performance hurdles being met and delivering value to the senior executives. The value is then calculated based on the closing price of WPP AUNZ's shares on the date of vesting:

Name	Year	Fixed remuneration[1] $	Cash STI[2] $	Deferred STI realised[3] $	LTI[4] $	Total $
Michael Connaghan	**2016**	**950,000**	**68,750**	**—**	**365,072**	**1,383,822**
Chief Executive Officer	2015	850,000	35,000	57,542	—	942,542
Lukas Aviani	**2016**	**450,000**	**143,750**	**—**	**—**	**593,750**
Chief Financial Officer	2015	400,000	—	—	—	400,000
John Steedman	**2016**	**525,000**	**—**	**—**	**—**	**525,000**
Executive Director (Appointed April 2016)						

1. Fixed remuneration received in the year ended 31 December 2016 includes base salary, employer superannuation and salary sacrificed benefits. Mr. John Steedman's fixed remuneration figures in the above table represent his actual earnings during the year ended 31 December 2016. Mr. John Steedman's full year fixed remuneration equivalent is $700,000.
2. Cash STI represents non-deferred portion of STI which relates to current performance period. For:
   - 2016 - cash STI paid in February 2017 in recognition of the performance in the year ended 31 December 2016. Mr. Lukas Aviani received $100,000 cash STI award in April 2016 in recognition of his performance related to the Transaction and $43,750 representing his STI award under 2016 STI plan; and
   - 2015 - cash STI paid in February 2016 in recognition of the performance in the year ended 31 December 2015.
3. Deferred STI realised represents the value of the CEO's deferred STI awarded in previous years that vested where the performance period has ended. For:
   - 2016 - no performance shares were issued pursuant to the 2014 STI plan due to the performance targets for the year ended 31 December 2014 not being achieved; and
   - 2015 - the remuneration value is based on 71,928 shares issued pursuant to the 2013 STI plan, released on 31 December 2015 at a share price of $0.80.
4. The figures in this LTI column show the value to Senior Executives relating to the performance rights awarded in previous years and vested where the performance period has ended. For:
   - 2016 - performance hurdles under the 2014 - 2016 LTI plan have not been achieved. The LTI value is based on 354,439 shares, released to Mr. Michael Connaghan in April 2016 at a market price of $1.03, resulting from the Transaction, in accordance with his employment contract and represents a pro-rata entitlement for the shares granted under 2014 - 2016 and 2015 - 2017 LTI plans. No other performance rights vested under the 2014 - 2016 LTI plan; and
   - 2015 - performance hurdles under 2013-2015 LTI plan were not achieved and no performance rights vested.

2.3 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 Executives' contracts. CEO's and CFO's fixed remuneration levels were reviewed in 2016 to reflect increased organisation size and responsibilities, resulting from the Transaction. Independent benchmarking of remuneration against that for companies of comparable market capitalisation, revenue size, and industry applied to determine the level of fixed remuneration.

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

Remuneration Report (continued)

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

2.4 SHORT-TERM INCENTIVES ("STI")

The purpose of STI is to motivate and reward Senior Executives for contributing to the delivery of annual business performance as assessed against a balanced scorecard of measures. STI is an annual incentive based on Group and individual performance. WPP AUNZ's STI plan has been structured as follows:

Potential maximum STI amount	At the beginning of each year, the Remuneration and Nominations Committee determines the maximum entitlements payable under the STI plan for each Senior Executive.
Performance measures and rationale	Performance is measured against a balanced scorecard that uses goals set against financial and non-financial measures. These targets are set by the Remuneration and Nominations Committee at the beginning of the year and are reviewed annually. Financial measures make up 75% of the balanced scorecard objectives, with the remaining 25% based on non-financial measures. This provides a balance between rewarding the achievement of financial targets and non-financial objectives that drive the execution of WPP AUNZ's strategy. **STI financial measures** A Senior Executive will receive 75% of the maximum entitlement under the STI plan based on achieving a NPAT target. The NPAT target is based on the Group's budget. For the year ended 31 December 2016, the Senior Executives are rewarded for performance between 100% and 105% of the NPAT target (at which point the maximum entitlement is received) as outlined below:

Percentage of NPAT target achieved	Percentage of STI payable relating to the financial component	Percentage of total STI payable
Less than 100%	Nil	Nil
100% and above	50%	37.5%
101% and above	60%	45.0%
102% and above	70%	52.5%
103% and above	80%	60.0%
104% and above	90%	67.5%
105% and above	100%	75.0%

	STI non-financial measures A Senior Executive will receive 25% of the maximum entitlement under the STI plan based on meeting non-financial measures. The non-financial objectives are specific to each Senior Executive. Non-financial measures include achievement of strategic goals, operational efficiencies, people management and execution of key initiatives. These measures are designed to ensure robust, long-term value is built.
Testing of performance measures	The CEO's STI is recommended by the Remuneration and Nominations Committee based on his balanced scorecard performance and is approved by the Board. The amount of STI paid to other Senior Executives is recommended by the CEO to the Remuneration and Nominations Committee based on each Senior Executive's balanced scorecard performance and recommended by the Remuneration and Nominations Committee for approval by the Board. The Board may apply discretion in determining the STI outcomes to ensure they are appropriate.
Instrument – Senior Executives excluding the CEO	For Senior Executives, excluding the CEO, the STI outcome is paid in cash following the end of year assessment of the achievement of performance conditions and approval by the Board.
Instrument – CEO's deferred STI	For the CEO, 50% of the STI achieved will be paid in cash following the end of year assessment of the achievement of performance conditions and approval by the Board. The remaining 50% will be deferred and provided in the form of ordinary shares in the Company. The shares allocated for the deferred component are valued at face value based on the volume weighted average market price over the 10 days immediately prior to the release of the Company's financial results for the year ended 31 December 2016. The shares will be held on trust for two years and the CEO receives dividends on the shares during this period. At the end of the two year period, the ownership of the shares is transferred to the CEO.
Termination and forfeiture conditions	For the CEO, the deferred portion of a STI award will be forfeited in the event that he resigns, or his employment is terminated for cause, prior to the vesting date. Unvested deferred STI awards may be retained if he leaves due to special circumstances such as redundancy, subject to Board discretion.

STI outcomes 2016

The table below shows actual STI outcomes for the Senior Executives for the year ended 31 December 2016:

Senior Executive	Year	Maximum STI ($)	Actual STI achieved ($)	Actual STI as a % of maximum STI[1]	% of maximum STI forfeited[2]
Michael Connaghan Chief Executive Officer	2016	550,000	137,500	25%	75%
Lukas Aviani Chief Financial Officer	2016	175,000	43,750	25%	75%
John Steedman Executive Director	2016	Eligible to participate in STI plan starting in 2017 calendar year			

1. Mr. Michael Connaghan receives 50% of his achieved STI in cash and the remaining 50% is received in shares and deferred for a period of two years.
2. Where the actual STI payment is less than the maximum potential, the difference is forfeited. It does not become payable in subsequent years. The minimum STI is nil if no performance conditions are met.

For the year ended 31 December 2016, the Board determined that Mr. Michael Connaghan was entitled to 25% of his maximum annual opportunity payable under the STI plan. He did not achieve the minimum requirements under the financial component of the STI plan and achieved 100% of his strategic objectives under the non-financial component of the STI plan. Mr. Lukas Aviani achieved 100% of his strategic objectives under the non-financial component of the STI plan.

WPP AUNZ performance and the link to STI reward

The STI plan operates to create a clear connection between Senior Executives' and WPP AUNZ's annual performance, motivating and rewarding Senior Executives for performance during the year. The key financial indicator used to assess performance under the STI plan is WPP AUNZ's NPAT. The table below shows WPP AUNZ performance over the past five years:

	2016	2015	2014	2013	2012
Headline NPAT ($million)*	74.6	39.6	45.6	49.5	44.0
Headline NPAT growth (%)	88.4	(13.2)	(7.8)	12.5	6.5
Headline EPS (cents)*	10.1	9.5	11.3	12.3	12.1
Headline EPS growth (%)	6.9	(16.2)	(8.4)	1.7	5.1
Proportion of maximum STI achieved – CEO (%)	25.0	14.0	—	41.2	45.0
Proportion of maximum STI achieved – other Senior Executives (%)	25.0	—	—	41.2	50.0

* Headline NPAT and EPS show the Group's performance excluding one-off gains and losses. A reconciliation of the Group's statutory and headline profit is disclosed in the Operating and Financial Review.

Remuneration Report (continued)

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

2.5 LONG-TERM INCENTIVES ("LTI") – EXECUTIVE SHARE PLAN

The LTI plan is an at-risk component of Senior Executive remuneration under which an equity reward may be provided to participants based on achievement of specific performance measures over a three year performance period. Key details of the LTI plan are shown below:

Description

LTI plan grants are determined annually by the Board.

LTI plan awards are delivered in the form of performance rights.

No dividends or voting rights are attached to performance rights.

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

No amount is payable to Senior Executives on the vesting of the performance rights or on their conversion into shares.

Eligibility

Offers were made to executives nominated by the CEO and approved by the Board.

Performance period

The performance period for the LTI plan is three years. The 2016 plan operates from 1 January 2016 to 31 December 2018.

The Board considers that three years is an appropriate performance period as it is sufficiently long term to influence the desired performance outcomes, provides a foreseeable and genuine incentive to participants, and validly reflects the long-term planning and investment horizon of the business.

Performance plans

The performance rights under the base LTI plan will vest and be transferred to the Senior Executives subject to meeting the performance hurdles, as determined by the Remuneration and Nominations Committee.

Performance hurdles

Base LTI Plan

The Base Plan has two performance hurdles that are measured over the performance period:

— 75% of the awards are subject to the achievement of earning per share ("EPS") growth performance targets; and

— 25% of the awards are subject to a relative total shareholder return ("TSR") measure.

Earnings per share growth performance condition

EPS is calculated by dividing the headline net result after tax attributable to members of WPP AUNZ for the relevant reporting period (net result after tax adjusted for the after-tax effect of any significant items) by the weighted average number of ordinary shares of the Company.

Significant items are revenues and expenses associated with specific events considered appropriate by the Directors to be excluded in order to arrive at headline earnings including impairment of assets, profits or losses on sale of investments, write-offs, amortisation of unidentifiable and identifiable intangible assets and other non-recurring items.

For the Base Plan, EPS performance is measured as the actual cumulative EPS achieved over the three year measurement period.

With respect to the 2016 Plan (operating between 1 January 2016 and 31 December 2018), the actual proportion of EPS award vesting is determined by comparing the actual cumulative EPS achieved over the three year measurement period against the thresholds outlined in the table below. The cumulative growth for the 2016 Plan is measured using a base EPS of 9.5 cents per share (the Group's 2015 calendar year headline EPS).

WPP AUNZ's cumulative growth from base year	Proportion of EPS award vesting (subject to EPS rules)1
Less than 4% per annum	No Performance rights vest
4% per annum or above	40% (i.e. 30% of the total number of Performance rights granted)
5% per annum or above	50% (i.e. 37.5% of the total number of Performance rights granted)
6% per annum or above	60% (i.e. 45% of the total number of Performance rights granted)
7% per annum or above	70% (i.e. 52.5% of the total number of Performance rights granted)
8% per annum or above	80% (i.e. 60% of the total number of Performance rights granted)
9% per annum of above	90% (i.e. 67.5% of the total number of Performance rights granted)
At or above 10% per annum	100% (i.e. 75% of the total number of Performance rights granted)

1. The cumulative EPS performance measure that has been used for the 2014 LTI Plan (operating between 1 January 2014 and 31 December 2016) starts with the threshold of 3% per annum growth corresponding to 20% of EPS award vesting (15% of total number of performance rights granted). The base year EPS for each Plan is the Group's EPS for the most recent calendar year prior to the granting of the award.

Base Plan – performance hurdles	**Total shareholder return performance condition** TSR is calculated as the movement in share price and dividends received assuming reinvestment of dividends. The TSR performance condition compares the Company's TSR ranking at the end of the relevant period (calculated using the average closing share price over the three months prior to that date) with the TSR performance of the companies in the comparator group over the same period. **Comparator Group** The Company's TSR is compared to the TSR of the companies that were in the S&P/ASX All Ordinaries – Consumer Discretionary Index ("Comparator Group") as at the start date of the relevant plan. The Board chose this Comparator Group as it represented a broad base of companies whose operations face similar challenges to those of the Group. In relation to the 2016 Plan (operating between 1 January 2016 and 31 December 2018), the proportion of the TSR award that vests is determined as follows:

TSR rank	Proportion of TSR award vesting
Less than 50th percentile	Nil
50th percentile	50%
Between 51st percentile and 75th percentile	50% plus an additional 2% of this award for each additional percentile rank above 50th percentile
At or above the 75th percentile	100%

	The same performance measure has been used for the 2014 Plan (operating between 1 January 2014 and 31 December 2016).
Rationale for choosing performance hurdles	The Board considers the combination of a relative hurdle requiring an above-median performance (TSR) and achieving a minimum absolute hurdle (EPS) to be an appropriate combination of stretch financial hurdles and they are relevant direct measurements of the Company performance. If these performance conditions are achieved over a three year period, in turn, shareholders will be provided with increased returns on their investment over the corresponding period. Hurdles and vesting scales are reviewed each year prior to that year's grants being made, to ensure that the performance conditions applying to a grant are appropriate and continue to effectively incentivise Senior Executives.
Calculation of the performance hurdles	EPS is calculated by the Group and audited by Deloitte. TSR rank is independently calculated by Mercer Consulting (Australia).
No re-testing of performance hurdles	Any performance rights for which the relevant performance hurdle is not satisfied will lapse. Any performance rights that do not vest over the performance period will be forfeited.
LTI opportunity	The maximum value of a Senior Executive's LTI opportunity is determined at the time of offer. For 2016, the number of performance rights allocated was based on the Company's average share price between 1 September 2015 and 1 December 2015.
Hedging	The terms and conditions surrounding the 2016 Plan do not allow participants to hedge against future performance by entering into any separate equity or other arrangements.
Cessation of employment	If a Senior Executive ceases employment before the end of the performance period, unvested performance rights will generally lapse. In exceptional circumstances (such as redundancy, death or disability), the Board, in its discretion, may determine that a portion of the award is retained having regard to performance and time lapsed to date of cessation (or that an equivalent cash payment be made). Retained awards will generally be subject to post-employment vesting, where the participant must continue to hold the relevant performance rights until the end of the performance period, and be subject to the performance conditions under the plan.
Change in control	If a change in control event is to occur, the board has discretion to determine that all or a portion of the award will vest, and may have regard to performance and time elapsed to the date of change in control in exercising that discretion.
Transaction	On 8 April 2016, shareholders of the Company approved the agreement to acquire most of the Australian and New Zealand businesses of WPP plc ("Transaction"). Following the Transaction, WPP plc is the majority shareholder of WPP AUNZ with a shareholding of 61.5%. Under the terms of his employment contract, Mr. Michael Connaghan received a pro-rata entitlement to his performance rights from the commencement date of the 2014 Plan and 2015 Plan to the date that the Transaction was approved by the shareholders. Mr. Michael Connaghan was granted 354,439 shares. No other shares vested as a result of the Transaction.

Remuneration Report (continued)

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

2.5 LONG-TERM INCENTIVES ("LTI") – EXECUTIVE SHARE PLAN (CONTINUED)

LTIs granted – 2016

Details of the performance rights granted to KMP under the 2016 LTI Plan (operating between 1 January 2016 and 31 December 2018) are set out in the table below:

Senior Executive	LTI Plan	Number of performance rights granted	Vesting date	Fair value of performance rights[1]	Minimum value of grant $	Maximum value of grant $
Michael Connaghan	Base Plan 2016-2018	773,029	March 19	$0.59	—	456,087
Lukas Aviani	Base Plan 2016-2018	294,118	March 19	$0.59	—	173,530
Total		**1,067,147**			**—**	**629,617**

1. The maximum value of the grant has been estimated based on the fair value as calculated at the time of the grant. Further information on the calculation of fair value is outlined in Note 31 – Share - based Payments.

Retention award – 2016

Senior Executive	LTI Plan	Number of performance rights granted	Vesting date	Fair value of performance rights	Minimum value of grant $	Maximum value of grant $
John Steedman	Performance rights	350,000	April 2018	$1.00	—	350,000

Mr John Steedman was awarded 350,000 performance rights in April 2016 on his commencement with WPP AUNZ in an Executive Director role. The retention shares will be held on trust for a period of two years and will vest subject to Mr. Steedman being an employee on 1 April 2018.

Mr Steedman will not be entitled to any dividends paid by the Company in relation to the retention shares or be able to exercise any voting rights. He will be eligible to participate in 2017 LTI Plan.

LTIs vested – 2016

At 31 December 2016, the performance hurdles were tested for the 2014 LTI Plan (operating between 1 January 2014 and 31 December 2016). WPP AUNZ did not achieve the minimum requirements for the EPS and TSR performance hurdles. With the exception of performance shares issued to Mr. Michael Connaghan, no other LTI vested under the 2014 - 2016 LTI Plan.

CEO's LTI vested – 2016

The below table represents the details of Mr. Michael Connaghan's performance rights vested, as a result of the Transaction.

Mr. Connaghan received a total of 345,439 shares that represented a pro-rata entitlement to his performance rights from the commencement date of the 2014 Plan and 2015 Plan to the date that the Transaction was approved by the shareholders:

	Performance rights granted in 2014		Vested in 2016			Forfeited in 2016		
	Number	Maximum Value[1] $	Number	% of total grant	Maximum Value[1] $	Number	% of total grant	Maximum Value[1] $
Michael Connaghan	266,620	291,457	201,668	76%	220,454	64,952	24%	71,003

	Performance rights granted in 2015		Vested in 2016			Forfeited in 2016		
	Number	Maximum Value[1] $	Number	% of total grant	Maximum Value[1] $	Number	% of total grant	Maximum Value[1] $
Michael Connaghan	360,855	166,895	152,771	42%	70,657	—	—	—
Total vested			**354,439**	**n/a**	**291,111**	**—**	**—**	**—**

1. The maximum value of the grant has been estimated based on the fair value as calculated at the time of the grant. Details of the assumptions underlying the valuations are set out in a Note 31 to the financial statements.

