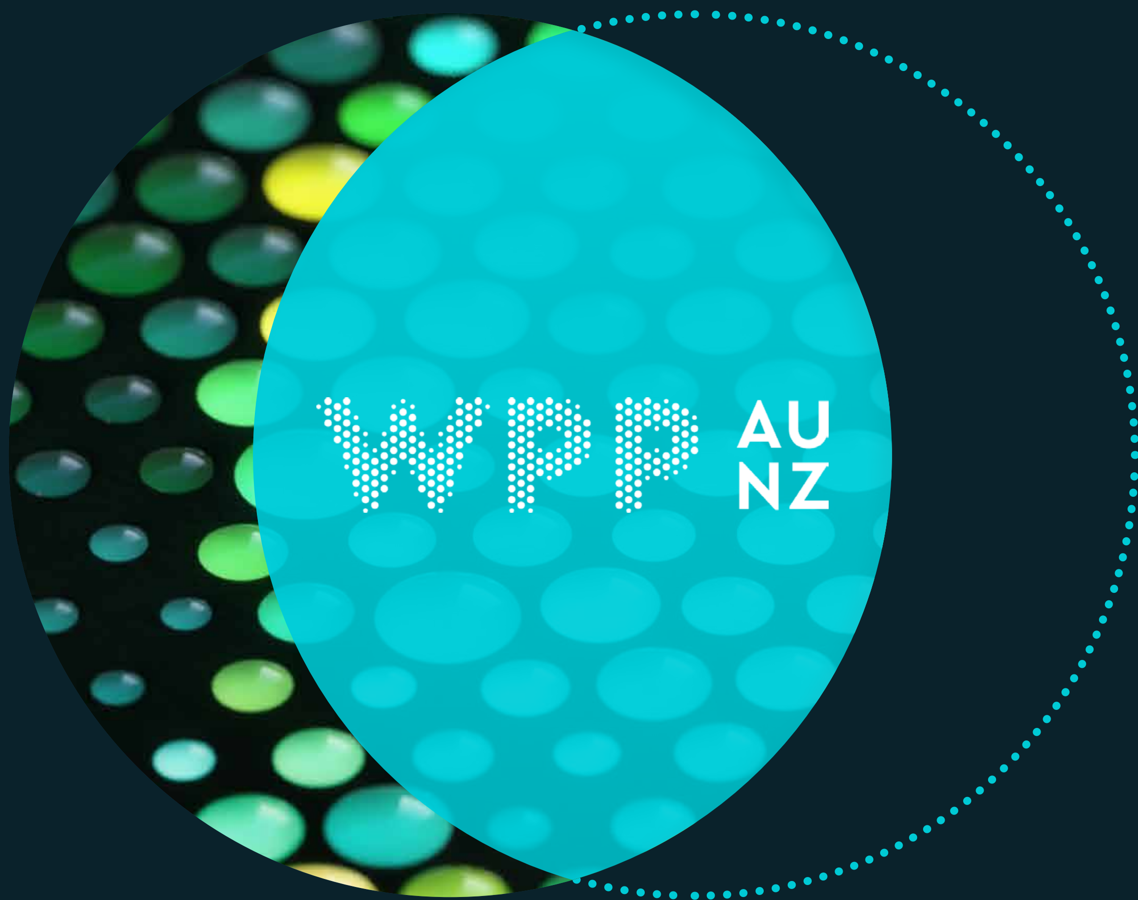


ANNUAL REPORT 2019

We bring together the most creative minds, strategic thinkers and technology capabilities, to reshape and support the future of businesses and the public sector.

CONTENTS

CHAIRMAN'S LETTER

Dear Shareholders

This past year has seen the start of a transformation for WPP AUNZ as we finalised an extensive global search for a new CEO with the appointment of Jens Monsees in October 2019. Jens' track record of successfully transforming leading brands and companies, and his belief in the power of culture and collaboration to drive success, mean he is strongly suited to champion and lead our change program. On behalf of the Board, I would like to extend a big thank you to John Steedman for his leadership during the CEO transition period and his continuing support for Jens.

Jens has over 20 years' experience in international brand management, digital strategy, transformation, and innovation across multiple industries including media, FMCG, retail, healthcare and automotive. He was most recently Corporate Vice President at BMW Group in Germany where he led all digital initiatives from customer and services, to connected car; and from production to technology and software enablers. There, he helped establish a "mobility powerhouse" for new mobility business models, through a joint venture with competitor Daimler. As well, he led a BMW Group venture fund for early investments in technology start-ups.

Jens has hit the ground running. Only six months into the role, he has already announced WPP AUNZ's new corporate strategy with a clear roadmap to return the business to profitable growth. Our ambition is to be the leading company delivering creativity powered by technology in Australia, New Zealand and South East Asia.

THE NEW WPP AUNZ

WPP AUNZ's new strategy acknowledges the significant technological changes in the marketing and communications industry and recognises the changing needs of our clients and the way consumers behave and interact. It looks to position WPP AUNZ as the market leader across a new solutions portfolio which includes experience, commerce and technology.

We are driving collaboration across our strong brands, investing in technology capabilities and leveraging our existing knowledge and experience, to capture new opportunities that better serve our clients and their customers. Importantly, we also continue to draw on the experience, insights and capabilities of our major shareholder, WPP plc.

We are committed to restoring WPP AUNZ to sustainable, profitable growth. With established brands, regional scale and a breadth of capability, we are confident we have a strong position from which to grow. The Board, together with WPP plc, has every confidence in the new strategy and the ability of our senior leadership team to successfully implement changes that connect the capabilities across our Group, and enable us to adapt more quickly to market trends.

2019 FINANCIAL PERFORMANCE

At the headline level, our continuing business net sales were down 2.6% and our continuing businesses earnings before interest and tax were down 8.7%.

This overall financial performance was clearly very disappointing and underscores the importance of, and need for, the significant change program we have embarked on. Our 2019 financial performance was impacted by internal factors and account losses within certain brands, overlayed by a challenging advertising and media market in our largest reporting segment, Global Integrated Agencies. Importantly, however, when we look deeper into the numbers, we can see that despite the headline result, a large number of our brands are performing well and growing.

SALE OF KANTAR AUSTRALIA AND NEW ZEALAND

The sale of the Kantar businesses in Australia and New Zealand was completed in December 2019 and has unlocked value for our shareholders. Gross cash proceeds of $158.7 million have enabled us to reduce gearing to below the current target gearing ratio of 1.5 – 2.0 times net debt / EBITDA and ensure we have capacity to support our new strategic plan.

The Board is confident that, following the sale of the Kantar businesses, our conservative balance sheet will enable us to support and invest in the business strategy in the face of the challenging industry conditions and global economic uncertainties created by the rapidly unfolding COVID-19 crisis.

OUTLOOK

Looking ahead, I am confident that we are well placed to unlock the benefits of our market-leading scale, breadth and global connectivity.

We are focused on the long-term growth opportunity, not only in areas of communications and marketing but in increasing market share in experience, commerce and technology.

The next 12 months will be a year of continuing transformation with the implementation of the new strategy and clear focus on putting our clients' needs at the heart of our offering. We are mindful of the external environment and as I write, we are very conscious that the full impact of COVID-19 on our people, our clients and regional economy is yet to play out. Suffice to say, these are clearly challenging times and the wellbeing of our people and our clients is a priority.

In closing, I say thank you to our people, our clients, our shareholders and my fellow Directors for their respective contribution, patience, support and continued commitment during 2019.

Yours sincerely

Robert Mactier
Chairman

WE'RE BUILDING A NEW WPP AUNZ THAT DELIVERS THE BEST POSSIBLE RESULTS FOR OUR CLIENTS, PEOPLE AND SHAREHOLDERS.

CEO'S WELCOME

INTO THE NEXT DECADE

Dear Shareholders

After stepping into the CEO role last October, it was quickly clear to me that WPP AUNZ is an extraordinary company with many talented people, strong brands and excellent client relationships. Our clients include many of the largest private and public companies and government agencies in Australia, New Zealand and South East Asia. We also have strong relationships with the world's leading media and technology companies. But, what has impressed me most is the strength of our relationships with our clients and our ability to support them in navigating a constantly evolving business environment.

This has been most pronounced in the initial months of 2020 as the world faces a once-in-a-century pandemic, COVID-19. As I write, we are yet to understand and quantify the full impact of the virus on the regional economy, our clients and our business. However, what has been evident as it unfolds, is the ability of our business to adapt to this new environment. Firstly, our people have been adept at moving to agile and digital working practices. More broadly, technology is being tested in new ways and at scale. Social distancing is taking consumers online more than ever. Community behaviours and priorities are changing at pace. We are a critical partner to our clients servicing consumers online, providing marketing and advertising technology expertise, and crisis and issues management communications.

THE NEW WPP AUNZ

Looking at WPP AUNZ today and the future opportunity, I believe there has never been a more exciting time to be in our business. The Chief Marketing Officer's role has changed and with it, the definition of our market has also moved far beyond traditional advertising and media. Technology is what is underpinning consumer engagement now and into the future.

We have redefined our offering into four solutions pillars: Communications, Experience, Commerce and Technology. I encourage you to read further on in this Annual Report where you will find more detail on each of these pillars.

In Australia and New Zealand, our addressable market is valued at close to $28 billion (as of 2019), with double-digit growth expected in experience, commerce and technology. The market opportunity in South East Asia is also significant, and exciting.

With our geographic footprint, excellent talent and strong brands, our new strategy will leverage these strengths to achieve our vision to be a creative technology company.

OUR ROAD AHEAD

Our three-year strategy is focused on six key areas:

1. Operating Model
We are creating a connected solutions portfolio so that we can offer our clients all the relevant services they need in a seamless manner. Our brands will now collectively work together to provide our clients the communications, experience, commerce and technology services they may need.

To best support our brands in the areas of technology and data analytics, we have established a tech hub, the Centre of Excellence, which will develop and integrate solutions to be scaled across brands.

2. Clients
Our clients are at the heart of our strategy as we work to better serve them and be their partner of choice across our service areas. We are building a client relationship management system to support our collaborative approach across brands, and we are client mapping to identify areas of opportunity for our clients.

3. People
We are focused on: implementing a new leadership model; fostering cross-brand career paths; and, importantly, appropriately rewarding performance. We are instituting a new incentive plan, that the Board has approved, rewarding our best performing people with WPP AUNZ shares. As part of our commitment to attract and retain the best people in our industry, we have set a goal to achieve equal gender representation in executive leadership roles by 2021 – our female to male executive split is currently 38:62 (as at 31 December 2019). In addition, in 2019 we established a Diversity and Inclusion Council to drive cultural change, inclusiveness and diversity across our group.

4. Platform
We are creating one shared service delivery platform to support our strong brands. This means one human resource, one legal, one IT and one marketing and communications function for the Group. A shared delivery platform allows us to provide an end-to-end employee journey across brands, which will increase employee engagement and improve efficiency in our business.

5. Solutions
As we seek to build our capabilities in commerce, experience and technology, we will rebalance the historical strong weighting to traditional advertising and media disciplines. To achieve this, we are on the path to developing an end-to-end tech stack, we are considering selective M&A and we are entering partnerships with key tech players.

6. Geographies
To support our brands working together for the best client outcomes, we are bringing together all of our brands into one 'campus' in each major city in Australia and New Zealand. In South East Asia, we are taking a two-pronged approach: using our existing offices to grow our business into those markets, whilst also establishing an offshore support hub for our Australian and New Zealand businesses. The opportunity in South East Asia is exciting and one that we are yet to fully leverage.

We are well placed to provide everything our clients need in communications, experience, commerce and technology, and, in many cases, we are already doing that. We know that adapting to the changing world around us is the key to sustainable, profitable growth and continually improving performance across the business.

In my first months as CEO, I have spent a good deal of my time listening. What I have heard is that our people want to be part of a collaborative and inclusive culture within a company that's built for the future. They are excited about the change ahead. We need to transform with speed, strength and purpose to ensure we establish our place as the leading creative technology company across Australia, New Zealand and South East Asia.

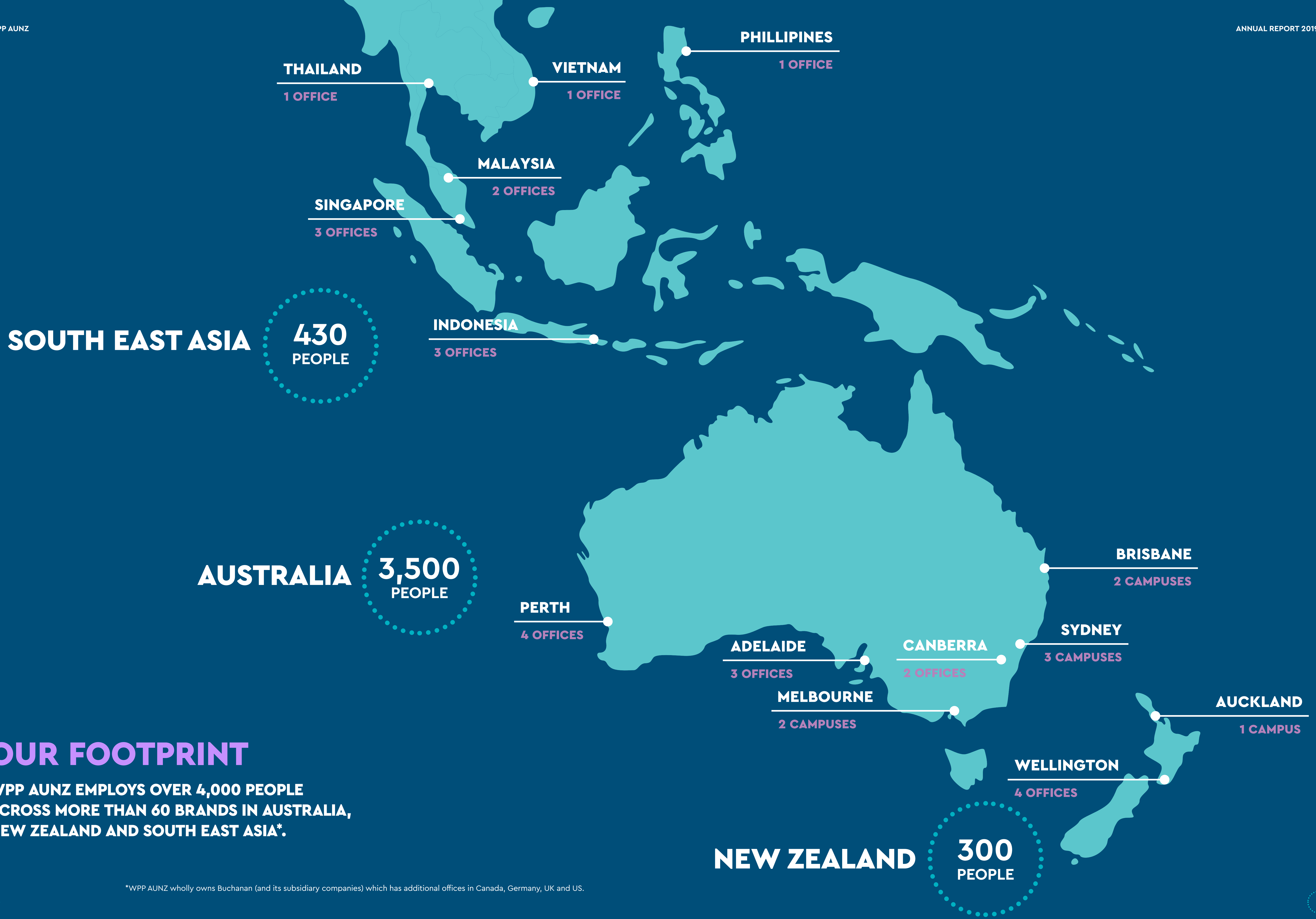
Executing our strategy of transformation is the main priority in 2020.

We are building a new WPP AUNZ that delivers the best possible results for our clients, people and shareholders for many years to come. Our business is in a strong financial position, with proceeds from the sale of Kantar reducing our debt levels substantially. With our scale and financial strength, we have the confidence to face any challenges that arise from COVID-19.

And while there are near-term challenges, in the long term I can say that the future is bright. I look forward to creating the WPP AUNZ of the future.

Jens

Jens Monsees
Chief Executive Officer & Managing Director



OUR FOOTPRINT

WPP AUNZ EMPLOYS OVER 4,000 PEOPLE ACROSS MORE THAN 60 BRANDS IN AUSTRALIA, NEW ZEALAND AND SOUTH EAST ASIA*.

*WPP AUNZ wholly owns Buchanan (and its subsidiary companies) which has additional offices in Canada, Germany, UK and US.

OUR BRANDS

We have more than 60 specialist brands covering all disciplines of marketing and communications from digital, data insight and media, to brand communications, events, public relations and more.

Each brand brings highly differentiated skills to deliver against our four solution pillars: Communications, Experience, Commerce and Technology (see page 11).

These brands increasingly work in collaboration with each other, sharing their expertise to help clients achieve desired outcomes.

Ultimately, it is our clients who determine how they would like to work with us. But the breadth and depth of our capabilities allows us to come together in whatever way best suits the needs of a specific client or project.

We are at our best when we combine our knowledge of communications, experience, commerce and technology to help our clients grow their businesses.

ACTIVATION, SHOPPER & EVENTS

geometry, Graffiti, WPP AUNZ EXPERIENCES, + maverick, PLAY

MEDIA

groupm, Astus, essence, FINECAST, MEDIACOM, BLAZE, MINDSHARE, neo, [m] PLATFORM, prism, plista, Wavemaker, XAXIS, IKON

DIGITAL & E-COMMERCE

adcast NXT, aleph, AKQA, millipede, SwitchedOn, buchanan, CPR VISION, HAYLIX, Ogilvy, TAGUCHI, VMLY&R, IdeaWorks, whiteGREY, WUNDERMAN THOMPSON

TEAM MODELS

teamred, UNION, Sibl'ng., gtb, the constellation

BRANDED COMMUNICATIONS

IKON, ima, Ogilvy, spinach, the brand agency, VMLY&R, whiteGREY, WUNDERMAN THOMPSON

PRODUCTION & SPECIALIST

ACTIVE, afi BRANDING, Premiums & Packaging by ACTIVE, etcom, H AUSTRALIA, pHuel, The Government & Public Sector Practice

PUBLIC RELATIONS & PUBLIC AFFAIRS

barton deakin Government Relations, bcw, CANNINGS, Cannings Purple, HawkerBritton, Hill+Knowlton Strategies, opr, opr corporate, opr employee experience, opr health, HOWORTH, PARKER & PARTNERS, pulse, THE BOND & ASSOCIATES, Ogilvy Health (PR)

HEALTH & WELLNESS

Ogilvy Health

BRAND CONSULTING

Designworks.

Landor

DATA & INSIGHT

WPP AUNZ ANALYTICS

beyondanalysis

AT A GLANCE

OUR GLOBAL BRANDS

AKQA
BCW
Beyond Analysis
Buchanan
CPR Vision
Geometry

GroupM
- Astus
- Essence
- Mediacom
- Mindshare
- mPlatform
- Neo
- Plista
- Prism
- Wavemaker
- Xaxis

GTB
Hill+Knowlton Strategies
Hogarth
Landor
Ogilvy
Ogilvy Health
VMLY&R
Wunderman Thompson

OUR LOCAL BRANDS

Active Display Group
- AFI Branding
- Premiums & Packaging

Barton Deakin
Cannings
Cannings Purple
Designworks NZ
Etcom
Finecast (GroupM)
Fusion
Graffiti
Hawker Britton
Haylix
Ikon Communications
IM Advertising
Maverick
Millipede
opr
- Howorth
- opr corporate
- opr employee experience
- opr health
- Parker & Partners
- Pulse

phuel
Sibling
Spinach
Taguchi
Team Red
The Bond & Associates
The Brand Agency
The Constellation
The Government & Public Service Practice AUNZ
The Origin Agency
Union
whiteGREY

KEY FACTS & FIGURES

4,000+ PEOPLE

8 CAMPUSES

12 COUNTRIES
See page 6

60+ BRANDS
See page 9

CLIENT FIGURES

1,500+ CLIENTS

TOP 100 CLIENTS

78% Global clients

22% Local clients

23% ASX clients

KEY PERFORMANCE INDICATORS (CONTINUING BUSINESSES)

Net Sales
$712.5M

EBITDA
$128.5M

Earnings Per Share
6.0 CENTS

Margin
12.9%

GENDER DIVERSITY

As at 31 December 2019

EMPLOYEES

FEMALE **58%** | MALE **42%**

SENIOR MANAGERS

FEMALE **54%** | MALE **46%**

EXECUTIVE MANAGERS

FEMALE **38%** | MALE **62%**

OUR SOLUTIONS PILLARS

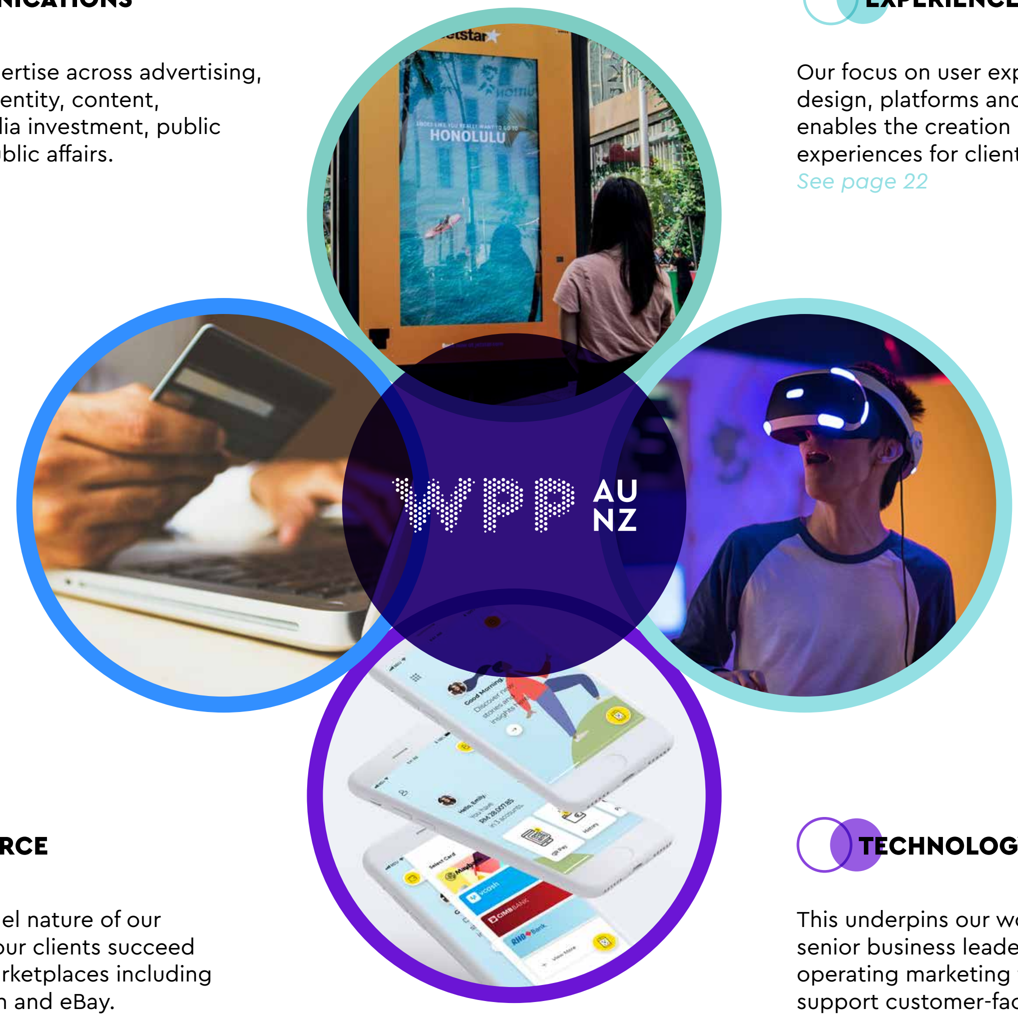
WE'RE HELPING CLIENTS NAVIGATE THEIR EVER-CHANGING ENVIRONMENTS WITH THE BEST OF:

COMMUNICATIONS

We provide expertise across advertising, branding and identity, content, healthcare, media investment, public relations and public affairs.
See page 12

EXPERIENCE

Our focus on user experience, service design, platforms and applications enables the creation of compelling brand experiences for clients.
See page 22



COMMERCE

The omni-channel nature of our business helps our clients succeed in a range of marketplaces including Alibaba, Amazon and eBay.
See page 32

TECHNOLOGY

This underpins our work with the senior business leaders building and operating marketing technology to support customer-facing activities.
See page 38

COMMUNICATIONS

Our capabilities in advertising, branding and identity, content, healthcare, media investment, public relations and public affairs give us unmatched breadth and depth in the world of communications.

We bring creativity and technology to the task of solving business problems.

Our ideas build brands, protect reputations and deliver meaningful results.

We make emotional connections between people and brands that last a lifetime.

Strong brands are the best protection against competitors, the best justification for premium pricing and the best way to ensure customer loyalty in a market disrupted by technology.

WHAT WE OFFER

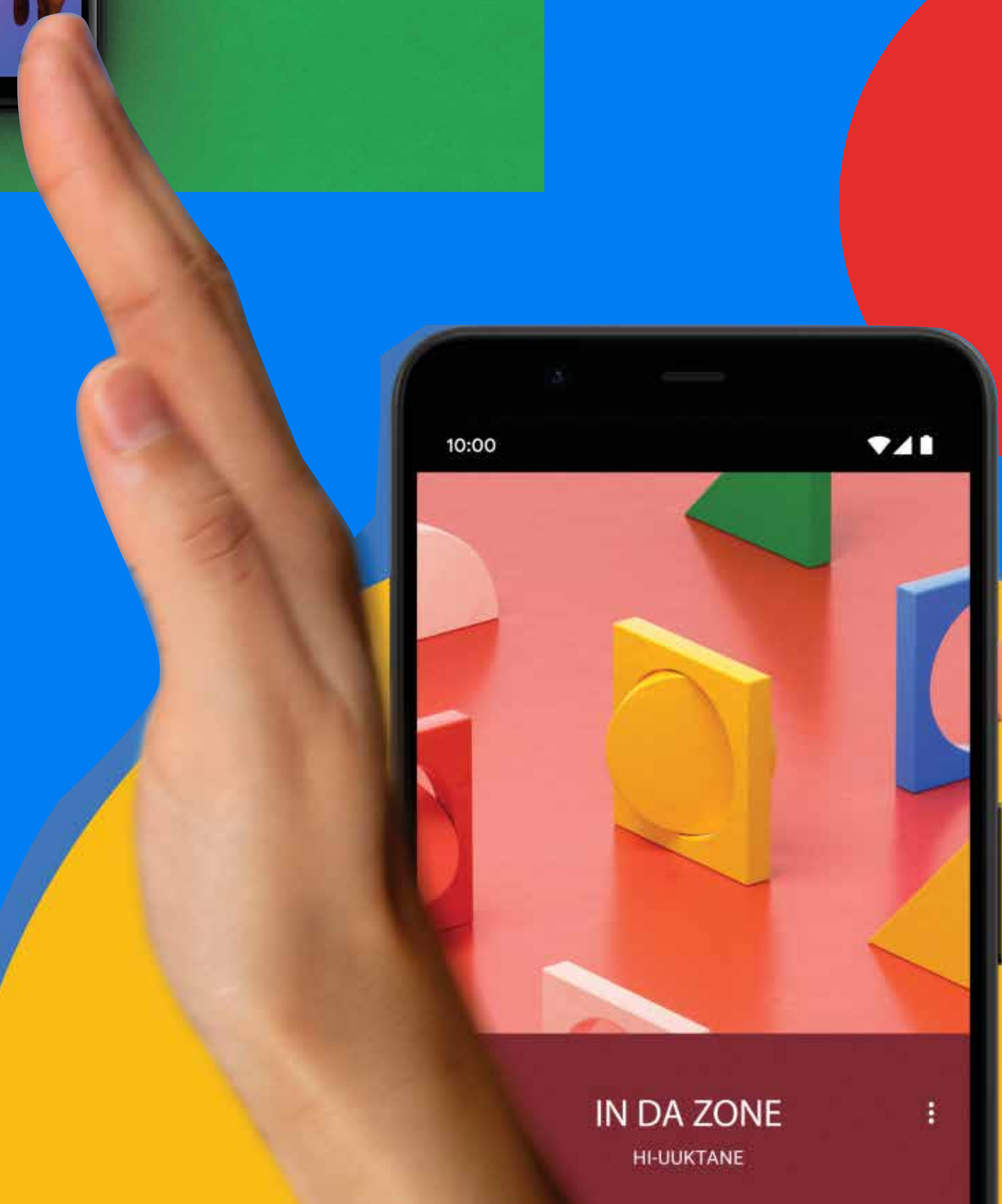
Advertising
Branding & identity
Content
Healthcare
Media investment
Public relations
Public affairs

OPPORTUNITY

Our growth in communications will be driven by media spend, primarily programmatic and search, content creation, social media, influencer marketing and our focus on the healthcare sector.

CLIENTS INCLUDE

AAMI
American Express
Australian Defence Force
Bunnings
Colgate-Palmolive
Commonwealth Bank of Australia (CBA)
Coca-Cola
Fonterra
Ford
Google
HESTA
KFC
Mars
McDonald's
Mondelēz
Pfizer
Procter & Gamble
Subway
Transport for NSW
Treasury Wine Estates
Vodafone
Westpac
Woolworths



14 year relationship with Google

50+ campaigns for Google

GOOGLE'S AGENCY OF RECORD

BRAND **ESSENCE** | CLIENT **GOOGLE**

Even Google needs a media agency to advertise its suite of products in the market.

Products like Search, Chrome, Assistant, Pixel and Nest. Entertainment platforms like YouTube and Google Play. B2B products like AdWords and Cloud. Plus brand and reputation communications covering data and privacy, and Grow with Google, which is targeted at small to medium businesses.

Essence is part of GroupM, the world's leading investment media company. Its 14-year relationship with Google began with a small project and has grown to include the entire spectrum of the Essence offer.

Essence has worked with Google in Australia and globally to meet demand in offline media, data science and experiential innovation.

At the same time, Essence continues to deliver data-driven, end-to-end campaign management from media strategy and planning, through to buying and advanced analytics.

The work Essence does touches almost every corner of the Google business.

At last count, Essence had delivered more than 50 campaigns for Google in Australia since 2016.

We are extremely proud of this partnership.

STOP ASKING THE WRONG QUESTION ABOUT LUNG CANCER

BRAND
LIFE AGENCY
(Part of opr Agency)

CLIENT
LUNG FOUNDATION AUSTRALIA
ASTRAZENECA

When research showed that the first question 40% of Australian's would ask someone who was diagnosed with lung cancer, was "did you smoke?", LIFE Agency worked with Lung Foundation Australia to confront and stop the stigma of lung cancer in its tracks.

They developed a campaign that turned the focus on the loved ones of those living with lung cancer – the daughters, sons, sisters, wives, husbands and best friends, who sadly had to witness stigma having an impact every day.

A striking photo series featuring these brave Australians implored the community to "*Stop asking the wrong question about lung cancer.*" Followed by "Don't ask if my mum smoked, instead ask why lung cancer patients are four times more likely to suicide than the general population," or "Don't ask if my wife smoked, instead ask why lung cancer takes more lives than breast, prostate and liver cancers combined, yet it is the least funded."

In January 2019, LIFE Agency launched via a traditional media, outdoor and social media campaign and successfully changed perceptions. Whilst in 2017, 40% of Australian's admitted the first question they would ask someone with lung cancer, was "did you smoke?", post campaign, this number reduced by 30%.

MICHELIN IMPOSSIBLE

65% of Australians surveyed claimed improved food quality perceptions

850 MILLION people reached through earned media

DOUBLE the category sales growth

SAM EDELMAN
KFC ALICE SPRINGS FRANCHISEE

GWENDAL POULLENNEC
INTERNATIONAL DIRECTOR, MICHELIN GUIDE

THE ULTIMATE CHALLENGE

BRAND	CLIENT
OGILVY OPR AGENCY MEDIACOM	KFC

When KFC had previously tried to tell people their food was good quality, no one believed it. So instead of telling them again, we created a massive publicity stunt to get Australians reconsidering the quality of KFC's food.

Through research, we discovered when people simply called our chicken "Kentucky Fried Chicken" perceptions of quality went through the roof. (GALKAL 2018) We needed to find a credible way to get this new (but old) brand name out there.

So we sent an unlikely hero on an impossible mission: to get Kentucky Fried Chicken the ultimate symbol of food quality; a Michelin Star. We recruited Sam Edelman, an incredibly charismatic KFC store owner that Australia would want to get behind.

To earn a Michelin Star, a restaurant must be considered "worth a special journey". Sam's customers regularly drove 1000km to his central Australian store to eat his Kentucky Fried Chicken. That's got to be worth a star. Right?

Authenticity was crucial. So even though the initial content was scripted and shot weeks before launch, the mission played out in real-time via a Facebook Group that appeared set-up by our KFC store owner, Sam.

His audacious mission to win a Michelin Star embroiled millions of people in the debate, leading to massive global coverage, gaining him an audience with the Michelin Guide in Paris.

We didn't get the star, but we did get people saying "Kentucky Fried Chicken". Including the Director of the Michelin Guide.

A BEHAVIOUR CHANGE CAMPAIGN FOR THE NEW LIGHT RAIL

BRAND
WUNDERMAN THOMPSON

CLIENT
TRANSPORT FOR NSW

Sydney's newest light rail spanning 12km, with 19 stops had a unique safety challenge: unlike the existing light rail, it would share the road with vehicles, pedestrians and cyclists. The potential for accidents was high, so Transport for NSW partnered with Wunderman Thompson, a creative consultancy, to educate the public on how to share the road safely with the new trams.

Wunderman Thompson drew on their deep experience of how to drive behaviour change, having worked on a range of challenges from road safety behaviours, to bush fire preparation to preventative health campaigns. Data on attitudes and road behaviour were combined with behavioural economics insights to inform the communications strategy and underpin the creative solution.

The campaign leveraged social norming and positive behaviour modelling to encourage the right behaviours and to drive a sense of shared responsibility and collective change.

Creatively the Sydney community featured at the heart of the campaign to turn awareness into behaviour through a combination of mass media and contextually relevant behavioural nudges along the Sydney light rail network.

[1] LR Safety Campaign Evaluation: Wave 1 by Snapcracker Research

84% of people confirm making a positive change to their behaviour around light rail [1]

61% of people surveyed likely to tell family and friends about light rail safety [1]

EXPERIENCE

Expertise in user experience, service design, platforms and applications enables us to create compelling and memorable brand experiences for clients.

We bring brands to life with delightful, engaging, interactive experiences.

This might be through a virtual reality game or turning a retail space into a magical Christmas wonderland.

We design experiences that cultivate enduring relationships between people and brands.

WHAT WE OFFER

Customer experience design
Platforms
Websites
Mobile applications
Voice technology
Augmented and virtual reality

OPPORTUNITY

Our growth in experience will be driven by the integration of the online and offline experience through various technologies including voice activation and virtual reality.

CLIENTS INCLUDE

AAMI
Australian Federal Government
BP
CBA
Four Pillars Gin
IAG
McDonald's
Westfield
Woolworths

WHEN ALL YOU CRAVE IS MACCA'S DRIVE-THRU

BRAND	CLIENT
VMLY&R	**MCDONALD'S**

In 2019, McDonald's started to trial new technology on their drive-thru menu boards that can offer customers contextually relevant and responsive products in real-time.

VMLY&R worked on the UX and UI design for this new technology for McDonald's Australia which will be rolled out across over 100 McDonald's restaurants across Australia.

Now a McDonald's customer can order off the menu board and the technology can recommend different McDonald's products based on the customer's order and sales history, personal preferences, location, the weather and time of day.

It's another brilliant example of how VMLY&R is at the leading edge of CX and part of inventing the future of the retail experience.

TURNING SUMMER ORANGE

BRAND
AKQA

CLIENT
FOUR PILLARS GIN

In Summer 2019, AKQA Media were tasked with taking Four Pillars Gin to a wider audience than ever before.

The catch? They had to do so without sacrificing the brand's craft heritage – so they focused on the brand's key belief that *the best way to drink a G&T is with Orange*.

The mission then became to **turn summer orange**, converting the casual gin fan into a Four Pillars Gin drinker by emphasising the colourful tenet that sets them apart.

Starting with Four Pillars' first-party data, AKQA Media used Facebook and Google's 'lookalike' audience capability, overlaid it with interest targeting and created the most relevant, effective audience possible.

The campaign launched by flipping the traditional social 'how-to video' on its head, with absurdist hero video 'The Equation'. The video drove immediate cut through amongst their carefully crafted audience.

We continued to drive brand preference with a series of evocative 'brand story' videos, connecting new audiences with the brand's core values.

This integrated, audience-led strategy drove industry-leading lifts in brand, conversation and ROI.

34%
increase in ad recall (Facebook)

21:1
Return on Ad spend for eCommerce activity (Facebook)

35%
lift in purchase intent (Youtube)

THE GREAT AUSSIE BP RUN

BRAND
OGILVY
MINDSHARE
GEOMETRY
MILLIPEDE

CLIENT
BP AUSTRALIA LIMITED

In 2019, BP challenged Ogilvy to increase foot traffic and transactions in BP's network of 1,400 stores. The degree of difficulty was high with rising fuel prices at the time.

The response was to celebrate BP's 100th birthday by creating a fun and uniquely Australian mobile game called BP Run. It encouraged fuelers to shop in store in exchange for the chance to win over 250,000 prizes.

A cross-discipline team of WPP AUNZ brands were assembled to create the campaign elements. As the lead agency, Ogilvy developed the strategy and creative idea, as well as creating a distinctive campaign idea and all the associated assets. Mindshare devised a plan for media placements to target fuelers before, on approach and on-forecourt. Geometry facilitated back-end integration and prize fulfilment. The experts in mobile experience, Millipede, developed the BP Run mobile app.

The success of the campaign has inspired a multi-country roll out of the idea with Spain the next market to launch its own BP Run.

F1 Content:
116 million impressions and a total of 4.4 million views

600,000+ on Facebook Live stream

Live broadcast reached millions across 25 global territories

#F1Launch2019 trended #1 on Twitter in the UK & Australia

FORMULA 1 SPECTACULAR SEASON LAUNCH

BRAND **GRAFFITI** | CLIENT **FORMULA 1**

For the first time in Formula 1's 69-year history, all 20 F1 drivers and 10 team bosses came together to give fans worldwide the chance to get closer to their idols. Every driver. Every team. One stage. The official 2019 F1 Season Launch translated to a global broadcast spectacle, and was developed and managed by Melbourne-based agency, Graffiti.

Graffiti, a specialist experiential agency, have a 15-year history working in sports partnerships both on a national and international level.

Held in Melbourne's iconic Federation Square, the teams made their way along the Yarra River and arrived by boat to a crowd of over 10,000 fans. Fan engagement touchpoints lined the driver journey, to the delight of fans F1 teams walked through crowds, signing autographs, talking and taking selfies.

In a fitting finish to the event, MC, Mark Webber, grabbed a camera and took the ultimate F1 selfie that was shared across the globe clocking up 210,000 likes on Instagram.

Alex Lowe, Head of Brand, Formula 1, said: "From the outset Graffiti understood Formula 1 is the ultimate sporting and entertainment experience, and have been a great partner on the ground throughout the project".

COMMERCE

We are creating direct-to-consumer platforms, expanding our growing omni-channel business and helping our clients navigate marketplaces including Alibaba, Amazon and eBay.

Ecommerce is an important sales channel for most businesses now because consumers expect to have the option to shop online.

We are helping our clients drive sales across all channels. We provide everything from site builds to strategic consultancy.

WHAT WE OFFER

Direct-to-consumer
Omni-channel retail
Marketplaces including Alibaba, Amazon and eBay

OPPORTUNITY

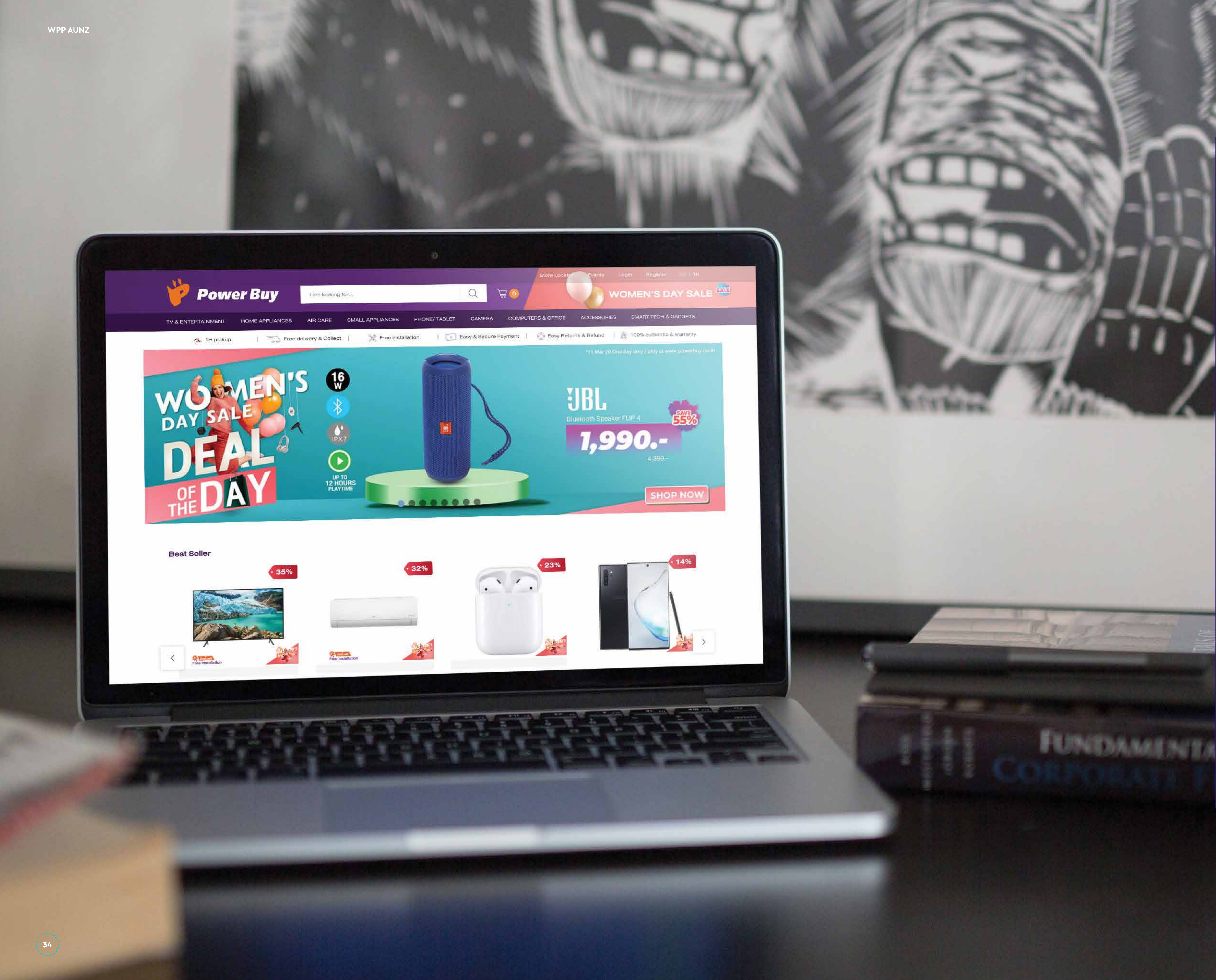
Growth in commerce is expected to be driven by grocery, direct-to-consumer, non-retail sectors like airlines, travel, banks as well as marketplaces.

STRATEGIC PARTNERS

Adobe
Amazon
Google
Salesforce
Sitecore

CLIENTS INCLUDE

Australia Post
Bunnings
ING
Mars
Mediacorp
NAB
Powerbuy
South Australian Tourism Commission
Vodafone
Westpac



ONLINE SALES UP 100%

BRAND
ALEPH

CLIENT
POWERBUY

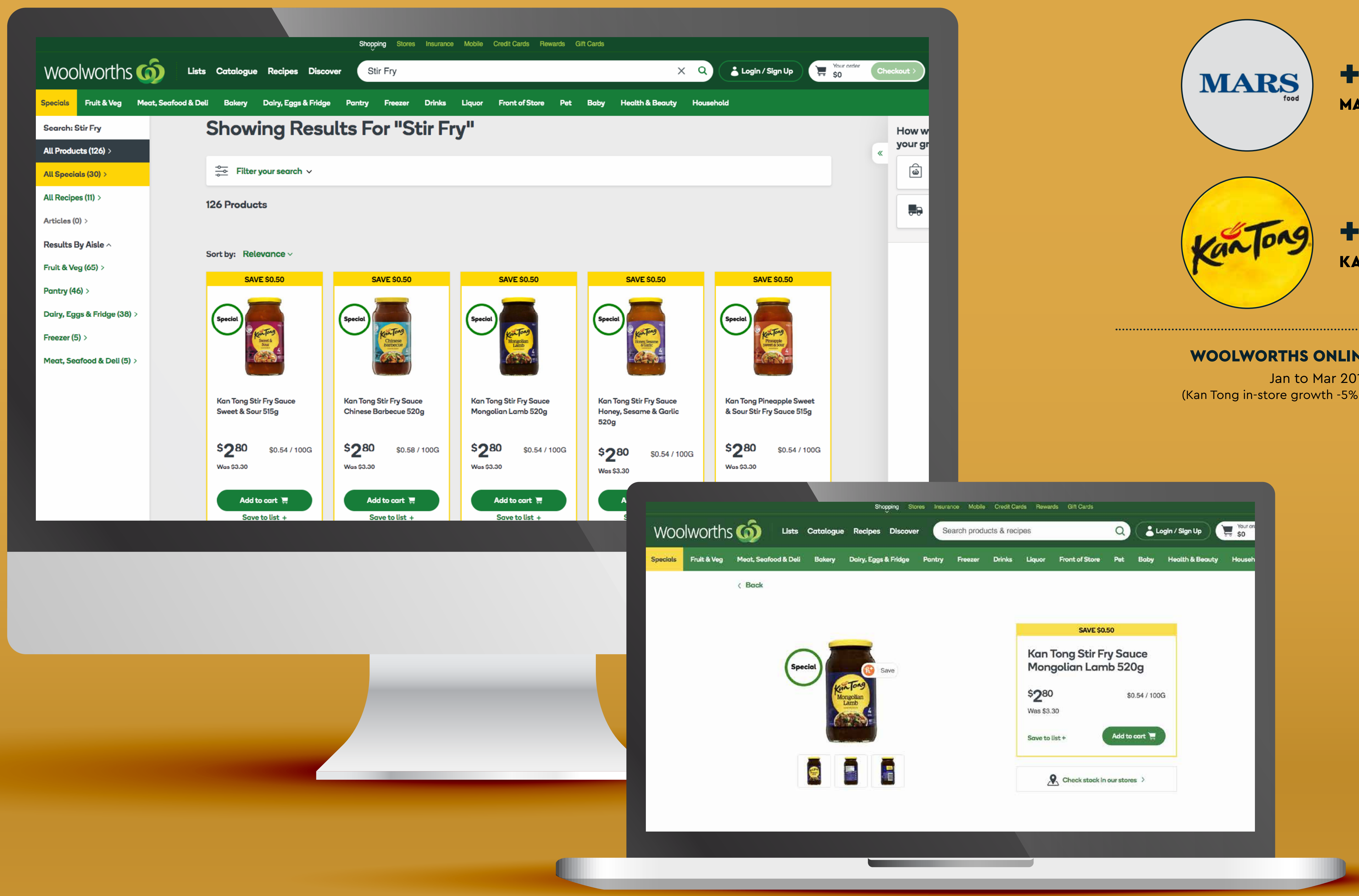
As the leading retailer of consumer electronic products in Thailand, Powerbuy wanted to reaffirm their top position in the market by redesigning their ecommerce platform, with the objective of increasing online sales and improving online experiences aligned with their omni-channel and in-store strategy.

Aleph was engaged to provide Strategy, UX/UI Design and Interaction Design services in a rapid three month go-live project.

Working closely with Powerbuy, Aleph created a platform that is flexible to adapt to a large number of different products, preserving a seamless user experience whether buying a product or accessing Powerbuy's support and repair channels.

They took a component-based design approach to ensure that the outcomes would be reusable and that the work delivered would continuously enhance Powerbuy's numerous platforms.

After the release of the redesigned platform, Powerbuy achieved a 100% increase in online sales in 3 months.



+18%
CATEGORY AVG.

+21%
MARS FOOD AVG.

+71%
KAN TONG

WOOLWORTHS ONLINE GROWTH
Jan to Mar 2019
(Kan Tong in-store growth -5% for same period)

DRIVING GROWTH IN THE ONLINE WORLD

BRAND
GROUPM

CLIENT
MARS

Mars challenged GroupM to drive online share growth via its key retail partnerships.

GroupM combined best practice rules with an automated solution to track and benchmark key ecommerce metrics.

For the Kan Tong brand, GroupM standardised brand terms on the Woolworths digital shelf and inserted "Stir Fry" as a new title keyword.

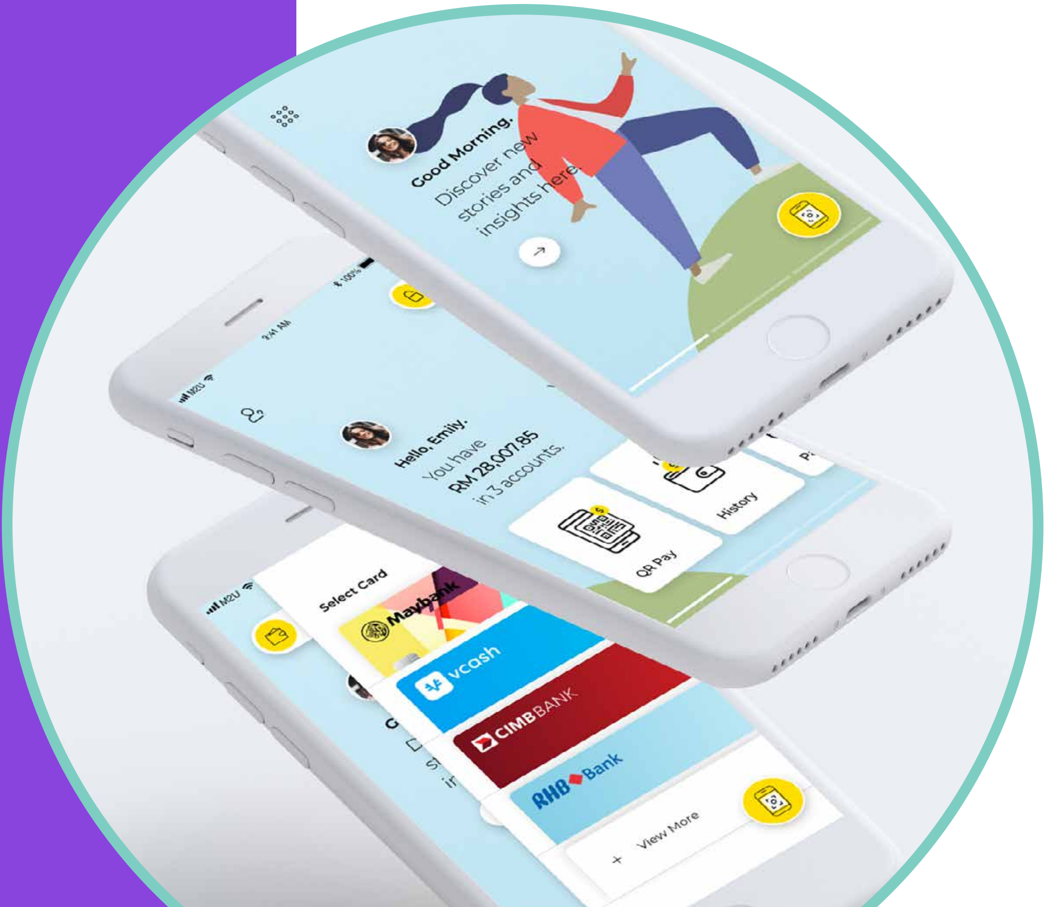
This led to 71% online sales growth for Kan Tong in Woolworths, versus 18% growth for the category during the same period.

TECHNOLOGY

Our data management, marketing technology, consulting and systems integration services sit alongside our partnerships with the world's leading technology companies to deliver client value and growth.

Our clients increasingly put technology at the centre of their marketing to create stickier connections between their brands and the consumers they seek to attract.

We design, build, integrate and run client platforms, using our relationships with technology companies to offer efficient and scalable solutions.



WHAT WE OFFER

Data management
Marketing technology
Consulting
Systems integration

OPPORTUNITY

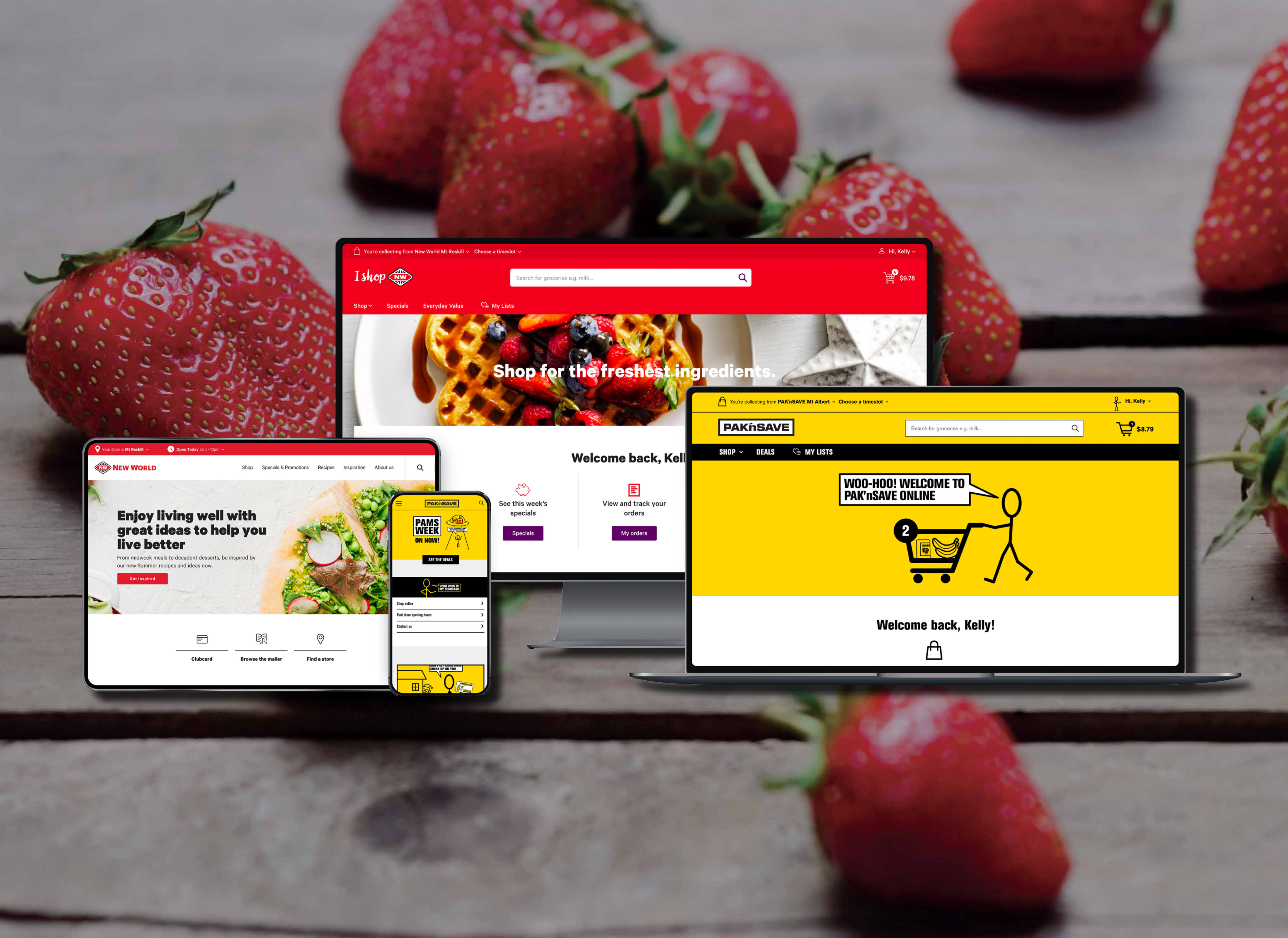
Growth in technology is expected to be driven by Adobe and Salesforce practices, agnostic consulting on technology choice and the continuing alignment of the CIO, CTO and CMO.

STRATEGIC PARTNERS

Adobe
Google
Microsoft
Salesforce
Sitecore

CLIENTS INCLUDE

Australia Post
Bunnings
CBA
Foodstuffs New Zealand
New Zealand Coastguard
South Australian Tourism Commission



FOOD, GLORIOUS FOOD IN PARTNERSHIP WITH SITECORE

BRAND
AKQA

CLIENT
FOODSTUFFS NEW ZEALAND

Responding to a challenge laid down by Foodstuffs, New Zealand's biggest supermarket retailers, AKQA developed an online retail platform for its two hero brands – PAK'nSAVE and New World. The ambition? To develop New Zealand's "best loved" commerce experience.

Building on the Sitecore Experience CommerceTM platform, AKQA started a retail transformation journey that will ultimately see Foodstuffs creating a true omni-channel retail experience for grocery shoppers.

This transformation journey saw AKQA winning Sitecore's Ultimate Experience Award for the region. This was presented at Sitecore's global symposium in Florida.

This is exactly the kind of collaboration we seek. It's an example of how working with partners like Sitecore delivers exceptional client service, positioning us at the cutting edge of retail technology and personalisation.

PREDICTIVE SEARCH & RESCUE OPERATIONS

BRAND
AKQA DESIGNWORKS

CLIENT
NEW ZEALAND COASTGUARD

Saving more lives at sea is the singular mission for the New Zealand Coastguard. AKQA worked with Coastguard New Zealand to design a mobile app which enables increased accessibility, visibility and communications transparency between Coastguard and boats.

To support the app, a Trip Reporting System was developed for boat users to register their boat's profile (including a photo) and 'Log a trip' each time they go out – where they're heading, what time they'll be back, how many passengers. All crucial information when time is of the essence.

This system is now used nationally by Coastguard to record and monitor recreational boat trips across every region. The systems together have not only greatly improved the visibility and accuracy of recreational boat trip reporting, created significant internal efficiency for Coastguard, but also started Coastguard on a journey of redefining their customer experience value proposition.

SECRETS & LIES

Secrets & Lies is WPP AUNZ's key thought leadership platform that explores the distance between what we say out loud versus what we really think and do. What are the secrets and what are the lies?

Launched in 2018 and with three chapters already in the series, this comprehensive trans-Tasman study has opened up new conversations with our clients, shaped fresh thinking and unlocked additional revenue streams.

The first two chapters explored our personal and social identity, and then our national identity. The most recent chapter, launched in late 2019, Ageless & Booming, looked at the 50+ audience and the myths and misconceptions around this vibrant, cashed up segment of the market that is so often ignored. Chapter 4: Humanity & the Machine, an exploration of ethics, trust and technology, will launch in May 2020.

Secrets & Lies has driven over 150 events and presentations with clients and prospects to date with over 30% of our top 50 clients requesting secondary workshops. It has assisted in new business pitches and inspired new campaigns and products. The study has proven to be a highly valuable tool to engage our clients with fresh insights and further demonstrate that WPP AUNZ understands Australians and New Zealanders better than anyone else.

TECHNOLOGY AND DATA

WE CONTINUE TO INVEST IN TECHNOLOGY AND DATA CAPABILITIES, PROMOTING THEM AS A CLEAR SOURCE OF COMPETITIVE ADVANTAGE.

ORGANISING WPP AUNZ AS A PLATFORM BUSINESS

TECHNOLOGY POWERS OUR BRANDS BOTH IN TERMS OF OUR INTERNAL OPERATIONS AND OUR SERVICE TO CLIENTS.

Technology powers our internal operations and client services in three ways:

- infrastructure technology that helps us connect, communicate and collaborate
- applications that we use to create, deploy and measure client work
- systems we build to integrate and run client platforms or applications

We have started to organise all of our brands as a platform business with a common technology and data strategy, leveraging our advertising and marketing technology partnerships.

DATA

AN OPEN DATA PLATFORM

We have enormously valuable datasets that we use to help clients understand their customers and adapt their thinking. We are building a platform that curates these internal datasets alongside those of our clients and in the public domain. Our datasets and tools will be made available to clients, partners and our brands with the right privacy and commercial controls.

PARTNERS

AN OPTIMISED PARTNER PORTFOLIO

Our ambition is to be the primary partner to leaders in the fields that matter to our clients, partners and brands. We already hold with position with the world's leading technology companies.

SKILLS

A SHARED TECNICAL SERVICE CAPABILITY

We are already a strong player in marketing technology and systems integration, competing directly with companies like Accenture and Deloitte. We are the largest global partner for Adobe, Google, Marketo, Oracle and Salesforce marketing clouds.

We understand the various platforms our clients use and how the tools on each of these platforms need to be implemented.

OUR CULTURE AND VALUES

Culture matters, because talented people seek cultures that celebrate excellence.

Organisations have a much greater chance of achieving excellence if they are open, inclusive, collaborative and diverse.

OPEN

We are inclusive and collaborative.

We respect and celebrate diverse views leading to superior outcomes.

We embrace new ideas, new partnerships and new ways of working.

OPTIMISTIC

We believe in the power of creativity, technology and talent to create better futures for our people, clients, partners and communities.

We approach all that we do with confidence, forever seeking the new and unexpected.

EXTRAORDINARY

We are stronger together.

We are creative leaders and industry pioneers.

We deliver extraordinary, every day.

AGENCY
VMLY&R
BCW
WAVEMAKER

CLIENT
MONASH
UNIVERSITY

CAMPAIGN
A FUTURE
WITHOUT
CHANGE

SUSTAINABILITY

AUSTRALIA FACED ITS WORST EVER BUSHFIRE CRISIS IN 2019, WITH THE EYES OF THE WORLD ON OUR NATION.

We are also facing record temperatures and drought. Floods and other extreme weather events are increasingly common and severe.

Climate change, resource scarcity, food security, skills shortages, demographic shifts, political uncertainty and technological disruption are impacting every sector. The once-in-a-lifetime pandemic, COVID-19, is having an unprecedented worldwide effect with entire countries effectively on lock down, global travel decimated, businesses closed and all events cancelled. Our clients are having conversations they've never had to have before and seeking more of our counsel as they struggle with these realities.

Customers everywhere are demanding sustainable solutions to macroeconomic problems. They want more from their favourite brands. They expect sustainability action plans, supply chain transparency and ethical sourcing policies. They expect brands to play an active role in creating a more positive society.

The upside to tackling these sustainability challenges is significant. The Infrastructure Sustainability Council of Australia estimates that sustainable business model innovation could open up economic opportunities worth $500 billion to our national economy and create three million new jobs.

SUSTAINABILITY AND OUR STRATEGY

Our sustainability strategy aligns with all elements of the WPP Global Corporate Strategy:

A STRONGER OFFER FOR OUR CLIENTS

A growing number of our clients are grappling with their own sustainability challenges and looking to clearly articulate the purpose of their brands. They look for partners who share their sustainability values. Our commitment to responsible and sustainable business practices helps us to broaden and deepen these partnerships.

SOCIAL INVESTMENT

Our pro-bono work across the company can make a significant difference to the charities we support. These charities can raise awareness and achieve campaign objectives. Pro-bono work benefits our business too as it can provide rewarding opportunities for our people that often result in award-winning campaigns in turn raising the profile of our companies.

DIVERSE AND INCLUSIVE TEAMS

Creativity thrives on diversity of background and thought. This makes having a diverse and inclusive workplace essential to our long-term business success. We want all of our people to fulfil their potential regardless of age, ethnicity, gender or disability.
See page 57

PRIVACY AND DATA ETHICS

All data can play an essential role in our work for clients. Data security and privacy are increasingly high-profile topics for consumers, for regulators and for our clients. We have a responsibility to look after data correctly, to collect only the data that is needed and with full consent where required. We must also store and transfer data securely.

GREENER OFFICE SPACE

Our work to simplify our structure and consolidate our office space is driving a positive impact on our energy use and carbon footprint. We are reducing the overall number of offices we occupy, moving to locations with the highest green building standards. By reducing our impact, we can use space more efficiently and encourage collaboration between our companies.

CULTURE

Strong employment policies and investment in skills motivate and develop the talented people we need to serve our clients no matter the discipline. Selecting partners and suppliers who adopt standards consistent with our own can also reduce costs, improve efficiency and protect our reputation.

SUSTAINABILITY TARGETS

Initially the focus will be on environmental sustainability, specifically carbon emissions, offsets purchased, star rating of office space, air travel, business related vehicle travel, waste management and recycling. Social and economic sustainability will be addressed in subsequent reports.

AGENCY	CLIENT	CAMPAIGN
OGILVY opr COLMAR BRUNTON ETCOM NEO	CONTAINER EXCHANGE	CONTAINERS FOR CHANGE

SOCIAL INVESTMENT

Nonprofits and NGOs play a vital role in tackling social issues such as health, education, human rights and the environment, often with very limited resources. The work we do can have a significant impact on the organisations we support.

ONE OF THE MANY CHARITIES WE SUPPORT IS R U OK?

This is a charity dear to our hearts given we were a foundation partner and helped launch R U OK? in 2009.

R U OK?'s vision is a world where we're all connected and protected from suicide.

Its mission is to inspire and empower everyone to meaningfully connect with people around them and support anyone struggling with life.