WPP AUNZ performance and the link to STI reward

The following table details the link between WPP AUNZ's performance and the rewards granted to Senior Executives under the LTI plan:

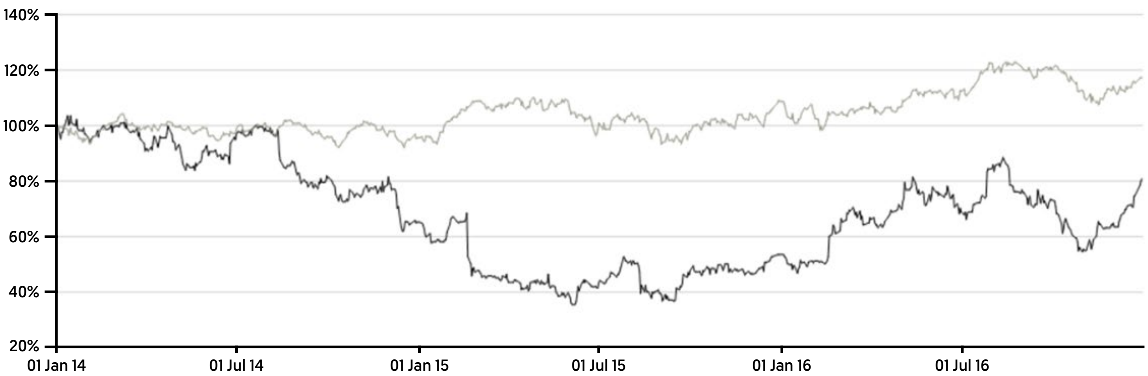
WPP AUNZ performance	2016	2015	2014	2013	2012
Headline NPAT ($million)*	74.6	39.6	45.6	49.5	44.0
Headline EPS (cents)*	10.1	9.5	11.3	12.3	12.1
Headline EPS growth (%)	6.9	(16.2)	(8.4)	1.7	5.1
Dividends per share (cents)	6.0	5.7	6.8	8.6	8.3
Share price (year-end)	$1.21	$0.80	$0.98	$1.50	$1.11
TSR (% per annum)**	58.7	(12.6)	(30.1)	42.9	42.0

* Headline NPAT and EPS show the Group's performance excluding one-off gains and losses. A reconciliation of the Group's statutory and headline profit is disclosed in the Operating and Financial Review on page 38.

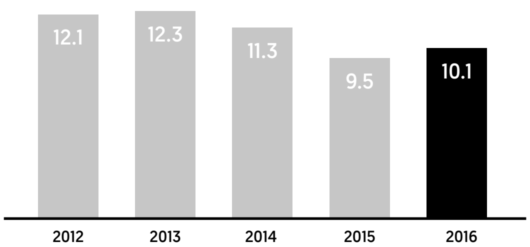
** TSR is calculated as the movement in share price and dividends received assuming reinvestment of dividends.

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

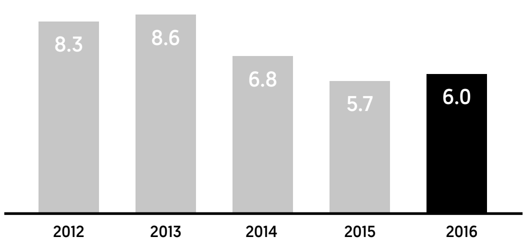
Price, volume and performance (rebased) - WPP ASX S&P/ASX 200 Consumer Discretionary Index



Headline EPS (cents)



Dividends per share (cents)



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

Grant year	LTI Plan		Test date	Performance hurdle	Vested %	Lapsed %
2012	2012-2014	Base	31 Dec 14	EPS – minimum performance hurdle not achieved TSR – minimum performance hurdle not achieved	—	100%
		Overperformance	31 Dec 14	EPS – minimum performance hurdle not achieved	—	100%
2013	2013-2015	Base	31 Dec 15	EPS – minimum performance hurdle not achieved TSR – minimum performance hurdle not achieved	—	100%
		Overperformance	31 Dec 15	EPS – minimum performance hurdle not achieved	—	100%
2014	2014-2016	Base	31 Dec 16	EPS – minimum performance hurdle not achieved TSR – minimum performance hurdle not achieved	—	100%
		Overperformance	31 Dec 16	EPS – minimum performance hurdle not achieved	—	100%

Remuneration Report (continued)

SECTION 3 – REMUNERATION OF CHIEF EXECUTIVE OFFICER

The Company's CEO is Michael Connaghan.

The remuneration level and remuneration structure have been set by the Remuneration and Nominations Committee. In setting the CEO's remuneration, the Committee receives independent advice benchmarking the CEO's salary against that for companies of comparable market capitalisation, revenue size and industry. The final remuneration is determined by the Committee using the independent benchmarking data and taking into account the performance of the CEO.

Remuneration for the year ended 31 December 2016

CEO's remuneration structure for the year ended 31 December 2016 is outlined below. The CEO's total remuneration was reviewed against comparable organisations in the market as described above, based on increased revenue size and responsibilities in 2016 as a result of the Transaction. This resulted in the increase of both fixed remuneration level and maximum STI opportunity.

3.1 FIXED REMUNERATION AND BENEFITS

Mr. Michael Connaghan's fixed remuneration for the year ended 31 December 2016 was $950,000 per annum (2015: $850,000). CEO's fixed remuneration level was reviewed in 2016 to reflect increased organisation revenue size, market capitalisation, and responsibilities, resulting from the Transaction. Previously, Mr Michael Connaghan's fixed remuneration had not been reviewed since January 2011.

3.2 SHORT-TERM INCENTIVES

For the year ended 31 December 2016, Mr. Connaghan had the opportunity to earn a maximum STI of $550,000 (2015: $500,000), subject to the achievement of performance targets. CEO maximum STI opportunity stands for 58% of his 2016 fixed remuneration which is consistent with previous year remuneration structure. Subject to the satisfaction of the performance conditions, 50% of the actual STI under the STI plan is to be paid in cash after the release of the Group's full year results and 50% will be deferred for two years and paid in the Company shares. The shares will be held on trust for two years and Mr. Connaghan receives dividends on the shares during this period. At the end of the two year period, the ownership of the shares is transferred to Mr. Connaghan. If Mr Connaghan resigns or his employment is terminated for cause prior to the end of the two year period, he will forfeit the shares.

75% of the maximum annual STI opportunity payable under the STI plan is based on achieving a NPAT target. The remaining 25% of the maximum annual opportunity payable under the STI plan is based on meeting non-financial objectives. The non-financial measures include achievement of strategic objectives, operational efficiencies, people management and execution of key initiatives.

For the year ended 31 December 2016, the Board determined that Mr Connaghan's STI outcomes is 25% of the maximum annual opportunity payable under the STI plan. He did not achieve the minimum performance requirements of the financial component of the STI and achieved 100% of the non-financial component of the STI.

3.3 LONG-TERM INCENTIVES – EXECUTIVE SHARE PLAN

Shareholders approved the grant to Mr Connaghan of 773,029 performance rights in the Company's executive share plan operating between 1 January 2016 and 31 December 2018, and these will vest subject to the achievement of performance conditions.

This grant was issued on the terms of the LTI plan outlined in Section 2.5 – Long-term incentives ("LTI") - executive share plan.

SECTION 4 – SENIOR EXECUTIVES' CONTRACT DETAILS

The remuneration and other terms of employment for Senior Executives are set out in written employments agreements. Each agreement sets out the level of annual fixed remuneration, maximum short-term incentive opportunity, and termination rights.

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

- Termination of employment without notice and without payment in lieu of notice: the Company may terminate the employment of the Senior Executive without notice and without payment in lieu of notice in some circumstances. Generally, this includes in the event of any act which detrimentally affects the Company such as dishonesty, fraud or serious or wilful misconduct;
- Termination of employment with notice and with payment in lieu of notice: the Company may terminate the employment of the Senior Executive at any time by giving them notice of termination with payment in lieu of such notice. The amount of notice required from the Company in these circumstances is set out in the table on page 53.

Summary of Senior Executives' employment agreements

Key provisions of the agreements relating to executive remuneration are set out below:

Name	Michael Connaghan	Lukas Aviani	John Steedman[1]
Role	Chief Executive Officer	Chief Financial Officer	Executive Director
Contract expiry date	Ongoing	Ongoing[2]	Ongoing
Fixed remuneration	2016 – $950,000 2015 – $850,000	2016 – $450,000 2015 – $400,000	2016 – $700,000 2015 – appointed 8 April 2016
STI maximum opportunity	2016 – $550,000 2015 – $500,000	2016 – $175,000 2015 – $132,500	Will be eligible to participate in the STI plan starting in 2017 calendar year.
Termination benefit (Company initiated)	12 months' notice	12 months' notice	12 months' notice
Termination benefit (employee initiated)	6 months' notice	3 months' notice[2]	3 months' notice
Non-solicitation of personnel and clients	12 months	12 months	12 months
Non-compete	12 months	12 months	12 months

1. Mr. John Steedman received 350,000 performance rights as one-time retention shares award on the commencement of his employment with WPP AUNZ Limited in April 2016. Retention shares will be held on trust for two years, subject to Mr Steedman being an employee on 1 April 2018.
2. Mr. Lukas Aviani submitted notice of his resignation as Chief Financial Officer with the effect from 19 October 2016.

SECTION 5 – SENIOR EXECUTIVES' REMUNERATION — STATUTORY DISCLOSURE

The following table shows the total remuneration for Senior Executives for the year ended 31 December 2016, as well as comparative figures for the year ended 31 December 2015.

The information in the table below has been calculated in accordance with Accounting Standards and, accordingly, it differs from the information provided under the voluntarily disclosure table in Section 2.2 – Realised Remuneration of Senior Executives, where the LTI value is based on the awards that actually vested and delivered value to Senior Executives. In the table below, the LTI value is calculated in accordance with Accounting Standards and includes an amortised accounting value for all unvested LTI grants during the year (some of which remain subject to satisfaction of performance and service conditions and may not ultimately vest).

		Short-term employee benefits		Post employment	Share based payments		Other long-term benefits[3]			
	Year	Base salary[1] $	STI[2] $	Super-annuation contributions $	Deferred STI $	LTI $	Long service leave $	Total remuneration[4] $	Total at risk %	Total in LTI %
Michael Connaghan	**2016**	**930,384**	**68,750**	**19,616**	**68,750**	**359,743**	**46,804**	**1,494,046**	**33%**	**24%**
Executive Director	2015	830,954	35,000	19,046	35,000	30,377	46,840	997,217	10%	3%
Lukas Aviani	**2016**	**430,384**	**143,750**	**19,616**	**—**	**—**	**16,040**	**609,790**	**24%**	**0%**
Chief Financial Officer	2015	380,954	—	19,046	—	8,110	12,956	421,066	2%	2%
John Steedman	**2016**	**510,288**	**—**	**14,712**	**—**	**131,250**	**9,007**	**665,257**	**20%**	**20%**
Total	**2016**	**1,871,056**	**212,500**	**53,944**	**68,750**	**490,993**	**71,851**	**2,769,093**	**28%**	**18%**
	2015	1,211,908	35,000	38,092	35,000	38,487	59,796	1,418,283	8%	3%

1. Base salary includes accrued annual leave paid out as part of salary and salary-sacrificed benefits where applicable and represent actual earnings during the year ended 31 December 2016.
2. This amount represents the STI performance award for the year ended 31 December 2016 paid in February 2017 and for 2015 the STI award paid in 2016 for the year ended 31 December 2015:
   — Mr. Connaghan's actual STI amount represents 50% of his achieved STI under the 2016 plan and 50% will be deferred in shares for two years.
   — Mr. Aviani's total cash STI amount represents $43,750 achieved under 2016 STI plan and the cash award received in April 2016 in recognition of his performance related to the Transaction.
3. Other long-term benefits represent the movement in the Senior Executive's long service leave entitlements measured as the present value of the estimated future cash outflows to be made in respect of the executive's service between the respective reporting periods.
4. Total remuneration does not include any amounts relating to termination benefits for the years ended 31 December 2016 and 31 December 2015.

Remuneration Report (continued)

SECTION 6 – NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive Directors receive fees to recognise their contribution to the work of the Board and the associated Committees that they serve. Non-executive Directors do not receive any performance-related remuneration.

Director fee framework

The Board periodically reviews the Directors' fee framework. Under the current fee framework, Non-executive Directors are remunerated by way of a base fee, with additional fees paid to the Chairmen and members of Committees. Fees are inclusive of superannuation contributions required by Superannuation Guarantee legislation. The following table outlines the Non-executive Directors' annual fees for the Board and Committees as at 31 December 2016:

Annual remuneration	Board	Audit and Risk Committee	Remuneration and Nominations Committee
Chairman (C)	**$230,000**	**$25,000**	**$20,000**
Member (M)	**$90,000**	**$5,000**	**$5,000**

WPP aligned Directors

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

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

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

Directors' fee pool

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

Termination payments

No termination payments were made during the period. The Non-executive Directors did not receive retirement benefits or termination payments.

Equity-based remuneration

Non-executive Directors do not receive shares, options or share rights as part of their remuneration and do not participate in any equity-based incentive plans.

The following table shows the total actual remuneration for Non-Executive Directors for the year ended 31 December 2016, as well as comparative figures for the year ended 31 December 2015.

Total remuneration for Non-executive Directors

Non-executive Directors	Year	Short-term employee benefits Base salary $	Post-employment Superannuation contributions $	Total $
Robert Mactier [1]	**2016**	**205,684**	**19,540**	**225,224**
	2015	170,266	24,734	195,000
Graham Cubbin [1]	**2016**	**107,421**	**10,205**	**117,626**
	2015	100,918	9,082	110,000
Kim Anderson [1]	**2016**	**104,295**	**2,067**	**106,362**
	2015	87,156	7,844	95,000
Paul Richardson	**2016**	**—**	**—**	**—**
	2015	—	—	—
Geoffrey Wild (appointed April 2016)	**2016**	**—**	**—**	**—**
Paul Heath (appointed April 2016)	**2016**	**—**	**—**	**—**
Ranjana Singh (appointed April 2016)	**2016**	**—**	**—**	**—**
Jonathan Steel (appointed April 2016)	**2016**	**—**	**—**	**—**
Ian Tsicalas (resigned April 2016)	**2016**	**33,639**	**3,196**	**36,835**
	2015	100,918	9,082	110,000
Peter Cullinane (resigned December 2016)	**2016**	**82,596**	**7,404**	**90,000**
	2015	82,569	7,431	90,000
Total	**2016**	**533,635**	**42,412**	**576,047**
	2015	541,827	58,173	600,000

1. Annual remuneration fee reviewed effective 1 April 2016 in accordance with 2016 Director Fee Framework.

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 pre-tax remuneration. Other nominated Senior Executives must hold shares in the Company valued at a minimum of 50% of one year's pre-tax remuneration.

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

SECTION 7 – OTHER INFORMATION

KMP holdings of equity instruments in WPP AUNZ Limited

7.1 SHARES

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

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

Remuneration Report (continued)

SECTION 7 – OTHER INFORMATION (CONTINUED)

KMP holdings of equity instruments in WPP AUNZ Limited (continued)

7.1 SHARES (CONTINUED)

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

KMP Name Executive Directors and other Senior Executive	Balance at beginning of the year	Vested and exercised during the year	Net change	Balance at end of the year
Michael Connaghan[1,2]	433,290	426,367	(222,000)	637,657
Lukas Aviani	75,000	—	—	75,000
John Steedman	—	—	—	—

1. The net change in shares for Mr. Michael Connaghan comprised of:
   – 354,439 shares received in April 2016, resulting from the Transaction, according to his employment agreement and 71,928 shares issued in February 2016 under the deferred component of STI plan for the year ended 31 December 2013; and
   – 222,000 shares sold in on-market transaction.
2. In addition to the ordinary shares held by Mr. Michael Connaghan, at the end of the year he holds 46,072 shares relating to the deferred portion of STI plan for the year ended 31 December 2015. The shares are held on trust and subject to forfeiture if he resigns or his employment is terminated for cause prior to the end of the two year deferral period.

At the date of his retirement, Mr Ian Tsicalas held 65,643 shares. Mr Peter Cullinane held 81,500 shares at the date of his retirement. The net change comprised of 47,000 shares acquired by Mr. Cullinane during the year in an on-market transaction.

7.2 PERFORMANCE RIGHTS – SENIOR EXECUTIVE LTI ALLOCATIONS

The number of performance rights issued over 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 Executive	Year	Balance at the start of the year	Granted during the year	Vested and exercised during the year	Forfeited during the end of the year	Balance at the end of the year	Exercisable post year-end	Unvested (maximum)
Michael Connaghan	**2016**	**627,475**	**773,029**	**(354,439)**	**(64,952)**	**981,113**	**—**	**981,113**
Chief Executive Officer	2015	678,620	360,855	—	(412,000)	627,475	—	627,475
Lukas Aviani	**2016**	**167,530**	**294,118**	**—**	**(461,648)**	**—**	**—**	**—**
Chief Financial Officer	2015	181,185	96,345	—	(110,000)	167,530	—	167,530
John Steedman	**2016**	**—**	**350,000**	**—**	**—**	**350,000**	**—**	**350,000**

7.3 PERFORMANCE RIGHTS OUTSTANDING

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

Senior Executives	Plan	Grant date	Maximum number granted	Maximum value at grant date $[1]	Vesting date	Vested Number	Vested Value $	Forfeited Number	Forfeited Value $	Unvested number (maximum)
Michael Connaghan	2014 - 2016	May 14	266,620	291,457	Feb 17	201,668	220,454	64,952	71,003	—
	2015 - 2017	May 15	360,855	166,895	Feb 18	152,771	70,657	—	—	208,084
	2016 - 2018	Feb 16	773,029	456,087	Mar 19	—	—	—	—	773,029
Total			**1,400,504**	**914,439**		**354,439**	**291,111**	**64,952**	**71,003**	**981,113**
Lukas Aviani	2014 - 2016	May 14	71,185	77,815	Feb 17	—	—	71,185	77,815	—
	2015 - 2017	May 15	96,345	44,560	Feb 18	—	—	96,345	44,560	—
	2016 - 2018	Feb 16	294,118	173,530	Mar 19	—	—	294,118	173,530	—
Total			**461,648**	**295,905**		**—**	**—**	**461,648**	**295,905**	**—**
John Steedman	2016- 2018	Apr 16	350,000	350,000	Apr 18	—	—	—	—	350,000
Total			**350,000**	**350,000**		**—**	**—**	**—**	**—**	**350,000**

1. Maximum value at grant date represents the fair value of the LTI grant determined in accordance with AASB 2 Share - based Payment. Details of the assumptions underlying the valuations are set out in Note 31 to the financial statements. The minimum total value of the grant, if the applicable vesting conditions are not met, is nil in all cases.