R U OK's goals are to:

1. Boost our confidence to meaningfully connect and ask about life's ups and downs
2. Nurture our sense of responsibility to regularly connect and support others
3. Strengthen our sense of belonging because we know people are there for us
4. Be relevant, strong and dynamic.

Every September, national R U OK? Day encourages Australians to ask each other that one simple, yet powerful question. Are you ok? A question that sometimes rarely gets asked in the fast-pace of life in the 21st century.

R U OK? has brought the critical issue of mental health into the national spotlight and highlighted how speaking up is often the first step to addressing symptoms of depression. It works to empower Australians with the tools to 'Start A Conversation' and 'Trust the Signs'.

Dozens of celebrity ambassadors have rallied around R U OK? and WPP AUNZ continues to play a role in supporting the charity, providing office space and deep marketing skills and expertise where required.

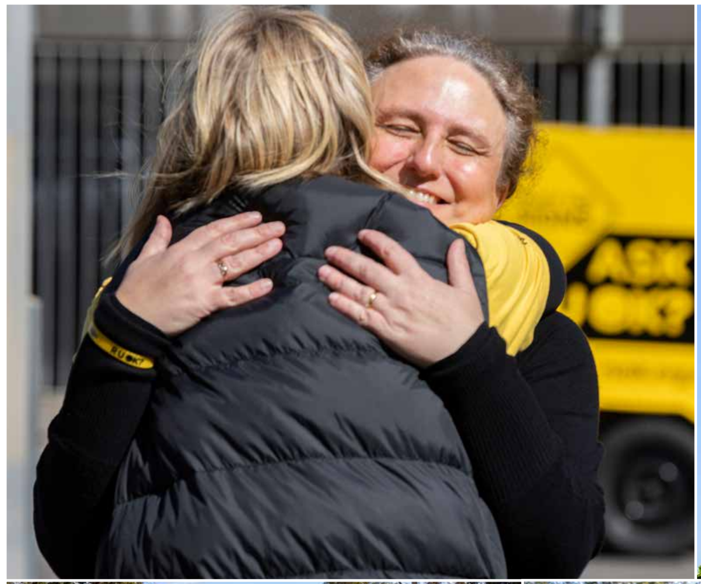
START A CONVERSATION

1. ASK R U OK?

2. LISTEN WITH AN OPEN MIND

3. ENCOURAGE ACTION

4. CHECK IN



OUR PEOPLE

It's our people that make WPP AUNZ and the work we do so special. We seek out talent to join our creative force of the open, the optimistic and the extraordinary. Once here, we offer a culture that supports them in doing and being their best.

ATTRACTING THE RIGHT PEOPLE

Our internal talent acquisition team placed candidates into 395 permanent positions across WPP AUNZ during 2019, delivering external recruitment fee savings of about $5.6 million. Their expertise in finding the best people for our business resulted in 93% of these hires passing their six-month probation. Working in an embedded partnership model within our brands, our recruitment experts also leveraged the power of referrals, with 11% of potential candidates drawn from our extended people network.

Company-wide hiring criteria will assess talent compatibility against our values, behaviours and key competencies in 2020. This will support our efforts to create an increasingly agile workforce, with talent moving more easily and with greater consistency, across brands and clients. These criteria will be integral to driving our culture of excellence.

WPP AUNZ HIRING CRITERIA

- **Creative Transformation** – trend-focussed, with an ability to solve problems creatively
- **Whole Leadership** – demonstrating active listening, respect and authenticity
- **Agility & Acumen** – collaborative and agile, with strong decision-making skills
- **Drive & Entrepreneurship** – demonstrating resilience, curiosity and entrepreneurial spirit

These will be complemented by job and brand fit criteria, per role.

INVESTING IN OUR PEOPLE

At WPP AUNZ, our business is transforming through creativity, technology and collaboration. Successfully preparing our people for change is what will set us apart. Within four areas of focus, we aim to create an environment where people thrive, feeling part of something bigger.

PEOPLE DEVELOPMENT

The Academy is our bespoke training school, empowering our people to realise their potential and unlock the power of creative transformation. We had 33 courses delivered to more than 3100 participants over more than 200 training room days during 2019. A further 1465 completed online compliance training.

Key programmes included:

- Maestro – the global WPP senior leader training designed to foster a culture that inspires greater courage, entrepreneurship, collaboration and innovation
- Ignite – building our people management and leadership skills
- Pitch Perfect – improving capabilities to prepare for and secure new business
- C-Suite Client Service Excellence – upskilling our most senior client teams in building trusted partnerships

Training will focus on key areas for business transformation in 2020. These include marketing technology (martech), leadership through change and developing a collaborative mindset. The Academy draws on the experience of seasoned leaders within the company and external experts to provide the most up-to-date training, tailored to our business needs.

INCLUSION & DIVERSITY

We believe that inclusivity is key to fostering a truly diverse workplace, rich in different perspectives and experiences that enable our teams to create work that connects with our clients' diverse and global consumer base.

Our commitment to creating an inclusive workplace saw the launch of the Inclusion & Diversity Council in 2019, chaired by John Steedman. In its first year, the Council identified five key pillars that will enable our workforce to thrive. These include initiatives in our flexibility practices and policies, building strong connections and access to talent in our company, fostering a mentally healthy workplace, embedding inclusive recruitment practices, and developing respectful relationships and creating meaningful opportunities with Aboriginal and Torres Strait Islander peoples.

These initiatives supported our I&D ambitions:

- WPP AUNZ renewed membership with Diversity Council of Australia and Diversity Works New Zealand
- 300 mid-senior women participated in the globally recognised Walk the Talk programme, addressing gender imbalance at senior levels within the company
- A target was set to reach 50:50 gender distribution in senior roles within the company by 2021
- Internships were offered to Aboriginal and Torres Strait Islander peoples through CareerTrackers and humanitarian entrants through CareerSeekers
- 200 people completed Unconscious Bias training
- Lead sponsorship of B&T's Changing the Ratio conference, hosting a panel discussion: 'Using courage for change – LGBTQI perspective on changing the ratio'
- 40 people have started the Mental Health First Aid course and are due to complete their certification in 2020
- 1 January 2019 saw the launch of the WPP AUNZ paid parental leave benefit.

The I&D Council will continue to build on the five enablers in 2020 and implement further initiatives across the company.

ENGAGEMENT

Understanding what matters to our people is an important part of creating connection and engagement in our workplace. In 2020, a company-wide employee survey will be launched, providing a single source of engagement metrics for WPP AUNZ.

WELLBEING

Our goal is to create a sustainable work life so that everyone at WPP AUNZ has the opportunity to do, and be, their best. We believe in a workplace where ideas are encouraged and authentic leadership is respected. We know that by working smarter, we supercharge our ability to perform at our best. We are driven by purpose, creating value in what we do for each other, our clients and the community.

60 Leaders completed the Wellbeing Leadership Programme in 2019, more than 220 people completed the Wellbeing Open House training and a further 440 participated in wellbeing workshops. The Wellbeing Ambassador Programme welcomed 60 new recruits to champion wellbeing within their brands. More than 250 counselling sessions were accessed through the EAP service and the first ever company-wide wellbeing survey was launched.

Plans for 2020 include onboarding new Wellbeing Ambassadors to support the delivery of campus-based initiatives. Training will continue with updated Wellbeing Programmes for all levels, including Mental Health First Aid training for HR Leaders. A new global EAP service will be launched company-wide, offering enhanced face-to-face, phone and digital counselling and wellbeing support.

WALK THE TALK 2019, BYRON BAY

THE BOARD OF DIRECTORS

ROBERT MACTIER

B. Ec.
Independent Non-Executive Chairman

Robert was appointed as a Director of WPP AUNZ in December 2006 and Chairman with effect from 1 July 2008.

Robert 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 (now JP Morgan) between 1990 and 2006. During this time, he was primarily focused on the media, technology 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.

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

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

JENS MONSEES

MBA Bus. Admin.
Chief Executive Officer and Managing Director of WPP AUNZ (from 1 October 2019)

Jens is an experienced digital leader with a global track record for driving digital and creative transformation, innovation and strategy across a range of businesses and industries.

Prior to being appointed Managing Director and CEO of WPP AUNZ, Jens was Corporate Vice President leading Global Digital Strategy, Corporate Planning and Product Strategy at BMW Group, headquartered in Munich, where he defined and implemented a digital transformation program that reshaped BMW from an auto manufacturer into a data-driven, mobility tech company.

Jens has held a range of senior executive positions with global companies, including Global CEO, Digital Marketing at Arvato AG (part of the Bertelsmann Group), Global Innovation Manager and Global Brand Manager for the BMW Group and several roles with Google where he was Director of Branding for Automotive, Retail, FMCG and Health Care as well as Industry Leader Automotive. His brand and product marketing experience includes roles at Mondelez, Colgate Palmolive and Schwarzkopf & Henkel.

Jens holds advisory seats with the international digital and e-commerce start-ups, Azoya, Nunatek and Design AI.

JOHN STEEDMAN

Executive Chairman of Media Investment Management and Executive Director

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

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

In October 2018 John took the role of Interim Chief Executive Officer of WPP AUNZ for a year whilst the search for a new CEO took place.

John has been inducted into the AdNews Hall Of Fame (2019) and the Media Federation of Australia Hall of Fame (2013).

KIM ANDERSON

BA GRAD DIP INF SC
Independent Non-Executive Director

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

Kim is a Non-Executive Director of carsales.com Limited (from 2010), Marley Spoon (from 2018), Chair of Beem It, a fintech joint venture between CBA, NAB and Westpac (from 2018), and Acting Chair and Non-Executive Director of Sax Institute (from 2017). A former Fellow of the Sydney University Senate, Kim has more than 25 years' experience in various media executive positions in both Australia and the US, including Southern Star Entertainment, Publishing and Broadcasting Limited, ninemsn, Harper Collins, and Reading Room Inc of which she was a founder and CEO.

Kim is Chair of the WPP AUNZ Remuneration and Nominations Committee.

GRAHAM CUBBIN

BECON (HONS)
Independent Non-Executive Director

Graham was appointed as a Director of WPP AUNZ in May 2008. He 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, Graham held senior finance positions with a number of major financial companies including Capital Finance Group and Ford Motor Company. He has over 20 years' experience as a director and audit committee member of public companies in Australia and the US. Graham is a Director of Bell Financial Group Limited (from 2007), White Energy Company Limited (from 2010) and McPherson's Limited (from 2010). He was appointed Chairman of McPherson's Limited in July 2015.

Graham 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

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

Paul 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.

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

RANJANA SINGH

B.Sc. Honours (Botany), Post Grad Dip (Adv & PR)
Non-Executive Director

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

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

She 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.

Ranjana joined the newly launched Mindshare in 2000. As Managing Director and then CEO, she built GroupM to be the leading media agency. Ranjana 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.

GEOFF WILD AM

FAICD FAI(DIP) FRSA
Non-Executive Director

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

Geoff was the Chairman and Country Manager of WPP plc in Australia and New Zealand since 1998 until the merger of STW Group and WPP in 2016. He 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. Geoff has been Chairman of the Advertising Federation of Australia and Chairman of the Australian Advertising Industry Council. He was a Director of oOh!media Limited from 2007 until May 2019 and is a Fellow of the Australian Institute of Company Directors, the Advertising Institute (by examination) and the Royal Society of Arts.

Geoff was made a Member of the Order of Australia in the Queen's Birthday Honour List in 2000. He is a Director of Ibisworld Pty Ltd (from 1990) and Arab Bank Australia Limited since 1995 and Chairman (from 2011).

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

FINANCIAL PERFORMANCE

DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity consisting of WPP AUNZ Limited ("Company", "WPP AUNZ" or "Parent Entity") and the entities it controlled at the end of, or during, the year ended 31 December 2019 (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, unless otherwise stated:

Robert Mactier, Independent Non-executive Chairman
Jens Monsees, Chief Executive Officer and Managing Director (appointed as a Director on 15 October 2019)
Paul Richardson, Non-executive Director
Graham Cubbin, Independent Non-executive Director
Kim Anderson, Independent Non-executive Director
Ranjana Singh, Non-executive Director
John Steedman, Executive Director and Chief Operating Officer
Geoffrey Wild AM, Non-executive Director.

Particulars of Directors' qualifications, experience and directorships in other listed entities are set out on pages 60 and 61 in this Annual Report.

PRINCIPAL ACTIVITIES

The principal activities of WPP AUNZ Group during the year were the provision of marketing, content and communications services. WPP AUNZ Group comprises leading companies in all the following disciplines: Advertising; Media Investment Management; Data Investment Management; Large Format Production; Public Relations and Public Affairs; Branding and Identity; Digital; e-commerce and Shopper Marketing; Production and Specialist Communications.

The Data Investment Management segment was sold in December 2019 (refer to Note 32). There have been no other significant changes in the WPP AUNZ Group's principal activities during the year.

REVIEW OF OPERATIONS

Information on the operations and financial position of the Company and its business strategies and prospects are outlined on pages 66 to 70 and form part of this Directors' Report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the significant items outlined in Note 39 to the financial statements, there has not arisen, in the interval between the end of the financial period and the date of signing of this Directors' Report, any item, transaction or event of a material or unusual nature which, in the opinion of the Directors, has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group, in future periods.

DIRECTOR MEETINGS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year ended 31 December 2019 and the number of meetings attended by each Director are as set out below in Table 1: Director meetings.

	Directors		Audit and Risk Committee		Remuneration and Nominations Committee	
Table 1: Director meetings	**Attended**	**Held***	**Attended**	**Held***	**Attended**	**Held***
Robert Mactier	8	8	4	4	—	—
Kim Anderson	7	8	—	—	4	4
Graham Cubbin	8	8	4	4	4	4
Jens Monsees	2	2	—	—	—	—
Paul Richardson	6	8	—	—	4	4
Ranjana Singh	7	8	—	—	—	—
John Steedman	8	8	—	—	—	—
Geoffrey Wild AM	7	8	4	4	—	—

* Reflects the number of meetings the Director was eligible to attend during the time the Director held office during the 2019 year.

DIRECTORS' REPORT (CONTINUED)

COMMITTEE MEMBERSHIP

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

AUDIT AND RISK COMMITTEE

Graham Cubbin (Chair)
Robert Mactier
Geoffrey Wild AM

REMUNERATION AND NOMINATIONS COMMITTEE

Kim Anderson (Chair)
Graham Cubbin
Paul Richardson

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Refer to the Operating Review section on page 68.

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 2019, 15,327,048 (2018: 6,060,237) performance rights have been granted to participants in the executive share plan. These performance rights will vest and be transferred to eligible employees subject to the achievement of specific performance measures. As at 31 December 2019, 603,141 (2018: 603,141) performance shares in the Company have been issued to the WPP AUNZ Executive Share Plan Trust. The trust holds the performance shares and all rights and entitlements attaching to the performance shares on the employees' behalf.

SHARES

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

Table 2: Director interest in ordinary shares	Balance as at 1 Jan 19	Acquisitions	Disposals	Balance as at 31 Dec 19	Post year-end acquisitions	Post year-end disposals	Post year-end balance
Robert Mactier	577,964	—	—	577,964	—	—	577,964
Jens Monsees	—	—	—	—	—	—	—
Paul Richardson	—	—	—	—	—	—	—
Graham Cubbin	100,000	—	—	100,000	—	—	100,000
Kim Anderson	50,000	—	—	50,000	—	—	50,000
Ranjana Singh	—	—	—	—	—	—	—
John Steedman	382,408	—	—	382,408	—	—	382,408
Geoffrey Wild AM	—	—	—	—	—	—	—

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 71.

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 2019 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 Principles and Recommendations ("ASX Principles") will be available on the corporate governance section of the Company's website at www.wppaunz.com.

The Board believes that the governance policies and practices adopted by the Company during 2019 are in accordance with the recommendations contained in the ASX Principles. The foundations for compliance with the fourth edition of the ASX Principles were laid in 2019 and the Company will report on this compliance in its 2020 Corporate Governance Statement.

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 controls and risk management within the business units. Details of risk mechanisms in place are set out in the Corporate Governance Statement on the Company's website at www.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 38 to the financial statements.

The Directors are of the opinion that the services as disclosed in Note 38 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 reason:

— none of the services undermines the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

ROUNDING

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

REMUNERATION REPORT

The Remuneration Report outlined on pages 74 to 93 forms part of this Directors' Report.

Signed on behalf of the Directors in accordance with a resolution of the Directors:

Robert Mactier
Chairman
Sydney, 24 February 2020

Jens Monsees
Chief Executive Officer
and Managing Director

OPERATING AND FINANCIAL REVIEW

FINANCIAL OVERVIEW

This Operating and Financial Review forms part of the Directors' Report beginning on page 63.

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

Net sales (revenue less cost of sale of goods and services rendered) from continuing operations for the year ended 31 December 2019 were $712.8 million, down 2.6% on the prior period (2018: $731.8 million).

The loss from continuing operations for the year ended 31 December 2019 was $184.1 million compared to a loss in 2018 of $18.2 million. This increase in losses in 2019 is mainly driven by $241.3 million of impairment expenses recognised for continuing operations during the year.

The net loss attributable to members of WPP AUNZ for the year ended 31 December 2019 was $227.5 million for continuing and discontinued operations compared to a net loss in 2018 of $17.1 million.

A summary of the Group's results is below:

	2019 ($M)	2018 ($M)
Revenue	836.6	845.3
Cost of sale of goods and services rendered	(123.8)	(113.5)
Net sales	**712.8**	**731.8**
Share of net profits from joint venture and associates	5.6	5.0
Other (expense)/income	(2.6)	1.2
Operating expenses	(602.0)	(627.2)
EBITDA	**113.8**	**110.8**
Depreciation, amortisation and impairment	(295.2)	(97.5)
EBIT	**(181.4)**	**13.3**
Net finance costs	(14.2)	(11.6)
(Loss)/profit before tax	**(195.6)**	**1.7**
Income tax benefit/(expense)	11.5	(19.9)
Loss from continuing operations	**(184.1)**	**(18.2)**
(Loss)/profit from discontinued operations	**(37.8)**	**8.7**
Loss for the period	**(221.9)**	**(9.5)**
Non-controlling interests	5.6	7.6
Net loss attributable to members of WPP AUNZ	**(227.5)**	**(17.1)**

	Cents	Cents
Earnings per share for loss from continuing operations	**(22.2)**	**(3.0)**
Earnings per share ("EPS")	**(26.7)**	**(2.0)**

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:

	2019 ($M)	2018 ($M)
Net loss attributable to members of WPP AUNZ	**(227.5)**	**(17.1)**
Significant items, net of tax		
1. Transaction related costs and tax balances	—	8.5
2. Impairment, amortisation of acquired intangibles and other non-cash items	281.3	76.0
3. Business close down and other one-off costs	9.1	4.1
Total significant items, net of tax	**290.4**	**88.6**
Headline profit attributable to members of WPP AUNZ:	**62.9**	**71.5**
– From continuing operations	51.2	56.6
– From discontinued operations	11.7	14.9

After adjusting for significant items, the headline profit from continuing operations for the year ended 31 December 2019 was $51.2 million, down 9.6% on the prior period (2018: $56.6 million).

SIGNIFICANT AND NON-CASH ITEMS

The Company incurred the following significant and other non-cash items in 2019:

1. **Transaction related costs** – The balance in 2018 relates to $8.5 million reversal of rights to future income tax deductions arising as a result of the acquisition of WPP plc entities in 2016 ("Transaction"). This was recognised as a significant item at 31 December 2017 due to a change in tax legislation.
2. **Impairment, amortisation of acquired intangibles and other non-cash items** – The balance in 2019 relates to the impairment of goodwill and acquired intangibles such as brand names and customer relationships pre-dominantly in relation to entities within the Global Integrated Agencies and Data Investment Management CGUs (refer to Note 18 Intangible assets for details). It also includes the amortisation of acquired intangible assets, gain on fair value adjustment of earnouts as well as the gain/loss on disposal of controlled entities and associates which includes Kantar and Ogilvy New Zealand (discontinued operations) and other non-material disposals during the year. The balance in 2018 relates to the impairment of goodwill, acquired intangibles and other balance sheet items in relation to entities within the Large Format Production CGU as well as amortisation of acquired intangibles and gain on fair value adjustment of earnouts.
3. **Business close down and other one-off costs** – These relate to restructure costs associated with closing down and merging selected businesses.

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

FINANCIAL HIGHLIGHTS OF HEADLINE RESULTS

The table below presents the headline results of continuing operations of the Group for the year ended 31 December 2019 compared to the prior year:

Key measures	2019 ($M)	2018 ($M)	Change (%)
Headline net sales	712.5	731.9	(2.6%)
Headline EBITDA (excluding the impact of AASB 16)	106.5	116.7	(8.7%)
Headline earnings before interest and tax	91.8	100.6	(8.7%)
Headline margin	12.9%	13.7%	(0.8%)
Headline profit before tax	77.8	85.1	(8.6%)
Headline net profit after tax and minorities	51.2	56.6	(9.6%)
EPS – headline profit	6.0 cents	6.7 cents	(9.6%)

PERFORMANCE BY SEGMENT

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

	Headline net sales			Headline EBIT			Headline margin %		
($M)	2019	2018	Change %	2019	2018	Change %	2019	2018	Change
Global Integrated Agencies	481.8	497.4	(3.1)	61.1	70.3	(13.0)	12.7	14.1	(1.4)
Large Format Production	19.0	20.0	(5.1)	(6.5)	(7.4)	11.9	(34.2)	(36.8)	2.6
Public Relations & Public Affairs	56.3	60.3	(6.6)	11.5	12.1	(5.3)	20.4	20.1	0.3
Specialist Communications	155.4	154.1	0.8	25.7	25.6	0.6	16.5	16.5	(0.0)
Continuing operations	**712.5**	**731.9**	**(2.6)**	**91.8**	**100.6**	**(8.7)**	**12.9**	**13.7**	**(0.9)**
Discontinued operations	**106.9**	**125.5**	**(14.8)**	**16.8**	**21.1**	**(20.5)**	**15.7%**	**16.8%**	**(1.1%)**
Total	**819.4**	**857.4**	**(4.4)**	**108.6**	**121.7**	**(10.7)**	**13.2%**	**14.2%**	**(0.9%)**

OPERATING AND FINANCIAL REVIEW (CONTINUED)

OPERATING REVIEW

There was varied performance across our portfolio of companies in 2019. The Global Integrated Agencies segment faced headwinds in 2019 due to certain brands in the segment having global and local accounts losses. This has been amplified by weak media market and economic conditions throughout the year. We expect 2020 to continue to be a challenging environment for this segment with account losses impacting the first half results.

Remediation of the Large Format Production segment is on track. There has been materially better operating performance in the second half of 2019 through the realisation of cost and operational efficiencies. There is an expectation of continued improved performance in 2020.

The performance of some brands from the Public Relations segment declined in 2019. Overall this segment has been performing strongly over a number of years and the outlook remains positive. The Specialist Communications segment comprises digitally focused businesses and have delivered organic earnings growth in 2019. The digital businesses contained within the Specialist Communications segment are growing and well positioned for further growth, both locally and in South East Asia.

STRATEGY FOR GROWTH – TRANSFORM, STRENGTHEN AND GROW

The strategy for growth in 2020 will power up our creative capability and traditional skill-set with technology to capture growing areas of e-commerce, technology and experience.

The path to growth will be undertaken in three phases – transform, strengthen, and grow – over a three-year period to 2022. The new strategy will be executed across six key areas:

- Operating model – Restructure our operating model to bring fewer, stronger brands to our clients;
- Clients – Improve the organisation of our capabilities across brands through dedicated client leads;
- Talent – Invest in talent to support our digital technology capabilities;
- Platform – Implement a shared services structure of HR, IT, legal, marketing, and communications;
- Solutions – Bolster our capabilities in e-commerce, experience, and technology through partnerships with platforms, scalable solutions and selective strategic M&A; and
- Geographies – Leverage our current presence in large and growing markets of South-East Asia and a campus approach to bring our brands together in one location.

SUCCESSFUL COMPLETION OF THE SALE OF KANTAR AND RETURN OF FUNDS TO SHAREHOLDERS

A clear objective has been to simplify the Group, making it easier to navigate and manage. This has been achieved through targeted closure, merger and sale of brands. We expect the measured rationalisation of the portfolio to continue into 2020.

During the year, the Group completed the transaction to dispose of the Kantar businesses in Australia and New Zealand in December 2019. The transaction valued Kantar at $168.0 million – a multiple of 8.2x Kantar's 2019 budgeted EBITDA. Proceeds on completion were a receipt of $158.7 million. Tax relating to the Kantar transaction of c.$5.0 million to be paid in 2020.

In determining the use of proceeds from the sale of Kantar, the Board has balanced returns to shareholders with a reduction in debt levels, adopting a conservative approach given the transformation strategy and uncertain economic backdrop, which in turn provides capacity for investment in the Group's future growth.

SPECIAL DIVIDEND PROGRAM

The Board has announced a capital management program totalling $50 million, comprising special dividends of 1.5 cents per share (fully franked) for the next four dividend periods. The special dividend program will commence in April 2020. These special dividends are on top of our existing and continuing ordinary dividend policy of a payout ratio of 60 – 70% of headline earnings. The remainder of the sale proceeds will be used to pay down the Group's debt, while also providing flexibility to invest in the new growth strategy.

In determining the announced capital management initiatives, the Board has initially taken a conservative approach on the back of the Group's current leverage and the intention to operate at the lower end of our stated target gearing ratio of 1.5 – 2.0 times, the excess franking credit balance position, the earnings outlook, and our anticipated funding needs for the new strategic plan.

The Board believes it has struck an appropriate balance by rewarding our shareholders in the context of the current under levered balance sheet and ensuring there is capacity to support the new strategic plan that is being implemented by our new CEO. We will continually review our capital management strategy having regard to how our leverage ratio moves with the increased dividend payments, our investment in the transformation strategy and the earnings delivery and outlook for the business.

Following our focus on re-shaping the business over the coming years and driving change, when our EBITDA returns to growth in the short-term we will look to distribute further amounts to our shareholders.

CASH, GROSS DEBT, FACILITIES AND EARNOUTS

AUSTRALIAN CORE DEBT FACILITIES

As part of the Kantar disposal, the Company was required to reduce its syndicated debt facility by $100.0 million from $520.0 million in 2018 to $420.0 million in 2019. The current syndicated debt facility is split between a debt facility of $420.0 million (2018: $520.0 million) and a guarantee facility of $29.9 million (2018: $29.9 million). $270.0 million of the debt facility and the guarantee facility expire on 29 June 2021. The remaining $150.0 million of the debt facility expires on 29 June 2020, and is used to support intra-month working capital movements.

As at 31 December 2019, the Company's cash balance was $74.8 million (2018: $63.5 million). The Company's gross debt and earnout liabilities were $196.2 million (2018: $333.8 million). The Company's net debt position decreased to $121.4 million at 31 December 2019 (2018: $270.3 million), as a result of proceeds from the disposal of Kantar.

CASH, GROSS DEBT AND EARNOUTS

	2019 ($M)	2018 ($M)
Cash	74.8	63.5
Bank debt	(192.0)	(315.0)
Finance lease liabilities	—	(1.7)
Earnout liabilities	(4.2)	(17.1)
Net debt	**121.4**	**270.3**

Net debt for 2019 excludes lease liabilities as a result of AASB 16.

EARNOUT LIABILITIES

The Company structures certain acquisitions by making an upfront payment to the vendor and agreeing to make future earnout payments based on the financial performance of the acquired company. The Company sees this as an effective way to structure acquisitions as it incentivises the vendors to drive the future performance of the acquired company. As at 31 December 2019, the Company's estimated earnout liability was $4.2 million (2018: $17.1 million).

Earnout liabilities	($M)
31 December 2018	17.1
Payments made in 2019	(13.2)
Net revisions to earnout liability estimates	0.3
31 December 2019	**4.2**

Expected maturity profile	($M)
2020	3.4
2021	0.7
2022+	0.1
Total	**4.2**

CASH FLOWS

The Group's cash increased by $11.3 million to $74.8 million at 31 December 2019. A breakdown of the cash flows for the year ended 31 December 2019 is below:

	2019 ($M)	2018 ($M)
Cash flows from operating activities	90.0	91.2
Cash flows from/(used in) investing activities	129.4	(48.1)
Cash flows used in financing activities	(207.7)	(88.5)
Net cash inflow/(outflow)	**11.7**	**(45.4)**
Opening cash	**63.5**	**111.2**
Effect of foreign exchange movements	(0.4)	(2.3)
Closing balance	**74.8**	**63.5**

OPERATING ACTIVITIES

Cash inflows for the 2019 year derived from operating activities were $90.0 million (2018: $91.2 million). For the 2019 year, 91% of statutory EBITDA for continuing and discontinued operations, adjusted for the impact of significant non-cash items, was converted to operating cash flows (2018: 119%). This is within the Company's cash conversion target of between 85% and 100% of EBITDA.

INVESTING ACTIVITIES

Cash inflows for the 2019 year from investing activities were $129.4 million (2018: outflows of $48.1 million). The cash inflow was higher in 2019 primarily due to net amounts received for disposal of controlled entities of $163.5 million (2018: $Nil). This increase in cash inflow from disposals is offset by $5.5 million (2018: $14.7 million) payment for acquisition of non-controlling interests, $14.1 million (2018: $20.5 million) payment for plant and equipment mainly relating to leasehold improvement and $13.2 million (2018: $3.1 million) in earnout payments.

FINANCING ACTIVITIES

Cash outflows for the 2019 year used in financing activities were $207.7 million (2018: $88.5 million). The Company repaid net borrowings of $123.0 million during 2019 (2018: net repayment of $23.8 million). In addition to these debt repayments, $7.0 million (2018: $8.3 million) was paid in dividends to minority shareholders and $53.6 million in dividends (2018: $55.3 million) was paid to WPP AUNZ shareholders.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

DIVIDEND PAYMENTS

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

	Cents per share	($M)	Franking
Final 2018	4.0	34.0	100%
Interim 2019	2.3	19.6	100%
Total	**6.3**	**53.6**	

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 2.9 cents per fully paid ordinary share and a fully franked special dividend of 1.5 cents per fully paid ordinary share, with a record date of 31 March 2020 and payable on 7 April 2020 (2018 final dividend: 4.0 cents per share).

The total ordinary dividends relating to the 2019 year are 5.2 cents per share (2018: 6.3 cents per share). The total ordinary dividend payments relating to the 2019 year would be $44.3 million (2018: $53.6 million). This represents a dividend payout ratio of 70% of headline net profit after tax (2018: 75%).

	2019		2018	
	Cents per share	($M)	Cents per share	($M)
Interim	2.3	19.6	2.3	19.6
Final	2.9	24.7	4.0	34.0
Total ordinary dividend	**5.2**	**44.3**	**6.3**	**53.6**
Special dividend	1.5	12.8	—	—
Total	**6.7**	**57.1**	**6.3**	**53.6**

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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THE BOARD OF DIRECTORS
WPP AUNZ Limited
1 Kent Street
MILLERS POINT, NSW 2000

24 February 2020

Dear Directors

Auditor's Independence Declaration to WPP AUNZ Limited

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

As lead audit partner for the audit of the financial report of WPP AUNZ Limited for the year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

SANDEEP CHADHA
PARTNER
Chartered Accountants

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REMUNERATION REPORT

OUR REMUNERATION CHAIR'S LETTER

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2019.

In May 2019 we announced the appointment of a new CEO for the Group, Jens Monsees, after undertaking a global search. With a background in digital innovation, Mr Monsees' global experience as a country leader in organisations including BMW, Arvato and Google makes him ideally suited to address the disruption in the sector and to establish the Company's new positioning as a leader not only in creative advertising, branding, communications and media but in technology, data and business transformation. Mr Monsees took up his position in October 2019.

In order to ensure that WPPAUNZ's remuneration practices align with the Company's new strategy and continue to incentivise and motivate our leaders and our staff, the Remuneration and Nominations Committee has undertaken a review of WPP AUNZ's remuneration structure. Our remuneration principles, however, remain unchanged: accountability, transparency and consistency, as well as performance based, simple, motivating and fair.

In 2020 a new remuneration framework will be implemented, with key changes to incentive programs briefly outlined below.

The LTI will move to a three-year plan with the evaluation of performance conditions measured over the full three years and will be a mix of both options and share grants, subject to satisfaction of relevant performance conditions, to recognise the transformational nature of the company over the next 3-5 years.

The STI will continue in its current form with all senior executives to be subject to 50% being allocated in share rights and subject to a two year deferral, as in previous years.

In this report and in the future the Company will continue to voluntarily disclose the actual cash remuneration received by Senior Executives, in addition to the statutory reporting obligations.

The Group wide Company share scheme introduced in 2018 and annual share grants to our talented leaders and partner plan, will not be offered in 2020. In their place will be a discretionary pool of shares rights available to the CEO to allocate to any staff member based on their individual outstanding performance.

In late 2019 the Remuneration and Nominations Committee changed its name to the People & Culture Committee. Owing to the retrospective nature of this report we have used Remuneration Committee however all future references, including the notice of meeting will adopt the change.

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

Yours sincerely

Kim Anderson

Chair of the Remuneration and Nominations Committee

REMUNERATION REPORT

The Directors of WPP AUNZ Limited present this Remuneration Report for the year ended 31 December 2019. This Remuneration Report outlines our remuneration framework, strategy and practices that apply to key management personnel ("KMP"), and explains how the Group's 2019 performance has driven their individual remuneration outcomes.

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

WPP AUNZ's KMP are assessed each year and comprise the Directors of the Company and Senior Executives. The term "Senior Executives" refers to the Chief Executive Officer 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 2019 are outlined in the table below:

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

Executive Directors
Jens Monsees, Chief Executive Officer and Managing Director ("CEO")
John Steedman, Executive Director and Chief Operating Officer ("COO")

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

Former Senior Executive
Michael Connaghan, 2018 reported KMP (resigned 31 December 2018)

Jens Monsees was appointed as CEO and Managing Director of the Company in October 2019.

John Steedman stepped in as interim CEO in October 2018 and operated in this capacity until Jens Monsees took up this position. Upon Jens Monsees' commencement in October 2019, John Steedman continued in his role as Executive Director and in addition, assumed responsibilities of Chief Operating Officer.

Michael Connaghan resigned from the Company during the year ended 31 December 2018. He was not a KMP in relation to the year ended 31 December 2019.

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

The contents of the Remuneration Report are as follows:

SECTION 1 – REMUNERATION GOVERNANCE, STRATEGY AND FRAMEWORK

1.1 REMUNERATION GOVERNANCE

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

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

The Committee's 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 www.wppaunz.com), will provide further information on the role of this Committee.

INVOLVEMENT OF INDEPENDENT ADVISORS

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

The following external advisors were engaged during 2019 to inform the Remuneration Committee's recommendations and decisions:

Advice and service provided in 2019	External advisor
Long-term incentives ("LTI") practices' market insights	Ernst & Young
Independent valuation for 2019 LTI grants	Mercer Consulting (Australia)

For the purpose of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, no remuneration recommendations in relation to KMP as defined by Division 1 of Part 1.2 of Chapter 1 of the Corporations Act 2001 were provided during 2019.

1.2 EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK

The Company's remuneration objective is to attract, motivate and retain employees to ensure delivery of the business strategy. The Company's 2019 remuneration strategy was designed to ensure that remuneration is market competitive, performance based and aligned with shareholders' interests.

The executive remuneration framework has three main components:

- fixed remuneration;
- short-term incentives ("STI"); and
- LTI – Executive Share Plan ("LTIP") and Share Ownership Plan ("SOP").

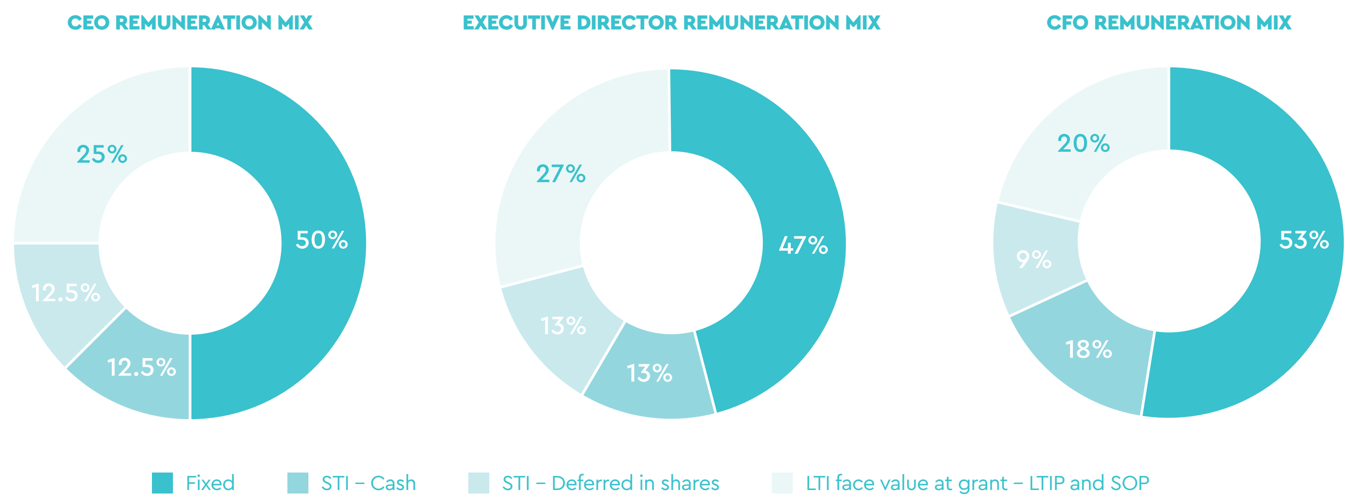
The Company aims to provide a level of remuneration which is appropriate to the executive's position and is competitive to the market. Remuneration levels for all Senior Executives are considered annually through a remuneration review that takes into account market practices and the performance of the Company and the individual.

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

In order to enable an appropriate balance in the 2019 remuneration mix for the COO and CFO, their annual STI opportunity was reviewed in light of the comparable benchmarks and to reflect better the nature of their expanded roles. The COO and CFO received no increases in their fixed remuneration during 2019.

The diagram below outlines the current remuneration mix for Senior Executives. Values reflect STI and LTI achieved at target and the full value of the SOP opportunity offered in 2019. SOP value typically ranges from 3% to 8% of total target remuneration and further details of the 2019 SOP are outlined in the Section 2.5.

The remuneration mix for CEO includes target STI and LTI opportunity in face value as further outlined in Section 3 – Remuneration of the Chief Executive Officer. The CEO will be eligible to participate in Group STI and LTI plans starting in 2020.



REMUNERATION REPORT (CONTINUED)

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

1.2 EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK (CONTINUED)

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

		Remuneration component	Strategic purpose
Fixed remuneration	Cash	— Salary and other benefits (including statutory superannuation).	— Attracts and retains employees with required capabilities and experience. — Provides remuneration in recognition of day-to-day work and responsibilities.
At risk remuneration	Cash STI	— STI payable based on: – year-on-year growth in operating profit and net sales, conditional to the margin being maintained (75% total weighting); and – individual strategic objectives (25% weighting).	— Aligns remuneration with the annual goals of the Company which support shareholder value. — Provides appropriate reward for superior Group and individual performance.
	Deferred STI	— For the new CEO, 50% of the STI outcome is paid in cash and the remaining 50% is deferred in shares for a period of one year. The one year deferral period for the new CEO in relation to 50% of the STI opportunity was provisionally established at the time of his appointment and any additional terms and details of a future STI structure for this role will be further reviewed in accordance with the terms of 2020 STI Plan. The CEO will be eligible to participate in STI plan in 2020, in accordance with the terms of the plan. — For the COO, 50% of the STI outcome is paid in cash and the remaining 50% is deferred in shares for a period of two years. — For the CFO, 2/3 of the STI outcome is paid in cash and the remaining 1/3 is deferred in shares for a period of two years. A minimum $25,000 in deferred STI needs to be achieved; otherwise, 100% of the STI outcome will be paid in cash and no deferral will apply. — All deferred STI awards are subject to malus and forfeiture provisions.	— Aligns Senior Executives' remuneration with WPP AUNZ's future operating performance which in turn drives the share price and assists with retention.
	LTIP	— The LTIP is a four-year plan, consisting of a two-year performance period, followed by a two-year service period. — LTI awards vest subject to the achievement of EPS and normalized organic revenue growth performance hurdles measured over the two-year performance period. Post-performance testing, awards must be held for an additional two-year continuous service period. — LTIP hurdles are mutually dependent as vesting is determined using a performance matrix. No LTIP awards vest unless the minimum performance requirement (threshold) is achieved under both performance hurdles. — All LTIP awards are subject to clawback and forfeiture provisions.	— Aligns Senior Executives' interests with those of shareholders. — Aligns Senior Executives' remuneration with the long-term financial performance of the Group. — Assists in attracting and retaining key executive talent.
Retention and ownership	SOP	— Annual grant of rights ("Base Rights"), which vest after three years, subject to continued service. — Opportunity to opt in to purchase WPP AUNZ shares and then to receive a grant of Matched Rights, based on the number of shares purchased during the two thirty day time periods as determined by the Board ("Purchasing Periods"). Matched Rights vest after a period of three years, subject to continued service and any purchased shares being held over the three-year vesting period. — WPP AUNZ will source the shares on market to satisfy vested SOP grants. — SOP awards are subject to clawback and forfeiture provisions.	— Enhances the level of ownership amongst all employees to strengthen their alignment with shareholders' interests. — Assists with retention of critical executive talent and rewards for contribution to Group success. — Assists executives to build their required minimum shareholding. — Encourages Senior Executives to build long-term wealth creation for shareholders.

SECTION 2 – SENIOR EXECUTIVES' REMUNERATION STRUCTURE AND OUTCOMES

2.1 REALISED REMUNERATION OF SENIOR EXECUTIVES – VOLUNTARY DISCLOSURE

The following table has been prepared to supplement the statutory requirements in Section 5. The purpose of this table is to provide shareholders with an outline of total remuneration which has been received by Senior Executives during 2019, and to show remuneration received during 2018 for comparative purposes. The table shows:

— fixed remuneration and the value of cash incentives earned in respect of 2019 and 2018; and

— at risk equity-based remuneration granted to Senior Executives in prior years that vested during 2019 and 2018. The value of the vested equity awards (if any) has been determined using the closing share price on the vesting date.

Unlike the Statutory Disclosure table in Section 5 which has been prepared in accordance with Accounting Standards, this table shows actual executive remuneration outcomes rather than the values reported on an accounting basis:

Senior Executives	Year	Fixed remuneration[1] $	Termination benefit[1] $	Other benefits[1] $	Cash STI payable[2] $	Deferred STI realised[3] $	Vested LTI value[4] $	Total remuneration $
Jens Monsees	**2019**	**375,000**	**—**	**62,500**	**250,000**	**—**	**507,755**	**1,195,255**
CEO								
John Steedman	**2019**	**950,000**	**—**	**—**	**75,000**	**15,524**	**—**	**1,040,524**
COO	2018	707,051	—	—	65,625	—	308,000	1,080,676
Chris Rollinson	**2019**	**420,000**	**—**	**—**	**52,500**	**—**	**—**	**472,500**
CFO	2018	405,000	—	—	81,500	—	—	486,500
Michael Connaghan	**2019**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2018 reported KMP	2018	950,000	950,000	—	—	37,680	—	1,937,680

1. This represents actual fixed remuneration received during the year (including base salary, salary sacrificed benefits and where applicable superannuation), termination benefits and other benefits (if any):

   –Jens Monsees commenced as CEO with effect from 1 October 2019. His annual fixed remuneration is $1,500,000. Under the terms of Jens Monsees' 482 Visa and in accordance with s.11 of the Superannuation Guarantee Administration Regulations (2018), there is no requirement for the Employer to contribute statutory superannuation. The Company has set aside an amount of $250,000 per annum in total, for Mr. Monsees' children's education expenses and one home trip per year for his family under a 482 Visa. The tax cost (if any) to the Company of providing these benefits will be met from this pool of funds. Any unutilised balance will become payable to Mr Monsees as taxable remuneration; and

   –John Steedman and Chris Rollinson received no increases in their annual fixed remuneration during the year ended 31 December 2019. During 2018, their annual fixed remuneration was reviewed to reflect their expanded responsibilities and with the consideration of comparable benchmarks. Those pro-rated increases were reflected in their actual 2018 salaries. Their 2018 and 2019 annual fixed remuneration as of 31 December in each year has been consistent.

2. Cash STI payable is the non-deferred portion of STI paid in respect of the current performance period:

   –2019 – reflects cash STI to be paid in February 2020 in recognition of the performance in the year ended 31 December 2019. For John Steedman, this amount represents 50% of the total STI achieved and a full STI achieved for Chris Rollinson as further outlined in the Section 2.3 – Short-Term Incentives;

   –Jens Monsees received a cash payment in lieu of participation in 2019 STI Plan in accordance with the material terms of his contract announced on 27 May 2019 in the ASX release. This payment is non-contingent on the performance conditions set under 2019 Plan. He will be eligible to participate in STI Plan starting in 2020; and

   –2018 – reflects cash STI paid in February 2019 in respect of the performance for the year ended 31 December 2018.

3. This represents the value of deferred STI awarded in previous years:

   –2019 – the value for John Steedman is based on 28,226 performance shares pursuant to the 2017 STI plan vesting at 31 December 2019 at a share price of $0.55. The shares will be further released to John Steedman during the first trading window in 2020.

4. This represents the LTI awards that vested during 2019 and 2018:

   – Performance hurdles under 2018, 2017, and 2016 LTI plans were not achieved and all LTI performance rights relating to the executive grants were forfeited as further outlined in the Section 2.4;

   –2019 – LTI value for Jens Monsees pursuant to the 923,191 rights vested at 31 December 2019 at a share price of $0.55 represents the Tranche 1 of his one-time grant of rights that were contingent on continued service until 31 December 2019. Jens Monsees received the one-time grant in October 2019 in recognition of the bonus and related entitlements he forfeited as a result of accepting the role with the Company. The grant is vesting in the three equal tranches of 923,191 rights on 31 December 2019, 31 December 2020, and 31 December 2021, contingent on continued service until each respective vesting date as further outlined in Section 3. The shares in respect of the vested Tranche 1 rights will be released to Jens Monsees during the first trading window, following the vesting date and must be held at least 12 months after vesting; and

   –2018 – LTI value for John Steedman is based on 350,000 shares which vested during 2018 in accordance with the terms of his retention grant approved by shareholders during the 2016 Annual General Meeting, at a market share price of $0.88.

REMUNERATION REPORT (CONTINUED)

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

2.2 FIXED REMUNERATION

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

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

There was no change to the fixed remuneration for the Senior Executives during 2019.

2.3 SHORT-TERM INCENTIVES ("STI")

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

The CEO will be eligible to participate in the WPP AUNZ STI plan starting in 2020.

WPP AUNZ's 2019 STI structure is outlined below:

STI opportunity

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

The minimum STI outcome is zero and the maximum STI outcome is awarded only if WPP AUNZ's stretch financial performance has been achieved and the Senior Executive made significant contribution to these results and delivered outstanding performance on individual strategic objectives.

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

	Target STI – "On Plan"		Maximum STI – "Stretch Performance"	
Senior Executives	**% fixed remuneration**	**$**	**% fixed remuneration**	**$**
CEO[1]	50%	750,000	150%	2,250,000
COO[2]	58%	550,000	87%	825,000
CFO[2]	50%	210,000	75%	315,000

1. STI opportunity range for the WPP AUNZ CEO was determined at the time of his appointment. The CEO will be eligible to participate in the STI Plan starting in 2020.

2. 2019 STI opportunity for the COO and CFO was reviewed in light of comparable benchmarks for Group Executive roles and to enable an appropriate balance between the fixed and variable components of their 2019 total remuneration mix.

STI performance measures and rationale

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

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

Group financial performance measures (75%)

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

— net sales ($million) growth vs 2018; and

— operating profit ($million) growth vs 2018.

In addition, any STI outcomes resulting from achieving 2019 net sales targets will be subject to maintaining operating margin (%).

The following vesting schedule sets out the level of bonus outcomes, based on the achieved performance under the financial component of the 2019 STI plan:

STI outcomes at each performance level, % of total STI Target

Weight %	STI performance measure/ performance level achieved	Threshold or below	Above Threshold – below Target	Target achieved (on plan)	Above Target – not yet Stretch	Targets overachieved (capped at Stretch level)
37.5%	Operating profit ($million) growth vs 2018	nil	straight-line vesting between 0% and 37.5%	37.5%	straight-line vesting between 37.5% and 56.3%	56.3%
37.5%	Net sales* ($million) growth vs 2018	nil	straight-line vesting between 0% and 37.5%	37.5%	straight-line vesting between 37.5% and 56.3%	56.3%
75%	STI outcomes for financial performance	nil	combination (sum) of achieved outcomes	75%	combination (sum) of achieved outcomes	113%

* Any STI outcomes are contingent on maintaining operating profit margin at least in line with 2018 results.

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

REMUNERATION REPORT (CONTINUED)

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

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

STI performance measures and rationale (continued)	**Individual strategic objectives (25%)** The individual strategic objectives are set at the beginning of the year or at the time of appointment and are based on each Senior Executive's expected individual contribution to the WPP AUNZ strategy. These individual strategic objectives are designed to ensure robust, long-term value is built for the Company and shareholders. Individual strategic objectives are reviewed by the Remuneration Committee for each executive to ensure they are appropriate and allow to distinguish between the Senior Executives to reward individual performance. One of the key focus areas for the Executive Directors and the Senior Leadership team under the 2020 non-financial objectives was championing Company diversity and inclusion program. In addition, the COO's specific individual strategic objectives under the 2019 STI plan were leading the Company transformation program, client excellence, and leadership capability development across the group. The CFO's individual strategic objectives under the 2019 STI plan were improving net working capital and implementation of Sarbanes-Oxley regulations.
Specific performance objectives	Threshold, Target, and Stretch performance hurdles under each measure of the STI plan are based upon business strategic priorities and determined annually. Specific financial growth targets are established with reference to the prior year performance results and current year budget. The Board is of the view that specific Group financial performance targets and individual strategic objectives under the STI plan are commercially sensitive, considering WPP AUNZ's position within the industry and disclosing the precise details of the objectives would potentially put the Group at a competitive disadvantage.
Performance assessment under STI plan	Performance assessment results against specific objectives under the 2019 STI plan and the outcomes of Senior Executives' STI awards are further presented in this section of the report. Group financial and Senior Executives' individual performance under the STI plan is assessed by the Remuneration Committee and STI award recommendations are made to the Board for approval. The Board retains discretion in determining the overall outcome of the STI awards to ensure it is consistent with the performance of the Group and of the individual Senior Executive. Adjustments to the financial performance measures are typically made in limited cases where there is a strong rationale to better reflect underlying performance (e.g. to exclude the impact of one-off gains or losses or unbudgeted acquisitions or divestments).
STI delivery – combination of cash and shares	**For the Executive Directors** – 50% of the STI outcome is paid in cash following the end of year assessment of the achievement of performance conditions and approval by the Board. The remaining 50% is deferred and delivered in the form of ordinary shares in the Company. For the COO, the shares are held on trust for two years and ownership of the shares is transferred to the COO at the end of the two-year period. The one year deferral period for the new CEO in relation to 50% of the STI opportunity was provisionally established at the time of his appointment and any additional terms and details of a future STI structure for this role will be further reviewed in accordance with the terms of 2020 STI Plan. **For the CFO** – 2/3 of the STI outcome is paid in cash following the end of year assessment of the achievement of performance conditions and approval by the Board. The remaining 1/3 is deferred in the form of rights to WPP AUNZ shares for the two-year period, providing the amount to be deferred exceeds $25,000. If the $25,000 deferral threshold is not met, the entire STI outcome will be paid in cash and no deferral will apply. All shares allocated for the deferred STI component are valued at face value based on the volume weighted average price ("VWAP") over the 10 days immediately prior to the release of the Company's financial results for the year ended 31 December 2019.
STI treatment on employment cessation	To be eligible to receive a bonus award under the 2019 STI plan, the Senior Executive must be employed on the award payment date and not be in a period of termination notice, unless the Remuneration Committee determines otherwise. The deferred portion of an STI award will be forfeited if the Senior Executive resigns or the employment is terminated for cause, prior to the vesting date. The Board has discretion to determine whether the Senior Executive retains any unvested deferred STI awards relating to the prior years' STI performance outcomes if an executive leaves due to the special circumstances, having regard to the past performance and time elapsed to the date of cessation. Any deferred STI award shares retained upon cessation of employment are subject to post-employment vesting and remain on foot until the original vesting date.
Malus provision – deferred STI	The Board has discretion to forfeit part or all of any unvested deferred STI prior to vesting where it transpires that the award would provide an executive with an unfair benefit (e.g. in circumstances where there has been a material misstatement, employee misconduct, executive breach of obligations in relation to confidentiality and restrictive covenants, or fraud).

2019 STI performance against financial objectives (75% of the award)

The Board determined that the Group did not achieve the financial performance threshold under the 2019 STI plan in relation to both operating profit and net sales performance. This resulted in no STI award being available under the 75% financial component of the STI plan for eligible Senior Executives.

2019 STI performance against individual strategic objectives (25% of the award)

For the year ended 31 December 2019, the Board assessed eligible Senior Executives' performance against their individual strategic objectives and determined the following STI awards for 2019:

Senior Executives	Performance outcome on individual strategic objectives	STI award, % of STI Target for individual strategic objectives component
John Steedman	Achieved above target	109%
Chris Rollinson	Achieved on target	100%

2019 STI outcomes

Based on the performance outcomes set out above, actual STI awards for the year ended 31 December 2019 for each Senior Executive were:

Senior Executives	Year	Target STI $	Actual STI achieved $	Actual STI as % of Target	Actual STI as % of maximum	% of maximum STI forfeited[1]	Actual STI payable in cash $	Actual STI deferred face value $
John Steedman COO	2019	550,000	150,000	27%	18%	82%	75,000	75,000
Chris Rollinson CFO	2019	210,000	52,500	25%	17%	83%	52,500	—

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

WPP AUNZ performance and the link to STI outcomes

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

WPP AUNZ performance	2019	2018	2017	2016	2015
Headline net profit after tax ("NPAT") ($million)[1]	62.9	71.5	83.6	81.1	39.6
Headline NPAT growth (%)	(12.0)	(14.5)	3.1	104.8	(13.2)
Headline EPS (cents)[1]	7.4	8.4	9.8	9.5	9.5
Proportion of Maximum STI achieved — CEO (%)	—	—	10.0	25.0	14.0
TSR (% per annum)[2]	4.7	(31.2)	(18.7)	(58.7)	(12.6)
Proportion of Maximum STI achieved – average of other Senior Executives (%)	17.5	21.0	13.5	25.0	—

1. A reconciliation of the Group's statutory and headline profit is disclosed in the Operating and Financial Review section of the Annual Report. The 2019 headline NPAT includes the impact of AASB 16. Historical headline NPAT and EPS for 2016 are on a like-for-like basis (unaudited) as if all businesses acquired as part of the Transaction.
2. Total shareholder return ("TSR") is calculated as the movement in the share price and dividends received assuming reinvestment of dividends.

REMUNERATION REPORT (CONTINUED)

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

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

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

The LTIP is an at-risk component of Senior Executives' total remuneration and is a forward-looking incentive to align their interests with those of shareholders. LTIP awards are determined annually by the Board and delivered in the form of conditional rights to WPP AUNZ shares. Performance rights are awarded at no cost to executives.

The CEO will be eligible to participate in the WPP AUNZ LTI plan starting in 2020.

Key details of the LTIP operating between 1 January 2019 and 31 December 2022 are outlined below.

LTI opportunity

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

The number of performance rights each eligible Senior Executive receives is determined by dividing the face value of their LTIP award by the VWAP of the shares over the 30 days ending on the date prior to the date of the grant. Grant date was determined, following the May 2019 AGM.

The following LTIP opportunity levels were established by the Board:

Senior Executives	Target LTIP opportunity – face value $	Maximum LTIP opportunity – face value $
CEO*	750,000	1,500,000
COO	500,000	1,000,000
CFO	100,000	200,000

* LTIP opportunity range for the CEO was determined at the time of his appointment, subject to performance conditions, shareholders' approval, and in accordance with the LTIP rules. The CEO will be eligible to participate in LTIP starting in 2020.

At the 2019 AGM, shareholders approved the grant of performance rights up to the maximum opportunity at the time of grant for the Executive Director and Interim CEO (now the COO) at the time of the LTIP grant approval in May 2019.

Performance rights granted to Senior Executives represent the maximum number of performance rights that will be eligible for vesting if stretch performance hurdles are achieved (refer further to the performance hurdles matrix).

If target performance hurdles are achieved, 50% of performance rights granted to Senior Executives will vest.

Vesting period

The total four-year vesting period from 1 January 2019 to 31 December 2022 comprises:

— performance period of two years (1 January 2019 to 31 December 2020); and

— subsequent two-year service period (1 January 2021 to 31 December 2022).

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

LTI performance conditions

The number of performance rights that will be eligible to vest, subject to continued employment, will be determined using a matrix of:

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

— absolute EPS two-year CAGR.

The baseline to measure the level of business growth achieved for each performance condition has been determined based on WPP AUNZ's 2018 Group results.

The threshold for both measures (NOR and EPS) must be met before any rights are eligible to vest, except in circumstances where the EPS CAGR exceeds 5% and NOR CAGR threshold is not met, in which case the Board may use its discretion to determine whether any rights remain eligible to vest.

The Board considers that the performance conditions and vesting profile are appropriate to incentivise executives to drive profitable business growth. If the required level of performance is achieved, in turn, shareholders will be provided with an increased return on their investment over the corresponding performance period.

Performance hurdles

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

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

NOR/Net Sales two-year CAGR	Maximum 2019 LTI opportunity, % performance rights that vest			
Stretch: 2%	—	50%	75%	100%
Target: 1%	—	35%	50%	90%
Threshold: 0%	—	25%	45%	80%
Below Threshold (less than 0%)	—	—	—	—
EPS baseline (cents): 8.4 Net Sales baseline ($million): 857.3	Below Threshold (less than 2.5%)	Threshold: 2.5%	Target: 5%	Stretch: 7%
	Absolute EPS two-year CAGR			

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

Performance testing

The performance period is from 1 January 2019 to 31 December 2020. Testing of the performance conditions under the 2019 LTIP will occur shortly after the end of the performance period. Based on the audited financial outcomes at 31 December 2020, the Board will determine the number of performance rights that will be eligible to vest (if any), in accordance with the performance hurdles matrix. If the Senior Executive remains employed with WPP AUNZ for the duration of the full four-year vesting period, the number of rights determined as eligible to vest, will vest on or around February 2023.

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

Performance hurdles are not retested. Performance rights that do not remain eligible to vest will lapse immediately.

Any performance rights that do not vest over the vesting period will be forfeited.

Dividends

Unvested performance rights do not carry a right to receive dividends. However, to the extent performance rights vest, the executive is eligible to receive additional shares equivalent in value (at the time of vesting) to cash dividends paid on the underlying shares over the two-year service period (ignoring any franking credits).

The additional shares will be sourced on market.

Where the executive elects to defer the exercise of performance rights following the vesting date, the executive will not be eligible to receive any additional shares in respect of any dividends paid between the end of the vesting period and allocation of shares upon exercise.

Cessation of employment

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

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

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

Hedging

The terms and conditions surrounding the LTIP do not allow participants to hedge against future performance by entering into any separate equity or other arrangements.

Change in control

The Board has discretion to determine the treatment of unvested performance rights and the timing of such treatment if a change of control event occurs (as defined in the LTIP rules).

Clawback provision

The Board may (as defined in the LTIP rules), in its absolute discretion, and subject to applicable laws, determine that some or all of the rights granted under the LTIP will lapse in certain circumstances and that within three years following vesting, deem all or any shares allocated following vesting (or exercise, as applicable) to have forfeited, where they believe an unfair benefit may be obtained due to fraud, gross misconduct or material misstatement or failure to comply with restrictions on transfer and hedging of rights, and executive breach of obligations in relation to confidentiality and restrictive covenants. In addition, within the three years following vesting, where shares that have been allocated to LTIP participant have been subsequently sold, the Board retains full discretion to require that the participants repay the net proceeds of such a sale.

REMUNERATION REPORT (CONTINUED)

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

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

Performance rights granted to eligible Senior Executives under the LTIP operating between 1 January 2019 and 31 December 2022 represent an ultimate maximum of Senior Executives' 2019 LTIP opportunity. The details of performance rights granted are set out below:

Senior Executives	LTIP	Maximum LTIP opportunity, face value $	VWAP at grant $	Performance rights granted	Performance test date[1]	Vesting date	Fair value of performance rights[2] $	Minimum fair value of grant[3] $	Maximum fair value of grant[3] $
John Steedman	2019	1,000,000	0.5813	1,720,282	31-Dec-20	Dec-22	0.47	—	808,533
Chris Rollinson	2019	200,000	0.5813	344,056	31-Dec-20	Dec-22	0.47	—	161,706

1. Performance rights that do not remain eligible to vest following performance test date, will lapse immediately.
2. The fair value of performance rights is calculated at the time of grant and used for accounting purposes only. Further details on the calculation of the fair value can be found in Note 29 to the financial statements.
3. Maximum fair value assumes that performance conditions are fully achieved. The minimum value of the grant, if the applicable vesting conditions are not met, is $Nil in all cases. The Group assessment at 31 December 2019 indicates that LTI performance targets are unlikely to be achieved and a relevant adjustment has been factored in an amortised accounting expense pursuant to the 2019 LTIP grant.

Jens Monsees will be eligible to participate in the WPP AUNZ LTI plan starting in 2020.

LTIP outcomes – 2018 Executive Share Plans

As at 31 December 2019, the performance hurdles were tested for the 2018 LTIP.

WPP AUNZ did not achieve threshold performance for the two-year CAGR NOR/Net Sales and EPS under the LTIP operating between 1 January 2018 and 31 December 2021.

No performance rights pursuant to the 2018 LTIP were determined eligible for vesting and all were forfeited.

LTIP outcomes under the 2018 LTIP were determined based on the following minimum performance thresholds:

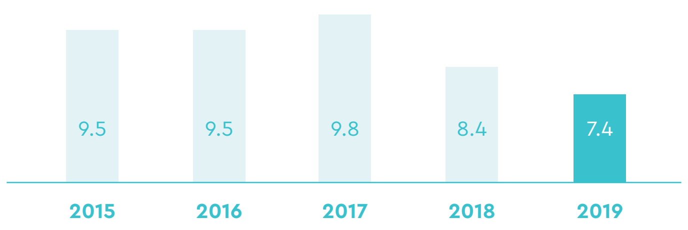
EPS	NOR/Net Sales
— The EPS performance threshold in respect of the 2018 – 2020 LTIP was achieving a minimum of 5% or above CAGR over two years. — The EPS baseline used was 9.8 cents per share.	— The NOR/Net Sales performance threshold in respect of the 2018 – 2021 Plan was achieving the minimum of 1.5% or above CAGR over two years. — The NOR/Net Sales baseline used was $869.9 million.

The above minimum performance thresholds needed to be achieved under both the EPS and NOR/Net Sales hurdles to qualify for any vesting under the 2018 LTIP.

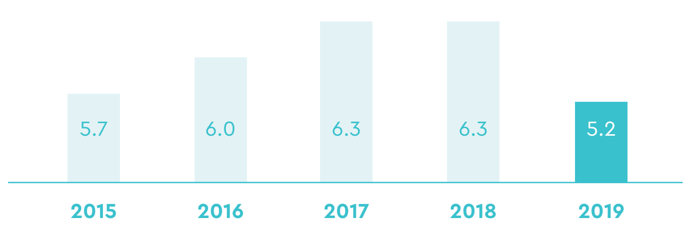
WPP AUNZ performance and the link to LTI outcomes

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

HEADLINE EPS (CENTS)[1]



ORDINARY DIVIDENDS PER SHARE (CENTS)



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

Grant year	LTIP	Performance test date	EPS growth – minimum performance hurdle	NOR/Net Sales growth – minimum performance hurdle	TSR – minimum performance hurdle	Vested[1] %	Forfeited %
2015	2015 – 2017	31-Dec-17	Not achieved	n/a	Not achieved	—	100%
2016	2016 – 2018	31-Dec-18	Not achieved	n/a	Not achieved	—	100%
2017	2017 – 2019	31-Dec-18	Not achieved	Not achieved	n/a	—	100%
2018	2018 – 2021	31 Dec-19	Not achieved	Not achieved	n/a	—	100%

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

REMUNERATION REPORT (CONTINUED)

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

2.5 WPP AUNZ SHARE OWNERSHIP PLAN – EXECUTIVE GRANTS

The purpose of the SOP is to retain key executives, create a strong ownership culture, encourage executives to focus on shareholder wealth creation over the long term, and allow executives to share in the Group's success.

SOP grants to key Senior Executives are determined annually by the Board. Under the annual SOP offer, Senior Executives are eligible to receive Base Rights to WPP AUNZ shares, opt in to purchase shares, and receive additional Matched Rights up to the maximum number determined by the Board. If a Senior Executive decides not to purchase shares to receive Matched Rights, this does not impact the Senior Executive's eligibility to continue participating in the SOP or receiving the grant of Base Rights.

The Company will source the shares on market to satisfy vested SOP awards.

The CEO was not eligible to participate in 2019 SOP grant.