Consolidated statement of profit or loss for the year ended 31 December 2016

	Notes	Consolidated Entity 2016 $'000	Consolidated Entity 2015 $'000
Continuing operations			
Revenue	4[a]	902,644	474,066
Other income	4[b]	23,799	5,172
Share of net profits of joint ventures and associates accounted for using the equity method	4[c]	4,053	14,064
Total		**930,496**	**493,302**
Cost of sale of goods		(137,412)	(78,310)
Employee benefit expense		(476,899)	(264,173)
Occupancy costs		(44,366)	(29,507)
Depreciation expense	5[a]	(12,542)	(8,619)
Amortisation expense	5[a]	(16,462)	(2,294)
Impairment of non-current assets		—	(78,577)
Travel, training and other personal costs		(25,535)	(12,911)
Research, new business and other commercial costs		(22,028)	(9,027)
Office and administration costs		(28,515)	(17,398)
Compliance, audit and listing costs		(17,324)	(12,850)
Finance costs	5[b]	(29,785)	(14,043)
Loss on fair value adjustment of deferred cash settlement	5[c]	(13,545)	(3,129)
Service fees to WPP plc		(17,191)	—
Profit/(loss) before income tax		**88,892**	**(37,536)**
Income tax expense	6	(25,997)	(6,792)
Net profit/(loss)		**62,895**	**(44,328)**
Net profit/(loss) attributable to:			
– Non-controlling interests		7,843	8,269
– Members of the Parent Entity		**55,052**	**(52,597)**
		Cents	**Cents**
Earnings per share:			
Basic earnings per share	7	**7.48**	**(12.59)**
Diluted earnings per share	7	**7.48**	**(12.59)**

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Consolidated Entity	
	2016 $'000	2015 $'000
Net profit/(loss)	**62,895**	**(44,328)**
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated statement of profit or loss		
Exchange gain/(loss) arising on translation of foreign operations	144	(930)
Fair value gain on cash flow hedges taken to equity	511	313
Income tax expense credit relating to components of other comprehensive income	(153)	(94)
Other comprehensive income/(loss) (net of tax)	502	(711)
Total comprehensive income/(loss)	**63,397**	**(45,039)**
Total comprehensive income/(loss) attributable to:		
– Non-controlling interests	8,213	7,969
– Members of the Parent Entity	**55,184**	**(53,008)**

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 2016

	Notes	Consolidated Entity 2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	9	87,167	26,888
Trade and other receivables	10	550,061	166,007
Inventories	11	12,618	5,635
Current tax assets	6(b)	12,886	2,313
Other current assets	12	74,433	7,064
Total current assets		**737,165**	**207,907**
Non-current assets			
Other receivables	13	3,315	11,980
Investments accounted for using the equity method	14	22,282	90,131
Other financial assets	15	838	557
Plant and equipment	16	41,252	31,772
Deferred tax assets	17	35,999	15,661
Intangible assets	18	1,240,509	522,697
Other non-current assets	19	2,848	2,384
Total non-current assets		**1,347,043**	**675,182**
Total assets		**2,084,208**	**883,089**
Current liabilities			
Trade and other payables	20	749,300	158,280
Borrowings	21	1,012	70,908
Provisions	22	28,186	7,687
Total current liabilities		**778,498**	**236,875**
Non-current liabilities			
Other payables	23	23,452	20,471
Borrowings	24	356,390	160,865
Deferred tax liabilities	25	76,703	4,538
Provisions	26	2,740	5,631
Total non-current liabilities		**459,285**	**191,505**
Total liabilities		**1,237,783**	**428,380**
Net assets		**846,425**	**454,709**
Equity			
Issued capital	27	736,631	334,516
Reserves	28	36,052	29,304
Retained earnings	29	62,735	40,978
Equity attributable to members of the Parent Entity		**835,418**	**404,798**
Non-controlling interests		11,007	49,911
Total equity		**846,425**	**454,709**

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

Consolidated statement of changes in equity for the year ended 31 December 2016

		Attributable to members of the Parent Entity									
	Notes	Issued capital $'000	Equity settled share-based payment reserve* $'000	Transactions with non-controlling interests reserve* $'000	Brand name revaluation reserve* $'000	Interest rate hedge reserve* $'000	Foreign currency translation reserve* $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Consolidated Entity											
At 1 January 2015		**322,471**	**304**	**6,053**	**16,275**	**(920)**	**9,649**	**116,798**	**470,630**	**55,071**	**525,701**
Net (loss)/profit		—	—	—	—	—	—	(52,597)	(52,597)	8,269	(44,328)
Other comprehensive loss		—	—	—	—	219	(630)	—	(411)	(300)	(711)
Total comprehensive loss		**—**	**—**	**—**	**—**	**219**	**(630)**	**(52,597)**	**(53,008)**	**7,969**	**(45,039)**
Non-controlling interests on acquisition of controlled entities and buy-out of non-controlling interests	34(e)	—	—	(1,608)	—	—	—	—	(1,608)	1,232	(376)
Costs of share-based payments	28	—	394	—	—	—	—	—	394	—	394
Issue of executive share plan shares	27	432	(432)	—	—	—	—	—	—	—	—
Issue of new shares under dividend reinvestment plan	27	11,613	—	—	—	—	—	—	11,613	—	11,613
Equity dividends provided for or paid	8	—	—	—	—	—	—	(23,223)	(23,223)	(14,361)	(37,584)
At 31 December 2015		**334,516**	**266**	**4,445**	**16,275**	**(701)**	**9,019**	**40,978**	**404,798**	**49,911**	**454,709**
Net profit		—	—	—	—	—	—	55,052	55,052	7,843	62,895
Other comprehensive income		—	—	—	—	358	(226)	—	132	370	502
Total comprehensive income		**—**	**—**	**—**	**—**	**358**	**(226)**	**55,052**	**55,184**	**8,213**	**63,397**
Non-controlling interests on acquisition of controlled entities and buy-out of non-controlling interests	34(e)	—	—	6,417	—	—	—	—	6,417	(41,199)	(34,782)
Cost of share-based payments	28	—	500	—	—	—	—	—	500	—	500
Issue of executive share plan shares	27	301	(301)	—	—	—	—	—	—	—	—
Issue of shares to WPP plc as part of the Transaction	27	401,814	—	—	—	—	—	—	401,814	—	401,814
Equity dividends provided for or paid	8	—	—	—	—	—	—	(33,295)	(33,295)	(5,918)	(39,213)
At 31 December 2016		**736,631**	**465**	**10,862**	**16,275**	**(343)**	**8,793**	**62,735**	**835,418**	**11,007**	**846,425**

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

*** Nature and purpose of reserves**

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

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

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

The interest rate hedge reserve is used to record the portion of the gains or losses on a hedging instrument that is determined to be an effective cash flow hedge.

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

Consolidated cash flow statement for the year ended 31 December 2016

	Notes	Consolidated Entity 2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		3,730,411	1,012,607
Payments to suppliers and employees		(3,553,563)	(950,279)
Net cash flows from operations		**176,848**	**62,328**
Interest received		12,456	796
Interest and other costs of finance paid		(29,251)	(13,137)
Dividends and trust distributions received from joint ventures and associates		2,885	10,875
Income taxes paid		(29,922)	(13,878)
Net cash flows from operating activities	9	**133,016**	**46,984**
Cash flows from investing activities			
Payments for purchase of newly controlled entities, net of cash acquired	33(c)	88,368	(486)
Payments for acquisition of non-controlling interests		(1,326)	(681)
Payments for purchase of plant and equipment		(13,182)	(5,478)
Proceeds from sale of controlled entities and associates		—	3,150
Earnout payments and intangible assets acquired		(13,582)	(27,204)
Loan from/(to) joint ventures and associates		7,508	(2,601)
Net cash flows from/(used in) investing activities		**67,786**	**(33,300)**
Cash flows from financing activities			
Proceeds from borrowings		965,364	292,553
Repayments of borrowings		(1,065,885)	(272,645)
Proceeds from issue of shares	27	—	11,613
Dividends paid to equity holders	8	(33,295)	(23,223)
Dividends paid to non-controlling interests		(5,918)	(14,361)
Payments on finance leases		(920)	(820)
Net cash flows used in financing activities		**(140,654)**	**(6,883)**
Net increase in cash held		**60,148**	**6,801**
Effects of exchange rate changes on cash and cash equivalents		131	161
Cash and cash equivalents at the beginning of the year		26,888	19,926
Cash and cash equivalents at the end of the year	9	**87,167**	**26,888**

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

Contents – Notes to the financial statements for the year ended 31 December 2016

Notes to the financial statements for the year ended 31 December 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of WPP AUNZ Limited (formerly STW Communications Group Limited) for the year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors, dated 24 February 2017.

WPP AUNZ Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

(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.

(B) STATEMENT OF COMPLIANCE

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.

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

Standards and Interpretations	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments, and the relevant amending standards	1 Jan 18	31 Dec 18
AASB 15 Revenue from Contracts with Customers and: — AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 — AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 — AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 Jan 18	31 Dec 18
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 Jan 18	31 Dec 18
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 Jan 17	31 Dec 17
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 Jan 17	31 Dec 17
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 Jan 18	31 Dec 18
AASB 16 Leases	1 Jan 19	31 Dec 19

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

The Australian Accounting Standards Board has issued AASB 15 Revenue from Contracts with Customers applicable for annual reporting periods commencing on or after 1 January 2018. AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods and 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. The Group has yet to determine what impact, if any, this standard will have on the Group's financial statements.

The Australian Accounting Standards Board has issued AASB 16 Leases, becoming applicable for annual reporting periods commencing on or after 1 January 2019. The standard has made significant changes to lease accounting that will result in all operating leases being included in the statement of financial position except for short-term and low value leases. The Group has yet to determine what impact, if any, this standard will have on the Group's financial statements.

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) STATEMENT OF COMPLIANCE (CONTINUED)

Net working capital

As at 31 December 2016, the consolidated statement of financial position shows current liabilities in excess of current assets by $41.3 million. At 31 December 2016, the Consolidated Entity had secured loan facilities totalling $520 million (of which $353.6 million was drawn at 31 December 2016). The Company had $166.4 million in undrawn facilities at 31 December 2016 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 2016 and the results of all controlled entities for the year then ended.

Control is achieved when the Company:

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

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

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

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

Where the Group has an interest in a controlled entity, and both vendor and purchaser hold put and call option agreements whereby the Group's interest in the target entity will increase at a future date, it is the Group's policy to assess the facts and circumstances for each agreement and where applicable, consolidate the controlled entity's target earnings and statement of financial position based on the ultimate future ownership. This is notwithstanding that the Group's ownership interests in the target entity is less than the ultimate future ownership at year end. An estimate is made of the likely future capital payment to be made upon exercise of the put or call option. Additionally, an estimate is made of likely future distribution payments to be made to the non-controlling interests in their capacity as equity holders in the target entity. These amounts (at their present value as disclosed in Note 1(l)) are disclosed as either a current or non-current liability titled 'Deferred cash settlement for controlled entities and associates acquired' as shown in Notes 20 and 23. Any distribution payments made to non-controlling interests during the period are treated as a reduction of this deferred 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 financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investments in joint ventures include goodwill identified on acquisition. Impairment losses are charged to the profit or loss and any reversals are credited to the profit or loss.

(iii) Associates

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

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

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

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

(iv) Changes in ownership interests

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

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

(D) ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

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

(E) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group entities

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

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

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

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

(F) REVENUE RECOGNITION

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

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

(i) Advertising revenue

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

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

(ii) Media revenue

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

(iii) Production revenue

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

(iv) Retainer fees

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

(v) Collateral revenue

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

(vi) Interest

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

(vii) Dividends and trust distributions

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

(viii) Sale of goods

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

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) TAXES

(i) Income tax

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

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

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

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

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

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

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

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

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

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

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

(iii) Tax consolidation

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

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

(H) LEASES

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

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

(I) BUSINESS COMBINATIONS

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

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

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

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

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

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

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

(J) IMPAIRMENT OF ASSETS

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

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

(K) CASH AND CASH EQUIVALENTS

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

(L) TRADE AND OTHER RECEIVABLES

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

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

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

(M) INVENTORIES

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

(N) INVESTMENTS AND OTHER FINANCIAL ASSETS

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

(i) Effective interest method

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

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

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

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

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

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

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

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

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

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

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

(O) FAIR VALUE ESTIMATION

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

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

(P) PLANT AND EQUIPMENT

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

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

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

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

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

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

(Q) INTANGIBLE ASSETS

(i) Goodwill

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

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

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

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

(ii) Brand names

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

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

(iii) Intellectual property

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

(iv) Research and development

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

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

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

(v) Customer relationships

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

(R) TRADE AND OTHER PAYABLES

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

(S) BORROWINGS

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

(T) FINANCE COSTS

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

(U) PROVISIONS

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

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

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

(V) EMPLOYEE BENEFITS

(i) Short-term 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.

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(V) EMPLOYEE BENEFITS (CONTINUED)

(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 43 to 56.

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

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

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

(iv) Profit-sharing and bonus plans

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

(W) ISSUED CAPITAL

Ordinary shares are classified as equity.

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

(X) DIVIDENDS

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

(Y) EARNINGS PER SHARE

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(Z) DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(ii) Deferred costs of acquisition

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

(iii) Share-based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The employee benefit expense is then determined with reference to a binomial probability model which includes estimates of the probability factors of an employee meeting employment duration targets and the Group achieving certain performance targets as set annually by the Remuneration and Nominations Committee as detailed in the Remuneration Report on pages 43 to 56.

(iv) Identification of the acquirer

In April 2016, the shareholders of STW Communications Group Limited ("STW") approved the acquisition of the Businesses of WPP plc, in return for the issue of shares. In accounting for the Transaction, AASB 3 Business Combinations requires STW to identify the acquirer of the combined entity. Where the identification is not clear, such as in the case of an exchange of shares, AASB 3 provides additional guidance to be considered. Given that STW and its controlled entities is of a similar size to the Businesses prior to the Transaction, the identification of the acquirer is a matter of significant judgement. In applying their judgement, the Directors have considered:

— the primary driver of the Transaction was to retain and utilise STW's existing senior management to drive the combined group; and
— the Transaction was initiated by STW.

Therefore the Directors concluded that STW should be identified as the acquirer of the Transaction.

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

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

NOTE 3. SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

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

The reportable segments are the four operating segments and head office.

OPERATING SEGMENTS

The Company has changed its operating segments to reflect how the Board reviews the operations of the business.