Key details relating to grants to Senior Executives under the SOP operating between 1 March 2019 and 1 March 2022 are outlined below:

SOP grant offer	Under the 2019 SOP, Senior Executives were eligible to receive the SOP grants, comprising: — **Base Rights** up to the face value of $30,000; and — **Matched Rights** up to a maximum number of 51,361, based on the number of WPP AUNZ shares each eligible Senior Executive purchased during the Purchasing Periods indicated in the next section. The number of Base Rights for each eligible Senior Executive was determined by dividing the face value of Base Rights ($30,000) by the VWAP of the shares over the one-month period ending on the day following the May 2018 AGM. The total SOP grant for each eligible Senior Executive was determined as 51,361 Base Rights and an opportunity to receive an additional grant of up to 51,361 Matched Rights in respect of the WPP AUNZ shares purchased during the Purchasing Periods.
Purchasing Periods	Purchasing Period 1: One-month period commencing on the day following the 2019 AGM. Purchasing Period 2: One-month period commencing on the day following the 2019 Half Year Results announcement.
Vesting conditions	2019 SOP grants are subject to a three-year vesting period from 1 March 2019. Vesting of SOP grants is conditional on a Senior Executive's continued service until the vesting date. No additional performance hurdles have been determined for the 2019 SOP grants as this is primarily a critical senior talent retention and ownership culture creation program. In addition, the vesting of Matched Rights is conditional on a Senior Executive continuing to hold the corresponding purchased shares in respect of Matched Rights until the vesting date.
Dividends	No dividends are payable in respect of SOP grants. Dividends are payable over the shares a Senior Executive purchases in respect of Matched Rights.
Cessation of employment	If a Senior Executive resigns before the vesting date or is terminated for cause, the SOP grants will lapse. If a Senior Executive ceases employment as a result of retirement, permanent disablement or death, the SOP grant will be eligible to vest on cessation on a pro-rata basis. The Board retains discretion to determine that a different treatment should apply to Senior Executives' unvested SOP grants upon cessation of employment. Senior Executives will retain any shares purchased during the Purchasing Periods in all circumstances.
Clawback provision	The Board may (as determined in SOP rules), in its absolute discretion, and subject to applicable laws, determine that some or all of the rights granted under the SOP will lapse in certain circumstances and that within three years following vesting, deem all or any shares allocated following vesting (or exercise, as applicable) to have forfeited, where they believe an unfair benefit may be obtained due to fraud, gross misconduct or material misstatement or failure to comply with restrictions on transfer and hedging of rights, and executive breach of obligations in relation to confidentiality and restrictive covenants. In addition, within the three years following vesting, where shares that have been allocated to SOP participant have been subsequently sold, the Board retains full discretion to require that SOP participant repay the net proceeds of such a sale.

The details of 2019 SOP grants to Senior Executives are set out below:

Senior Executives	2019 SOP grant – total rights[1]	Base Rights	Matched Rights	Vesting Date	Fair Value of Rights[2] $	Maximum Fair Value $
John Steedman	51,361	51,361	—	Mar-22	0.40	20,544
Chris Rollinson	51,361	51,361	—	Mar-22	0.40	20,544

1. Base Rights allocated on the basis of VWAP $0.5841 and 2019 SOP opportunity of $30,000 for each eligible Senior Executive.
2. The fair value of SOP rights was calculated at the time of grant and used for accounting purposes only. Further details on the calculation of the fair value can be found in Note 29 to the financial statements.

SECTION 3 – REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

Jens Monsees commenced his role as CEO and Managing Director of WPP AUNZ on 1 October 2019.

During 2019, the WPP AUNZ Board conducted an extensive global search to identify a leader with a strong reputation for building brands and leading transformative change in several industries. Jens Monsees was appointed CEO with effect from 1 October 2019.

The remuneration level and remuneration structure for the CEO was recommended by the Remuneration Committee and approved by the Board. The Remuneration Committee undertook independent benchmarking for the CEO's remuneration to offer a competitive remuneration level and an appropriately balanced remuneration mix for a high calibre international executive who will lead not only in creative advertising, branding, communications and media, but also in technology, data, business transformation, and who will bring rich experience and client-side insights to the role at a time when the changing needs of WPP AUNZ clients are paramount.

Jens Monsees' remuneration structure is outlined below.

3.1 FIXED REMUNERATION

Mr Monsees' fixed remuneration is $1,500,000 per annum.

3.2 SHORT-TERM INCENTIVES

Mr Monsees is eligible to participate in WPP AUNZ's STI plan, in accordance with the STI Plan rules.

Starting in 2020, Mr Monsees will be eligible for a STIP bonus in a range of 0–150% of fixed remuneration, with a target of 50% and a maximum of 150%, subject to (i) STI Plan rules, (ii) shareholder approval and (iii) the achievement of the performance and service conditions determined and approved by the Board.

Any STIP bonus will be provided on or around 31 March in the year following the calendar year to which the STIP Bonus applies, and will be delivered 50% in cash and 50% in performance shares, subject to a one year deferral period (provisionally established at the time of his appointment).

In respect of the year ending 31 December 2019, Jens Monsees was eligible to receive a cash payment of $250,000 in lieu of participation in the 2019 STI plan, in accordance with the material terms of his employment contract announced on 27 May 2019. This payment was not contingent on the performance conditions established under the 2019 STI Plan.

3.3 LONG-TERM INCENTIVES – EXECUTIVE SHARE PLAN

Mr Monsees is eligible to participate in WPP AUNZ's LTI plan, in accordance with the LTI Plan rules.

Starting in 2020, Mr. Monsees will be eligible for a LTIP Bonus in the form of rights or options in the Company valued at a range from 0–100% of fixed remuneration, with a target of 50% and a maximum of 100%, subject to (i) LTI Plan rules, (ii) shareholder approval and (iii) the achievement of the performance and service conditions determined and approved by the Board.

Any rights or options granted under the LTIP for the year 2020 will vest over a 3 year period.

REMUNERATION REPORT (CONTINUED)

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

3.4 ONE-TIME SHARE OWNERSHIP GRANT OF RIGHTS

In recognition of bonus and related entitlements that were forfeited as a result of accepting the role with WPP AUNZ, Jens Monsees was provided with a one-time grant of rights with a grant value $1,500,000 worth of WPP AUNZ shares.

Rights will vest in three equal tranches on 31 December 2019, 31 December 2020, and 31 December 2021. The first tranche must be held for at least 12 months after the vesting date.

If Mr. Monsees' employment terminates for reasons other than dismissal, unsatisfactory performance or resignation:

— between 1 January 2020 and 31 December 2020, the first and second tranches will vest and remaining unvested rights will lapse;

— between 1 January 2021 and 31 December 2021, the third tranche will vest.

The number of rights granted to Jens Monsees was determined, based on the value weighted average price (VWAP) of WPP AUNZ shares over the 10 trading days immediately preceding 27 May 2019 (the date his appointment was announced on the ASX), resulting in three equal tranches of 923,191 rights.

WPP AUNZ will source the shares on market in order to satisfy this one-time grant of rights.

One-time SOP grant	Grant date	Face value at grant $	VWAP $	Rights granted	Vesting date	Fair value of performance rights[2] $	Minimum fair value of grant[3] $	Maximum fair value of grant[3] $
Tranche 1	01-Oct-19	500,000	0.5416	923,191	Dec-19[1]	0.50	—	461,596
Tranche 2	01-Oct-19	500,000	0.5416	923,191	Dec-20	0.46	—	424,668
Tranche 3	01-Oct-19	500,000	0.5416	923,191	Dec-21	0.43	—	396,972

1. Subject to the vesting conditions being satisfied, Tranche 1 rights will vest and convert into the Tranche 1 shares during the first trading window after the vesting date. Tranche 1 shares will be subject to the trading restrictions for a period of 12 months (i.e. until 31 December 2020).
2. The fair value of performance rights was determined at the time of grant and applied for accounting purposes only. Further details on the calculation of the fair value can be found in Note 29 to the financial statements.
3. Maximum fair value assumes that performance conditions are fully achieved. The minimum value of the grant, if the applicable vesting conditions are not met, is $ Nil in all cases.

3.5 OTHER BENEFITS

The Company has set aside an amount of $250,000 per annum in total, for Mr. Monsees' children's education expenses and one home trip per year for his family under a 482 Visa. The tax cost (if any) to the Company of providing these benefits will be met from this pool of funds. Any unutilised balance will become payable to Mr Monsees as taxable remuneration.

Cost for comprehensive health insurance for Mr. Monsees and his family, as well as two return business class air fares for business purposes for Mr. Monsees and his spouse, are also paid annually by the Company. None of these expenses were paid in 2019.

Reasonable relocation and repatriation costs for Mr. Monsees and his family will be paid by the Company.

SECTION 4 – SENIOR EXECUTIVES' CONTRACT DETAILS

Terms of employment for Senior Executives are contained in written employment agreements. These employment agreements are unlimited in term, but may be terminated by written notice by either party. They may also be terminated with cause, as set out below:

— termination of employment without notice and without payment in lieu of notice: the Company may terminate the employment of the Senior Executive without notice and without payment in lieu of notice in some circumstances. Generally, this includes in the event of any act which detrimentally affects the Company such as dishonesty, fraud or serious or willful misconduct; or

— termination of employment with notice and with payment in lieu of notice: the Company may terminate the employment of the Senior Executive at any time by giving them notice of termination and may provide the amount of notice required from the Company in these circumstances as set out in the below table. WPP AUNZ may alternatively give payment in lieu of notice.

Senior Executive	Jens Monsees[1]	John Steedman[2]	Chris Rollinson[3]
Role	CEO	COO	CFO
Contract expiry date	Ongoing	Ongoing	Ongoing
Fixed remuneration (full year contractual salary)	2019 – $1,500,000	2019 – $950,000 2018 – $950,000	2019 – $420,000 2018 – $420,000
STI plan (Target STI opportunity)[5]	2019 – eligible starting 2020	2019 – $550,000 2018 – $350,000	2019 – $210,000 2018 – $126,000
Termination benefit (Company initiated)	12 months' notice	6 months' notice	12 months' notice[4]
Termination benefit (Employee initiated)	12 months' notice	6 months' notice	3 months' notice[4]
Non-solicitation of personnel and clients	12 months	12 months	12 months
Non-compete	12 months	12 months	12 months

1. Jens Monsees will be eligible to participate in the STI plan starting in 2020. His target STI opportunity under the 2020 STI plan was determined on the basis of 50% of his fixed remuneration and his maximum STI opportunity was capped at 150%.
2. John Steedman's 2019 annual Target STI was reviewed in light of the comparable benchmarks and was determined on the basis of 58% of his fixed remuneration and his maximum STI opportunity under the 2019 STI plan was capped at 87% as previously indicated in 2019 AGM Notice of meeting.
3. Chris Rollinson's 2019 STI opportunity was reviewed in light of the comparable benchmarks for the Group Executive roles and to enable an appropriately balanced remuneration mix for this role. His 2019 annual Target STI was determined on the basis of 50% of fixed remuneration and his maximum STI opportunity under 2019 STI plan was capped at 75%.
4. Starting 2020, the notice periods for Chris Rollinson represent 6 months relating to the company initiated termination benefit and 6 months relating to the employee initiated termination benefit under his 2020 employment contractual terms.
5. Under the Group's remuneration and human resource policy, the Board retains discretion to review, amend or withdraw the STI at any point.

REMUNERATION REPORT (CONTINUED)

SECTION 5 – SENIOR EXECUTIVES' REMUNERATION – STATUTORY DISCLOSURE

The following table outlines total remuneration for Senior Executives for the year ended 31 December 2019, as well as comparative figures for the year ended 31 December 2018, as required under the Corporations Act 2001 and has been prepared in accordance with Accounting Standards.

The LTI values in the table below represent the amortised accounting expense of all unvested grants during the year and accordingly, are not reflective of the actual value delivered to Senior Executives that has been disclosed in the "Realised Remuneration" table in Section 2.1.

		Short-term employee benefits		Post-employment	Share-based payments		Other long-term benefits[4]					
		Base salary[1]	Cash STI[2]	Superannuation contributions	Deferred STI	LTI[3]	Long service leave	Termination Benefit	Other Benefits[5]	Total remuneration	Total at risk	Total in LTI
Senior Executives	**Year**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Jens Monsees	**2019**	**375,000**	**250,000**	**—**	**—**	**461,596**	**6,601**	**—**	**62,500**	**1,155,697**	**62%**	**40%**
CEO												
John Steedman	**2019**	**929,233**	**75,000**	**20,767**	**75,000**	**20,941**	**16,378**	**—**	**—**	**1,137,319**	**15%**	**2%**
COO	2018	686,761	65,625	20,290	65,625	56,065	24,120	—	—	918,486	20%	6%
Chris Rollinson	**2019**	**399,233**	**52,500**	**20,767**	**—**	**13,552**	**6,914**	**—**	**—**	**492,966**	**13%**	**3%**
CFO	2018	384,710	81,500	20,290	—	11,427	30,328	—	—	528,255	18%	2%
Michael Connaghan	**2019**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2018 reported KMP	2018	929,710	—	40,821	—	33,858	16,253	929,469	—	1,950,111	2%	2%
Total	**2019**	**1,703,466**	**377,500**	**41,534**	**75,000**	**496,089**	**29,893**	**—**	**62,500**	**2,785,982**	**34%**	**18%**
	2018	**2,001,181**	**147,125**	**81,401**	**65,625**	**101,350**	**70,701**	**929,469**	**—**	**3,396,852**	**9%**	**3%**

1. Base salary includes any salary sacrifice benefits and accrued annual leave paid out as part or salary and represents executives' actual earnings during the year ended 31 December 2019, being the same basis as the comparative figures for 2018:
   - Jens Monsees commenced as CEO with effect from 1 October 2019. His actual base salary for the year ended 31 December 2019 was pro-rated accordingly;
   - Under the terms of Jens Monsees' 482 Visa and in accordance with p.11 of the Superannuation Guarantee Administration Regulations (2018), there is no requirement for the Employer to contribute statutory superannuation. Therefore, Jens Monsees' full fixed remuneration ($1,500,000 annualised) is paid to him as base salary; and
   - John Steedman and Chris Rollinson received no increases in their base salaries during the year ended 31 December 2019. During 2018, their annual fixed remuneration was reviewed to reflect their expanded responsibilities and with the consideration of comparable benchmarks. Those prorated increases were reflected in their actual 2018 salaries. Their full time annual fixed remuneration equivalent on 31 December 2019 and 31 December 2018 has been consistent.
2. The STI amount represents the actual cash STI award for the year ended 31 December 2019 paid in February 2020 and for 2018 the actual cash STI award paid in 2019 for the year ended 31 December 2018:
   - The 2019 cash STI amount for Jen Monsees represents the payment he will receive in March 2020 in lieu of participation in 2019 STI plan, in accordance with the material terms of his contract as outlined in Section 3. This payment was not contingent on the performance conditions pursuant to 2019 STI Plan. Jens Monsees will be eligible to participate in the STI plan starting in 2020;
   - The 2019 cash STI amount for John Steedman represents 50% of his total STI achieved under the 2019 STI plan and 50% will be deferred in shares for two years. Similar treatment applied to his 2018 achieved STI award; and
   - The 2019 cash STI amount for Chris Rollinson represents his full bonus achieved under the 2019 STI plan. His total 2018 cash STI amount included $31,500 bonus achieved under 2018 STI plan and $50,000 cash award he received in recognition of his performance in the prior role of Interim CFO.
3. LTI values are based on accounting treatment. The fair value of performance rights at grant is determined as set out in Note 29 to the financial statements and amortised accordingly with the performance conditions and vesting period of each plan. Details of KMP performance rights are further included in Section 7.3 below.
4. Other long-term benefits represent the movement in the Senior Executives' long service leave balance between the respective reporting periods.
5. The Company has set aside an amount of $250,000 per annum in total, for Mr. Monsees' children's education expenses and one home trip per year for his family under a 482 Visa. The tax cost (if any) to the Company of providing these benefits will be met from this pool of funds. Any unutilised balance will become payable to Mr Monsees as taxable remuneration.

SECTION 6 – NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

6.1 DIRECTOR FEE FRAMEWORK

Under the current framework, Non-executive Directors are remunerated by way of an annual base fee, with additional fees paid to the Chairman and members of Committees. The Board periodically reviews the Directors' fee framework. There was no change to Non-executive Director or Committee fees during 2019.

The following table outlines the Non-executive Directors' annual fees for the Board and Committees as at 31 December 2019:

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

6.2 WPP PLC ALIGNED DIRECTORS

The following WPP plc aligned Directors are not remunerated as a Board member of the Company and do not receive any other financial or non-financial benefit as a member of WPP AUNZ's Board: Paul Richardson, Ranjana Singh 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 plc aligned Directors does not detract or diminish from the discharging of their responsibilities and obligations to all shareholders of the Company.

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

6.3 DIRECTORS' FEE POOL

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

The total remuneration paid to Non-executive Directors for the year ended 31 December 2019 amounted to $465,000 (2018: $465,000) which is below the annual aggregate fee pool approved by shareholders.

6.4 MINIMUM SHAREHOLDING REQUIREMENT

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

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

REMUNERATION REPORT (CONTINUED)

6.5 REMUNERATION OF NON-EXECUTIVE DIRECTORS

The following table shows the total actual remuneration for Non-executive Directors for the year ended 31 December 2019, as well as comparative fees paid to the Directors for the year ended 31 December 2018:

		Short-term employee benefits	Post-employment	
Total remuneration for Non-executive Directors[1]	**Year**	**Base salary $**	**Superannuation contributions $**	**Total $**
Robert Mactier	**2019**	**214,612**	**20,388**	**235,000**
	2018	214,612	20,388	235,000
Graham Cubbin	**2019**	**109,589**	**10,411**	**120,000**
	2018	109,589	10,411	120,000
Kim Anderson	**2019**	**100,457**	**9,543**	**110,000**
	2018	100,457	9,543	110,000
Paul Richardson	**2019**	**—**	**—**	**—**
	2018	—	—	—
Geoffrey Wild	**2019**	**—**	**—**	**—**
	2018	—	—	—
Ranjana Singh	**2019**	**—**	**—**	**—**
	2018	—	—	—
Total[2]	**2019**	**424,658**	**40,342**	**465,000**
	2018	**424,658**	**40,342**	**465,000**

1. Includes fees paid for the contribution to the Audit and Risk Committee and Remuneration and Nominations Committee.
2. The total fees for 2018 reflect the prior year remuneration for the 2018 reported Non-executive Directors.

SECTION 7 – KMP HOLDINGS OF EQUITY INSTRUMENTS

7.1 SHARES

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

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

Executive Directors and other Senior Executive	Balance at the beginning of the year	Vested and exercised during the year	Net change	Balance at the end of the year
Jens Monsees[1]	—	—	—	—
John Steedman[2]	382,408	—	—	382,408
Chris Rollinson	30,625	—	—	30,625

1. On 31 December 2019, Jens Monsees held 923,191 vested rights relating to the Tranche 1 of his one-time grant of rights received on commencement of his employment in October 2019. These rights vested at 31 December 2019 as outlined in the Section 3 and the shares will be released to Jens Monsees during the first trading window after the vesting date (during the thirty days, following the release of the Company's financial results for the year ended 31 December 2019). Those shares will be subject to the trading restrictions for a period of 12 months following the vesting date (i.e. until 31 December 2020).

   WPP AUNZ will source the shares on market to satisfy the vesting of this grant.

2. In addition to the ordinary shares held by John Steedman on 31 December 2019, at the end of the year he held:
   - 28,226 performance shares relating to the deferred portion of his STI for the year ended 31 December 2017. These shares vested at 31 December 2019 and will be released out of trust to John Steedman during the thirty days, following the release of the Company's financial results for the year ended 31 December 2019.
   - 122,962 performance shares relating to the deferred portion of his STI for the year ended 31 December 2018. These shares will vest at 31 December 2020 and will be released out of trust to John Steedman during the thirty days, following the release of the Company's financial results for the year ending 31 December 2020.

7.2 PERFORMANCE RIGHTS – SENIOR EXECUTIVES' LTI BALANCE

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

Senior Executives	Year	Balance at the start of the year	Granted during the year	Vested and exercised during the year	Forfeited during the year	Balance at the end of the year	Exercisable post year end	Performance rights yet to vest or lapse
Jens Monsees	**2019**	**—**	**2,769,573**	**(923,191)**	**—**	**1,846,382**	**923,191**	**1,846,382**
CEO								
John Steedman	**2019**	**496,921**	**1,771,643**	**—**	**(432,105)**	**1,836,459**	**—**	**1,816,459**
COO	2018	697,826	496,921	(350,000)	(347,826)	496,921	—	496,921
Chris Rollinson	**2019**	**248,461**	**395,417**	**—**	**(216,053)**	**427,825**	**—**	**427,825**
CFO	2018	320,972	248,461	—	(320,972)	248,461	—	248,461

7.3 PERFORMANCE RIGHTS – MOVEMENTS DURING THE YEAR

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

						Vested		Forfeited		
Senior Executives	**Plan**	**Grant date**	**Performance rights granted**	**Total value at grant date[1] $**	**Vesting date**	**Number**	**Value $**	**Number**	**Value $**	**Performance rights yet to vest or lapse[2]**
Jens Monsees CEO	One-time Tranche 1	Oct-19	923,191	461,596	Dec-19	923,191	461,596	—	—	—
	One-time Tranche 2	Oct-19	923,191	424,668	Dec-20	—	—	—	—	923,191
	One-time Tranche 3	Oct-19	923,191	396,972	Dec-21	—	—	—	—	923,191
Total			**2,769,573**	**1,283,236**		**923,191**	**461,596**	**—**	**—**	**1,846,382**
John Steedman COO	2018 – 2021 LTIP	May-18	432,105	350,005	Dec-21	—	—	432,105	350,005	—
	2018 SOP	May-18	64,816	49,260	Mar-21	—	—	—	—	64,816
	2019 – 2022 LTIP	May-19	1,720,282	808,533	Dec-22	—	—	—	—	1,720,282
	2019 SOP	May-19	51,361	20,544	Mar-22	—	—	—	—	51,361
Total			**2,268,564**	**1,228,342**		**—**	**—**	**432,105**	**350,005**	**1,836,459**
Chris Rollinson CFO	2018 – 2021 LTIP	May-18	216,053	175,003	Dec-21	—	—	216,053	175,003	—
	2018 SOP	May-18	32,408	24,630	Mar-21	—	—	—	—	32,408
	2019 – 2022 LTIP	May-19	344,056	161,706	Dec-22	—	—	—	—	344,056
	2019 SOP	May-19	51,361	20,544	Mar-22	—	—	—	—	51,361
Total			**643,878**	**381,883**		**—**	**—**	**216,053**	**175,003**	**427,825**

1. Total value at grant date in the above table represents the fair value of LTI awards, assuming all performance conditions pursuant to each LTI grant are met. Details of the assumptions underlying the valuations are set out in Note 29 to the financial statements. The minimum value of the grant, if the applicable vesting conditions are not met, is $Nil in all cases.
2. All performance rights granted to the executives under 2018 LTIP were forfeited, following 31 December 2019 performance testing as outlined in Section 2.4 above.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Consolidated Entity	
	Notes	2019 $'000	2018* $'000
Revenue		836,576	853,490
Cost of sale of goods and services rendered		(123,789)	(121,669)
Net sales	4(B)	**712,787**	**731,821**
Other (expense)/income	4(B)	(1,925)	1,215
Share of net profits of joint venture and associates accounted for using the equity method	4(B)	5,626	4,980
		716,488	**738,016**
Employee benefits expense		(484,545)	(486,149)
Occupancy costs		(15,870)	(43,644)
Depreciation expense	5(A)	(36,110)	(15,336)
Amortisation expense	5(A)	(17,832)	(15,827)
Travel, training and other personnel costs		(26,790)	(26,066)
Research, new business and other commercial costs		(23,868)	(22,551)
Office and administration costs		(22,997)	(24,203)
Compliance, audit and listing costs		(15,727)	(12,973)
Finance costs	5(B)	(14,919)	(11,645)
Service fees to WPP plc	30(C)	(12,191)	(11,627)
Impairment expense		(241,256)	(66,318)
(Loss)/profit before income tax		**(195,617)**	**1,677**
Income tax benefit/(expense)	6	11,456	(19,910)
Loss from continuing operations		**(184,161)**	**(18,233)**
(Loss)/profit from discontinued operations**	32	**(37,785)**	**8,732**
Loss for the period		**(221,946)**	**(9,501)**
Net profit/(loss) attributable to:			
– Non-controlling interests		5,625	7,594
– Members of the Company		**(227,571)**	**(17,095)**
		Cents	**Cents**
Earnings per share for loss from continuing operations:			
Basic earnings per share	7	**(22.2)**	**(3.0)**
Diluted earnings per share	7	**(22.2)**	**(3.0)**
Earnings per share for net loss attributable to the members of the Company:			
Basic earnings per share	7	**(26.7)**	**(2.0)**
Diluted earnings per share	7	**(26.7)**	**(2.0)**

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

* 2018 balances have been updated on a continuing and discontinued basis for comparative purposes against 2019.

** The discontinued operations relate to the sale of Kantar Australian and New Zealand businesses and Ogilvy New Zealand in 2019. Other non-material disposals have not been included as discontinued operations. Refer to Note 32 for further details.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Consolidated Entity	
	2019 $'000	2018* $'000
Net loss for the period	**(221,946)**	**(9,501)**
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated statement of profit or loss		
Exchange gain arising on translation of foreign operations	2,965	16,277
Total comprehensive (loss)/income	**(218,981)**	**6,776**
Total comprehensive income/(loss) attributable to:		
– Non-controlling interests	5,802	8,511
– Members of the Company	**(224,783)**	**(1,735)**
Total comprehensive (loss)/income attributable to the members of the Company from:		
– Continuing operations	(186,122)	(10,847)
– Discontinued operations**	(38,661)	9,112
	(224,783)	**(1,735)**

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

* 2018 balances have been updated on a continuing and discontinued basis for comparative purposes against 2019.

** The discontinued operations relate to the sale of Kantar Australian and New Zealand businesses and Ogilvy New Zealand in 2019. Other non-material disposals have not been included as discontinued operations. Refer to Note 32 for further details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Current assets			
Cash and cash equivalents	9	74,812	63,524
Trade and other receivables	10	389,690	484,902
Inventories	11	2,873	12,942
Current tax assets	6(B)	—	494
Other current assets	12	83,236	94,336
Total current assets		**550,611**	**656,198**
Non-current assets			
Other receivables	13	—	279
Investments accounted for using the equity method	14	19,877	21,864
Other financial assets	15	—	709
Plant and equipment	16	41,231	49,963
Right-of-use assets	1(A)(II)	91,667	—
Deferred tax assets	17	25,905	27,574
Intangible assets	18	721,839	1,187,533
Other non-current assets	19	2,145	2,302
Total non-current assets		**902,664**	**1,290,224**
Total assets		**1,453,275**	**1,946,422**
Current liabilities			
Trade and other payables	20	589,330	714,456
Current tax liabilities	6(B)	12,993	—
Borrowings	21	10,000	59,747
Lease liabilities	1(A)(II)	28,480	—
Provisions	22	22,628	26,214
Total current liabilities		**663,431**	**800,417**
Non-current liabilities			
Other payables	23	2,752	20,099
Borrowings	24	182,000	257,001
Lease liabilities	1(A)(II)	77,887	—
Deferred tax liabilities	25	28,744	86,804
Provisions	26	4,242	5,345
Total non-current liabilities		**295,625**	**369,249**
Total liabilities		**959,056**	**1,169,666**
Net assets		**494,219**	**776,756**
Equity			
Issued capital	27	737,149	737,149
Reserves		29,356	23,471
(Accumulated losses)/retained earnings		(284,986)	531
Equity attributable to members of the Parent Entity		**481,519**	**761,151**
Non-controlling interests		12,700	15,605
Total equity		**494,219**	**776,756**

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 2019

		Attributable to members of the Parent Entity ($'000)								
Consolidated Entity	**Notes**	**Issued capital**	**Equity settled share-based payment reserve***	**Transactions with non-controlling interests reserve***	**Equity reserve**	**Foreign currency translation reserve* ("FCTR")**	**Retained earnings[1]**	**Total**	**Non-controlling interests $'000**	**Total equity $'000**
At 1 January 2018		**736,631**	**954**	**(446)**	**16,275**	**2,999**	**75,095**	**831,508**	**18,465**	**849,973**
Adoption of AASB 15 (net of tax)		—	—	—	—	—	(2,136)	(2,136)	—	(2,136)
At 1 January 2018 (restated)		**736,631**	**954**	**(446)**	**16,275**	**2,999**	**72,959**	**829,372**	**18,465**	**847,837**
Net (loss)/profit		—	—	—	—	—	(17,095)	(17,095)	7,594	(9,501)
Other comprehensive income		—	—	—	—	15,360	—	15,360	917	16,277
Total comprehensive income/(loss)		**—**	**—**	**—**	**—**	**15,360**	**(17,095)**	**(1,735)**	**8,511**	**6,776**
Buy-out of non-controlling interests	33	—	—	(12,082)	—	—	—	(12,082)	(3,038)	(15,120)
Issue of executive share plan shares	27	518	(518)	—	—	—	—	—	—	—
Cost of share-based payments		—	929	—	—	—	—	929	—	929
Equity dividends provided for or paid	8	—	—	—	—	—	(55,333)	(55,333)	(8,333)	(63,666)
At 31 December 2018		**737,149**	**1,365**	**(12,528)**	**16,275**	**18,359**	**531**	**761,151**	**15,605**	**776,756**
Adoption of AASB 16 (net of tax)	1(A)(II)	—	—	—	—	—	(4,300)	(4,300)	(49)	(4,349)
At 1 January 2019 (restated)		**737,149**	**1,365**	**(12,528)**	**16,275**	**18,359**	**(3,769)**	**756,851**	**15,556**	**772,407**
Net (loss)/profit		—	—	—	—	—	(227,571)	(227,571)	5,625	(221,946)
Other comprehensive income		—	—	—	—	2,788	—	2,788	177	2,965
Total comprehensive income/(loss)		**—**	**—**	**—**	**—**	**2,788**	**(227,571)**	**(224,783)**	**5,802**	**(218,981)**
Buy-out of non-controlling interests	33	—	—	1,510	—	—	—	1,510	(343)	1,167
Cost of share-based payments		—	1,587	—	—	—	—	1,587	—	1,587
Equity dividends provided for or paid	8	—	—	—	—	—	(53,646)	(53,646)	(8,315)	(61,961)
At 31 December 2019		**737,149**	**2,952**	**(11,018)**	**16,275**	**21,147**	**(284,986)**	**481,519**	**12,700**	**494,219**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Consolidated Entity 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		3,555,902	3,994,071
Payments to suppliers and employees		(3,431,382)	(3,838,806)
Net cash flows from operations		**124,520**	**155,265**
Interest received		895	747
Interest and other costs of finance paid		(16,424)	(13,924)
Dividends and trust distributions received from joint venture and associates	14	5,950	3,056
Income taxes paid		(24,912)	(53,915)
Net cash flows from operating activities	**9**	**90,029**	**91,229**
Cash flows from investing activities			
Payments for purchase of newly controlled entities, net of cash acquired	31	—	(6,095)
Payments for acquisition of non-controlling interests	33	(5,540)	(14,721)
Payments for purchase of plant and equipment	16	(14,062)	(20,478)
Proceeds on disposal of controlled entities, net of cash disposed*		163,519	—
Proceeds on disposal of equity accounted investments		53	—
Earnout payments and intangible assets acquired		(15,142)	(6,753)
Receipts from/(payments to) related parties		523	(46)
Net cash flows from/(used in) investing activities		**129,351**	**(48,093)**
Cash flows from financing activities			
Proceeds from borrowings		1,660,000	1,430,749
Repayments of borrowings		(1,783,001)	(1,454,589)
Payments of lease liabilities		(24,046)	(994)
Dividends paid to equity holders	8	(53,646)	(55,333)
Dividends paid to non-controlling interests		(7,022)	(8,333)
Net cash flows used in financing activities		**(207,715)**	**(88,500)**
Net increase/(decrease) in cash held		11,665	(45,364)
Effects of exchange rate changes on cash and cash equivalents		(377)	(2,335)
Cash and cash equivalents at the beginning of the year		63,524	111,223
Cash and cash equivalents at the end of the year	**9**	**74,812**	**63,524**

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

* Disposal of controlled entities include Kantar and Ogilvy New Zealand (discontinued operations) as well as other non-material disposals during the year.

CONTENTS – NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of WPP AUNZ Limited for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors, dated 24 February 2020.

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

(A) BASIS OF PREPARATION

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

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

The following new standards became applicable for the current reporting period:

— IFRIC 23 Uncertainty over Income Tax Treatments; and

— AASB 16 Leases.

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

(I) IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

Impact of adoption

IFRIC 23 is effective from 1 January 2019. IFRIC 23 clarifies how to apply AASB 112 Income Taxes when there is uncertainty over the underlying income tax treatment of relevant amount/item.

The application of IFRIC 23 does not have any impact on the Group's results.

(II) AASB 16 LEASES

Impact of adoption

AASB 16 is effective from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees are required to recognise a right-of-use asset and related lease liability for the majority of their operating leases and show depreciation of leased assets and interest on lease liabilities separately in the income statement. AASB 16 requires the Group to recognise substantially all of its operating leases on the balance sheet, with the exception of short-term leases and low value leases.

The Group adopted AASB 16 effective 1 January 2019 on a modified retrospective basis and applied the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to retained earnings. Accordingly, prior year financial information has not been restated and will continue to be reported under AASB 117 Leases. The right-of-use asset and lease liability have initially been measured at the present value of the remaining lease payments, with the right-of-use asset being subject to certain adjustments.

When applying AASB 16, the Group has applied the following practical expedients, on transition date:

— Reliance on the previous identification of a lease (as provided by AASB 117) for all contracts that existed on the date of initial application;

— Reliance on previous assessments on whether leases are onerous instead of performing an impairment review;

— Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application;

— The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and

— The use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Based on the following, as at 1 January 2019:

— Right-of-use assets of $80.0 million were recognised;

— Additional lease liabilities of $97.2 million were recognised;

— Prepayment of $0.1 million and trade and other payables of $11.3 million related to previous operating leases were derecognised;

— Deferred tax asset of $1.5 million was recognised; and

— The net effect of these adjustments had been adjusted to retained earnings ($4.3 million).

The following reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is based upon the operating lease commitments as at 31 December 2018:

1 January 2019	$'000
Operating lease commitments disclosed as at 31 December 2018	117,099
Short-term lease recognised on a straight-line basis as office and administration costs	(7,821)
Low-value leases recognised on a straight-line basis as office and administration costs	(12)
Gross lease liabilities at 1 January 2019	109,266
Effect of discounting	(12,022)
Lease liability recognised as at 1 January 2019	**97,244**

The weighted average discount rate was 3.4% at 1 January 2019.

Summary of new accounting policies

The Group leases most of its offices in cities where the Group operates; other lease contracts include office equipment and motor vehicles. At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated over the term of the lease using the straight-line method.

The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. Lease payments included in the measurement of lease liabilities comprise fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate as at the commencement date. Lease modifications result in remeasurement of the lease liability.

Depreciation is recognised in depreciation expense and interest expense is recognised under financial cost in the consolidated statement of profit or loss.

The Group has elected to use the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The payments associated with these leases are recognised as occupancy costs and office and administration costs on a straight-line basis over the lease term.

The movements for the 12 months ended 31 December 2019 were as follows:

Right-of-use assets	Property '000	Fixtures, Fitting & Equipment '000	Computer hardware '000	Vehicle '000	Total '000
As at 1 January 2019	78,862	900	70	147	79,979
Additions	43,849	1	172	—	44,022
Depreciation expense	(23,405)	(386)	(56)	(43)	(23,890)
Net exchange differences	36	—	—	—	36
Disposals	(8,219)	(189)	—	(72)	(8,480)
As at 31 December 2019	**91,123**	**326**	**186**	**32**	**91,667**

Lease liabilities	Property '000	Fixtures, Fitting & Equipment '000	Computer hardware '000	Vehicle '000	Total '000
As at 1 January 2019	96,101	923	71	149	97,244
Additions	43,665	1	171	—	43,837
Repayment of lease liabilities	(25,194)	(412)	(63)	(47)	(25,716)
Interest expense related to lease liability	3,416	22	4	3	3,445
Net exchange differences	59	1	—	1	61
Disposals	(12,238)	(193)	—	(73)	(12,504)
As at 31 December 2019	**105,809**	**342**	**183**	**33**	**106,367**

Leases are shown as follows in the income statement for the 12 months ended 31 December 2019:

31 December 2019	$'000
Depreciation of right-of-use assets	23,890
Short-term lease expenses	11,761
Low-value lease expenses	186
Variable lease payment expenses	27
Interest on lease liabilities	3,445
Total	**39,309**

The total cash outflow for leases including short-term leases and low-value assets for the twelve months ended 31 December 2019 was $37.7 million.

The maturity of lease liabilities at 31 December 2019 were as follows:

	$'000
2020	31,432
2021	31,208
2022+	50,201
Total undiscounted cash flows	112,841
Effect of discounting	(6,474)
	106,367

Lease liabilities as at 31 December 2019	
Current lease liability	28,480
Non-current lease liability	77,887
	106,367

(B) STATEMENT OF COMPLIANCE

(I) STANDARDS AND INTERPRETATIONS

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

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

(II) NET WORKING CAPITAL

As at 31 December 2019, the consolidated statement of financial position shows current liabilities in excess of current assets by $112.8 million. As part of the Kantar disposal, the Company was required to reduce the debt facility by $100.0 million. At 31 December 2019, the Consolidated Entity had secured loan facilities totalling $420.0 million (of which $192.0 million was drawn). The Company had $228.0 million in undrawn facilities at 31 December 2019 to meet net working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2019 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(H)).

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

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

(II) JOINT VENTURES

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control involves the contractually agreed sharing of control over an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint ventures are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

(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 in control or joint control over those policies. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates include goodwill identified on acquisition. Impairment losses are charged to profit or loss and any reversals are credited to profit or loss.

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

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

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

(IV) CHANGES IN OWNERSHIP INTERESTS

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

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

(D) ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

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

(E) FOREIGN CURRENCY TRANSLATION

(I) FUNCTIONAL AND PRESENTATION CURRENCY

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

(II) TRANSACTIONS AND BALANCES

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

(III) GROUP ENTITIES

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

— income and expenses for each statement of profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

— assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position; and

— all resulting exchange differences are recognised in the foreign currency translation reserve, as a separate component of equity.

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

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

(F) REVENUE RECOGNITION

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

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

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

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

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

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

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

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

Further details on revenue recognition are detailed by sector below:

(I) GLOBAL INTEGRATED AGENCIES (FORMERLY ADVERTISING AND MEDIA INVESTMENT MANAGEMENT)

Revenue is typically derived from media placements and advertising services. Revenue may consist of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client. Revenue for commissions on

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) REVENUE RECOGNITION (CONTINUED)

(I) GLOBAL INTEGRATED AGENCIES (FORMERLY ADVERTISING AND MEDIA INVESTMENT MANAGEMENT) (CONTINUED)

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

(II) DATA INVESTMENT MANAGEMENT (DISCONTINUED FROM 6 DECEMBER 2019)

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

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

(III) LARGE FORMAT PRODUCTION

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

(IV) PUBLIC RELATIONS & PUBLIC AFFAIRS AND SPECIALIST COMMUNICATIONS

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

(V) NET SALES

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

(VI) DISAGGREGATION OF REVENUE

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

(VII) OTHER INCOME

Interest

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

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

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

(G) TAXES

(I) INCOME TAX

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

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

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

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

(II) GOODS AND SERVICES TAX ("GST")

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

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

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

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

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

(III) TAX CONSOLIDATION

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

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

(H) BUSINESS COMBINATIONS

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

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

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

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

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

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

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

Prior to control being obtained, the investment is accounted for under AASB 128 Investments in Associates and Joint Ventures, AASB 11 Joint Arrangements and AASB 9 Financial Instruments. On the date that control is obtained, the fair values of the acquired entity's assets and liabilities, including goodwill, are measured. Any resulting adjustments to previously recognised assets and liabilities are recognised in profit or loss. Thus, attaining control triggers remeasurement.

(I) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

(J) 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.

(K) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any loss allowance/expected credit loss ("ECL"). Trade receivables are due for settlement no more than 30 days from the date of recognition.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) 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.

(M) INVESTMENTS AND OTHER FINANCIAL ASSETS

The Group classifies its investments as amortised cost and fair value through profit or loss ("FVTPL"). The classification depends on the purpose for which the investments were acquired. Management determines the classification of the investments at initial recognition and re-evaluates this designation at each reporting date.

(I) AMORTISED COST ASSETS AND EFFECTIVE INTEREST METHOD

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

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

(II) FINANCIAL ASSETS AT FVTPL

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

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

(N) IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

(I) SIGNIFICANT INCREASE IN CREDIT RISK

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

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

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

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

(II) DEFINITION OF DEFAULT

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

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

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

(III) CREDIT IMPAIRED FINANCIAL ASSETS

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

(IV) WRITE-OFF POLICY

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

(V) MEASUREMENT AND RECOGNITION OF ECL

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

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

(O) DERECOGNITION OF FINANCIAL ASSETS

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

(P) FINANCIAL LIABILITIES

The Group has the following financial liabilities:

(I) FINANCIAL LIABILITIES AT FVTPL

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

(II) FINANCIAL LIABILITIES MEASURED SUBSEQUENTLY AT AMORTISED COST

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

(Q) DERECOGNITION OF FINANCIAL LIABILITIES

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

(R) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(S) PLANT AND EQUIPMENT

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

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

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

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

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

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

(T) INTANGIBLE ASSETS

(I) GOODWILL

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

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

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

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

(II) BRAND NAMES

Brand names are acquired as part of business combinations and recognised separately from goodwill. Brand names have a finite useful life and are carried at historic cost (being initial fair value at acquisition) less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method.

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

(III) INTELLECTUAL PROPERTY

Intellectual property has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Development costs that are directly attributable to the design and testing of identifiable and unique intellectual property controlled by the Group are recognised as intangible assets when the criteria of AASB 138 Intangible Assets is met. Directly attributable costs that are capitalised as part of the Intellectual property include employee costs and relevant third party costs. Amortisation is calculated using the straight-line method to allocate the cost of intellectual property over its estimated useful life, which is 5 to 20 years.

(IV) RESEARCH AND DEVELOPMENT

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

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

Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which varies from 3 to 5 years.

(V) CUSTOMER RELATIONSHIPS

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

(U) 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.

(V) BORROWINGS

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

(W) 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 interest expense on lease liabilities.

(X) 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.

(Y) EMPLOYEE BENEFITS

(I) SHORT-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

(II) LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

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

(III) SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the executive share plan ("ESP"), as detailed in the Remuneration Report on pages 74 to 93.

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

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

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

(Z) 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.

(AA) 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.

(AB) EARNINGS PER SHARE

(I) BASIC EARNINGS PER SHARE

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

(II) DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(A) IMPAIRMENT OF GOODWILL, OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES AND INVESTMENTS

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

(B) EARNOUTS

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

(C) SHARE-BASED PAYMENT TRANSACTIONS

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The employee benefits 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 74 to 93.

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

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

(E) TAX

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

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

(F) DISCONTINUED OPERATIONS

Refer to Note 32 for further details.

NOTE 3. SEGMENT INFORMATION

(A) IDENTIFICATION OF REPORTABLE SEGMENTS

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

The reportable segments are the four operating segments.

(B) OPERATING SEGMENTS

The Company is organised into four reportable segments:

— Global Integrated Agencies (formerly Advertising and Media Investment Management);
— Large Format Production;
— Public Relations & Public Affairs; and
— Specialist Communications.

The Data Investment Management segment was disposed effective from 6 December 2019. Information about this discontinued segment is provided in Note 32.

During 2019, Wunderman and J. Walter Thompson were merged to form WundermanThompson and VML and Y&R were merged to form VMLY&R. As a result of these mergers, Wunderman and VML were moved from the Specialist Communications segment to the Global Integrated Agencies segment.

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

(C) ACCOUNTING POLICIES

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

(D) INTERSEGMENT TRANSFERS

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

(E) BUSINESS SEGMENTS FOR CONTINUING OPERATIONS

The following table presents revenue and (loss)/profit information regarding reportable segments and a reconciliation between statutory and headline EBITDA including the impact of significant items for the years ended 31 December 2019 and 31 December 2018. Refer to Note 5(C) for further details in relation to significant items and other non-cash items.

				Significant items		
31 December 2019 ($'000)	**Net sales***	**Share of net profits of joint ventures and associates**	**Headline EBITDA**	**Other non-cash items**	**Business close down and other one-off costs**	**Statutory EBITDA**
Global Integrated Agencies	481,910	3,322	73,937	(1,018)	(4,166)	68,753
Large Format Production	19,110	271	(815)	(59)	(2,788)	(3,662)
Public Relations & Public Affairs	56,372	492	14,731	(174)	(391)	14,166
Specialist Communications	155,395	1,541	37,469	(849)	(2,079)	34,541
Total	**712,787**	**5,626**	**125,322**	**(2,100)**	**(9,424)**	**113,798**
Depreciation, amortisation and impairment expense						(295,198)
Net interest expense						(14,217)
Loss before income tax						**(195,617)**
Income tax benefit						11,456
Loss from continuing operations						**(184,161)**
Loss from discontinued operations**						(37,785)
Loss for the period						**(221,946)**
Net profit/(loss) attributable to:						
– Non-controlling interests						5,625
– Members of the Parent Entity						**(227,571)**

				Significant items		
31 December 2018 ($'000)[1]	**Net sales***	**Share of net profits of joint ventures and associates**	**Headline EBITDA**	**Other non-cash items**	**Business close down and other one-off costs**	**Statutory EBITDA**
Global Integrated Agencies	497,366	2,346	78,169	1,225	(2,580)	76,814
Large Format Production	19,985	959	(7,535)	14	(1,848)	(9,369)
Public Relations & Public Affairs	60,331	422	14,362	43	(186)	14,219
Specialist Communications	154,139	1,253	29,830	(6)	(688)	29,136
Total	**731,821**	**4,980**	**114,826**	**1,276**	**(5,302)**	**110,800**
Depreciation, amortisation and impairment expense						(97,481)
Net interest expense						(11,642)
Profit before income tax						**1,677**
Income tax expense						(19,910)
Loss from continuing operations						**(18,233)**
Profit from discontinued operations**						8,732
Loss for the period						**(9,501)**
Net profit/(loss) attributable to:						
– Non-controlling interests						7,594
– Members of the Parent Entity						**(17,095)**

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

** The discontinued operations relate to the sale of Kantar Australian and New Zealand businesses and Ogilvy New Zealand in 2019. Refer to Note 32 for further details.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 4. REVENUE

(A) CONTRACT BALANCES

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

	Consolidated Entity	
	2019 $'000	**2018 $'000**
Receivables, which are included in 'Trade and other receivables'	372,503	457,155
Accrued revenue, which is included in 'Other current assets'	72,393	85,327
Deferred income, which is included in 'Trade and other payables'	85,658	127,543

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

The Group has applied the practical expedient permitted by AASB 15 to not disclose the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) as at the end of the reporting period. This is due to contracts typically having an original expected duration of a year or less resulting in amounts that comprise the accrued revenue and deferred income balances at 31 December 2018 being recognised in net sales during the year and not forming part of the accrued revenue and deferred income balances at 31 December 2019.

(B) REVENUE BREAKDOWN

	Consolidated Entity	
	2019 $'000	**2018 $'000**
REVENUE		
Net sales	712,787	731,821
OTHER (EXPENSE)/INCOME		
Interest income	702	2
Gain on fair value adjustment of earnouts	965	1,275
Other expense	(3,592)	(62)
Total other (expense)/income	**(1,925)**	**1,215**
SHARE OF NET PROFITS OF JOINT VENTURE AND ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		
Equity share of joint venture and associates' net profits	5,626	4,980

NOTE 5. EXPENSES

	Consolidated Entity	
	2019 $'000	**2018 $'000**
(Loss)/profit before income tax for continuing operations includes the following specific expenses:		
(A) DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of non-current assets:		
Plant and equipment	13,951	15,336
Right-of-use assets	22,159	—
Total depreciation expense	**36,110**	**15,336**
Amortisation of non-current assets:		
Intangible assets	17,832	15,827
Total depreciation and amortisation expense	**53,942**	**31,163**
(B) FINANCE COSTS		
Interest expense – earnouts	278	667
Interest expense – lease liabilities	3,102	—
Interest expense – other parties	11,539	10,978
Total finance costs	**14,919**	**11,645**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 5. EXPENSES (CONTINUED)

(C) SIGNIFICANT ITEMS AND OTHER NON-CASH ITEMS

The loss after tax for both continuing and discontinued operations includes the following items whose disclosure is relevant in explaining the financial performance of the Consolidated Entity:

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
(I) TRANSACTION RELATED COSTS[1]		
Rights to future income tax deductions resulting from the Transaction	—	8,507
Significant items net of income tax	**—**	**8,507**
Non-controlling interests	—	—
Net amount attributable to members of the Parent Entity	**—**	**8,507**
(II) IMPAIRMENT, AMORTISATION OF ACQUIRED INTANGIBLES AND OTHER NON-CASH ITEMS[2]		
Amortisation expense	20,670	19,880
Impairment expense	298,678	66,318
Gain on disposal of controlled entities	(7,745)	—
Loss on disposal of associates	625	—
Gain on fair value adjustment of earnouts (net of interest expense)	(717)	(608)
Significant items before income tax	**311,511**	**85,590**
Income tax benefit	(30,153)	(9,628)
Significant items net of income tax	**281,358**	**75,962**
Non-controlling interests	—	—
Net amount attributable to members of the Parent Entity	**281,358**	**75,962**
(III) BUSINESS CLOSE DOWN AND OTHER ONE-OFF COSTS[3]		
Business restructuring costs	4,098	3,174
Loss on closed and merged businesses	1,619	487
Legal and professional fees relating to Kantar disposal	805	—
Other one-off costs	4,325	2,038
Significant items before income tax	**10,847**	**5,699**
Income tax benefit	(1,738)	(1,633)
Significant items net of income tax	**9,109**	**4,066**
Non-controlling interests	—	—
Net amount attributable to members of the Parent Entity	**9,109**	**4,066**

1. Transaction related costs – The balance in 2018 relates to $8.5 million reversal of rights to future income tax deductions recognised as a significant item at 31 December 2017 due to a change in tax legislation.
2. Impairment, amortisation of acquired intangibles and other non-cash items – The balance in 2019 relates to the impairment of goodwill and acquired intangibles such as brand names and customer relationships pre-dominantly in relation to entities within the Global Integrated Agencies and Data Investment Management CGUs (refer to Note 18 Intangible assets for details). It also includes the amortisation of acquired intangible assets, gain on fair value adjustment of earnouts as well as the gain/loss on disposal of controlled entities and associates which includes Kantar and Ogilvy New Zealand (discontinued operations) and other non-material disposals during the year. The balance in 2018 relates to the impairment of goodwill, acquired intangibles and other balance sheet items in relation to entities within the Large Format Production CGU as well as amortisation of acquired intangibles and gain on fair value adjustment of earnouts.
3. Business close down and other one-off costs – These relate to costs associated with closing down, merging and restructuring selected businesses.

NOTE 6. INCOME TAX

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
(A) INCOME TAX (BENEFIT)/EXPENSE FOR CONTINUING OPERATIONS		
Current tax	46,739	17,791
Deferred tax	(56,981)	(3,036)
Rights to future income tax deductions resulting from the Transaction	—	8,507
Adjustments for current tax of prior periods	(1,214)	(3,352)
Income tax (benefit)/expense reported in profit or loss	**(11,456)**	**19,910**
(B) CURRENT TAX ASSETS AND LIABILITIES INCLUDED IN THE FINANCIAL STATEMENTS		
Current tax (liabilities)/assets	(12,993)	494
(C) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE FOR CONTINUING OPERATIONS		
(Loss)/profit from continuing operations before income tax expense	**(195,617)**	**1,677**
Tax at the Australian tax rate of 30% (2018: 30%)	(58,685)	503
Adjustments for current tax of prior periods	(1,214)	(3,352)
Tax adjustments resulting from equity accounting	(1,697)	(1,494)
Foreign tax rate adjustment	(1,601)	(1,810)
Gain on disposal of non-current assets	923	—
Gain on fair value adjustment of earnouts	(206)	(182)
Other items not allowable for income tax purposes	2,274	1,744
Tax adjustments from impairment of non-current assets	45,116	15,994
Deferred taxation write-off	3,651	—
Rights to future income tax deductions resulting from the Transaction	—	8,507
Other gains not assessable for income tax	(17)	—
Income tax (benefit)/expense reported in profit or loss for continuing operations	**(11,456)**	**19,910**

(D) TAX LOSSES

The Group's tax losses on revenue account after adjusting for the tax rate are $0.4 million (2018: $4.0 million). The Group's tax losses on capital account after adjusting for the tax rate are $9.3 million (2018: $10.5 million).

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

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

(E) 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 2019, there is no recognised or unrecognised deferred income tax liability (2018: $Nil) for taxes that would be payable on the unremitted earnings of certain Group subsidiaries, joint venture and associates as the Group has no liability for additional taxation should such amounts be remitted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 6. INCOME TAX (CONTINUED)
(F) TAX CONSOLIDATION LEGISLATION

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

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

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

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

NOTE 7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share has been described in Notes 1(AB)(I) and 1(AB)(II), respectively. There is no dilution to EPS due to the overall net loss attributable to the members of the Company.

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

	Consolidated Entity	
Continuing operations	**2019 $'000**	**2018 $'000**
Net loss attributable to members of the Company from continuing operations for basic EPS	(189,442)	(25,121)
Effect of dilution		
Dilutive adjustments to net (loss)/profit	—	—
Net loss attributable to members of the Company from continuing operations for diluted EPS	**(189,442)**	**(25,121)**
Discontinued operations		
Net (loss)/profit attributable to members of the Company from discontinued operations for basic EPS	(38,129)	8,026
Effect of dilution		
Dilutive adjustments to net (loss)/profit	—	—
Net (loss)/profit attributable to members of the Company from discontinued operations for diluted EPS	**(38,129)**	**8,026**
	Number	**Number**
Weighted average number of ordinary shares for basic earnings per share	851,548,729	851,202,640
Weighted average number of ordinary shares for diluted earnings per share	851,548,729	851,202,640
	Cents	**Cents**
EPS for net loss from continuing operations attributable to members of the Company		
Basic EPS	(22.2)	(3.0)
Diluted EPS	(22.2)	(3.0)
EPS for net (loss)/profit from discontinued operations attributable to members of the Company		
Basic EPS	(4.5)	1.0
Diluted EPS	(4.5)	1.0

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

Performance rights of 15,327,048 (2018: 6,060,237) are considered to be contingently issuable and have not been allowed for in the diluted earnings per share calculation. There have been no transactions involving ordinary shares between the reporting date and the date of completion of this financial report.

NOTE 8. DIVIDENDS PAID AND PROPOSED

	Consolidated Entity	
	2019 $'000	**2018 $'000**
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividend for 2018, paid in 2019: 4.0 cents per share (2017: 4.2 cents per share paid in 2018)	34,062	35,742
Interim franked dividend for 2019: 2.3 cents per share (2018: 2.3 cents per share)	19,584	19,584
Dividends paid pursuant to the ESP	—	7
	53,646	**55,333**
In addition to the above dividends, since the end of the year the Directors have recommended the payment of a final dividend of 2.9 cents (2018: 4.0 cents) per fully paid ordinary share and a special dividend of 1.5 cents (2018: $Nil) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed final dividend payable on 7 April 2020 (2018: 5 April 2019) out of retained earnings, but not recognised as a liability, is:	**37,495**	**34,062**
Franking credit balance		
The franked portions of dividends recommended after 31 December 2019 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 2020.		
Franking credits available for subsequent years based upon a tax rate of 30%.	**147,785**	**151,049**
The above amounts represent the balance of the franking account as at the end of the 2019 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	**16,059**	**14,598**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Notes	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Cash at bank and on hand		74,812	63,270
Cash on deposit		—	254
		74,812	**63,524**
Reconciliation of net (loss)/profit to net cash flows from operating activities			
Loss from continuing operations		(184,161)	(18,233)
(Loss)/profit from discontinued operations		(37,785)	8,732
Loss for the year		**(221,946)**	**(9,501)**
Share of joint venture and associates' net profits, net of dividends and trust distributions received		324	(1,924)
Depreciation and amortisation expense		61,535	38,224
Impairment expense relating to goodwill and acquired intangible assets		298,678	62,977
ESP expense non-cash		1,587	929
Interest expense – earnouts	5(B)	278	667
Gain on disposal of controlled entities	5(C)	(7,745)	—
Loss on disposal of associates	5(C)	625	—
Loss on disposal of plant and equipment	16	1,530	342
Gain on fair value adjustment of earnouts		(995)	(1,275)
Changes in operating assets and liabilities, net of effects of purchase and disposal of controlled entities during the financial year:			
Decrease in trade and other receivables		46,561	39,016
Decrease in inventories		10,069	2,139
Increase in other non-current receivables		(32)	(22)
(Increase)/decrease in deferred tax assets		(1,070)	4,964
Decrease in trade and other payables		(66,369)	(34,173)
Decrease in current income tax liabilities		(33,293)	(35,253)
Increase/(decrease) in provisions		2,876	(1,880)
(Decrease)/increase in other liabilities		(2,584)	25,999
Net cash flows from operating activities		**90,029**	**91,229**

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Trade receivables	374,125	458,385
Loss allowance/ECL	(1,622)	(1,230)
	372,503	**457,155**
Other receivables	7,906	12,698
Amounts receivable from related parties	9,281	15,049
	389,690	**484,902**

(A) TRADE AND OTHER RECEIVABLES

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

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

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

(B) IMPAIRED TRADE RECEIVABLES

As at 31 December 2019, current trade receivables of the Group with a nominal value of $1.6 million (2018: $1.2 million) were impaired. All impaired trade receivables are over 60 days old. The individually impaired receivables mainly relate to customers, who are in an unexpectedly difficult economic situation.

Movements in the loss allowance/ECL of trade receivables are as follows:

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Balance at the beginning of the year	1,230	2,502
Impairment losses recognised on receivables	1,902	890
Amounts written off as uncollectible	(1,092)	(864)
Impairment losses reversed	(418)	(1,298)
Balance at the end of the year	**1,622**	**1,230**

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

(C) PAST DUE BUT NO LOSS ALLOWANCE/ECL

As at 31 December 2019, trade receivables greater than 60 days of $32.8 million (2018: $49.2 million) were net of the allowance made as part of the ECL calculation. These relate to a number of independent customers for whom there is no recent history of default and have been deemed recoverable by management subsequent to the assessment of factors noted above. The past due status, although an indicator of ECL, is not an absolute measure of ECL and factors such as the existence of slow paying debtors would result in the existence of past due debtors with no credit risk or ECL.

The ageing analysis of trade receivables after loss allowance/ECL is as follows:

	Consolidated Entity	
	2019 $'000	2018 $'000
1–30 days	244,937	296,865
31–60 days	94,815	111,102
Greater than 60 days	32,751	49,188
	372,503	**457,155**

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

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

(D) FOREIGN EXCHANGE AND INTEREST RATE RISK

Information about the Group's exposure to foreign exchange risk and interest rate risk in relation to trade and other receivables is provided in Note 28.

(E) FAIR VALUE AND CREDIT RISK

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

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

The Group does not hold any collateral as security. Refer to Note 28 for more information on the risk management policy of the Group and the credit quality of the Consolidated Entity's trade receivables.

NOTE 11. CURRENT ASSETS – INVENTORIES

	Consolidated Entity	
	2019 $'000	2018 $'000
Raw materials and stores	703	1,030
Work in progress	528	3,409
Finished goods	69	544
Media time	1,573	7,959
	2,873	**12,942**

NOTE 12. CURRENT ASSETS – OTHER CURRENT ASSETS

	Consolidated Entity	
	2019 $'000	2018 $'000
Prepayments	10,843	9,009
Accrued revenue	72,393	85,327
	83,236	**94,336**

NOTE 13. NON-CURRENT ASSETS – OTHER RECEIVABLES

	Consolidated Entity	
	2019 $'000	2018 $'000
Amounts receivable from related parties	—	279

(A) RELATED PARTY RECEIVABLES

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

The Consolidated Entity and its joint venture and associates maintain loan accounts, which can fluctuate throughout the year. There are no fixed terms of repayment on these amounts.

(B) FAIR VALUE

The carrying amounts of receivables are approximate to their fair value due to their short-term nature.

(C) RISK EXPOSURE

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

	Consolidated Entity	
	2019 $'000	2018 $'000
Investments in joint venture and associates	19,877	21,864

Name	Principal activity	Ownership interest 2019	Ownership interest 2018	Country of incorporation
AFI Branding Solutions Pty Limited	Promotional signage printing	50%	50%	Australia
Astus APAC Australia Pty Limited	Media investment management	50%	50%	Australia
BCG2 Limited (i)	Advertising and communications	—	20%	New Zealand
Beyond Analysis Australia Pty Limited	Data analytics	49%	49%	Australia
Campaigns and Communications Group Pty Limited (ii)	Campaign management	—	20%	Australia
CPR Vision Pte Limited	Digital marketing	40%	40%	Singapore
Fusion Enterprises Pty Limited	Digital marketing	49%	49%	Australia
Ikon Perth Pty Limited	Media planning	45%	45%	Australia
Lakewood Holdings Pty Limited	Dormant	50%	50%	Australia
Purple Communications Australia Pty Limited	Public relations	49%	49%	Australia
Rapid Media Services Pty Limited	Media planning	30%	30%	Australia
Smollan Australia Pty Ltd (i)	Marketing specialist	—	25.5%	Australia
Spinach Advertising Pty Limited	Advertising	20%	20%	Australia
TaguchiMarketing Pty Limited	E-mail marketing	20%	20%	Australia

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

(ii) The Company was deregistered during the year.

(A) REPORTING DATES

All joint venture and associates have prepared accounts as at 31 December 2019 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 venture 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 $6.0 million (2018: $3.1 million) from its joint venture and associates.

(D) COMMITMENTS

The Consolidated Entity's share of the joint venture and associates' commitments is disclosed in Note 34.

NOTE 15. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

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

	Consolidated Entity	
	2019 $'000	2018 $'000
Shares in listed entities – at fair value	—	709

NOTE 16. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Consolidated Entity	
	2019 $'000	2018 $'000
Plant and equipment		
At cost	146,999	140,139
Accumulated depreciation and impairment	(105,768)	(90,176)
Total plant and equipment	**41,231**	**49,963**

RECONCILIATIONS

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

	Plant and equipment $'000
At 1 January 2018	
At cost	122,347
Accumulated depreciation	(72,777)
Net carrying amount	**49,570**
Year ended 31 December 2018	
Balance at the beginning of the year	49,570
Additions	20,478
Acquisition of subsidiaries	149
Disposals	(342)
Disposal of controlled entity	(92)
Impairment expense	(2,762)
Depreciation expense	(17,399)
Net exchange differences	361
Balance at the end of the year	**49,963**
At 31 December 2018	
At cost	140,139
Accumulated depreciation	(90,176)
Net carrying amount	**49,963**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

Year ended 31 December 2019	Plant and equipment $'000
Balance at the beginning of the year	49,963
Additions	14,062
Transfer to intangible assets	(1,153)
Disposals	(1,530)
Disposal of controlled entities	(4,522)
Depreciation expense	(15,593)
Net exchange differences	4
Balance at the end of the year	**41,231**

At 31 December 2019	
At cost	147,000
Accumulated depreciation	(105,769)
Net carrying amount	**41,231**

NOTE 17. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated Entity 2019 $'000	2018 $'000
Provisions	7,503	9,742
Doubtful debts	478	482
Accruals	5,973	6,756
Tax losses carried forward	394	3,970
Leases	4,341	1,765
Plant and equipment	5,234	4,471
Other	1,982	388
Gross deferred tax assets	**25,905**	**27,574**
Movements		
Opening balance	27,574	32,718
Credited/(charged) to profit or loss	3,349	(4,964)
Acquisition of subsidiaries	—	40
Disposal of controlled entities	(5,018)	(220)
Closing balance	**25,905**	**27,574**

Movements – consolidated	Provisions $'000	Doubtful debts $'000	Accruals $'000	Tax losses carried forward $'000	Leases $'000	Plant and equipment $'000	Other $'000	Total $'000
At 1 January 2018	**9,570**	**497**	**8,789**	**3,935**	**2,134**	**7,290**	**503**	**32,718**
Credited/(charged) to the profit or loss	188	(15)	(2,031)	35	(369)	(2,819)	47	(4,964)
Acquisition of subsidiaries	—	—	40	—	—	—	—	40
Disposal of controlled entities	(16)	—	(42)	—	—	—	(162)	(220)
At 31 December 2018	**9,742**	**482**	**6,756**	**3,970**	**1,765**	**4,471**	**388**	**27,574**
Credited/(charged) to the profit or loss	27	15	1,026	(3,576)	2,800	1,414	1,643	3,349
Disposal of controlled entities	(2,266)	(19)	(1,809)	—	(224)	(651)	(49)	(5,018)
At 31 December 2019	**7,503**	**478**	**5,973**	**394**	**4,341**	**5,234**	**1,982**	**25,905**

NOTE 18. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated Entity 2019 $'000	2018 $'000
Goodwill	632,262	919,393
Brand names	47,258	143,404
Intellectual property	11,021	13,646
Customer relationships	31,298	111,090
Total intangible assets	**721,839**	**1,187,533**

RECONCILIATIONS

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

At 1 January 2018	Goodwill $'000	Brand names $'000	Intellectual property $'000	Customer relationships $'000	Total $'000
At cost	952,806	153,478	21,850	154,417	1,282,551
Accumulated impairment and amortisation	(3,267)	(9,264)	(8,605)	(26,028)	(47,164)
Net carrying amount	**949,539**	**144,214**	**13,245**	**128,389**	**1,235,387**
Year ended 31 December 2018					
Balance at the beginning of the year	949,539	144,214	13,245	128,389	1,235,387
Additions	250	—	3,354	—	3,604
Net exchange differences	15,305	—	12	—	15,317
Disposals	(1,050)	—	—	—	(1,050)
Acquisition of subsidiaries (Note 31)	3,928	4,890	—	1,621	10,439
Amortisation expense	—	(5,700)	(945)	(14,180)	(20,825)
Impairment expense	(48,579)	—	(2,020)	(4,740)	(55,339)
Balance at the end of the year	**919,393**	**143,404**	**13,646**	**111,090**	**1,187,533**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

At 31 December 2018	Goodwill $'000	Brand names $'000	Intellectual property $'000	Customer relationships $'000	Total $'000
At cost	971,239	158,368	25,216	156,038	1,310,861
Accumulated impairment and amortisation	(51,846)	(14,964)	(11,570)	(44,948)	(123,328)
Net book value	**919,393**	**143,404**	**13,646**	**111,090**	**1,187,533**

Year ended 31 December 2019					
Balance at the beginning of the year	919,393	143,404	13,646	111,090	1,187,533
Additions	63	—	1,885	—	1,948
Net exchange differences	2,187	—	5	—	2,192
Transfer between intangibles	440	—	(440)	—	—
Transfer from plant and equipment	—	—	1,153	—	1,153
Disposal of controlled entities	(105,141)	(19,175)	(466)	(25,256)	(150,038)
Amortisation expense	—	(8,328)	(3,662)	(10,281)	(22,271)
Impairment expense	(184,680)	(68,643)	(1,100)	(44,255)	(298,678)
Balance at the end of the year	**632,262**	**47,258**	**11,021**	**31,298**	**721,839**

At 31 December 2019					
At cost	868,788	139,193	27,353	130,782	1,166,116
Accumulated impairment and amortisation	(236,526)	(91,935)	(16,332)	(99,484)	(444,277)
Net book value	**632,262**	**47,258**	**11,021**	**31,298**	**721,839**

Reconciliation of the carrying amount of intangible asset by CGUs at the beginning and end of the year is set out below:

At 31 December 2019	Global Integrated Agencies $'000	Data Investment Management $'000	Public Relations & Public Affairs $'000	Specialist Communications $'000	Large Format Production $'000	Total $'000
Balance at the beginning of the year	687,433	191,584	98,291	210,225	—	1,187,533
Additions	799	108	—	63	978	1,948
Net exchange differences	1,703	(307)	12	784	—	2,192
Transfer between CGUs	29,300	(433)	(515)	(28,352)	—	—
Transfer from plant and equipment	(42)	—	(22)	—	1,217	1,153
Amortisation expense	(11,600)	(4,426)	(2,740)	(3,066)	(439)	(22,271)
Impairment expense	(249,665)	(44,298)	—	(4,715)	—	(298,678)
Disposal of controlled entities	(5,702)	(142,228)	—	(2,108)	—	(150,038)
Balance at the end of the year	**452,226**	**—**	**95,026**	**172,831**	**1,756**	**721,839**

(A) AMORTISATION CHARGE

The amortisation charge of $22.3 million (2018: $20.8 million) includes both continuing and discontinued operations. Amortisation of $17.8 million (2018: $15.8 million) has been recognised in the amortisation expense in the profit or loss.