The Company is organised into four operating segments:

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

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

HEAD OFFICE

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

ACCOUNTING POLICIES

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

INTERSEGMENT TRANSFERS

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

BUSINESS SEGMENTS

The following table presents revenue and profit information regarding reportable segments and a reconciliation between statutory and headline EBITDA including the impact of significant items for the years ended 31 December 2016 and 31 December 2015. The prior year comparatives have been restated to reflect the segment information on a comparable basis to new reportable segments. Refer to Note 5 for further details in relation to significant items:

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 3. SEGMENT INFORMATION (CONTINUED)

				Significant items				
31 December 2016	**Net revenue* $'000**	**Share of net profits of joint ventures and associates $'000**	**Headline EBITDA $'000**	**Transaction related (costs)/profits $'000**	**Impairment of non-current assets and other non-cash items $'000**	**Strategic review and business restructure costs $'000**	**Business close down and other one-off (costs)/profits $'000**	**Statutory EBITDA $'000**
Advertising and Media Investment Management	394,511	855	98,969	(1,912)	—	—	—	97,057
Data Investment Management	92,963	68	23,215	—	—	—	—	23,215
Public Relations & Public Affairs	50,444	694	22,105	(373)	—	—	—	21,732
Specialist Communications	227,314	2,436	43,211	—	—	—	(611)	42,600
Head Office	—	—	(42,672)	3,635	(13,545)	—	3,203	(49,379)
Total	**765,232**	**4,053**	**144,828**	**1,350**	**(13,545)**	**—**	**2,592**	**135,225**
Depreciation and amortisation expense								(29,004)
Net interest								(17,329)
Profit before income tax								**88,892**
Income tax expense								(25,997)
Net profit								**62,895**
Net profit attributable to:								
– Non-controlling interests								7,843
– Members of the Parent Entity								**55,052**

				Significant items				
31 December 2015 (restated)	**Net revenue* $'000**	**Share of net profits of joint ventures and associates $'000**	**Headline EBITDA $'000**	**Transaction related costs $'000**	**Impairment of non-current assets and other non-cash items $'000**	**Strategic review and business restructure costs $'000**	**Business close down and other one-off costs $'000**	**Statutory EBITDA $'000**
Advertising and Media Investment Management	171,202	10,138	71,888	—	(26,659)	(3,086)	(2,209)	39,934
Data Investment Management	36,200	28	11,808	—	(6,807)	(190)	(248)	4,563
Public Relations & Public Affairs	12,654	1,845	15,439	—	(9,450)	—	—	5,989
Specialist Communications	175,700	2,053	62,150	—	(35,183)	(3,451)	(1,385)	22,131
Head Office	—	—	(75,725)	(1,300)	(5,400)	(1,102)	(2,466)	(85,993)
Total	**395,756**	**14,064**	**85,560**	**(1,300)**	**(83,499)**	**(7,829)**	**(6,308)**	**(13,376)**
Depreciation and amortisation expense								(10,913)
Net interest								(13,247)
Loss before income tax								**(37,536)**
Income tax expense								(6,792)
Net Loss								**(44,328)**
Net loss attributable to:								
– Non-controlling interests								8,269
– Members of the Parent Entity								**(52,597)**

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

NOTE 4. REVENUE

	Consolidated Entity	
	2016 $'000	2015 $'000
(a) Revenue		
Services rendered	902,644	474,066
(b) Other income		
Interest income	12,456	796
Other revenue	11,343	4,376
Total other income	**23,799**	**5,172**
(c) Share of net profits of joint ventures and associates accounted for using the equity method		
Equity share of joint ventures and associates' net profits	4,053	14,064

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 5. EXPENSES

	Consolidated Entity	
	2016 $'000	2015 $'000
Profit/(loss) before income tax includes the following specific expenses:		
(a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
Plant and equipment	12,542	8,619
Total depreciation of non-current assets	12,542	8,619
Amortisation of non-current assets:		
Intangible assets	16,462	2,294
Total amortisation of non-current assets	16,462	2,294
Total depreciation and amortisation expense	**29,004**	**10,913**
(b) Finance costs		
Interest expense – deferred consideration payable	534	906
Interest expense – other parties	29,251	13,137
Total finance costs	**29,785**	**14,043**
(c) Other expenses		
Loss on fair value adjustment of deferred cash settlements	13,545	3,129
Acquisition related costs	7,587	1,458
Loss on disposal of plant and equipment	4,661	708
Loss on disposal of joint ventures and associates	—	1,040
Foreign exchange loss	—	97
Superannuation contributions	26,237	16,108
(d) Operating lease rental		
Minimum lease payments	43,275	26,415

(e) Significant items and other non-cash items

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

	Consolidated Entity	
	2016 $'000	2015 $'000
1. Transaction related costs/(gains)[1]		
Advisor, listing and debt restructure fees	7,587	1,300
Net impact of transition from equity accounted investments to controlled entities	(12,093)	—
Revaluation of useful life of non-current assets	3,156	—
Significant items before income tax	**(1,350)**	**1,300**
Income tax benefit	(242)	—
Significant items net of income tax	**(1,592)**	**1,300**
Non-controlling interests	—	—
Net amount attributable to members of the Parent Entity	**(1,592)**	**1,300**
2. Impairment of non-current assets and other non-cash items[2]		
Impairment of goodwill	—	38,528
Impairment of intangible assets	—	4,418
Impairment of investments accounted for using the equity method	—	30,394
Impairment of plant and equipment	—	5,237
Impairment of non-current assets	**—**	**78,577**
Lease accounting	—	1,793
Amortisation expense	14,714	1,598
Loss on fair value adjustment of deferred cash settlements	13,545	3,129
Significant items before income tax	**28,259**	**85,097**
Income tax benefit	(4,414)	(2,768)
Significant items net of income tax	**23,845**	**82,329**
Non-controlling interests	—	491
Net amount attributable to members of the Parent Entity	**23,845**	**81,838**
3. Strategic review and business restructure costs[3]		
Centralised cost restructuring	—	1,292
Operating restructure and staff efficiency measures	—	6,537
Significant items before income tax	**—**	**7,829**
Income tax benefit	—	(2,338)
Significant items net of income tax	**—**	**5,491**
Non-controlling interests	—	1,045
Net amount attributable to members of the Parent Entity	**—**	**4,446**
4. Business close down and other one-off costs/(gains)[4]		
Business restructuring (profits)/costs	(3,203)	1,547
Loss on closed and merged businesses	611	4,761
Significant items before income tax	**(2,592)**	**6,308**
Income tax benefit	—	(1,191)
Significant items net of income tax	**(2,592)**	**5,117**
Non-controlling interests	—	521
Net amount attributable to members of the Parent Entity	**(2,592)**	**4,596**

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 5. EXPENSES (CONTINUED)

1. **Transaction related costs/(gains)** – relates to costs specific to the Transaction including advisor fees, listing fees, costs associated with the restructure of debt facilities and revaluation of useful life of non-current assets. These costs are offset by the net gain on transitioning equity accounted investments to controlled entities.
2. **Impairment of non-current assets and other non-cash items** – in 2016, the balances relate to the amortisation of acquired intangibles and loss on fair value adjustment of deferred cash settlements.

   In the 2015 year, the impairment charges impacted the carrying amount of non-current assets, investments accounted for using the equity method and plant and equipment. The impairment charges arose primarily as a result of weaker than forecast trading performance of entities within cash generating units.
3. **Strategic review and business restructure costs** – in 2015, this related to redundancy and staff salary costs incurred in achieving operational restructure and efficiency initiatives within corporate head office and operating businesses.
4. **Business close down and other one-off costs/(gains)** – relates to costs/(profits) associated with closing down and merging selected businesses.

NOTE 6. INCOME TAX

	Consolidated Entity	
	2016 $'000	2015 $'000
(a) Income tax expense		
Current tax	35,991	7,614
Deferred tax	(9,529)	(823)
Adjustments for current tax of prior periods	(465)	1
Income tax expense reported in the profit or loss	**25,997**	**6,792**
(b) Current tax assets included in the financial statements		
Current tax assets	12,886	2,313
(c) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	**88,892**	**(37,536)**
Tax at the Australian tax rate of 30% (2015: 30%)	26,668	(11,261)
Adjustments for current tax of prior periods	(465)	1
Tax adjustments resulting from equity accounting	(1,217)	(4,219)
Tax rate adjustment	(2,500)	(934)
(Gain)/loss on disposal of non-current assets	(323)	347
Loss on fair value adjustment of deferred cash settlements	4,064	939
Other items allowable for income tax purposes	1,738	1,315
Tax adjustments from impairment of non-current assets	—	20,604
Transaction costs not allowable for income tax purposes	1,604	—
Deferred taxation write-off	1,974	—
Net impact of transition from equity accounted investments to controlled entities	(4,266)	—
Other gains not assessable for income tax	(1,280)	—
Income tax expense reported in the consolidated statement of profit or loss	**25,997**	**6,792**
(d) Tax expense relating to components of other comprehensive income		
Cash flow hedges (refer to Note 28)	153	94

(e) Tax losses

The Group's tax losses on revenue account after adjusting for the tax rate are $4,815,432 (2015: $3,890,266). The Group's tax losses on capital account after adjusting for the tax rate are $7,432,156 (2015: $2,373,132).

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 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 2016, there is no recognised or unrecognised deferred income tax liability (2015: $Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, joint ventures and associates as the Group has no liability for additional taxation should such amounts be remitted.

(g) Tax consolidation legislation

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

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

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

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

NOTE 7. EARNINGS PER SHARE

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

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

	Consolidated Entity	
	2016 $'000	**2015 $'000**
Net profit/(loss) attributable to members of the Company from continuing operations for basic earnings per share	55,052	(52,597)
Effect of dilution:		
Dilutive adjustments to net profit/(loss)	—	—
Net profit/(loss) attributable to members of the Company for diluted earnings per share	**55,052**	**(52,597)**
	Number	**Number**
Weighted average number of ordinary shares for basic earnings per share	736,428,455	417,798,601
Impact of ESP shares where earnings per share growth performance targets have been met	46,072	71,928
Weighted average number of ordinary shares for diluted earnings per share	**736,474,527**	**417,870,529**
	Cents	**Cents**
Earnings per share for net profit/(loss) from continuing operations attributable to members of the Company		
Basic earnings per share	7.48	(12.59)
Diluted earnings per share	7.48	(12.59)

Earnings per share is calculated by dividing net profit/(loss) 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 3,949,399 (2015: 2,435,029) are considered to be contingently issuable and have not been allowed for in the diluted earnings per share calculation.

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

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 8. DIVIDENDS PAID AND PROPOSED

	Consolidated Entity	
	2016 $'000	2015 $'000
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividend for 2015: 3.6 cents per share (2014: 3.5 cents per share)	15,345	14,339
Interim franked dividend for 2016: 2.1 cents per share (2015: 2.1 cents per share)	17,871	8,858
Dividends paid pursuant to the ESP	79	26
	33,295	**23,223**
In addition to the above dividends, since the end of the year the Directors have recommended the payment of a final dividend of 3.9 cents (2015: 3.6 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed final dividend payable on 31 March 2017 (2015: 26 April 2016) out of retained earnings, but not recognised as a liability, is:	**33,234**	**15,451**
Franking credit balance		
The franked portions of dividends recommended after 31 December 2016 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 2017.		
Franking credits available for subsequent years based upon a tax rate of 30%.	**139,256**	**9,998**
The above amounts represent the balance of the franking account as at the end of the 2016 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	**14,243**	**6,622**

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Notes	Consolidated Entity 2016 $'000	2015 $'000
Cash at bank and on hand		87,126	25,794
Cash on deposit		41	1,094
		87,167	**26,888**
Reconciliation of net profit/(loss) to net cash flows from operating activities			
Net profit/(loss)		62,895	(44,328)
Share of joint ventures and associates' net profits, net of dividends and trust distributions received		(1,168)	(3,189)
Depreciation and amortisation expense		29,004	10,913
ESP expense non-cash		500	394
Interest expense – deferred consideration payable	5(b)	534	906
(Gain)/loss on disposal of associates and joint ventures		(1,078)	1,040
Loss on disposal of plant and equipment	5(c)	4,661	708
Impairment of non-current assets		—	78,577
Loss on fair value adjustment of deferred cash settlements		13,545	3,129
Net impact of transition from equity accounted investments to controlled entities		(14,222)	—
Changes in operating assets and liabilities, net of effects of purchase and disposal of controlled entities during the financial year:			
(Increase)/decrease in trade and other receivables		(62,395)	5,979
Decrease/(increase) in inventories		11,542	(758)
Decrease/(increase) in current tax receivable		8,511	(2,313)
Decrease/(increase) in other non-current receivables		1,506	(25)
Decrease/(increase) in deferred tax assets		5,665	(1,343)
Increase/(decrease) in trade and other payables		62,452	(7,362)
Decrease in current income tax liabilities		(4,013)	(3,557)
Decrease in provisions		(1,203)	(1,775)
Increase in other liabilities		16,280	9,988
Net cash flows from operating activities		**133,016**	**46,984**

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2016 $'000	2015 $'000
Trade receivables	517,485	151,201
Provision for impairment of trade receivables	(1,189)	(516)
	516,296	150,685
Other receivables	19,530	15,322
Amounts receivable from related entities	14,235	—
	550,061	**166,007**

(A) TRADE AND OTHER RECEIVABLES

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

(B) IMPAIRED TRADE RECEIVABLES

As at 31 December 2016, current trade receivables of the Group with a nominal value of $1,189,000 (2015: $516,000) were impaired. All impaired trade receivables are over 60 days old. The individually impaired receivables mainly relate to customers, who are in an unexpectedly difficult economic situation.

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

	Consolidated Entity	
	2016 $'000	2015 $'000
Balance at the beginning of the year	516	450
Impairment losses recognised on receivables	2,214	781
Amounts written off as uncollectible	(1,200)	(279)
Impairment losses reversed	(341)	(436)
Balance at the end of the year	**1,189**	**516**

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

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

(C) PAST DUE BUT NOT IMPAIRED

As at 31 December 2016, trade receivables greater than 60 days of $75,845,000 (2015: $12,751,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of trade receivables is as follows:

	Consolidated Entity	
	2016 $'000	2015 $'000
1-30 days	279,053	126,117
31-60 days	161,398	11,817
Greater than 60 days	75,845	12,751
	516,296	**150,685**

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

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

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

(D) FOREIGN EXCHANGE AND INTEREST RATE RISK

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

(E) FAIR VALUE AND CREDIT RISK

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

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

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

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 11. CURRENT ASSETS — INVENTORIES

	Consolidated Entity	
	2016 $'000	2015 $'000
Raw materials and stores	1,477	1,155
Work in progress	5,758	4,070
Finished goods	228	410
Media time	5,155	—
	12,618	**5,635**

NOTE 12. CURRENT ASSETS — OTHER CURRENT ASSETS

	Consolidated Entity	
	2016 $'000	2015 $'000
Prepayments	8,358	7,064
Accrued revenue	66,075	—
	74,433	**7,064**

NOTE 13. NON-CURRENT ASSETS — OTHER RECEIVABLES

	Consolidated Entity	
	2016 $'000	2015 $'000
Amounts receivable from related entities	3,315	11,980
	3,315	**11,980**

During the year ended 31 December 2016, there were no movements in the provision for impairment of other receivables (2015: $Nil).

(A) RELATED PARTY RECEIVABLES

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

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

(B) FAIR VALUE

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

(C) RISK EXPOSURE

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

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

	Consolidated Entity	
	2016 $'000	2015 $'000
Investments in joint ventures and associates	22,282	90,131

Name	Principal activity	Ownership interest 2016	Ownership interest 2015	Country of incorporation
AFI Branding Solutions Pty Limited	Promotional signage printing	50%	50%	Australia
AFI Fabrications Pty Limited	Promotional signage printing	45%	45%	Australia
Astus APAC Australia Pty Limited (v)	Media investment management	50%	—	Australia
BCG2 Limited (ii)	Advertising and communications	20%	—	New Zealand
Beyond Analysis Australia Pty Limited	Data analytics	49%	49%	Australia
Bohemia Communications Pty Limited	Media planning	24%	24%	Australia
Campaigns and Communications Group Pty Limited	Campaign management	20%	20%	Australia
CPR Vision Pte Limited	Digital marketing	40%	40%	Singapore
Cudex Pty Limited (ii)	Market Research	50%	—	Australia
Ewa Heidelberg Pty Limited (formerly i2i Communications Pty Limited) (i)	Dormant	—	49%	Australia
Feedback ASAP Pty Limited	Mystery shopping	20.4%	20.4%	Australia
Fusion Enterprises Pty Limited	Digital marketing	49%	49%	Australia
Houston Group Pty Limited (iv)	Branding and design	—	40%	Australia
Ikon Perth Pty Limited	Media planning	45%	45%	Australia
J. Walter Thompson International (NZ) Limited (i)	Advertising	—	49%	New Zealand
Lakewood Holdings Pty Limited	Dormant	50%	50%	Australia
M Media Group Pty Limited and its subsidiaries (i)	Media buying	—	47.5%	Australia
Marketing Communications Holdings Australia Pty Limited and its subsidiaries (i)	Advertising and communications	—	49%	Australia
Ogilvy Public Relations Worldwide Pty Limited and its subsidiaries (i)	Public relations	—	49%	Australia
Paragon Design Group Pty Limited (iii)	Advertising	—	49%	Australia
Purple Communications Australia Pty Limited	Public relations	49%	49%	Australia
Rapid Media Services Pty Limited (ii)	Media planning	30%	—	Australia
Spinach Advertising Pty Limited	Advertising	20%	20%	Australia
TaguchiMarketing Pty Limited	E-mail marketing	20%	20%	Australia
The Origin Agency Pty Limited (i)	Public relations	—	49%	Australia

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

(ii) The entities became associate entities of the Company with effect from 8 April 2016 as result of the Transaction.

(iii) The entity became a controlled entity of the Company with effect from 1 July 2016.

(iv) The Company disposed of all its shares in the entity during the year. The gain on disposal was immaterial.

(v) The entity became an associate entity of the Company with effect from 19 December 2016.

Notes to the financial statements for the year ended 31 December 2016 (continued)

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

(A) REPORTING DATES

All joint ventures and associates have prepared accounts as at 31 December 2016 for the purpose of preparing the consolidated financial statements. As such, there is no difference in the reporting dates or periods between the investor and the investees.

(B) PUBLISHED FAIR VALUES

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

(C) DIVIDENDS AND TRUST DISTRIBUTIONS RECEIVED

During the year, the Consolidated Entity received dividends and trust distributions of $2,885,000 (2015: $10,875,000) from its joint ventures and associates.