(B) IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

During the year ended 31 December 2019, the Group has experienced varied trading results when compared with the prior comparative period across all the segments. This has been driven primarily by the Global Integrated Agencies CGU as a result of weak media spend as well as global/local account losses during the year and softening of the future outlook. Due to the ongoing repositioning of global brands, customer attrition in some segments, further costs expected to be incurred in simplifying the group structure and slowdown in the overall Australian economy, management has reassessed its estimate of forecasted cash flows and growth rates to reflect the factors outlined above and the future strategic direction of the Group.

Given the above factors, the Group has firstly carried out a review of the recoverable amount of its brand names and customer relationships, then secondly an assessment of the recoverable amount of its goodwill to determine whether the recoverable amount of the assets 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. This review was performed as at 31 October 2019.

The information below summarises the key assumptions and methodologies that have been used to determine the recoverable amount of intangible assets. Each of the factors below is subject to significant judgement about future economic conditions, trading results and the ongoing structure of the marketing and communications industry. The Directors have applied their judgement in determining the best estimates of 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.

Assumptions that have been applied to all classes of intangible assets are set out below, followed by specific assumptions applying to individual classes of intangible assets.

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 assets. The post-tax discount rate applied to the cash flow projections was 10.5% (2018: 10.5%). The same discount rate for all assets is considered appropriate as the Group's principal activities comprise providing services to similar customers; hence all intangible assets are subject to similar levels of market risks.

Base year cash flows

These cash flows are based upon the annual budget for 2020 approved by management and are derived from a combination of historical trading performance and expectations of the assets' future performance based on market and life cycle factors.

(C) IMPAIRMENT OF INTANGIBLE ASSETS INCLUDING BRAND NAMES AND CUSTOMER RELATIONSHIPS

Due to impairment indicators identified in the year ended 31 December 2019, the Group performed an impairment review of its brand name and customer relationship intangible assets.

Brand names

The recoverable amount of brand names is determined using the relief from royalty method. This entails an estimate of the comparable royalty payment that would need to be made by the Group to license the use of the brand names discounted at the weighted average cost of capital.

There have been impairment charges of $68.6 million during the year ended 31 December 2019 (2018: Nil).

Details of the key assumptions used in the relief from royalty calculations during the year ended 31 December 2019 are included below.

Cash flows over remaining useful life

These cash flows are forecast using year 1 as a base and a growth rate applied to future years over the useful life of the asset. The rate of growth takes into account management's best estimate of the likely results in these periods, industry forecasts and historical actual rates. The following revenue growth rate is applied to the brands within the following CGUs: Global Integrated Agencies: 0.5% (2018: 2.0%); Data Investment Management: 0.5% (2018: 2.0%); Public Relations & Public Affairs: 2.5% (2018: 2.0%); and Specialist Communications: 4.0% (2018: 2.0%). Brand names related to Large Format Production was fully impaired in 2018.

Royalty rates

The royalty rates are selected for each brand based on its strength and margins as well as qualitative factors. Furthermore, when the royalty rates were selected, consideration was given to comparable licence agreements conducted in the marketplace. The following royalty rates are applied to the brands within the following CGUs: Global Integrated Agencies: 2%-4%; Data Investment Management: 3%-4%; Public Relations & Public Affairs: 1%-4% and Specialist Communications: 1%-3%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

(C) IMPAIRMENT OF INDEFINITE LIFE INTANGIBLE ASSETS INCLUDING BRAND NAMES AND CUSTOMER RELATIONSHIPS (CONTINUED)

Customer relationships

The customer relationships were valued using the multi-period excess earnings method which estimates revenues and cash flows derived from the intangible asset and deducts portions of the cash flow that can be attributed to supporting assets.

There have been impairment charges of $44.3 million during the year ended 31 December 2019 (2018: $4.7 million).

Details of the key assumptions used in the multi-period excess earnings valuation during the year ended 31 December 2019 are included below.

Margin

The margin reflects the profit generated from the services provided to clients. This depends on the individual client contracts; however, changes in this variable could impact the recoverable amount of customer relationships.

Attrition rate

An attrition factor is applied to the revenue attributable to the customer relationships to represent the chance of customers leaving. It has been estimated that the attrition rate for customer relationships range between 5% and 45%.

(D) IMPAIRMENT OF GOODWILL

To assess the impairment of goodwill across the CGUs, the Group used a combination of value in use and fair value less cost of disposal assessment detailed below. The following table reconciles the movement in goodwill by CGUs:

RECONCILIATION OF GOODWILL MOVEMENT WITHIN CGUS AS AT 31 DECEMBER 2019

At 31 December 2019	Global Integrated Agencies $'000	Data Investment Management $'000	Public Relations & Public Affairs $'000	Specialist Communications $'000	Total $'000
Balance at the beginning of the year	509,377	136,826	83,423	189,767	919,393
Additions	—	—	—	63	63
Net exchange differences	1,699	(307)	11	784	2,187
Transfer between intangibles	(417)	574	—	283	440
Transfer between CGUs*	21,358	—	—	(21,358)	—
Impairment expense	(147,695)	(36,985)	—	—	(184,680)
Disposal of controlled entities	(2,925)	(100,108)	—	(2,108)	(105,141)
Balance at the end of the year	**381,397**	**—**	**83,434**	**167,431**	**632,262**

* Goodwill transfer between the CGUs was based on the relative value of the agencies as a proportion of the overall value of the existing CGUs before the transfer occurred. See Note 2 for further details.

Impairment of Data Investment Management CGU

On 16 August 2019, WPP AUNZ announced that it had entered into an agreement to sell 100% of its interests in Kantar businesses in Australia and New Zealand ("Kantar") to WPP plc. The sale of Kantar covered all entities within the Data Investment Management CGU and consequently the sale of the Kantar businesses constituted the disposal of the Data Investment Management CGU. Accordingly, as part of the 30 June 2019 impairment assessment, the recoverable value of the intangibles assets within the CGU was determined using the fair value less cost of disposal ("fair value") approach. The fair value was estimated to be $141.4 million based on estimated sale proceeds of $150.0 million less estimated profits to be generated in the second half of 2019 of $8.6 million, which were for the account of the purchaser.

By comparing the $141.4 million fair value to the carrying value of the Data Investment Management CGU ($178.4 million) at 30 June 2019, a goodwill impairment of $37.0 million was recognised for the Data Investment Management CGU.

The sale was subsequently completed on 6 December 2019 (refer to Note 32).

Impairment of goodwill in relation to other CGUs

For the Global Integrated Agencies, Public Relations & Public Affairs and Specialist Communications CGUs, a value in use assessment has been performed as at 31 October 2019.

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

Impairment charges of $147.7 million in relation to goodwill have been recognised during the year ended 31 December 2019 (2018: $Nil) in respect of the Global Integrated Agencies CGU. Goodwill in the remaining CGUs, comprising $83.4 million in Public Relations and Public Affairs and $167.4 million in Specialist Communications, is not considered impaired at 31 December 2019.

Details of the key assumptions used in the value in use calculations at 31 October 2019 are included below.

Cash flows subsequent to base year

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. The following revenue growth rate is applied to the CGUs: Global Integrated Agencies: 0.5% (2018: 2.0%); Data Investment Management: 0.5% (2018: 2.0%); Public Relations & Public Affairs: 2.5% (2018: 2.0%) and Specialist Communications: 4.0% (2018: 2.0%).

Terminal growth factor

A terminal growth factor that estimates the long-term average growth for that segment is applied to the year 5 cash flows into perpetuity. The terminal growth factor is derived from management's best estimate of the likely long-term trading performance with reference to external industry reports. The following terminal growth rate is applied to the CGUs: Global Integrated Agencies: 0.5% (2018: 1.5%); Data Investment Management: 0.5% (2018: 1.5%); Public Relations & Public Affairs: 2.0% (2018: 1.5%) and Specialist Communications: 2.5% (2018: 1.5%). Goodwill relating to Large Format Production was fully impaired in 2018.

Impact of possible change in key assumptions

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**	**Global Integrated Agencies**	**Public Relations & Public Affairs**	**Specialist Communications**
Years 1–5 revenue growth rate	-1.0	—	—	—
Discount rate	+1.0	—	(163)	(14,650)
Terminal growth factor	-1.0	—	—	(9,373)

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 in years 2 – 5

The annual growth rate that would result in each CGU's recoverable amount falling below its carrying value is as follows: Global Integrated Agencies: (1.6%); Public Relations & Public Affairs: (0.4%); and Specialist Communications: 2.8%.

Impact of changes to discount rate

Management notes that the post-tax discount rate would have to increase to 12.1% for Global Integrated Agencies; 11.5% for Public Relations & Public Affairs and 10.8% for Specialist Communications for the recoverable amount of the CGUs to fall below their carrying value, all other assumptions being equal.

Impact of changes to terminal growth factor

Management notes that the terminal growth factor would have to decrease to (1.9%) for Global Integrated Agencies; 0.6% for Public Relations & Public Affairs and 2.1% for Specialist Communications for the recoverable amount of the CGUs to fall below their carrying value, all other assumptions being equal.

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 the ability of that CGU to maintain expected earnings and cash flows. The loss of any major customer would have a different impact on earnings and cash flows, so it is not practicable to include sensitivities for such a scenario.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

	Consolidated Entity	
	2019 $'000	2018 $'000
Prepayments	2,145	2,302

NOTE 20. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2019 $'000	2018 $'000
Trade payables	410,126	475,813
Sundry and other payables	63,075	65,177
Amounts payable to related parties	27,096	35,035
Earnouts	3,375	10,888
Deferred income	85,658	127,543
	589,330	**714,456**

(A) TRADE, SUNDRY AND OTHER PAYABLES

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

(B) RELATED PARTY PAYABLES

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

(C) NET GST PAYABLES

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

NOTE 21. CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
	2019 $'000	2018 $'000
Bank loans	10,000	58,000
Finance lease liabilities	—	1,747
	10,000	**59,747**

(A) FAIR VALUE DISCLOSURES

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

(B) RISK EXPOSURE

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

NOTE 22. CURRENT LIABILITIES – PROVISIONS

	Consolidated Entity	
	2019 $'000	2018 $'000
Employee benefits	22,628	26,214

NOTE 23. NON-CURRENT LIABILITIES – OTHER PAYABLES

	Consolidated Entity	
	2019 $'000	2018 $'000
Earnouts	821	6,232
Sundry and other payables	1,931	9,315
Amounts payable to related parties	—	4,552
	2,752	**20,099**

(A) SUNDRY AND OTHER PAYABLES

Sundry and other payables are not interest bearing.

(B) RELATED PARTY PAYABLES

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 24. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated Entity	
	2019 $'000	2018 $'000
Bank loans	182,000	257,001

Financing facilities available

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

	2019 $'000	2018 $'000
Available at balance date		
Total facilities – bank loans	420,000	520,000
Used at balance date		
Facilities used at balance date – bank loans	192,000	315,001
Unused at balance date		
Facilities unused at balance date – bank loans	228,000	204,999

(A) SECURED LOANS
(I) AUSTRALIAN CORE BANKING FACILITIES

As part of the Kantar disposal, the Company was required to reduce its syndicated debt facility by $100.0 million from $520.0 million in 2018 to $420.0 million in 2019. The current syndicated debt facility is split between a debt facility of $420.0 million (2018: $520.0 million) and a guarantee facility of $29.9 million (2018: $29.9 million). $270.0 million of the debt facility and the guarantee facility expire on 29 June 2021. The remaining $150.0 million of the debt facility expires on 29 June 2020, and is used to support intra-month working capital movements.

The bank loan facility totalling $420.0 million is secured by:

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

(II) 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 $24.6 million (2018: $11.5 million) supporting property rental and other obligations.

(C) ASSETS PLEDGED AS SECURITY

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

	Consolidated Entity	
	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	42,377	23,421
Trade and other receivables	367,212	459,028
Inventories	2,873	12,574
Current tax assets	—	4,120
Other current assets	73,970	81,637
Total current assets	**486,432**	**580,780**
Non-current assets		
Other receivables	—	279
Investments accounted for using the equity method	17,647	18,514
Other financial assets	271,913	285,936
Plant and equipment	38,208	45,781
Deferred tax assets	29,507	25,662
Other non-current assets	1,890	1,574
Total non-current assets	**359,165**	**377,746**
Total assets	**845,597**	**958,526**

(D) RISK EXPOSURE

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

(E) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Notes	At 31 December 2018 $'000	Financing cash flows $'000	Fair value changes (non-cash) $'000	At 31 December 2019 $'000
Bank loans	21 and 24	315,001	(123,001)	—	192,000
Lease liabilities	1(A)(II)	97,244	(25,716)	34,839	106,367

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 25. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated Entity 2019 $'000	2018 $'000
Accrued revenue	3,650	10,270
Prepayments	175	187
Intangible assets	23,617	76,347
Other	1,302	—
Gross deferred tax liabilities	**28,744**	**86,804**
Movements		
Opening balance	86,804	94,023
Credited to profit or loss	(44,713)	(9,151)
Acquisition of subsidiaries	—	1,954
Disposal of controlled entities	(13,347)	(22)
Closing balance	**28,744**	**86,804**

Movements – consolidated	Accrued revenue $'000	Pre-payments $'000	Intangible assets $'000	Other $'000	Total $'000
At 1 January 2018	**13,260**	**61**	**80,445**	**257**	**94,023**
(Credited)/charged to profit or loss	(2,968)	126	(6,052)	(257)	(9,151)
Acquisition of subsidiaries	—	—	1,954	—	1,954
Disposal of controlled entity	(22)	—	—	—	(22)
At 31 December 2018	**10,270**	**187**	**76,347**	**—**	**86,804**
(Credited)/charged to profit or loss	(6,620)	2	(39,401)	1,306	(44,713)
Disposal of controlled entities	—	(14)	(13,329)	(4)	(13,347)
At 31 December 2019	**3,650**	**175**	**23,617**	**1,302**	**28,744**

NOTE 26. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated Entity 2019 $'000	2018 $'000
Employee benefits	4,242	5,345

NOTE 27. ISSUED CAPITAL

	2019 Number of shares	2018 Number of shares	2019 $'000	2018 $'000
Total issued capital*	851,548,729	851,548,729	737,149	737,149

* The total issued capital is net of treasury shares held by the ESP of 603,141 (2018: 603,141). The total shares on issue are 852,151,870 (2018: 852,151,870).

(A) MOVEMENTS IN TOTAL ISSUED CAPITAL

	2019 Number of shares	2019 $'000	2018 Number of shares	2018 $'000
At 1 January	**851,548,729**	**737,149**	**851,015,951**	**736,631**
Shares issued under the ESP	—	—	532,778	518
At 31 December	**851,548,729**	**737,149**	**851,548,729**	**737,149**

(I) TERMS AND CONDITIONS OF ORDINARY SHARES

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

(B) CAPITAL RISK MANAGEMENT

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

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

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

The net debt to headline EBITDA from continuing operations ratio for the Group at 31 December 2019 and 31 December 2018 was as follows:

	Consolidated Entity 2019 $'000	2018 $'000
Total borrowings (including lease liabilities)	192,000	316,748
Add: earnouts	4,196	17,120
Less: cash and cash equivalents	(74,812)	(63,524)
Net debt	**121,384**	**270,344**
Headline EBITDA from continuing operations	106,500	116,700
Net debt to headline EBITDA ratio	**1.1x**	**2.3x**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 28. FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. There has been no significant change in the Group's risk profile from that of the prior year. The Group manages these risks using various financial instruments, governed by a set of policies approved by the Board.

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

(A) MARKET RISK

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

(I) FOREIGN EXCHANGE RISK

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

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

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

	Financial assets (i)		Financial liabilities (i)	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Canadian dollar (CAD)	506	348	928	938
Great British Pound (GBP)	868	3,186	477	820
Indonesian Rupiah (IDR)	3,137	2,034	1,173	172
Malaysian Ringgit (MYR)	1,982	2,155	719	658
New Zealand dollar (NZD)	52,584	68,061	41,071	59,114
Singapore dollar (SGD)	12,379	8,811	4,215	9,405
United States dollar (USD)	4,997	3,548	925	567
Others	1,086	2,880	444	652
	77,539	**91,023**	**49,952**	**72,326**

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

Sensitivity

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

The impact on profit or loss and equity is post-tax at a rate of 30%.

	Impact to post-tax profit 2019 AUD '000	Impact to post-tax profit 2018 AUD '000
Canadian dollar (CAD)	(48)	(53)
Great British Pound (GBP)	(3)	8
Indonesian Rupiah (IDR)	(7)	62
Malaysian Ringgit (MYR)	39	26
New Zealand dollar (NZD)	(281)	(702)
Singapore dollar (SGD)	1	(92)
United States dollar (USD)	125	20
	(174)	**(731)**

(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 did not hold any derivative financial instruments as at 31 December 2019 and 31 December 2018.

(B) CREDIT RISK

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) LIQUIDITY RISK

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

Maturities of financial liabilities

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

	Maturity						
Contractual maturities of financial liabilities As at 31 December 2019	**≤6 months $'000**	**6–12 months $'000**	**1–2 years $'000**	**2–5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Trade and other payables (excluding earnouts)	500,297	—	1,931	—	—	502,228	502,228
Earnouts	3,390	—	761	91	—	4,242	4,196
Lease liabilities	15,423	16,009	31,208	49,648	553	112,841	106,367
Bank loans	—	10,101	189,309	—	—	199,410	192,000
Total financial liabilities	**519,110**	**26,110**	**223,209**	**49,739**	**553**	**818,721**	**804,791**

	Maturity						
Contractual maturities of financial liabilities As at 31 December 2018	**≤6 months $'000**	**6–12 months $'000**	**1–2 years $'000**	**2–5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Trade and other payables (excluding earnouts)	576,026	—	13,866	—	—	589,892	589,892
Earnouts	9,497	1,247	6,706	—	—	17,450	17,120
Lease liabilities	1,750	—	—	—	—	1,750	1,747
Bank loans	—	58,924	—	278,332	—	337,256	315,001
Total financial liabilities	**587,273**	**60,171**	**20,572**	**278,332**	**—**	**946,348**	**923,760**

(D) FAIR VALUE MEASUREMENTS

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

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

The fair value of trade receivables less loss allowance/ECL and of trade payables is assumed to approximate the carrying value due to their short-term nature.

The fair value of assets and liabilities traded in active markets (such as publicly traded shares) is based on quoted market prices at the reporting date.

The quoted market price used for financial assets held by the Group is the current bid price.

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

The Group holds the following financial instruments:

	Consolidated Entity Carrying amount		Consolidated Entity Fair value	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Financial assets				
Cash and cash equivalents	74,812	63,524	74,812	63,524
Trade and other receivables	389,690	485,181	389,690	485,181
Other financial assets	—	709	—	709
	464,502	**549,414**	**464,502**	**549,414**
Financial liabilities				
Trade and other payables (excluding earnouts)	502,228	589,892	502,228	589,892
Earnouts	4,196	17,120	4,196	17,120
Lease liabilities	106,367	1,747	106,367	1,747
Bank loans	192,000	315,001	192,000	315,001
	804,791	**923,760**	**804,791**	**923,760**

(I) FAIR VALUE HIERARCHY AND VALUATION TECHNIQUES

The Group's financial assets and liabilities measured and recognised at fair value at 31 December 2019 were based on the following fair value measurement hierarchy:

Level 1 – shares in listed entities
There were no level 1 financial assets or liabilities as at 31 December 2019; shares in listed entities were held at fair value with reference to the market price on the New Zealand stock exchange as at 31 December 2018;

Level 2 – not applicable
There were no level 2 financial assets or liabilities as at 31 December 2019 and 31 December 2018; and

Level 3 – earnouts
The fair value of earnouts is calculated as the present value of estimated future payments based on a discount rate which approximates the Group's cost of borrowing. Expected cash inflows are estimated on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) FAIR VALUE MEASUREMENTS (CONTINUED)

(II) RECOGNISED FAIR VALUE MEASUREMENTS

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2019 and 31 December 2018:

As at 31 December 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Entity				
Assets				
Shares in listed entities	—	—	—	—
Total assets	**—**	**—**	**—**	**—**
Liabilities				
Earnouts	—	—	(4,196)	(4,196)
Total liabilities	**—**	**—**	**(4,196)**	**(4,196)**

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

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2019.

(III) FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

The following table presents the changes in level 3 instruments for the years ended 31 December 2019 and 31 December 2018:

	Earnouts $'000
Opening balance at 1 January 2019	(17,120)
Earnout payments made	13,198
Gain on fair value adjustment of earnouts recognised in other income/(expenses)	995
Fair value adjustment of earnouts recognised in other reserves	(889)
Interest expense – earnouts	(278)
Other	(102)
Closing balance at 31 December 2019	**(4,196)**
Opening balance at 1 January 2018	(19,720)
Earnout payments made	3,143
Gain on fair value adjustment of earnouts recognised in other income/(expenses)	1,275
Fair value adjustment of earnouts recognised in other reserves	(539)
Interest expense – earnouts	(667)
Other	(612)
Closing balance at 31 December 2018	**(17,120)**

(IV) VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 31 Dec 19 $'000	Unobservable inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Earnouts	4,196	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 $15,957 (2018: $100,437). A decrease in the discount rate by 100 basis points would increase the fair value by $16,298 (2018: $102,417).
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by $1,237,010 (2018: $159,670). If expected cash flows were 5% lower, the fair value would decrease by $237,410 (2018: $159,670).

(E) CAPITAL RISK

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. This is achieved by maintaining a flexible financing structure to be able to fund capital expenditure, new acquisitions and additional amounts payable in respect of past acquisitions and to pay dividends. This policy is balanced against the desire to ensure efficiency in the debt/equity structure of the balance sheet in the longer term through proactive capital management programs.

Borrowing facilities are maintained with the Group's bankers that are sufficient to meet contractual cash obligations arising in the ordinary course of business, details of which are set out in Note 21, 24 and this note. The existing borrowing facilities are subject to various debt covenants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 29. SHARE-BASED PAYMENTS

The following share schemes were adopted by the Company during the year ended 31 December 2019:

— Long-Term incentive Plan ("LTIP") operating between 1 January 2019 and 31 December 2022;
— Leader Plan operating between 1 March 2019 and 1 March 2022; and
— WPP AUNZ Share Ownership Plan – Group-wide share plan operating from 1 March 2019.

(A) LTIP – PERFORMANCE RIGHTS

4,128,674 performance rights over WPP AUNZ Limited ordinary shares were granted during the year to eligible senior executives. Performance rights were granted to executives at no cost as part of the long-term incentives' component of their remuneration. The performance rights will vest, subject to achievement of the performance conditions as determined by the Board. The performance conditions include achievement of two years' compound annual growth rate in EPS and normalised organic revenue (net sales) and an executive satisfying subsequent two-year continuous service period. Any performance rights for which the relevant performance conditions are not satisfied will lapse. Any performance rights that do not vest over the performance period, will be forfeited. The Board retains discretion to adjust performance conditions to ensure that senior executives are neither advantaged nor disadvantaged by matters outside the senior executives' control that affect performance (e.g. by excluding one-off items or the impact of significant acquisitions or disposals).

(B) LEADER PLAN – RIGHTS

2,491,012 rights over WPP AUNZ Limited ordinary shares were granted during the year to the business leaders that are not participating in LTIP and satisfy eligibility criteria as determined by the Board. Rights were granted to the leaders at no cost as part of their remuneration. The grants will vest on 1 March 2022, subject to a leader satisfying continuous service conditions until the vesting date. No dividends are payable until the leader grants vest. The Board retains discretion to adjust performance conditions to ensure that senior executives are neither advantaged nor disadvantaged by matters outside the senior executives' control that affect performance (e.g. by excluding one-off items or the impact of significant acquisitions or disposals).

(C) WPP AUNZ SHARE OWNERSHIP PLAN – RIGHTS

3,922,744 rights over WPP AUNZ Limited ordinary shares were granted during the year under a Share Ownership Plan to eligible permanent employees and executives that are not participating in the Leader Plan.

Under a group wide Share Ownership Plan, the Board approved a grant of rights up to the value of $500 to be allocated on 1 March 2019 to each employee of the Company satisfying eligibility criteria, at no cost. The rights will vest in two years, subject to an employee satisfying continuous service condition until the vesting date. The Board also approved the grant of rights to qualifying executives in recognition of their contribution to the long term success of the Company. The rights were granted to the executives at no cost and will vest on 1 March 2022, subject to an executive satisfying continuous service conditions until the vesting date. No dividends are payable until the rights vest.

(D) ONE TIME GRANT TO THE WPP AUNZ CEO UNDER SHARE OWNERSHIP PLAN – RIGHTS

In recognition of bonus and related entitlements that were forfeited as a result of accepting the role with WPP AUNZ, the CEO was provided with a one-time grant of rights on 1 October 2019 that will vest in three equal tranches of 923,191 rights each, on 31 December 2019, 31 December 2020, and 31 December 2021. The first tranche must be held for at least 12 months after the vesting date. The details of this grant outlined in the Section 3 of the Company 2019 remuneration report.

(E) FAIR VALUE

The fair value of share-based payments is calculated at grant date as the fair value of each share granted multiplied by the number of shares expected to eventually vest.

The fair value of each share is based on the market price of the share that includes expected volatility estimation, and dividend entitlements (if any) pursuant to each plan. The fair value of the share does not consider non-market vesting conditions. Non-market vesting conditions (compound annual growth in EPS, net sales, and continuous service conditions) are instead taken into account in the determination of the number of shares expected to eventually vest. This is performed through adjusting the number of shares for the probability of non-vesting due to non-market vesting conditions not being achieved.

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

The fair value at grant date of performance rights granted during the year ended 31 December 2019 was $0.47 per share (2018: $0.81). The model inputs for performance rights granted during the year ended 31 December 2019 included:

— performance rights are granted for no consideration;
— exercise price: $0;
— grant date: 15 May 2019;
— expiry date: December 2022; and
— share price at grant date: 2019: $0.54 (2018: $0.90).

(II) FAIR VALUE OF RIGHTS GRANTED UNDER THE LEADER PLAN

The fair value of rights granted during the year ended 31 December 2019 was $0.40 per share (2018: $0.85). The model inputs for the rights granted during the year ended 31 December 2019 included:

— rights are granted for no consideration;
— exercise price: $0;
— dividend yield per annum: 2019: 8.0% (2018: 6.0%);
— grant date: 31 May 2019;
— expiry date: 1 March 2022; and
— share price at grant date: 2019: $0.50 (2018: $1.02).

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

The fair value of rights granted during the year ended 31 December 2019 for the eligible employees was $0.47 per share (2018: $0.90) and $0.40 per share for executive grants (2018: $0.76). The model inputs for the rights granted during the year ended 31 December 2019 included:

— rights are granted for no consideration;
— exercise price: $0;
— dividend yield per annum: 2019: 8.0%; (2018: 6.0%)
— grant date: employee grants – 1 March 2019; executive grants – 31 May 2019;
— expiry date: employee grants – 1 March 2021; executive grants – 1 March 2022; and
— share price at grant date: 2019 employee grants: $0.55 (2018: $1.02); 2019 executive grants: $0.50 (2018: 0.90).

(IV) FAIR VALUE OF RIGHTS GRANTED TO THE WPP AUNZ CEO IN RESPECT OF HIS ONE-TIME GRANT UNDER SHARE OWNERSHIP PLAN

The fair value of rights granted to the CEO during the year ended 31 December 2019, was $0.50 per Tranche 1 share, $0.46 per Tranche 2 share, and $0.43 per Tranche 3 share. The model inputs for the rights granted to the CEO during the year ended 31 December 2019 included:

— rights are granted for no consideration;
— exercise price: $0;
— dividend yield per annum: 8.0%
— grant date: 1 October 2019
— expiry date: Tranche 1 – 31 December 2019; Tranche 2 – 31 December 2020; Tranche 3 – 31 December 2021; and
— share price at grant date: $0.51.

For the year ended 31 December 2019, the Company has recognised $1.8 million share based payment expense in the consolidated statement of profit or loss (2018: $0.9 million).

NOTE 30. RELATED PARTY DISCLOSURES

(A) ULTIMATE PARENT ENTITY

The ultimate Australian parent entity within the Group is WPP AUNZ Limited and the ultimate parent entity of the Group is WPP plc, incorporated in Jersey.

(B) SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and the controlled entities as listed in Note 36. 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 2019 and 31 December 2018 consisted of:

— loans advanced by/repaid to the Company;
— loans advanced to/repaid by the Company;
— the payment of dividends and trust distributions to the Company; and
— the provision of accounting and administrative assistance.

With the exception of interest-free loans provided by the Company, all other transactions were on commercial terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 30. RELATED PARTY DISCLOSURES (CONTINUED)

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

(C) TRANSACTIONS WITH RELATED PARTIES

Transactions between the Group and WPP plc related parties, joint venture and associates during the year ended 31 December 2019 consisted of ($'000):

— sale of goods and services to related parties: $22,187 (2018: $29,725);
— purchase of goods and services from related parties: $58,543 (2018: $75,372);
— dividends received from joint venture and associates: $5,950 (2018: $3,056);
— net trade payables to related parties: $7,290 (2018: $14,926);
— loans owing from related parties: $295 (2018: $5,239);
— loans owing to related parties: $10,819 (2018: $14,580); and
— service fee to WPP plc for continuing operations: $12,191 (2018: $11,627); and
— IBM recharges for continuing operations: $1,412 (2018: $845); and
— sale of Kantar businesses to WPP plc (refer to Note 32): $158,776 (2018: $Nil).

The Management Fee Framework Agreement sets an aggregate fee that will be paid by WPP AUNZ Limited for services provided by WPP plc to members of the Group during each financial year ("service fee"). The service fee payable for continuing operations for 2019 is 2.31% of net sales of the global brand network businesses. This rate could fluctuate marginally each year based on the changing structure of the business.