(D) COMMITMENTS

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

NOTE 15. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

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

	Consolidated Entity	
	2016 $'000	2015 $'000
Listed securities		
Shares in listed entities - at fair value	**838**	**557**

NOTE 16. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Consolidated Entity	
Plant and equipment	2016 $'000	2015 $'000
At cost	99,542	77,520
Accumulated depreciation	(58,290)	(45,748)
Total plant and equipment	**41,252**	**31,772**

RECONCILIATIONS

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

	Plant and equipment $'000	Total $'000
At 1 January 2015		
At cost	77,930	77,930
Accumulated depreciation	(37,129)	(37,129)
Net carrying amount	**40,801**	**40,801**
Year ended 31 December 2015		
Balance at the beginning of the year	40,801	40,801
Additions	5,478	5,478
Acquisition of subsidiaries (refer to Note 33)	59	59
Disposals	(708)	(708)
Disposal of subsidiaries (refer to Note 34)	(2)	(2)
Impairment charge	(5,237)	(5,237)
Depreciation expense	(8,619)	(8,619)
Balance at the end of the year	**31,772**	**31,772**
At 31 December 2015		
At cost	77,520	77,520
Accumulated depreciation	(45,748)	(45,748)
Net carrying amount	**31,772**	**31,772**
Year ended 31 December 2016		
Balance at the beginning of the year	31,772	31,772
Additions	13,182	13,182
Acquisition of subsidiaries (refer to Note 33)	13,501	13,501
Disposals	(4,661)	(4,661)
Depreciation expense	(12,542)	(12,542)
Balance at the end of the year	**41,252**	**41,252**
At 31 December 2016		
At cost	99,542	99,542
Accumulated depreciation	(58,290)	(58,290)
Net carrying amount	**41,252**	**41,252**

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 17. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated Entity 2016 $'000	Consolidated Entity 2015 $'000
Provisions	9,782	3,461
Doubtful debts	320	122
Accruals	10,883	3,362
Deferred interest rate hedge	1,087	300
Tax losses carried forward	4,815	3,890
Lease incentives	2,665	1,437
Plant and equipment	5,224	—
Other	1,223	3,089
Gross deferred tax assets	**35,999**	**15,661**
Movements		
Opening balance	15,661	14,388
(Charged)/credited to the profit or loss	(17,489)	1,437
Acquisition of subsidiaries (refer to Note 33)	37,980	—
Disposal of subsidiaries (refer to Note 34)	—	(70)
Charged to equity	(153)	(94)
Closing balance	**35,999**	**15,661**

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 2015	**2,458**	**1,161**	**3,178**	**394**	**2,956**	**1,443**	**—**	**2,798**	**14,388**
Credited/(charged) to the profit or loss	1,007	(1,039)	184	—	1,000	(6)	—	291	1,437
Acquisition of subsidiaries (refer to Note 33)	—	—	—	—	—	—	—	—	—
Disposal of subsidiaries (refer to Note 34)	(4)	—	—	—	(66)	—	—	—	(70)
Charged to equity	—	—	—	(94)	—	—	—	—	(94)
At 31 December 2015	**3,461**	**122**	**3,362**	**300**	**3,890**	**1,437**	**—**	**3,089**	**15,661**
Credited/(charged) to the profit or loss	1,039	(204)	(11,222)	940	925	(161)	(6,752)	(2,054)	(17,489)
Acquisition of subsidiaries (refer to Note 33)	5,282	402	18,743	—	—	1,389	11,976	188	37,980
Charged to equity	—	—	—	(153)	—	—	—	—	(153)
At 31 December 2016	**9,782**	**320**	**10,883**	**1,087**	**4,815**	**2,665**	**5,224**	**1,223**	**35,999**

NOTE 18. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated Entity 2016 $'000	Consolidated Entity 2015 $'000
Goodwill	936,692	447,933
Brand names	149,508	57,027
Intellectual property	11,875	10,477
Customer relationships	142,434	7,260
Total intangible assets	**1,240,509**	**522,697**

RECONCILIATIONS

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

At 1 January 2015	Goodwill $'000	Brand names $'000	Intellectual property $'000	Customer relationships $'000	Total $'000
At cost	482,352	57,027	15,797	8,500	563,676
Accumulated impairment and amortisation	(3,267)	—	(4,368)	(400)	(8,035)
Net carrying amount	**479,085**	**57,027**	**11,429**	**8,100**	**555,641**
Year ended 31 December 2015					
Balance at the beginning of the year	479,085	57,027	11,429	8,100	555,641
Additions	6,734	—	648	—	7,382
Acquisition of subsidiaries (refer to Note 33)	1,057	—	—	—	1,057
Net exchange differences on translation of financial reports	361	—	—	—	361
Movements in the estimate of deferred cash settlements	(776)	—	—	—	(776)
Transfer from completed work in progress	—	—	4,272	—	4,272
Amortisation expense	—	—	(1,454)	(840)	(2,294)
Impairment charge	(38,528)	—	(4,418)	—	(42,946)
Balance at the end of the year	**447,933**	**57,027**	**10,477**	**7,260**	**522,697**
At 31 December 2015					
At cost	451,200	57,027	16,299	8,500	533,026
Accumulated impairment and amortisation	(3,267)	—	(5,822)	(1,240)	(10,329)
Net carrying amount	**447,933**	**57,027**	**10,477**	**7,260**	**522,697**

Year ended 31 December 2016	Goodwill $'000	Brand names $'000	Intellectual property $'000	Customer relationships $'000	Total $'000
Balance at the beginning of the year	447,933	57,027	10,477	7,260	522,697
Additions	355	—	2,933	—	3,288
Acquisition of subsidiaries (refer to Note 33)	484,845	96,451	214	145,917	727,427
Net exchange differences on translation of financial reports	1,972	—	—	—	1,972
Movements in the estimate of deferred cash settlements	1,587	—	—	—	1,587
Amortisation expense	—	(3,970)	(1,749)	(10,743)	(16,462)
Balance at the end of the year	**936,692**	**149,508**	**11,875**	**142,434**	**1,240,509**
At 31 December 2016					
At cost	939,959	153,478	19,446	154,417	1,267,300
Accumulated impairment and amortisation	(3,267)	(3,970)	(7,571)	(11,983)	(26,791)
Net book value	**936,692**	**149,508**	**11,875**	**142,434**	**1,240,509**

Notes to the financial statements for the year ended 31 December 2016 (continued)

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

(A) AMORTISATION CHARGE

The amortisation charge of $16,462,000 (2015: $2,294,000) is recognised in the amortisation expense in the profit or loss.

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

In accordance with the Group's accounting policies, the Group performs its impairment testing at least annually on 31 December 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 as at 31 December 2016, which did not indicate that any of its CGUs should be impaired and recognised no impairment.

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

Impairment testing

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

In calculating value in use, the cash flows include projections of cash inflows and outflows from continuing use of the group of assets making up the CGUs and of cash flows associated with disposal of any of these assets. The cash flows are estimated for the assets of the CGUs in their current condition and discounted to their present value using a pre-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 at 31 December 2016 are included below:

Year 1 cash flows

This is based upon the annual budget for 2017 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 growth rate of 2% (2015: 1% to 2.5%) for all CGUs has been used for December 2016 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% (2015: 1.5%) has been used for each of the 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 10.5% (2015: 10.75%). The same discount rate for all CGUs are considered appropriate. All CGUs are based on providing services to similar customers; hence, they have similar levels of market risk.

(C) IMPAIRMENT CHARGE

After the completion of the value in use calculation at 31 December 2016, the Directors resolved that there are no impairment losses (2015: 42,946,000)

	Goodwill		Intellectual property	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Advertising and Media Investment Management	—	2,161	—	3,284
Data Investment Management	—	—	—	—
Public Relations & Public Affairs	—	—	—	—
Specialist Communications	—	36,367	—	1,134
Total impairment charge	**—**	**38,528**	**—**	**4,418**

Impact of possible change in key assumptions

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

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

		Impairment $'000			
Sensitivity	Variable	Advertising and Media Investment Management	Data Investment Management	Public Relations & Public Affairs	Specialist Communications
Year 1-5 growth rate	-0.5	—	—	—	—
Discount rate	+0.5	—	—	(405)	—
Terminal growth factor	-0.5	—	—	—	—

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

Impact of changes to growth rate

The annual growth rate that would result in each CGU group's recoverable amount falling below its carrying value is as follows: Advertising and Media Investment Management: (negative 1.25%); Data Investment Management: (negative 3.50%); Public Relations & Public Affairs: (negative 0.50%); and Specialist Communications: (negative 10.50%).

Impact of changes to discount rate

Management notes that the discount rate would have to increase to 11.00% (post-tax) for the recoverable amount of the Public Relations & Public Affairs unit valuation to fall below their carrying value, all other assumptions being equal. The other segments continue to have valuations in excess of the carrying value with these changes.

Impact of changes to terminal growth factor

The terminal growth factor that would result in each CGU group's recoverable amount falling below its carrying value is as follows: Advertising and Media Investment Management: (negative 0.50%); Data Investment Management: (negative 0.30%); Public Relations & Public Affairs: (negative 0.80%); and Specialist Communications: (negative 2.60%).

Loss of a major customer

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

(D) ALLOCATION OF GOODWILL TO CGUS

As at 31 December 2016, goodwill were allocated to the CGU groups below:

	Goodwill	
	2016 $'000	2015 $'000
Advertising and Media Investment Management	487,305	141,484
Data Investment Management	133,481	112,172
Public Relations & Public Affairs	84,344	125,396
Specialist Communications	231,562	68,881
Total goodwill	**936,692**	**447,933**

Notes to the financial statements for the year ended 31 December 2016 (continued)

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

	Consolidated Entity	
	2016 $'000	2015 $'000
Prepayments	2,848	2,384
	2,848	**2,384**

NOTE 20. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2016 $'000	2015 $'000
Trade payables	485,558	100,916
Interest rate hedge liabilities (refer to Note 20(d))	481	1,001
Sundry and other payables	108,514	36,323
Amounts payable to related parties	48,548	226
Deferred cash settlement for controlled entities and associates acquired	16,325	8,023
Deferred income	89,874	11,791
	749,300	**158,280**

(A) RELATED PARTY PAYABLES

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

(B) TRADE, SUNDRY AND OTHER PAYABLES

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

(C) NET GST PAYABLES

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

(D) INTEREST RATE HEDGE LIABILITIES

The fair value of the interest rate hedge derivatives held at 31 December 2016 and at 31 December 2015 is as follows:

	Consolidated Entity	
	2016 $'000	2015 $'000
Total mark to market liability	481	1,001

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

(E) INSTRUMENTS USED BY THE GROUP

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to Note 30).

Interest rate swap contracts – cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 1.98% (2015: 2.39%) per annum. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

The fixed interest rates are 2.59% and 2.85% (2015: between 2.10% and 3.11%) per annum.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the interest rate hedge reserve, to the extent that the hedge is effective. It is reclassified into the profit or loss when the hedged interest expense is recognised. There was no hedge ineffectiveness in the current or prior year.

NOTE 21. CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
Secured – at amortised cost	**2016 $'000**	**2015 $'000**
Bank loans	—	70,000
Finance lease	1,012	908
	1,012	**70,908**

Further information relating to the Company's debt facilities have been outlined in Note 24.

(A) SECURITY AND FAIR VALUE DISCLOSURES

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in Note 24.

(B) RISK EXPOSURE

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

NOTE 22. CURRENT LIABILITIES — PROVISIONS

	Consolidated Entity	
	2016 $'000	**2015 $'000**
Employee benefits	28,186	7,687

NOTE 23. NON-CURRENT LIABILITIES – OTHER PAYABLES

	Consolidated Entity	
	2016 $'000	**2015 $'000**
Deferred cash settlement for controlled entities and associates acquired	6,710	7,040
Sundry and other payables	12,850	4,768
Amounts payable to related parties	3,892	8,663
	23,452	**20,471**

(A) RELATED PARTY PAYABLES

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

(B) SUNDRY AND OTHER PAYABLES

Sundry and other payables are not interest bearing.

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 24. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
Secured – at amortised cost	**2016 $'000**	**2015 $'000**
Bank loans	353,649	157,100
Finance lease	2,741	3,765
	356,390	**160,865**

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	270,000
Used at balance date		
Facilities used at balance date — bank loans	353,649	227,100
Unused at balance date		
Facilities unused at balance date — bank loans	166,351	42,900

(A) SECURED LOANS

(i) Australian core banking facilities

The Company entered into a syndicated debt facility agreement dated 17 March 2016. The facility agreement refinanced the existing group debt facilities of the Company and settled certain intercompany indebtedness owed to WPP plc. The facility is split between a debt facility of $520,000,000 (2015: $270,000,000) and guarantee facility of $29,885,000 (2015: $18,000,000). The term of the debt facility is three years with the facility agreement expiring in April 2019.

Bank facility totalling $520,000,000 are secured by:

— a first registered fixed and floating charge over the assets and undertakings of WPP AUNZ Limited and certain subsidiaries;
— cross guarantee and indemnity between WPP AUNZ Limited and certain subsidiaries; and
— standard shares and securities mortgage over all shares held by WPP AUNZ Limited and certain subsidiaries.

(ii) New Zealand banking facilities

During the year ended 31 December 2016, the Company had access to an overdraft for the amount of AUD3,174,000 provided by Westpac New Zealand Limited. At 31 December 2016, 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 $25,655,564 (2015: $10,864,976) supporting property rental and other obligations.

Notes to the financial statements for the year ended 31 December 2016 (continued)

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

(C) ASSETS PLEDGED AS SECURITY

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

	Consolidated Entity	
	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	55,209	—
Trade and other receivables	467,323	108,690
Inventories	12,404	5,391
Current tax assets	12,706	—
Other current assets	61,167	11,073
Total current assets	**608,809**	**125,154**
Non-current assets		
Other receivables	116,786	30,784
Investments accounted for using the equity method	17,103	58,452
Other financial assets	181,250	379,015
Plant and equipment	34,674	24,209
Deferred tax assets	24,999	10,425
Intangible assets	941,676	140,640
Other non-current assets	2,689	—
Total non-current assets	**1,319,177**	**643,525**
Total assets	**1,927,986**	**768,679**

(D) RISK EXPOSURE

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

NOTE 25. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated Entity	
	2016 $'000	2015 $'000
Accrued income	5,973	997
Prepayments	165	406
Plant and equipment	—	957
Intangible assets	70,474	2,178
Other	91	—
Gross deferred tax liabilities	**76,703**	**4,538**
Movements		
Opening balance	4,538	3,994
(Credited)/charged to the profit or loss	(27,018)	544
Acquisition of subsidiaries (refer to Note 33)	99,183	—
Closing balance	**76,703**	**4,538**

Movements – consolidated	Accrued income $'000	Pre-payments $'000	Plant and equipment $'000	Intangible assets $'000	Other $'000	Total $'000
At 1 January 2015	**—**	**1,319**	**125**	**2,550**	**—**	**3,994**
Charged/(credited) to the profit or loss	997	(913)	832	(372)	—	544
Acquisition of subsidiaries (refer to Note 33)	—	—	—	—	—	—
At 31 December 2015	**997**	**406**	**957**	**2,178**	**—**	**4,538**
(Credited)/charged to the profit or loss	(21,497)	(241)	(957)	(4,414)	91	(27,018)
Acquisition of subsidiaries (refer to Note 33)	26,473	—	—	72,710	—	99,183
At 31 December 2016	**5,973**	**165**	**—**	**70,474**	**91**	**76,703**

NOTE 26. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated Entity	
	2016 $'000	2015 $'000
Employee benefits	**2,740**	**5,631**

NOTE 27. ISSUED CAPITAL

	2016 Number of shares	2015 Number of shares	2016 $'000	2015 $'000
Total issued capital*	**851,015,951**	**427,627,759**	**736,631**	**334,516**

* The total issued capital is net of treasury shares held by the executive share plan of 1,135,919 (2015: 1,562,286). The total shares on issue are 852,151,870 (2015: 429,190,045).

(A) MOVEMENTS IN TOTAL ISSUED CAPITAL

	2016 Number of shares	2016 $'000	2015 Number of shares	2015 $'000
At 1 January	**427,627,759**	**334,516**	**407,449,931**	**322,471**
Shares issued to WPP plc	422,961,825	401,814	—	—
Shares issued under executive share plan	426,367	301	600,000	371
Issue of shares as remuneration	—	—	86,783	61
Issue of new shares under the dividend reinvestment plan	—	—	19,491,045	11,613
At 31 December	**851,015,951**	**736,631**	**427,627,759**	**334,516**

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 27. ISSUED CAPITAL (CONTINUED)

Terms and conditions of ordinary shares

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

Share buy-backs

There were no share buy-backs during the year ended 31 December 2016.

(A) 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 deferred cash settlement, less cash and cash equivalents. Headline EBITDA is defined as headline consolidated earnings before interest, tax, depreciation and amortisation and is adjusted for significant items of a non-recurring nature.

The net debt to headline EBITDA ratio for the Group at 31 December 2016 and 31 December 2015 is as follows:

	Consolidated Entity	
	2016 $'000	**2015 $'000**
Total borrowings	357,402	231,773
Add: deferred cash settlement for controlled entities and associates acquired	23,035	15,063
Less: cash and cash equivalents	(87,167)	(26,888)
Net debt	293,270	219,948
Headline EBITDA	144,828	85,560
Equity	846,425	454,709
Net debt to headline EBITDA ratio	2.02x	2.57x

NOTE 28. RESERVES

	Consolidated Entity	
	2016 $'000	2015 $'000
Equity settled share-based payment reserve	465	266
Transactions with non-controlling interests reserve	10,862	4,445
Brand name revaluation reserve	16,275	16,275
Interest rate hedge reserve	(343)	(701)
Foreign currency translation reserve	8,793	9,019
Total reserves	**36,052**	**29,304**
Movements		
Equity settled share-based payment reserve		
Opening balance	266	304
Cost of share-based payments	500	394
Issue of executive share plan shares	(301)	(432)
Closing balance	**465**	**266**
Transactions with non-controlling interests reserve		
Opening balance	4,445	6,053
Acquisition/(disposal) of non-controlling interests of subsidiaries without change in control	6,417	(1,608)
Closing balance	**10,862**	**4,445**
Interest rate hedge reserve		
Opening balance	(701)	(920)
Fair value gain on cash flow hedges taken to equity	511	313
Deferred tax	(153)	(94)
Closing balance	**(343)**	**(701)**
Foreign currency translation reserve		
Opening balance	9,019	9,649
Exchange loss arising on translation of foreign operations	(226)	(630)
Closing balance	**8,793**	**9,019**

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 28. RESERVES (CONTINUED)

NATURE AND PURPOSE OF RESERVES

(i) Equity settled share-based payment reserve

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

(ii) Transactions with non-controlling interests reserve

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

(iii) Brand name revaluation reserve

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

(iv) Interest rate hedge reserve

The interest rate hedge reserve is used to record the portion of the gains or losses on a hedging instrument in a hedge that is determined to be an effective cash flow hedge.

(v) Foreign currency translation reserve

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

NOTE 29. RETAINED EARNINGS

	Consolidated Entity	
	2016 $'000	**2015 $'000**
Opening balance	40,978	116,798
Net profit/(loss)	55,052	(52,597)
Equity dividends provided for or paid	(33,295)	(23,223)
Closing balance	**62,735**	**40,978**

NOTE 30. FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. There has been no significant change in the Group's risk profile from that of the prior year. The Group manages these risks using various financial instruments, governed by a set of policies approved by the Board. Derivative financial instruments are exclusively used for hedging purposes and not for speculative trading purposes.

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

(A) MARKET RISK

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

(i) Foreign exchange risk

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

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

The Group is exposed to foreign exchange risk from various currency exposures with respect to:

— Canadian Dollar (CAD);
— Euro (EUR);
— Great British Pound (GBP);
— Indonesian Rupiah (IDR);
— Malaysian Ringgit (MYR);
— New Zealand Dollar (NZD);
— Russian Ruble (RUB)
— Saudi Riyal (SAR);
— Singapore Dollar (SGD);
— US Dollar (USD); and
— South African Rand (ZAR).

All borrowings are in the functional currency of the borrowing entity.

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) MARKET RISK (CONTINUED)

(i) Foreign exchange risk (continued)

The Consolidated Entity has exposure to movements in foreign currency exchange rates, through trade receivables and trade payables denominated in a currency that is not the functional currency of the respective entity. The following table details the Group's net exposure to foreign exchange risk as at the reporting date.

31 December 2016 ('000)	CAD	EUR	GBP	IDR	MYR	NZD	RUB	SAR	SGD	USD	ZAR
Trade receivables	463	353	367	1,973,380	300	57	812	1,304	216	1,864	530
Trade payables	(200)	(53)	(134)	—	(110)	(996)	—	—	(33)	(234)	—
	263	**300**	**233**	**1,973,380**	**190**	**(939)**	**812**	**1,304**	**183**	**1,630**	**530**

31 December 2015 ('000)	CAD	EUR	GBP	IDR	MYR	NZD	RUB	SAR	SGD	USD	ZAR
Trade receivables	321	211	235	—	81	96	—	246	48	1,658	423
Trade payables	(48)	(42)	(54)	—	(81)	(181)	—	(19)	(71)	(152)	—
	273	**169**	**181**	**—**	**—**	**(85)**	**—**	**227**	**(23)**	**1,506**	**423**

Sensitivity

The analysis below shows the impact on the profit or loss and equity on a movement in foreign currency exchange rates against the Australian Dollar on the Group's major currencies using the net exposure at the balance date. A sensitivity of 10% has been chosen as this is a reasonable measurement given the level of exchange rates and the volatility observed on a historic basis.

The impact on the profit or loss and equity is post-tax at a rate of 30%. The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period. As shown below, a 10% movement in exchange rates would have a minimal impact on the Group's financial position:

	Movement in foreign currency	Impact to post-tax profit 2016 AUD ('000)	Impact to post-tax profit 2015 AUD ('000)
Canadian Dollar (CAD)	+ 10%/- 10%	19	11
Euro (EUR)	+ 10%/- 10%	31	18
Great British Pound (GBP)	+ 10%/- 10%	28	26
Indonesian Rupiah (IDR)	+ 10%/- 10%	42	—
Malaysian Ringgit (MYR)	+ 10%/- 10%	4	—
New Zealand Dollar (NZD)	+ 10%/- 10%	(63)	(6)
Russian Ruble (RUB)	+ 10%/- 10%	1	—
Saudi Riyal (SAR)	+ 10%/- 10%	34	(54)
Singapore Dollar (SGD)	+ 10%/- 10%	6	(2)
US Dollar (USD)	+ 10%/- 10%	158	145
South African Rand (ZAR)	+ 10%/- 10%	4	3
Total		**264**	**141**

(ii) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to movements in interest rates arising from its portfolio of interest rate sensitive assets and liabilities in a number of currencies, predominately AUD and NZD. These principally include corporate debt and cash.

The Group manages interest rate risk by using a floating versus fixed debt framework. The relative mix of fixed and floating interest rate funding is managed by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

These interest rate hedges are repriced on a quarterly basis in advance and settled on a quarterly basis in arrears. The floating rate on the interest rate derivatives is based on the Australian BBSY and BBSW. The Group settles the difference between the fixed and floating interest rate on a net basis. At 31 December 2016, the interest rate hedges were marked to market and gave rise to a mark to market liability at that date of $481,000 (2015: $1,000,892) (refer to Note 20(d)).

All interest rate hedges are designated as cash flow hedges in order to reduce the Group's exposure resulting from variable interest rates on borrowings. The amount deferred in equity as a result of revaluation of the interest rate hedges is recognised in the profit or loss over the period of the hedge contracts.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swaps outstanding:

Consolidated Entity	2016 Weighted average interest rate % p.a.	2016 Balance $'000	2015 Weighted average interest rate % p.a.	2015 Balance $'000
Secured bank loans	1.98%	353,649	2.39%	227,100
Interest rate swaps (notional principal amount)	1.72%	(60,000)	2.53%	(150,000)
Net exposure to cash flow interest rate risk		**293,649**		**77,100**

On 11 August 2014, the Company entered into an interest rate swap of $30 million at a fixed rate of 2.85% per annum that matures on 11 August 2017.

On 22 December 2014, the Company entered into an interest rate swap of $30 million at a fixed rate of 2.59% per annum that matures on 20 December 2017.

Sensitivity

At 31 December 2016, if interest rates had changed by +/-100 basis points from the year-end rates with all other variables held constant, net profits for the year would have been $2,056,000 lower/higher (2015: change of 100 basis points: $540,000 lower/higher) mainly as a result of higher/lower interest expense on borrowings. Equity would have been $2,056,000 lower/higher (2015: $540,000 lower/higher). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

The analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

The Group's sensitivity to interest rates has increased during the current year due to the increase in the unhedged portion of the bank loans.

(B) CREDIT RISK

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

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

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

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

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) CREDIT RISK (CONTINUED)

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

The Group does not consider that there is any significant concentration of credit risk.

(C) LIQUIDITY RISK

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

Maturities of financial liabilities

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

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

	Maturity						
Contractual maturities of financial liabilities As at 31 December 2015	**≤6 months $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Non-derivatives							
Trade and other payables (excluding deferred cash settlement and derivatives below)	149,256	—	13,431	—	—	162,687	162,687
Deferred cash settlement	5,760	2,143	5,864	1,917	—	15,684	15,063
Finance lease liabilities	584	596	1,207	2,916	—	5,303	4,673
Secured bank loans	—	68,928	37,320	137,698	—	243,946	227,100
Total non-derivatives	**155,600**	**71,667**	**57,822**	**142,531**	**—**	**427,620**	**409,523**
Derivatives							
Net settled (interest rate swaps)	1,001	—	—	—	—	1,001	1,001

(D) FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

The Group holds the following financial instruments:

	Consolidated Entity Carrying amount		Consolidated Entity Fair value	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial assets				
Cash and cash equivalents	87,167	26,888	87,167	26,888
Trade and other receivables	553,376	177,987	553,376	177,987
Other financial assets	838	557	838	557
	641,381	**205,432**	**641,381**	**205,432**
Financial liabilities				
Trade and other payables (excluding deferred cash settlement and derivatives)	659,362	162,687	659,362	162,687
Deferred cash settlement	23,035	15,063	23,035	15,063
Finance lease liabilities	3,753	4,673	3,753	4,673
Secured bank loans	353,649	227,100	353,649	227,100
Derivative financial instruments	481	1,001	481	1,001
	1,040,280	**410,524**	**1,040,280**	**410,524**

(i) Fair value hierarchy and valuation techniques

The Group's financial assets and liabilities measured and recognised at fair value at 31 December 2016 were based on the following fair value measurement hierarchy:

(a) Level 1 – shares in listed entities

Shares in listed entities are held at fair value with reference to the market price on the New Zealand stock exchange as at 31 December 2016;

(b) Level 2 – interest rate hedge reserve

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and

(c) Level 3 – deferred cash settlement

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

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) FAIR VALUE MEASUREMENTS (CONTINUED)

(i) Fair value hierarchy and valuation techniques (continued)

Recognised fair value measurements

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

As at 31 December 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Entity				
Assets				
Shares in listed entities	838	—	—	838
Total assets	**838**	**—**	**—**	**838**
Liabilities				
Derivatives used for hedging	—	(481)	—	(481)
Deferred cash settlement	—	—	(23,035)	(23,035)
Total liabilities	**—**	**(481)**	**(23,035)**	**(23,516)**

As at 31 December 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Entity				
Assets				
Shares in listed entities	557	—	—	557
Total assets	**557**	**—**	**—**	**557**
Liabilities				
Derivatives used for hedging	—	(1,001)	—	(1,001)
Deferred cash settlement	—	—	(15,063)	(15,063)
Total liabilities	**—**	**(1,001)**	**(15,063)**	**(16,064)**

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

The Group's policy is to recognise transfers in 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 2016.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the years ended 31 December 2016 and 31 December 2015:

	Unlisted equity securities $'000	Deferred cash settlement $'000	Total $'000
Opening balance at 1 January 2016	—	(15,063)	(15,063)
Deferred cash settlement payments made	—	10,860	10,860
Acquisition of subsidiaries and associates	—	(2,952)	(2,952)
Loss on fair value adjustment of deferred cash settlement recognised in expenses	—	(13,545)	(13,545)
Fair value adjustment of deferred cash settlement recognised in the consolidated statement of financial position	—	(1,587)	(1,587)
Interest expense — deferred consideration payable	—	(534)	(534)
Other	—	(214)	(214)
Closing balance at 31 December 2016	**—**	**(23,035)**	**(23,035)**
Opening balance at 1 January 2015	118	(31,664)	(31,546)
Deferred cash settlement payments made	—	20,228	20,228
Acquisition of subsidiaries and associates	—	(559)	(559)
Loss on fair value adjustment of deferred cash settlement recognised in expenses	—	(3,129)	(3,129)
Fair value adjustment of deferred cash settlement recognised in the consolidated statement of financial position	—	776	776
Interest expense — deferred consideration payable	—	(906)	(906)
Other	(118)	191	73
Closing balance at 31 December 2015	**—**	**(15,063)**	**(15,063)**

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 2016 $'000	Unobservable inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Deferred cash settlement	$23,035	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 $213,671 (2015: $129,036). A decrease in the discount rate by 100 basis points would increase the fair value by $219,865 (2015: $122,142).
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by $1,078,569 (2015: $588,970). If expected cash flows were 5% lower, the fair value would decrease by $594,773 (2015: $486,436).

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(E) CAPITAL RISK

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. This is achieved by maintaining a flexible financing structure to be able to fund capital expenditure, new acquisitions and additional amounts payable in respect of past acquisitions and to pay dividends. This policy is balanced against the desire to ensure efficiency in the debt/equity structure of the balance sheet in the longer term through proactive capital management programs.

Borrowing facilities are maintained with the Group's bankers that are sufficient to meet contractual cash obligations arising in the ordinary course of business, details of which are set out in Notes 21 and 24 and this Note 30. The existing borrowing facilities are subject to various debt covenants.

NOTE 31. SHARE BASED PAYMENTS

On 25 May 2004, the Company's shareholders approved the creation of the ESP. The ESP allows the Directors to allocate up to 5% of the ordinary issued shares in the Company to executives ("performance shares").

The ESP structure has been in operation since 31 December 2004.

As at 31 December 2016, 1,135,919 (2015: 1,562,286) performance shares were granted to senior executives under the Executive Share Plan. The performance shares will vest subject to the achievement of performance conditions, as determined by the Remuneration and Nominations Committee. The performance conditions are tested over a three year period, based on average compounded annual growth in EPS and the Company's TSR performance compared to the TSR performance of the companies in the S&P/ASX All Ordinaries - ASX Consumer Discretionary index. Any performance shares for which the relevant performance conditions are not satisfied will lapse. Any performance shares that do not vest over the performance period will be forfeited.

Fair value of performance shares granted

The weighted average fair value at grant date of performance shares granted during the year ended 31 December 2016 was $0.59 (31 December 2015: $0.46). The fair value of performance shares at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the performance shares, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the performance share. The model inputs for performance shares granted during the year ended 31 December 2016 included:

— performance rights are granted for no consideration;
— exercise price: $0;
— grant date: February 2016 (2015: March 2015);
— expiry date: March 2016 (2015: March 2018);
— share price at grant date: 2016: $0.76 (2015: $0.67);
— expected price volatility of the Company shares: 2016: 35% (2015: 35%);
— expected dividend yield per annum: 2016: 5.6% (2015: 5.9%); and
— risk-free interest rate per annum: 2016: 2.03% (2015: 1.76%).

The expected price volatility is based on historical volatility adjusted for any expected changes to future volatility due to publicly available information.

For the year ended 31 December 2016, the Company has recognised $500,000 of share-based payment expense in the consolidated statement of profit or loss (31 December 2015: $394,000)

NOTE 32. RELATED PARTY DISCLOSURES

(A) ULTIMATE PARENT ENTITY

The ultimate Australian parent entity within the Group is WPP AUNZ Limited and the ultimate parent entity of the Group is WPP plc, incorporated in England.

(B) SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and the controlled entities as listed in Note 37. The Company is the parent entity of the Consolidated Entity.

Transactions between the Company and other entities in the wholly-owned group during the years ended 31 December 2016 and 31 December 2015 consisted of:

— loans advanced by/repaid to the Company;
— loans advanced to/repaid by the Company;
— the payment of interest on the above loans;
— the payment of dividends and trust distributions to the Company; and
— the provision of accounting and administrative assistance.

With the exception of interest-free loans provided by the Company, all other transactions were on commercial terms and conditions.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(C) TRANSACTIONS WITH RELATED PARTIES

Transactions between the Group and WPP plc related parties, joint ventures and associates during the year ended 31 December 2016 consisted of ($'000):

— Sale of goods and services to related parties: $18,861
— Purchase of goods and services from related parties: $73,859
— Dividends received from joint ventures and associates: $2,885
— Net trade payables to related parties: $19,892
— Loans owing from related parties: $3,966
— Loans owing to related parties: $18,964
— Service fee to WPP plc: $17,191

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

The comparatives for 2015 disclose nil related parties balances and transactions as prior to the Transaction there were no material related party transactions within the Group. After the Transaction, the Group structure changed and related parties transactions were incurred between the Group and the counterparties within global brand networks.

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 33. BUSINESS COMBINATIONS

(A) SUMMARY OF MATERIAL ACQUISITIONS

During the year ended 31 December 2016

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

On 1 July 2016, STW Media Services Pty Limited ("SMS") acquired an additional 51% of Paragon Design Group Pty Limited ("Paragon"), thereby increasing SMS's ownership to 100%. Paragon is a full service advertising agency which operates out of Sydney. The total purchase consideration of $2,803,000 for Paragon's net identifiable assets of $1,537,000 and goodwill acquired of $1,266,000 is included in the balances below.

During the year ended 31 December 2015

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

		Consolidated Entity	
	Notes	2016 $'000	2015 $'000
Purchase consideration			
Deferred consideration		10,605	559
Fair value — equity accounted interest		92,947	—
Equity issued		357,084	—
Cash paid in the current period	33(c)	1,025	927
Total purchase consideration		**461,661**	**1,486**
Fair value of net identifiable (liabilities)/assets acquired	33(b)	(23,184)	429
Goodwill acquired		**484,845**	**1,057**

The acquired businesses contributed revenues of $418,591,000 and headline profit of $38,627,000 to the Group for the period between April 2016 to December 2016. If the acquisitions had occurred on 1 January 2016, consolidated revenue for the year ended 31 December 2016 would have been higher by $116,766,000 and the headline profit for the year ended 31 December 2016 would be higher by $3,867,000.

The goodwill acquired is attributable to the high profitability of the acquired business and synergies expected to arise after the Company's acquisition of the new controlled entities. The methods used in determining the fair value of assets and liabilities acquired are summarised in Notes 1(i) and 1(o).

(B) ASSETS AND LIABILITIES ACQUIRED

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

	Consolidated Entity	
Fair value of net identifiable (liabilities)/assets acquired	**2016 $'000**	**2015 $'000**
Current assets		
Cash and cash equivalents	89,393	441
Trade and other receivables	343,788	405
Inventories	7,502	—
Current tax assets	15,133	—
Prepayments	6,099	20
Other current assets	37,773	7
Non-current assets		
Plant and equipment	13,501	59
Deferred tax assets	37,980	—
Intangible assets - brand names	96,451	—
Intangible assets - intellectual property	214	—
Intangible assets - customer relationships	145,917	—
Other non-current assets	287	—
Current liabilities		
Trade and other payables	(482,196)	(30)
Provisions	(16,287)	(22)
Current tax liabilities	(62)	—
Other current liabilities	—	(252)
Non-current liabilities		
Borrowings	(210,421)	—
Deferred tax liabilities	(99,183)	—
Provisions	(1,419)	—
Other non-current liabilities	(5,512)	—
Net (liabilities)/assets	**(21,042)**	**628**
Non-controlling interests in net assets acquired	(2,142)	(199)
Net identifiable (liabilities)/assets acquired	**(23,184)**	**429**

(C) PURCHASE CONSIDERATION

		Consolidated Entity	
Outflow of cash to acquire controlled entities, net of cash acquired	**Notes**	**2016 $'000**	**2015 $'000**
Cash consideration paid	33(a)	1,025	927
Cash balances acquired	33(b)	(89,393)	(441)
(Inflow)/outflow of cash		**(88,368)**	**486**

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 34. DISPOSALS

During the year ended 31 December 2016, the Company did not have any disposals of controlled entities.

During the year ended 31 December 2015, the Company disposed of its interest in Data@Ogilvy Pty Limited. The effective date of the transaction was 30 April 2015.

	Consolidated Entity	
	2016 $'000	**2015 $'000**
(A) CONSIDERATION RECEIVED		
Consideration received in cash and cash equivalents	–	–
Total consideration	**–**	**–**
(B) ANALYSIS OF ASSETS AND LIABILITIES OVER WHICH CONTROL WAS LOST		
Current assets		
Cash and cash equivalents	–	116
Other receivables	–	5
Non-current assets		
Plant and equipment	–	2
Deferred tax assets	–	70
Current liabilities		
Trade payables and other payables	–	(28)
Current tax liabilities	–	(94)
Provisions	–	(16)
Disposal of net assets	**–**	**55**
(C) LOSS ON DISPOSAL OF SUBSIDIARY		
Disposal of net assets	–	(55)
Loss on disposal	**–**	**(55)**
(D) NET CASH OUTFLOW ON DISPOSAL OF SUBSIDIARY		
Cash and cash equivalent balances disposed of	–	(116)
Net cash outflow on disposal	**–**	**(116)**

(E) TRANSACTIONS WITH NON-CONTROLLING INTERESTS

There were numerous buy-outs of non-controlling interests during the year ended 31 December 2016, with only the acquisition of non-controlling interests as a result of the Transaction being material.

During the year ended 31 December 2015, there were numerous buy-outs of non-controlling interests, none of which was material to the Group.

	Consolidated Entity	
	2016 $'000	**2015 $'000**
Equity issued	(34,576)	—
Carrying amount of non-controlling interests	42,319	(927)
Consideration paid to non-controlling interests	(1,326)	(681)
Excess of consideration received from/(paid for) recognised in the transactions with non-controlling interests reserve within equity	**6,417**	**(1,608)**

NOTE 35. EXPENDITURE COMMITMENTS

(A) CAPITAL EXPENDITURE COMMITMENTS

As at 31 December 2016, the Group had no commitments for expenditure (2015: $Nil).

(B) OPERATING LEASE COMMITMENTS

The Group leases various offices with terms of between one and 10 years and renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases. There are no contingent rentals payable. No assets under operating leases have been sublet to third parties.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2016 are as follows:

	Consolidated Entity	
	2016 $'000	**2015 $'000**
Within one year	33,888	22,821
Later than one year and not later than five years	55,361	34,365
Later than five years	10,997	9,921
	100,246	**67,107**
Share of joint ventures and associates' operating lease commitments	**509**	**3,123**

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 35. EXPENDITURE COMMITMENTS (CONTINUED)

(C) OBLIGATIONS UNDER FINANCE LEASE

The Group leased certain of its assets under finance lease. The lease term is 5 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Within one year	1,214	1,178	1,012	908
Later than one year and not later than five years	2,912	4,148	2,741	3,765
Later than five years	—	—	—	—
	4,126	**5,326**	**3,753**	**4,673**
Less: future finance charges	(373)	(653)	—	—
Present value of minimum lease payments	**3,753**	**4,673**	**3,753**	**4,673**

	Consolidated Entity	
	2016 $'000	2015 $'000
Included in the consolidated financial statements as:		
Current liabilities - borrowings	1,012	908
Non-current liabilities - borrowings	2,741	3,765
	3,753	**4,673**

NOTE 36. CONTINGENT LIABILITIES

The Consolidated Entity had contingent liabilities in respect of:

		Consolidated Entity	
	Notes	2016 $'000	2015 $'000
Bank guarantees	36(b)	25,656	10,865
		25,656	**10,865**

(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 $25,655,564 (2015: $10,864,976) on behalf of various controlled entities, joint ventures and associates. These guarantees will give rise to a liability for the Consolidated Entity if the various controlled entities, joint ventures and associates do not meet their obligations under the terms of the lease agreements.

Bank facility totalling $520,000,000 (2015: $270,000,000) are secured by a cross guarantee and indemnity by and between the Company and its wholly-owned controlled entities, as outlined in Note 24.

Cross guarantees given by WPP AUNZ Limited are described in Note 38.

NOTE 37. SUBSIDIARIES

LIST OF SUBSIDIARIES

The consolidated financial statements include the financial statements of WPP AUNZ Limited and its controlled entities listed in the following table:

	Type of share/unit	Ownership interest 2016	Ownership interest 2015	Country of incorporation/ formation
Belshaw Pty Limited*	**Ordinary**	**100%**	**100%**	**Australia**
Hoed Holdings Pty Limited*	**Ordinary**	**100%**	**100%**	**Australia**
Ogilvy Interactive Pty Limited*	**Ordinary**	**100%**	**100%**	**Australia**
Possible Australia Pty Ltd and its controlled entity*	**Ordinary**	**100%**	**—**	**Australia**
– Young & Rubicam Brands Holdings Pty Ltd and its controlled entities (ii)*	Ordinary	100%	—	Australia
– Young & Rubicam Group Holdings Pty Ltd (ii)*	Ordinary	100%	—	Australia
Singleton Direct Pty Limited*	**Ordinary**	**100%**	**100%**	**Australia**
STW Investments Pty Limited	**Ordinary**	**100%**	**100%**	**Australia**
STW Media Pty Limited and its controlled entity*	**Ordinary**	**100%**	**100%**	**Australia**
– Ikon Communications Pty Limited*	Ordinary	100%	100%	Australia
STW Media Services Pty Limited and its controlled entities*	**Ordinary**	**100%**	**100%**	**Australia**
– Active Sites Alive Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
– Active Display Group (Asia) Limited	Ordinary	100%	100%	Hong Kong
– Adval Australia Pty Limited	Ordinary	100%	100%	Australia
– Boxlink Pty Limited	Ordinary	80%	80%	Australia
– Adcast Technology Unit Trust*	Ordinary	100%	100%	Australia
– Added Value Australia Pty Limited (ii)*	Ordinary	100%	51%	Australia
– Alpha Salmon Pty Limited*	Ordinary	100%	100%	Australia
– Appcast Pty Limited	Ordinary	100%	100%	Australia
– STW Group Asia Management Pte Limited	Ordinary	100%	100%	Singapore
– AMR Interactive Group Pty Limited*	Ordinary	100%	100%	Australia
– Badjar Ogilvy Pty Limited (ii)*	Ordinary	100%	66.67%	Australia
– Allsorts Pty Limited AFT Allsorts Unit Trust	Ordinary	100%	100%	Australia
– Badjar Advertising Pty Limited	Ordinary	100%	100%	Australia
– Swat Marketing Pty Limited	Ordinary	100%	100%	Australia
– Buchanan Advertising (Australia) Pty Limited*	Ordinary	100%	100%	Australia
– Burson-Marsteller Pty Ltd (ii)*	Ordinary	100%	—	Australia
– Catalyst Advertising Pty Limited*	Ordinary	100%	75%	Australia
– Colmar Brunton Pty Limited (i)	Ordinary	80.62%	80.62%	Australia
– Cornwell Design Pty Limited*	Ordinary	100%	100%	Australia
– Customer Brand Services Pty Limited ATF CBS Marketing Trust*	Ordinary	100%	100%	Australia
– Designworks (Melbourne) Pty Limited*	Ordinary	100%	100%	Australia
– DT Digital Pty Limited (ii)*	Ordinary	100%	66.67%	Australia
– DT Millipede Pty Limited	Ordinary	100%	100%	Australia
– Searchlab Pty Limited	Ordinary	100%	100%	Australia
– Evocatif Pty Limited*	Ordinary	100%	100%	Australia
– ICRE8 Pty Limited*	Ordinary	100%	100%	Australia
– Green Five Pty Limited*	Ordinary	100%	90%	Australia
– Grey Australia New Zealand Pty. Limited (ii)*	Ordinary	100%	—	Australia

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 37. SUBSIDIARIES (CONTINUED)
LIST OF SUBSIDIARIES (CONTINUED)

	Type of share/unit	Ownership interest 2016	Ownership interest 2015	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
– Daipro Pty. Ltd. ATF Grey Services Unit Trust (ii)	Ordinary	100%	—	Australia
– Grey Canberra Pty Ltd ATF Grey Canberra Unit Trust (ii)	Ordinary	100%	—	Australia
– Grey Global Group Australia Pty Ltd (ii)*	Ordinary	100%	—	Australia
– Geometry Global Pty Ltd (ii)*	Ordinary	100%	—	Australia
– Graffiti Group Pty Ltd (ii)	Ordinary	55%	—	Australia
– Greyhealth Australia Pty Ltd ATF The Trustee for Grey Healthcare Unit Trust (ii)*	Ordinary	100%	—	Australia
– Grey Worldwide Pty Ltd (ii)*	Ordinary	100%	—	Australia
– Jay Grey Pty Ltd (ii)	Ordinary	100%	—	Australia
– Haylix Services Pty Limited*	Ordinary	100%	100%	Australia
– Human 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*	Ordinary	100%	70%	Australia
– Issues & Images (Holdings) Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
– Issues & Images Group Pty Limited*	Ordinary	100%	100%	Australia
– Designworks (Sydney) Pty Limited*	Ordinary	100%	100%	Australia
– Stacke Services Pty Limited	Ordinary	100%	100%	Australia
– Lawrence Creative Strategy Pty Limited*	Ordinary	100%	100%	Australia
– Marketing Communications Holdings Australia Pty Limited and its controlled entities (ii)*	Ordinary	100%	49%	Australia
– Chameleon Digital Systems Pty. Ltd. (ii)*	Ordinary	100%	49%	Australia
– ESaratoga Lab Pty Ltd (ii)	Ordinary	100%	49%	Australia
– Fudge Group Pty Ltd (ii)	Ordinary	100%	49%	Australia
– Interface Advertising Pty Limited (ii)	Ordinary	100%	49%	Australia
– J. Walter Thompson Australia Pty. Limited (ii)*	Ordinary	100%	49%	Australia
– Candle-Lit Films Pty. Ltd. (ii)	Ordinary	100%	49%	Australia
– Collins Thomas Cullen Pty Limited (ii)	Ordinary	100%	49%	Australia
– RMG Connect Australia Pty Limited (ii)	Ordinary	100%	49%	Australia
– Salespoint Pty Ltd (ii)	Ordinary	100%	49%	Australia
– Webling Pty Ltd (ii)	Ordinary	75%	37%	Australia
– Markitforce Group Pty Limited ATF Markitforce Group Unit Trust (i)*	Ordinary	100%	100%	Australia
– Maverick Marketing and Communications Pty Limited	Ordinary	80%	80%	Australia
– McMann & Tate Agency Pty Ltd (trading as Mighty)*	Ordinary	100%	100%	Australia
– Mediaedge:CIA Pty. Limited (ii)*	Ordinary	100%	—	Australia
– M Media Group Pty Ltd (ii)*	Ordinary	100%	47.5%	Australia
– Motivator Media Pty Ltd (ii)*	Ordinary	100%	47.5%	Australia
– Moon Communications Pty Limited*	Ordinary	100%	100%	Australia
– Agile Content Productions Pty Ltd*	Ordinary	100%	100%	Australia
– Ogilvy Public Relations Worldwide Pty Limited and its controlled entities (ii)*	Ordinary	100%	49%	Australia
– Cannings Advisory Services Pty Limited (ii)*	Ordinary	100%	80%	Australia

	Type of share/unit	Ownership interest 2016	Ownership interest 2015	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
– Cannings Corporate Communication Pty Limited ATF Cannings Unit Trust	Ordinary	100%	100%	Australia
– Savage & Partners Pty Limited	Ordinary	100%	100%	Australia
– Howorth Communications Pty. Limited (ii)*	Ordinary	100%	49%	Australia
– Pulse Communications Pty Limited (ii)*	Ordinary	100%	49%	Australia
– Impact Employee Communications Pty Limited (ii)	Ordinary	100%	49%	Australia
– Ogilvy PR Health Pty Ltd (ii)*	Ordinary	100%	49%	Australia
– Parker & Partners Pty Ltd (ii)*	Ordinary	100%	49%	Australia
– Oxygen Learning Pty Limited (trading as Phuel)*	Ordinary	100%	90%	Australia
– Paragon Design Group Pty Limited (iii)*	Ordinary	100%	49%	Australia
– Peach Advertising Pty Limited*	Ordinary	100%	100%	Australia
– Picnic Software Pty Limited	Ordinary	90%	70%	Australia
– Senior Minds Pty Limited*	Ordinary	100%	100%	Australia
– CRU Holdings Pty Limited	Ordinary	100%	100%	Australia
– Singleton Ogilvy & Mather (Holdings) Pty Limited and its controlled entities (ii)*	Ordinary	100%	66.67%	Australia
– Barton Deakin Pty Limited*	Ordinary	100%	100%	Australia
– Bento Productions Pty Limited (ii)*	Ordinary	100%	53%	Australia
– Bullseye Group Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
– Bullseye (Asia Pacific) Pty Limited*	Ordinary	100%	100%	Australia
– Bullseye Digital (New Zealand) Limited	Ordinary	100%	100%	New Zealand
– PT Bullseye	Ordinary	100%	100%	Indonesia
– Hawker Britton Group Pty Limited*	Ordinary	100%	100%	Australia
– Neo@Ogilvy Pty Limited*	Ordinary	100%	100%	Australia
– Octopus Holdings No. 1 Pty Limited	Ordinary	100%	100%	Australia
– Ogilvy & Mather (Sydney) Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
– Ethnic Communications Pty Limited*	Ordinary	100%	100%	Australia
– Singleton Ogilvy & Mather (Melbourne) Pty Limited*	Ordinary	100%	100%	Australia
– Singleton Ogilvy One Pty Limited*	Ordinary	100%	100%	Australia
– The Ogilvy Group Superannuation Pty Limited*	Ordinary	100%	100%	Australia
– Ogilvy Action 2012 Pty Limited	Ordinary	51%	51%	Australia
– Ogilvy Action Pty Limited*	Ordinary	100%	100%	Australia
– Ogilvy Red Consulting Pty Limited*	Ordinary	100%	100%	Australia
– One20 Pty Limited (formally Red Arrow Strategy Pty Limited - IGN)*	Ordinary	100%	100%	Australia
– Red Card Communications Pty Limited (formally Singleton Ogilvy Interactive Pty Limited)*	Ordinary	100%	100%	Australia
– Red Tape Commercials Pty Limited*	Ordinary	100%	100%	Australia
– Singleton OgilvyInteractive Pty Limited*	Ordinary	100%	100%	Australia
– Singleton Ogilvy & Mather (NZ) Limited and its controlled entity	Ordinary	100%	100%	New Zealand
– Ogilvy New Zealand Limited (ii)	Ordinary	100%	85%	New Zealand
– Straterjee Pty Limited*	Ordinary	100%	100%	Australia
– STW Group Asia Holdings Pte Limited	Ordinary	100%	100%	Singapore
– Aleph Pte Limited	Ordinary	65%	65%	Singapore

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 37. SUBSIDIARIES (CONTINUED)
LIST OF SUBSIDIARIES (CONTINUED)

	Type of share/unit	Ownership interest 2016	Ownership interest 2015	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
– Antics International Holdings Limited	Ordinary	100%	100%	Hong Kong
– Antics Studios Pte Limited	Ordinary	100%	100%	Singapore
– Edge Asia Digital Services Sdn Bhd	Ordinary	100%	100%	Malaysia
– 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)	Ordinary	100%	100%	Russia
– Buchanan Advertising (UK) Limited	Ordinary	100%	100%	United Kingdom
– Buchanan Licensing Singapore Pte Ltd	Ordinary	100%	100%	Singapore
– STW Group Investments Pte Limited	Ordinary	100%	100%	Singapore
– Edge Marketing Limited and its controlled entities	Ordinary	100%	100%	British Virgin Islands
– Edge Asia Holdings Pte Limited	Ordinary	100%	100%	Singapore
– Edge Marketing Limited	Ordinary	100%	100%	Hong Kong
– The New Media Edge Company Limited	Ordinary	100%	100%	Thailand
– Mindcookies Company Limited	Ordinary	100%	100%	Thailand
– Edge Marketing Vietnam Limited	Ordinary	100%	100%	Vietnam
– STW Geometry Holdings Pty Limited (ii)	Ordinary	100%	51%	Australia
– Geometry (Sydney) Pty Limited (ii)	Ordinary	100%	66.67%	Australia
– STW Group (NZ) Limited and its controlled entities	Ordinary	100%	100%	New Zealand
– Assignment Group New Zealand Limited	Ordinary	100%	100%	New Zealand
– Designworks (NZ) Limited (i)	Ordinary	91.4%	91.4%	New Zealand
– Designworks Strategic Branding Pte Ltd (formerly One20 Asia Pte Limited)	Ordinary	100%	100%	Singapore
– Ikon Communications (NZ) Limited	Ordinary	100%	100%	New Zealand
– Union Digital Limited	Ordinary	68.33%	68.33%	New Zealand
– The Store WPP AUNZ Pty Ltd (formerly STW Perfect Store Pty Limited)	Ordinary	100%	100%	Australia
– STW Smollan Field Marketing Pty Limited	Ordinary	51%	51%	Australia
– Smollan Australia Pty Limited	Ordinary	100%	100%	Australia
– STW Win Pty Limited*	Ordinary	100%	100%	Australia
– Subnine Pty Limited*	Ordinary	100%	100%	Australia
– Sudler & Hennessey Australia Pty Ltd and its controlled entities (ii)*	Ordinary	100%	—	Australia
– Switched On Media Pty Limited	Ordinary	75%	75%	Australia
– Team Red Communications Pty Limited*	Ordinary	100%	100%	Australia
– The Brand Agency Pty Limited ATF Brand Agency Unit Trust	Ordinary	84%	84%	Australia
– The Corporate Film Company 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 (ii)*	Ordinary	100%	49%	Australia
– Tribe Marketing Pty Limited*	Ordinary	100%	100%	Australia

	Type of share/unit	Ownership interest 2016	Ownership interest 2015	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
– White Digital Pty Limited (i)*	Ordinary	100%	100%	Australia
– SBS Asia Pacific Pty Limited	Ordinary	100%	100%	Australia
– New Dialogue Pty Limited (trading as Tongue)*	Ordinary	100%	100%	Australia
– WPP Holdings (Australia) Pty Limited and its controlled entities (ii)*	Ordinary	100%	—	Australia
– GTB Australia Pty Limited (formerly Blue Hive Australia Pty Limited) (ii)*	Ordinary	100%	—	Australia
– Colloquial Australia Pty Limited (formerly Carl Byoir & Associates Australia Pty. Limited) (ii)*	Ordinary	100%	—	Australia
– Finance Plus Australia Pty Limited (ii)*	Ordinary	100%	—	Australia
– GroupM Communications Pty Ltd (ii)*	Ordinary	100%	—	Australia
– Heath Wallace Australia Pty Limited (ii)*	Ordinary	75%	—	Australia
– Hill and Knowlton Australia Pty. Limited (ii)*	Ordinary	100%	—	Australia
– Landor Associates Pty Limited (ii)*	Ordinary	100%	—	Australia
– Mayko Trading Pty Ltd (ii)	Ordinary	72.50%	—	Australia
– Wunderman Pty Limited (ii)*	Ordinary	100%	—	Australia
– Mediacom Australia Pty Limited (ii)*	Ordinary	100%	—	Australia
– Mediacompete Pty Ltd (ii)	Ordinary	100%	—	Australia
– Millward Brown Pty Ltd (ii)*	Ordinary	100%	—	Australia
– Ogilvy Commonhealth Pty Ltd (ii)*	Ordinary	100%	—	Australia
– Outrider Australia Pty Ltd (ii)*	Ordinary	100%	—	Australia
– Play Communications Pty Ltd (ii)	Ordinary	75%	—	Australia
– Premier Automotive Advertising Pty Limited (ii)	Ordinary	100%	—	Australia
– Prism Team Australia Pty Ltd (ii)	Ordinary	100%	—	Australia
– Research International Australia Pty Ltd (ii)	Ordinary	100%	—	Australia
– Taylor Nelson Sofres Australia Pty Limited (ii)*	Ordinary	100%	—	Australia
– The Campaign Palace Pty Limited (ii)	Ordinary	100%	—	Australia
– WPP Holdings (New Zealand) Limited (ii)	Ordinary	100%	—	New Zealand
– Chemistry Media Limited (ii)	Ordinary	100%	—	New Zealand
– Financial & Media Services (NZ) Limited (ii)	Ordinary	100%	—	New Zealand
– GroupM New Zealand Limited (ii)	Ordinary	100%	—	New Zealand
– J. Walter Thompson International (NZ) Limited (ii)	Ordinary	100%	49%	New Zealand
– Heyday Limited (ii)	Ordinary	75%	37%	New Zealand
– Millward Brown NZ Limited (ii)	Ordinary	100%	—	New Zealand
– Colmar & Brunton Research Limited (ii)	Ordinary	83.83%	—	New Zealand
– NFO Worldgroup N.Z. Holdings Limited (ii)	Ordinary	100%	—	New Zealand
– TNS New Zealand Limited (ii)	Ordinary	100%	—	New Zealand
– Yellow Edge Pty Limited	Ordinary	84%	84%	Australia
– Young & Rubicam Group Pty Limited (ii)*	Ordinary	100%	—	Australia
– Expanded Media Holdings Pty Limited (ii)*	Ordinary	100%	—	Australia

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 37. SUBSIDIARIES (CONTINUED)
LIST OF SUBSIDIARIES (CONTINUED)

	Type of share/unit	Ownership interest		Country of incorporation/ formation
		2016	2015	
STW Media Services Pty Limited and its controlled entities* (continued)				
– Expanded Media Investments Pty Limited (ii)*	Ordinary	100%	—	Australia
– Blaze Advertising Pty Ltd (ii)*	Ordinary	100%	—	Australia
– PR Dynamics Australia Pty Limited (ii)	Ordinary	100%	—	Australia
– Professional Public Relations Pty Ltd (ii)	Ordinary	85%	—	Australia
– ITX Corporation Pty Ltd (ii)	Ordinary	85%	—	Australia
– Professional Public Relations NZ Holdings Limited (ii)	Ordinary	85%	—	New Zealand
– PR Dynamics Limited (ii)	Ordinary	85%	—	New Zealand
– Professional Public Relations NZ Limited (ii)	Ordinary	85%	—	New Zealand
– PSS Media Communications Pty Ltd (ii) **	Ordinary	42.5%	—	Australia
– George Patterson Y & R Pty Limited (ii)*	Ordinary	100%	—	Australia
– George Patterson Partners Pty Limited (ii)*	Ordinary	100%	—	Australia
– Y&R Group Pty Limited (ii)*	Ordinary	100%	—	Australia
– Young & Rubicam Pty Limited (ii)*	Ordinary	100%	—	Australia
– Group Employee Services Pty Limited (ii)*	Ordinary	100%	—	Australia
– Ideaworks (Holdings) Pty Ltd (ii)*	Ordinary	100%	—	Australia
– ABKP Ideaworks Pty Ltd (ii)*	Ordinary	100%	—	Australia
– VML Digital Pty Limited (ii)*	Ordinary	100%	—	Australia
– Young & Rubicam Holdings Limited (ii)	Ordinary	100%	—	New Zealand
– Y & R Limited (ii)	Ordinary	100%	—	New Zealand

(i) With put and call option agreements in place for these entities, the Group's policy is to consolidate the controlled entity's target earnings and statement of financial position based on the ultimate future ownership (refer to Note 1(c)(i)).

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

(iii) The entity became a controlled entity of the Company with effect from 1 July 2016.

* 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.

** This entity has an ownership percentage less than 50%. The company is considered to have effective control of these entities as the remaining shares of the company are spread amongst a number of small investors.

NOTE 38. DEED OF CROSS GUARANTEE

WPP AUNZ Limited and certain of its Australian wholly-owned entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position

The above companies represent a closed group for the purpose of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by WPP AUNZ Limited, they also represent the extended closed group.

Set out below is a consolidated statement of profit or loss, a consolidated statement of profit or loss and other comprehensive income and a consolidated statement of financial position as at 31 December 2016 of the closed group consisting of WPP AUNZ Limited and its controlled entities:

	2016 $'000	2015 $'000
Consolidated statement of profit or loss		
Profit/(loss) before income tax	74,600	(42,485)
Income tax (expense)/benefit	(17,876)	3,990
Net profit/(loss)	**56,724**	**(38,495)**
Consolidated statement of profit or loss and other comprehensive income		
Net profit/(loss)	**56,724**	**(38,495)**
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	511	313
Income tax relating to components of other comprehensive income	(153)	(94)
Other comprehensive income (net of tax)	358	219
Total comprehensive income/(loss)	**57,082**	**(38,276)**

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 38. DEED OF CROSS GUARANTEE (CONTINUED)

Consolidated statement of financial position	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	54,252	121
Trade and other receivables	441,253	90,231
Inventories	12,404	5,391
Current tax assets	12,253	3,689
Other current assets	57,982	6,480
Total current assets	**578,144**	**105,912**
Non-current assets		
Other receivables	62,079	67,134
Investments accounted for using the equity method	17,103	90,433
Other financial assets	161,425	289,338
Plant and equipment	33,170	17,538
Deferred tax assets	25,101	7,328
Intangible assets	1,008,377	156,627
Other non-current assets	2,703	7,971
Total non-current assets	**1,309,958**	**636,369**
Total assets	**1,888,102**	**742,281**
Current liabilities		
Trade and other payables	627,589	94,917
Borrowings	1,012	88,426
Provisions	21,825	2,897
Total current liabilities	**650,426**	**186,240**
Non-current liabilities		
Other payables	25,350	37,412
Borrowings	356,390	160,826
Deferred tax liabilities	70,625	2,794
Provisions	2,245	2,882
Total non-current liabilities	**454,610**	**203,914**
Total liabilities	**1,105,036**	**390,154**
Net assets	**783,066**	**352,127**
Equity		
Issued capital	736,631	334,516
Reserves	27,946	4,015
Retained earnings	18,489	13,596
Total equity	**783,066**	**352,127**

NOTE 39. AUDITORS' REMUNERATION

	Consolidated Entity	
	2016 $	2015 $
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	2,195,000	745,086
– tax consulting	88,680	182,600
– tax compliance services in relation to the entity and any other entity in the Consolidated Entity	207,060	158,500
	2,490,740	**1,086,186**

NOTE 40. EVENTS OCCURRING AFTER THE PERIOD

Subsequent to the end of the year, the Directors declared the payment of a fully franked final dividend of 3.9 cents per fully paid ordinary share, with a record date of 24 March 2017 and payable on 31 March 2017 (2015 final dividend: 3.6 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 Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future periods.

Notes to the financial statements for the year ended 31 December 2016 (continued)

NOTE 41. PARENT ENTITY FINANCIAL INFORMATION

(A) FINANCIAL POSITION AND PERFORMANCE OF THE PARENT ENTITY

The individual financial statements for the Parent Entity show the following aggregate amounts:

	Parent Entity	
	2016 $'000	2015 $'000
Statement of financial position		
Current assets	23,487	29,511
Non-current assets	1,247,352	604,017
Total assets	**1,270,839**	**633,528**
Current liabilities	162,692	9,421
Non-current liabilities	366,045	287,279
Total liabilities	**528,737**	**296,700**
Net assets	**742,102**	**336,828**
Equity		
Issued capital	736,631	334,516
Reserves	121	(434)
Retained earnings	5,350	2,746
Total equity	**742,102**	**336,828**
Net profit	35,897	22,260
Total comprehensive income	**36,255**	**22,479**

(B) CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Parent Entity had contingent liabilities in respect of:

	Parent Entity	
	2016 $'000	2015 $'000
Bank guarantees	25,656	10,865

The Company has provided various bank guarantees totalling $25,655,564 (2015: $10,864,976) on behalf of various controlled entities, joint ventures and associates. These guarantees will give rise to a liability for the Consolidated Entity if the various controlled entities, joint ventures and associates do not meet their obligations under the terms of the lease agreements.

Bank facility totalling $520,000,000 (2015: $270,000,000) are secured by a cross guarantee and indemnity by and between the Company and its wholly-owned controlled entities, as outlined in Note 24.

Cross guarantees given by WPP AUNZ Limited are described in Note 38.

Directors' declaration

The Directors of WPP AUNZ Limited declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the accompanying financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

(c) in the Directors' opinion, the accompanying financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position at 31 December 2016 and performance for the year ended 31 December 2016, of the Company and the Consolidated Entity; and

(d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by Australian Securities and Investments Commission Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the members of the extended closed group identified in Note 38 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 38.

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

Robert Mactier
Chairman

Michael Connaghan
Chief Executive Officer

Sydney, 24 February 2017

Deloitte.

Deloitte Touche Tohmatsu
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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 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 2016 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

CARRYING VALUE OF INTANGIBLE ASSETS INCLUDING GOODWILL
As disclosed in note 18, at 31 December 2016, the Group has intangible assets of $1,240 million.
 	
The evaluation of the recoverable amount, specifically in relation to the Public Relations & Public Affairs operating segment, (value of intangible assets of $102 million), is the most sensitive to the assumptions. It requires the exercise of significant judgement in determining the key assumptions, which include:
 	
— 5 year cash flow forecasts;
— Terminal growth factor; and
— Discount rate.
 	
The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets including goodwill in relation to the Public Relations & Public Affairs operating segment is a key audit matter.
 	
Refer Notes 1Q, 2(i) and 18 of the financial report.
	Our procedures, performed in conjunction with our valuation specialists, included but were not limited to:
	
	— assessing and challenging:
	  — the FY17 budget by comparing the budget to the FY16 and FY15 actuals;
	  — the assumptions used for the growth rate by comparing the normalised average growth rate from FY12 to FY16 to the growth rate adopted in the impairment model;
	  — the key assumptions for long term growth in the forecast cash flows by comparing them to historical results and industry forecasts; and
	  — the discount rate applied by comparing the WACC to an independently calculated WACC 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; and
	— assessing the appropriateness of the disclosures including those relating to sensitivities in the assumptions used, included in Notes 1Q, 2(i) and 18.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
ACQUISITION OF AUSTRALIAN AND NEW ZEALAND BUSINESSES OF WPP PLC During the period WPP AUNZ (previously STW Communications Group Limited and hereafter referred to as "the Company") acquired the Australian and New Zealand businesses of WPP plc ("the Transaction") through an exchange of equity interests. As part of the Transaction, Goodwill of $484 million, Brand Names of $96 million and Customer Relationships of $146 million were recognised. The accounting for the Transaction is complex and includes a number of significant judgments. In particular: — identification of the acquirer; and — valuation of acquired identifiable intangible assets and allocation of goodwill.	
1. IDENTIFICATION OF THE ACQUIRER As disclosed in note 2, the identification of the acquirer in accordance with AASB 3 Business Combinations requires judgement based on the facts and substance of the transaction. The Directors determined that the Company was the acquirer of the Australian and New Zealand businesses of WPP plc.	We assessed the appropriateness of the identification of the acquirer by performing the following procedures: — examining the underlying Transaction documents and communications with shareholders to understand the terms and commercial substance of the Transaction, including Board minutes, ASX Announcements, Majority Shareholder Deed, Governance Deed Poll, Share Sale Agreement, Explanatory Memorandum and Independent Expert Report; — discussing the terms of the Transaction and underlying documents with management to confirm our understanding of the Transaction; — challenging management's documentation and analysis of the facts of the Transaction; — assessing the competency and objectivity of the external expert who assisted with the assessment of the acquirer. We also held discussions with the expert; — obtaining written representations from management regarding the objective of the Transaction including the intention of the Board in initiating the Transaction; and — assessing the appropriateness of the disclosures included in Notes 2 and 33.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

2. VALUATION OF ACQUIRED IDENTIFIABLE INTANGIBLE ASSETS AND ALLOCATION OF GOODWILL
Significant judgement is required in valuing the acquired identifiable intangible assets (Brand Names and Customer Relationships) and allocation of goodwill. The Company engaged an external expert to assist in the valuation of identifiable intangible assets.
	Our procedures, performed in conjunction with our valuation specialists, included but were not limited to:
	— obtaining a detailed understanding of the acquired businesses;
	— assessing the competency and objectivity of the external expert and the scope of their work;
	— obtaining an understanding of the external expert's report by reading it, and by holding discussions with the external expert, to understand the valuation methodology and key judgements made in determining the fair values such as:
	  — EBIT multiples;
	  — growth rates;
	  — attrition rate;
	  — estimated useful lives; and
	  — internal rate of return ("IRR").
	— assessing the appropriateness of the valuation methodology of the intangible assets employed by the external expert and evaluating the key assumptions used in determining the fair values;
	— assessing the appropriateness of the allocation of goodwill to the relevant cash generating units ('CGU's); and
	— assessing the appropriateness of the disclosures included in notes 2 and 33.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report and Operating and Financial Review, which we obtained prior to the date of this auditor's report, the other information also includes the following documents which will be included in the annual report (but does not include the financial report and our auditor's report thereon): Chairman's Address, CEO's Report, 21 Year Retrospective 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.

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When we read the Chairman's Address, CEO's Report, 21 Year Retrospective and ASX Additional Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL REPORT

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

OPINION ON THE REMUNERATION REPORT

We have audited the Remuneration Report included on pages 12 to 25 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of WPP AUNZ Limited, for the year ended 31 December 2016, complies with section 300A of the Corporations Act 2001.

RESPONSIBILITIES

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 24 February 2017

ASX additional information as at 27 March 2017

Additional information required by the Australian Securities Exchange ("ASX") and not shown elsewhere in this report is as follows. The information is current as at 27 March 2017 unless otherwise stated.

(A) DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, in each class of shares is:

	Ordinary shares	
	Number of holders	Number of shares
1-1,000	1,566	585,286
1,001-5,000	1,526	4,444,708
5,001-10,000	877	6,910,923
10,001-100,000	1,312	37,878,895
100,001 and over	97	802,332,058
	5,378	**852,151,870**

(B) MARKETABLE PARCEL

The number of shareholders holding less than a marketable parcel of shares (i.e. $500 worth of shares), is 997. In accordance with ASX Business Rules, the last sale price of the Company's shares on the ASX on 27 March 2017 was used to determine the number of shares in a marketable parcel.

(C) TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest holders of quoted shares are:

	Quoted Ordinary shares	
	Number of shares	Percentage of Shares
Cavendish Square Holdings BV	524,042,123	61.50
HSBC Custody Nominees (Australia) Limited	113,641,065	13.34
JP Morgan Nominees Australia Limited	58,884,571	6.91
Citicorp Nominees Pty Limited	40,814,607	4.79
National Nominees Limited	22,084,362	2.59
Citicorp Nominees Pty Limited (Colonial First State INV A/C)	5,617,000	0.66
HSBC Custody Nominees (Australia) Limited - GSCO ECA	5,206,301	0.61
BNP Paribas Noms Pty Ltd (DRP)	5,077,761	0.60
BNP PARIBAS NOMINEES PTY LTD (AGENCY LENDING DRP A/C)	3,502,953	0.41
RBC Investor Services Australia Nominees Pty Limited (PISELECT)	1,517,376	0.18
CPU Share Plans Pty Ltd	1,135,929	0.13
Aust Executor Trustees Ltd (Henroth Pty Limited)	1,000,000	0.12
Leithner & Company Pty Ltd	825,000	0.10
Woodross Nominees Pty Ltd	794,818	0.09
Kilcare Holdings Pty Ltd (The Kilcare A/C)	700,000	0.08
JE & FJ Cunningham Superannuation Pty Ltd (JE & FJ Cunningham S/F A/C)	681,463	0.08
Boathol Pty Ltd (Lord S/F A/C)	600,000	0.07
RBC Investor Services Australia Nominees Pty Limited (BKCUST A/C)	533,262	0.06
Mr. Michael Lewis Connaghan (Connaghan Nominees P/L A/C)	513,140	0.06
HSBC Custody Nominees (Australia) Limited – A/C 3	510,308	0.06
	787,682,039	**92.44**

(D) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Quoted Ordinary shares	
	Number of shares	Percentage of Shares
Cavendish Square Holdings BV (i)	524,042,123	61.50

(i) Cavendish Square Holdings BV is a wholly-owned subsidiary of WPP Group plc ("WPP").

(E) VOTING RIGHTS

At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and, on a poll, one vote for each share.

Corporate directory

DIRECTORS
Robert Mactier (Chairman)
Michael Connaghan (Chief Executive Officer)
Paul Richardson
Graham Cubbin
Kim Anderson
Paul Heath
Ranjana Singh
John Steedman
Jonathan Steel
Geoffrey Wild

CHIEF EXECUTIVE OFFICER
Michael Connaghan

CHIEF FINANCIAL OFFICER
Lukas Aviani (resigned 19 October 2016)

INTERIM CHIEF FINANCIAL OFFICER/COMPANY SECRETARY
Chris Rollinson

AUDITOR
Deloitte Touche Tohmatsu

SOLICITOR
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