NOTE 31. BUSINESS COMBINATIONS

During the year ended 31 December 2019:
There were no business acquisitions during the year ended 31 December 2019.

During the year ended 31 December 2018:
On 1 March 2018, STW Media Services Pty Limited ("SMS") acquired 100% of Lightspeed Pty Limited ("Lightspeed") for a consideration of $5.0 million ($2.8 million net of cash acquired). As part of the transaction, SMS acquired $5.3 million of goodwill and other intangible assets. Prior to the acquisition, Lightspeed was ultimately 100% owned by WPP plc. Lightspeed is a digital data specialist which operates out of Sydney and Melbourne.

On 19 February 2018 (effective 1 March 2018), SMS acquired 100% of Essence Global Australia Pty Ltd ("Essence") for a consideration of $5.1 million ($3.3 million net of cash acquired). As part of the transaction, SMS acquired $5.1 million of goodwill and other intangible assets. Prior to the acquisition, Essence was ultimately 100% owned by WPP plc. Essence is a digital agency which operates out of Sydney and Melbourne.

The initial accounting for the acquisitions during the year was provisionally determined at the end of the reporting period at 31 December 2018. Accounting for these acquisitions was completed in the first half of 2019. No measurement period adjustments were made.

NOTE 32. DISCONTINUED OPERATIONS

(A) KANTAR AUSTRALIAN AND NEW ZEALAND BUSINESSES ("KANTAR")

On 12 July 2019, WPP plc (WPP AUNZ's majority shareholder) entered into an agreement to sell 60% of Kantar, its global data, research, consulting and analytics business, to Bain Capital Private Equity ("Bain Capital").

On 6 December 2019, WPP AUNZ sold 100% of its Kantar business in Australia and New Zealand, which forms the Data Investment Management segment, to WPP plc on financial and commercial terms that are in-line with the WPP plc global transaction for a total cash consideration of $158.8 million.

(I) IMPAIRMENT LOSSES RELATING TO KANTAR

Impairment losses of $44.3 million were recognised in relation to the Data Investment Management CGU for the half year-ended 30 June 2019 which consisted of goodwill impairment of $37.0 million, brand names impairment of $3.4 million and customer relationships impairment of $3.9 million. Further details of the impairment charges made to the Data Investment Management CGU are disclosed in Note 18. No further impairment losses were recognised prior to the date of disposal.

(II) PROFIT FROM DISCONTINUED OPERATIONS IN RELATION TO KANTAR

The Kantar results, which have been included in the (loss)/profit from discontinued operations, were as follows:

	2019* $'000	2018 $'000
Revenue	154,232	157,987
Cost of sale of goods and services rendered	(58,270)	(52,829)
Net sales	**95,962**	**105,158**
Other income	258	689
	96,220	**105,847**
Employee benefits expense	(54,835)	(59,059)
Occupancy costs	(4,121)	(6,339)
Depreciation expense	(2,368)	(1,644)
Amortisation expense	(4,426)	(5,046)
Travel, training and other personnel costs	(2,144)	(1,976)
Research, new business and other commercial costs	(1,065)	(2,243)
Office and administration costs	(6,378)	(7,095)
Compliance, audit and listing costs	(1,402)	(974)
Finance costs	(920)	(2,927)
Service fees to WPP plc	(7,733)	(8,664)
Impairment expense	(44,298)	—
(Loss)/profit before income tax	**(33,470)**	**9,880**
Income tax expense	(238)	(3,417)
(Loss)/profit from discontinued operations	**(33,708)**	**6,463**

* 2019 results relate to 11 months of trading prior to the disposal on 6 December 2019.

(III) NET GAIN ON KANTAR DISPOSAL

Details of the net gain on disposal of Kantar are as follows:

	Notes	2019 $'000	2018 $'000
Cash received in the current period		158,776	—
Less: net assets disposed		(48,201)	—
Less: goodwill disposed	18	(100,108)	—
Gain on disposal of Kantar		**10,467**	**—**
Tax expense		(5,600)	—
Net gain on disposal of Kantar		**4,867**	**—**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 32. DISCONTINUED OPERATIONS (CONTINUED)

(A) KANTAR AUSTRALIAN AND NEW ZEALAND BUSINESSES ("KANTAR") (CONTINUED)

(IV) NET CASH FLOWS OF DISCONTINUED OPERATIONS IN RELATION TO KANTAR

Net cash flows attributable to Kantar's operating, investing and financing activities are outlined below:

	2019* $'000	2018 $'000
Net cash flows from operating activities	8,666	48,513
Net cash flows from/(used in) investing activities	2,073	(2,824)
Net cash flows used in financing activities	(27,685)	(16,902)
Net (outflow)/inflow in cash and cash equivalents in relation to Kantar	**(16,946)**	**28,787**

* 2019 results relate to 11 months of trading prior to the disposal on 6 December 2019.

(B) OGILVY NEW ZEALAND

On 9 August 2019, WPP AUNZ disposed of its 85% interest in Ogilvy New Zealand Limited ("Ogilvy NZ") for NZ$8.3 million.

For the year ended 31 December 2019, the Ogilvy NZ business derived approximately $11.0 million in net sales from its local clients (2018: $20.3 million). Net loss for the period from discontinued operations in relation to Ogilvy NZ is $8.7 million (2018: net profit of $2.3 million). Net loss of $0.3 million was recognised on the disposal of Ogilvy NZ.

As a result of the sale of Kantar and Ogilvy NZ, revenue and expenses relating to the discontinuation of these businesses have been eliminated from the profit or loss from the Group's continuing operations and are shown as separate lines for discontinued operations in the consolidated statement of profit or loss and other comprehensive income. Prior year comparatives have been restated accordingly.

(C) RECONCILIATION OF NET (LOSS)/PROFIT FROM DISCONTINUED OPERATIONS

	2019 $'000	2018 $'000
(Loss)/gain after tax from discontinued operations	(33,708)	6,463
Gain on sale (net of tax)	4,867	—
Kantar (loss)/gain from discontinued operations	**(28,841)**	**6,463**
(Loss)/gain after tax from discontinued operations	(8,656)	2,269
Loss on sale (net of tax)	(288)	—
Ogilvy New Zealand (loss)/gain from discontinued operations	**(8,944)**	**2,269**
Total (loss)/gain from discontinued operations	**(37,785)**	**8,732**

NOTE 33. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

SUMMARY OF ACQUISITIONS

During the year ended 31 December 2019:
The Company had various buy-outs of non-controlling interests increasing its ownership to 100%, with the following acquisitions being material:

On 1 March 2019, the Company acquired the non-controlling interest of 27.5% in Mayko Trading Pty Ltd ("Mayko"). Mayko is a digital marketing and analytics consultancy based in Sydney.

On 31 May 2019, the Company acquired the non-controlling interest of 25.8% in Union Digital Limited ("Union"). Union is an interactive design and digital marketing agency based in Auckland.

During the year ended 31 December 2018:
There were numerous buy-outs of non-controlling interests, with only the acquisition of the additional 10% in Aleph Pte Limited and its controlled entities on 1 March 2018 being material.

	Consolidated Entity	
	2019 $'000	2018 $'000
Carrying amount of non-controlling interests	7,050	2,639
Consideration paid to non-controlling interests	(5,540)	(14,721)
Excess of consideration paid for the acquisition of non-controlling interests	**1,510**	**(12,082)**

NOTE 34. EXPENDITURE COMMITMENTS

(A) CAPITAL EXPENDITURE COMMITMENTS

As at 31 December 2019, the Group had no commitments for capital expenditure (2018: $Nil).

(B) COMMITMENTS

The Group leases IT and office equipment as well as vehicles with typical lease periods of up to 5 years and renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the leases. Due to the low value or short nature of these leases, the Group has elected to classify these as short-term leases and/or leases of low-value items under AASB 16. Subsequently there are no right-of-use assets or lease liabilities for these leases. There are no contingent rentals payable.

Future minimum rentals payable under non-cancellable leases as at 31 December 2019 were as follow:

	Consolidated Entity	
	2019* $'000	2018 $'000
Within one year	531	30,101
Later than one year and not later than five years	581	79,430
Later than five years	—	7,568
	1,112	**117,099**
Share of joint venture and associates' operating lease commitments	463	296

* Consistent with Note 1(A)(II), 2019 values represent only the short term and low values lease commitments under AASB 16 accounting whilst 2018 represents the entire operating lease commitments. Given the adoption of AASB 16 these values are not comparable with the majority of 2019 commitments represented at a discounted value on the balance sheet under lease liabilities.

NOTE 35. CONTINGENT LIABILITIES

The Consolidated Entity had contingent liabilities in respect of:

	Consolidated Entity	
	2019 $'000	2018 $'000
Bank guarantees	24,576	11,481

(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 $24.6 million (2018: $11.5 million) on behalf of various controlled entities, joint venture and associates. These guarantees will give rise to a liability for the Consolidated Entity if the various controlled entities, joint venture and associates do not meet their obligations under the terms of the lease agreements.

The bank loan facility totalling $420.0 million (2018: $520.0 million) is secured by:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 36. SUBSIDIARIES

(A) LIST OF SUBSIDIARIES

The consolidated financial statements include the financial statements of WPP AUNZ Limited and its controlled entities listed in the following table:

	Type of share/unit	Ownership interest 2019	Ownership interest 2018	Country of incorporation/ formation
WPP AUNZ Analytics Pty Ltd*	**Ordinary**	**100%**	**100%**	**Australia**
STW Media Services Pty Limited*	**Ordinary**	**100%**	**100%**	**Australia**
— Active Sites Alive Pty Limited*	Ordinary	100%	100%	Australia
- Active Display Group (Asia) Limited	Ordinary	100%	100%	Hong Kong
- Boxlink Pty Limited*	Ordinary	100%	100%	Australia
— Added Value Australia Pty Limited (iii)	Ordinary	—	100%	Australia
— Alpha Salmon Pty Limited	Ordinary	100%	100%	Australia
— AMR Interactive Pty Ltd (iii)	Ordinary	—	100%	Australia
— Badjar Ogilvy Pty Limited*	Ordinary	100%	100%	Australia
— Blaze Advertising Pty Limited*	Ordinary	100%	100%	Australia
— Buchanan Advertising (Australia) Pty Limited*	Ordinary	100%	100%	Australia
— Burson Cohne & Wolfe Pty Limited (formerly Burson-Marsteller Pty Ltd)*	Ordinary	100%	100%	Australia
— Cannings Advisory Services Pty Limited*	Ordinary	100%	100%	Australia
— Cohn & Wolfe Australia Pty Ltd*	Ordinary	100%	100%	Australia
— Colloquial Australia Pty Limited (i)	Ordinary	—	100%	Australia
— Colmar Brunton Pty Limited (iii)	Ordinary	—	100%	Australia
— Cornwell Design Pty Limited*	Ordinary	100%	100%	Australia
— AKQA Pty Limited (formerly DT Digital Pty Limited)*	Ordinary	100%	100%	Australia
- DT Millipede Pty Limited*	Ordinary	100%	100%	Australia
— Essence Global Australia Pty Limited (iii)	Ordinary	100%	100%	Australia
— Finance Plus Australia Pty Limited*	Ordinary	100%	100%	Australia
— Graffiti Group Pty Ltd	Ordinary	55%	55%	Australia
— Grey Australia New Zealand Pty. Limited* (i)	Ordinary	—	100%	Australia
— Grey Global Group Australia Pty Ltd* (i)	Ordinary	—	100%	Australia
— Grey Worldwide Pty Ltd* (i)	Ordinary	—	100%	Australia
— GroupM Communications Pty Ltd*	Ordinary	100%	100%	Australia
— GTB Australia Pty Limited (formerly Blue Hive Australia Pty Limited)*	Ordinary	100%	100%	Australia
— Hill and Knowlton Australia Pty. Limited*	Ordinary	100%	100%	Australia
— Human Communications Pty Limited*	Ordinary	100%	100%	Australia
— Ikon Communications Pty Limited*	Ordinary	100%	100%	Australia
— Ikon Communications (Melbourne) Pty Limited*	Ordinary	100%	100%	Australia
— I.M Advertising Pty Limited	Ordinary	70%	70%	Australia
— Issues & Images (Holdings) Pty Limited and its controlled entities (i)	Ordinary	—	100%	Australia
- The Issues & Images Group Pty Limited (i)	Ordinary	—	100%	Australia
— KBM Group Australia Pty Ltd (i)	Ordinary	—	100%	Australia
— L'Atelier Media Pty Ltd (formerly Mediacompete Pty Ltd)*	Ordinary	100%	100%	Australia
— Landor Associates Pty Limited*	Ordinary	100%	100%	Australia
— Lightspeed Australia Pty Limited (iii)	Ordinary	—	100%	Australia

	Type of share/unit	Ownership interest 2019	Ownership interest 2018	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
— Marketing Communications Holdings Australia Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
- Mirum Pty Ltd (formerly Webling Pty Ltd)*	Ordinary	100%	100%	Australia
- The WTA Group Pty Ltd (formerly Chameleon Digital Systems Pty. Ltd.)*	Ordinary	100%	100%	Australia
- Wunderman Thompson Pty Ltd (formerly J. Walter Thompson Australia Pty. Limited)*	Ordinary	100%	100%	Australia
— Markitforce Group Pty Limited ATF Markitforce Group Unit Trust and its controlled entities (i)	Ordinary	—	100%	Australia
— Mayko Trading Pty Ltd (iii)	Ordinary	100%	72.5%	Australia
- Wunderman Pty Limited	Ordinary	100%	100%	Australia
— Mediacom Australia Pty Limited*	Ordinary	100%	100%	Australia
— Millward Brown Pty Ltd (iii)	Ordinary	—	100%	Australia
— M Media Group Pty Ltd*	Ordinary	100%	100%	Australia
- Motivator Media Pty Ltd*	Ordinary	100%	100%	Australia
— New Dialogue Pty Limited	Ordinary	100%	100%	Australia
— Ogilvy Health Pty Ltd (formerly Ogilvy Commonhealth Pty Ltd)*	Ordinary	100%	100%	Australia
— OPR Agency Pty Ltd (formerly Ogilvy Public Relations Worldwide Pty Limited)*	Ordinary	100%	100%	Australia
- Howorth Communications Pty. Limited*	Ordinary	100%	100%	Australia
- Pulse Communications Pty Limited*	Ordinary	100%	100%	Australia
- Life Agency Pty Ltd*	Ordinary	100%	100%	Australia
- O2 Agency Pty Ltd*	Ordinary	100%	100%	Australia
- OPR Employee Experience Pty Ltd (formerly Impact Employee Communications Pty Limited)*	Ordinary	100%	100%	Australia
- OPR Health Pty Limited (formerly Ogilvy PR Health Pty Ltd)*	Ordinary	100%	100%	Australia
- Parker & Partners Pty Ltd*	Ordinary	100%	100%	Australia
— Origami Pty Ltd*	Ordinary	100%	100%	Australia
— Outrider Australia Pty Ltd*	Ordinary	100%	100%	Australia
— Oxygen Learning Pty Limited (trading as Phuel)*	Ordinary	100%	100%	Australia
— Picnic Software Pty Limited*	Ordinary	100%	100%	Australia
— Play Communications Pty Ltd	Ordinary	75%	75%	Australia
— Prism Team Australia Pty Ltd*	Ordinary	100%	100%	Australia
— Research International Australia Pty Ltd*	Ordinary	100%	100%	Australia
— Senior Minds Pty Limited*	Ordinary	100%	100%	Australia
— Sibling Agency Pty Ltd (formerly Moon Communications Pty Limited)*	Ordinary	100%	100%	Australia
- WPP AUNZ Solutions Pty Ltd*	Ordinary	100%	100%	Australia
— Singleton Ogilvy & Mather (Holdings) Pty Limited and its controlled entities*	Ordinary	100%	100%	Australia
- Barton Deakin Pty Limited*	Ordinary	100%	100%	Australia
- Bullseye Group Pty Limited* (i)	Ordinary	—	100%	Australia
- Hawker Britton Group Pty Limited*	Ordinary	100%	100%	Australia
- WPP AUNZ GR Pty Ltd*	Ordinary	100%	100%	Australia

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 36. SUBSIDIARIES (CONTINUED)

(A) LIST OF SUBSIDIARIES (CONTINUED)

	Type of share/unit	Ownership interest 2019	Ownership interest 2018	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
– Hogarth Australia Pty Ltd*	Ordinary	100%	100%	Australia
– Neo Media Australia Pty Limited*	Ordinary	100%	100%	Australia
– Ogilvy Australia Pty Limited (formerly Ogilvy & Mather (Sydney) Pty Limited)*	Ordinary	100%	100%	Australia
– Bullseye (Asia Pacific) Pty Limited	Ordinary	100%	100%	Australia
– Bullseye Digital (New Zealand) Limited	Ordinary	100%	100%	New Zealand
– Ethnic Communications Pty Limited*	Ordinary	100%	100%	Australia
– OgilvyAction Pty Limited*	Ordinary	100%	100%	Australia
– PT Bullseye	Ordinary	100%	100%	Indonesia
– Red Tape Commercials Pty Limited*	Ordinary	100%	100%	Australia
– Singleton Ogilvy & Mather (NZ) Limited	Ordinary	100%	100%	New Zealand
– Stanley St Limited (formerly Ogilvy New Zealand Limited) (iii)	Ordinary	—	85%	New Zealand
— STW Group Asia Holdings Pte Limited	Ordinary	100%	100%	Singapore
– Aleph Pte Limited and its controlled entities	Ordinary	75%	75%	Singapore
– Buchanan Group Holdings Pte Limited	Ordinary	100%	100%	Singapore
– Buchanan Advertising (Canada) Inc.	Ordinary	100%	100%	Canada
– Buchanan Advertising (Deutsche) GmbH (ii)	Ordinary	100%	—	Germany
– Buchanan Advertising (Malaysia) Sdn. Bhd	Ordinary	100%	100%	Malaysia
– Buchanan Advertising (UK) Limited	Ordinary	100%	100%	United Kingdom
– Buchanan Advertising (US) LLC	Ordinary	100%	100%	USA
– Buchanan Licensing Singapore Pte Ltd	Ordinary	100%	100%	Singapore
— STW Geometry Holdings Pty Limited	Ordinary	70%	70%	Australia
– Ogilvy Action 2012 Pty Ltd	Ordinary	100%	100%	Australia
– Evocatif Pty Ltd	Ordinary	100%	100%	Australia
– Geometry Global Pty Ltd (i)	Ordinary	—	100%	Australia
— STW Smollan Field Marketing Pty Limited (iii)	Ordinary	—	51%	Australia
— Sudler & Hennessey Australia Pty Ltd*	Ordinary	100%	100%	Australia
— Switched on Media Pty Limited*	Ordinary	100%	100%	Australia
— Taylor Nelson Sofres Australia Pty Limited (iii)	Ordinary	—	100%	Australia
— The Brand Agency Pty Limited ATF Brand Agency Unit Trust	Ordinary	84%	84%	Australia
– TBA Communications Ltd	Ordinary	100%	100%	New Zealand
– The Brand Agency (NZ) Ltd	Ordinary	100%	100%	New Zealand
– The Brand Agency Limited	Ordinary	61%	61%	United Kingdom
— The Campaign Palace Pty Limited	Ordinary	100%	100%	Australia
— The Punch Agency Pty Limited*	Ordinary	100%	100%	Australia
— TheMissingLink Pty Limited*	Ordinary	100%	100%	Australia
— The Origin Agency Pty Limited*	Ordinary	100%	100%	Australia
— The Online Research Unit Pty Ltd (iii)	Ordinary	—	100%	Australia
— Tribe Marketing Pty Limited (i)	Ordinary	—	100%	Australia
— The Store WPP AUNZ Pty Ltd*	Ordinary	100%	100%	Australia
— Wavemaker Australia Pty Limited (formerly Mediaedge:CIA Pty. Limited)*	Ordinary	100%	100%	Australia
— White Digital Pty Limited* (i)	Ordinary	—	100%	Australia

	Type of share/unit	Ownership interest 2019	Ownership interest 2018	Country of incorporation/ formation
STW Media Services Pty Limited and its controlled entities* (continued)				
— Whitegrey Pty Ltd (formerly Jay Grey Pty Ltd)*	Ordinary	100%	100%	Australia
— WPPAUNZ Team Red Pty Ltd*	Ordinary	100%	100%	Australia
— WPP AUNZ Experiences Pty Ltd (formerly Maverick Marketing and Communications Pty Ltd)	Ordinary	80%	80%	Australia
— WPP Holdings (Australia) Pty Limited*	Ordinary	100%	100%	Australia
— WPP Holdings (New Zealand) Limited	Ordinary	100%	100%	New Zealand
– Ogilvy International Limited (formerly Assignment Group New Zealand Limited)	Ordinary	100%	100%	New Zealand
– Designworks (NZ) Limited (iii)(iv)	Ordinary	100%	98.7%	New Zealand
– Commercial Creativity Limited (formerly Young & Rubicam Holdings Limited)	Ordinary	100%	100%	New Zealand
– VMLY&R Limited (formerly Y&R Limited)	Ordinary	100%	100%	New Zealand
– Chemistry Media Limited	Ordinary	100%	100%	New Zealand
– Financial & Media Services (NZ) Limited	Ordinary	100%	100%	New Zealand
– Ikon Communications (NZ) Limited	Ordinary	100%	100%	New Zealand
– GroupM New Zealand Limited	Ordinary	100%	100%	New Zealand
– Wunderman Thompson NZ Limited (formerly J. Walter Thompson International (NZ) Limited)	Ordinary	100%	100%	New Zealand
– Heyday Limited (iii)	Ordinary	83.5%	75%	New Zealand
– Mindshare NZ Limited	Ordinary	100%	100%	New Zealand
– Millward Brown NZ Limited (iii)	Ordinary	—	100%	New Zealand
– Colmar & Brunton Research Limited (iii)	Ordinary	—	88.37%	New Zealand
– NFO Worldgroup N.Z. Holdings Limited (iii)	Ordinary	—	100%	New Zealand
– TNS New Zealand Limited (iii)	Ordinary	—	100%	New Zealand
– STW Group (NZ) Limited	Ordinary	100%	100%	New Zealand
– AKQA Limited (formerly Union Digital Limited) (iii)	Ordinary	100%	74%	New Zealand
– Wavemaker NZ Limited	Ordinary	100%	100%	New Zealand
— Yellow Edge Pty Limited (iii)	Ordinary	—	84%	Australia
— Young & Rubicam Group Pty Limited*	Ordinary	100%	100%	Australia
– ABKP Ideaworks Pty Ltd*	Ordinary	100%	100%	Australia
– Expanded Media Holdings Pty Limited* (i)	Ordinary	—	100%	Australia
– Professional Public Relations Pty Ltd	Ordinary	100%	100%	Australia
– Professional Public Relations NZ Holdings Limited	Ordinary	100%	100%	New Zealand
– Professional Public Relations NZ Limited	Ordinary	100%	100%	New Zealand
– VML Digital Pty Limited*	Ordinary	100%	100%	Australia
– VMLY&R Pty Limited (formerly George Patterson Y & R Pty Limited)*	Ordinary	100%	100%	Australia
– George Patterson Partners Pty Limited*	Ordinary	100%	100%	Australia
– Y&R Group Pty Limited*	Ordinary	100%	100%	Australia

(i) The entity was deregistered during the year.

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

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

(iv) With put and call option agreements in place for these entities, the Group's policy is to consolidate the entity's target earnings and statement of financial position based on the ultimate future ownership (refer to Note 1(C)(I)).

* These subsidiaries have been granted relief from the necessity to prepare a financial report in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 37. 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS, CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The above companies represent a closed group for the purpose of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by WPP AUNZ Limited, they also represent the extended closed group.

Set out below is a consolidated statement of profit or loss, a consolidated statement of profit or loss and other comprehensive income and a consolidated statement of financial position as relevant for the year ended, or as at 31 December 2019 of the closed group consisting of WPP AUNZ Limited and its relevant controlled entities:

	2019 $'000	2018 $'000
Consolidated statement of profit or loss		
Loss before income tax	(280,559)	(22,498)
Income tax benefit/(expense)	17,897	(8,662)
Net loss	**(262,662)**	**(31,160)**

	2019 $'000	2018 $'000
Consolidated statement of profit or loss and other comprehensive income		
Net loss	**(262,662)**	**(31,160)**
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated statement of profit or loss		
Exchange loss arising on translation of foreign operations	(48)	—
Total comprehensive loss	**(262,614)**	**(31,160)**

Consolidated statement of financial position	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	34,358	15,964
Trade and other receivables	323,917	429,133
Inventories	2,873	12,215
Current tax assets	—	2,867
Other current assets	73,164	77,992
Total current assets	**434,312**	**538,171**
Non-current assets		
Other receivables	—	279
Investments accounted for using the equity method	17,647	18,271
Other financial assets	245,269	294,341
Plant and equipment	36,832	41,549
Deferred tax assets	29,111	24,838
Right-of-use assets	81,283	—
Intangible assets	488,683	872,046
Other non-current assets	1,890	1,574
Total non-current assets	**900,715**	**1,252,898**
Total assets	**1,335,027**	**1,791,069**
Current liabilities		
Trade and other payables	535,686	632,325
Current tax liabilities	5,055	—
Borrowings	10,000	59,747
Lease liabilities	24,510	—
Provisions	18,916	21,219
Total current liabilities	**594,167**	**713,291**
Non-current liabilities		
Other payables	2,201	15,152
Borrowings	182,041	257,001
Lease liabilities	70,707	—
Deferred tax liabilities	39,962	86,108
Provisions	4,147	5,179
Total non-current liabilities	**299,058**	**363,440**
Total liabilities	**893,225**	**1,076,731**
Net assets	**441,802**	**714,338**
Equity		
Issued capital	737,149	737,149
Reserves	27,549	20,397
Retained earnings	(322,896)	(43,208)
Equity attributable to members of the Parent Entity	**441,802**	**714,338**
Non-controlling interests	**—**	**—**
Total equity	**441,802**	**714,338**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

NOTE 38. AUDITORS' REMUNERATION

	Consolidated Entity	
	2019 $	2018 $
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	2,289,500	1,395,000
— other audit services	64,200	47,000
Amounts received or due and receivable by Deloitte International Associates – Services provided to international subsidiaries		
— an audit or review of the financial report of the New Zealand subsidiaries	160,000	175,000
	2,513,700	**1,617,000**

NOTE 39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

— the Directors declared the payment of a fully franked final dividend of 2.9 cents per fully paid ordinary share, and a special dividend of 1.5 cents per fully paid ordinary share, with a record date of 31 March 2020 and payable on 7 April 2020 (2018 final dividend: 4.0 cents per share).

— on 3 January 2020, AKQA Limited in New Zealand executed an agreement to purchase 100% of Dominion Software Developers Limited ("Dominion") for a consideration of NZ$1.6 million. Dominion is a digital consulting agency which operates out of Auckland.

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

NOTE 40. 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	
	2019 $'000	2018 $'000
Statement of financial position		
Current assets	30,809	34,383
Non-current assets	1,237.632	1,405,318
Total assets	**1,268,441**	**1,439,701**
Current liabilities	208,202	312,448
Non-current liabilities	249,036	315,001
Total liabilities	**457,238**	**627,449**
Net assets	**811,203**	**812,252**
Equity		
Issued capital	737,149	737,149
Reserves	2,952	1,365
Retained earnings	71,102	73,738
Total equity	**811,203**	**812,252**
Net profit	**53,596**	**134,461**
Total comprehensive income	**53,596**	**134,461**

(B) CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Parent Entity has contingent liabilities in respect of:

	2019 $'000	2018 $'000
Bank guarantees	24,576	11,481

The Company has provided various bank guarantees totalling $24.6 million (2018: $11.5 million) on behalf of various controlled entities, joint venture and associates. These guarantees will give rise to a liability for the Consolidated Entity if the various controlled entities, joint venture and associates do not meet their obligations under the terms of the lease agreements.

The bank loan facility totalling $420.0 million (2018: $520.0 million) is secured by a guarantee and indemnity by and between the Company and certain subsidiaries, as outlined in Note 24.

DIRECTORS' DECLARATION

The Directors of WPP AUNZ Limited declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the accompanying financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

(c) in the Directors' opinion, the accompanying financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position at 31 December 2019 and performance for the year ended 31 December 2019, of the Company and the Consolidated Entity; and

(d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission. The nature of the deed of cross guarantee is such that each company which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the members of the extended closed group identified in Note 37 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 37.

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

ROBERT MACTIER
Chairman

JENS MONSEES
Chief Executive Officer
and Managing Director

Sydney, 24 February 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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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 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Carrying value of goodwill and intangible assets
 	
Goodwill and intangible assets of $721.8 million have been recognised in the consolidated statement of financial position as a result of acquisitions in past periods, as disclosed in note 18.
 	
Management conducts impairment tests annually (or more frequently if impairment indicators exist) to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets. This is performed through discounted cash flow models, to determine the higher of value-in-use and fair value less costs to sell.
 	
An impairment charge of $298.7 million was recorded during the year, of which $294.7 million was recognised at 30 June 2019 ('Half Year').
 	
The impairment charge comprised $249.7 million in the Global Integrated Agencies CGU, $44.3 million in the Data Investment Management CGU and $4.7 million in the Specialist Communications CGU.
 	
Of this total impairment charge of $298.7 million, $184.7 million was recorded against goodwill, $68.6 million was recorded against specifically identified brand names, $44.3 million against customer relationships and $1.1 million against intellectual property.
 	
As disclosed in note 18 to the financial statements, there are a number of key estimates made by management requiring significant judgement in determining the inputs into these models including:
 	
— future cashflows;
— terminal growth rates; and
— discount rates applied to the projected future cash flows.
	Our procedures, performed in conjunction with our valuation specialists included, but were not limited to:
	
	— understanding and assessing management's process and key controls over identifying and testing individual intangible assets for impairment;
	— understanding the process and key controls that management have undertaken to identify CGUs and perform the impairment assessment;
	— assessing and challenging:
	  — management's assessment of forecasting accuracy which compares FY19 and FY18 actual results to historic budgeted results;
	  — management's FY20 budget, by comparing to FY19 and FY18 actual results;
	  — the assumptions used for the growth rate by comparing to the relevant industry forecast growth rate and assumptions for forecast EBIT Margins through inspection of supporting evidence of future cost savings;
	  — the key assumptions for terminal growth rate in the forecast cash flows by comparing them to historical results and industry forecasts; and
	  — the discount rate applied by comparing the WACC to a WACC independently calculated by our valuation specialists.
	— testing, on a sample basis, the mathematical accuracy of the cash flow models;
	— agreeing the inputs in the cash flow models to relevant data including approved budgets and latest forecasts;
	— performing sensitivity analyses in relation to key assumptions including discount rate, growth rate and terminal value; and
	— assessing the appropriateness of the disclosures including sensitivities in the assumptions used, included in notes 1T, 2A and 18 to the financial statements.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Disposal of Data Investment Management segment The Group disposed of its Data Investment Management segment ('DIM'), the Kantar businesses, on 6 December 2019, resulting in a gain on disposal (after tax) of $4.9 million as disclosed in note 32. Accounting for the disposal in accordance with accounting standards involves judgment in; — assessing the classification of discontinued operations; — calculating the gain on disposal, including costs to be included; and — determining the availability of capital losses to offset the capital gain arising from the disposal.	Our procedures, performed in conjunction with our taxation specialists included, but were not limited to: — understanding management's process and key controls for accounting for the disposal of the DIM segment; — assessing management's classification of the disposal as a discontinued operation; — recalculating the gain on disposal; — assessing the availability of capital losses utilised to offset the capital gain; and — assessing the appropriateness of the disclosure of loss from discontinued operations included in the consolidated statement of profit or loss and other comprehensive income, note 2F and note 32 to the financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the "Directors' Report" and "Remuneration Chair's Letter", which we obtained prior to the date of this auditor's report, and also includes the following documents which will be included in the annual report (but does not include the financial report and our auditor's report thereon): "The Board of Directors", "Chairman's Address", and "ASX Additional Information" which are expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the "The Board of Directors", "Chairman's Address", and "ASX Additional Information", if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

OPINION ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 74 to 93 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of WPP AUNZ Limited, for the year ended 31 December 2019, 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 2020

ASX ADDITIONAL INFORMATION

AS AT 6 MARCH 2020

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 6 March 2020 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 shareholders	Number of shares
1 – 1,000	1,492	546,206
1,001 – 5,000	1,277	3,647,318
5,001 – 10,000	728	5,746,591
10,001 – 100,000	1,257	38,605,366
100,001 and over	146	803,606,389
	4,900	**852,151,870**

(B) MARKETABLE PARCEL

The number of shareholders holding less than a marketable parcel of shares (i.e. $500 worth of shares) is 1,292. In accordance with ASX Business Rules, the last sale price of the Company's shares on the ASX on 6 March 2020 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	88,315,099	10.36
JP Morgan Nominees Australia Pty Limited	67,591,832	7.93
Citicorp Nominees Pty Limited	57,094,622	6.70
National Nominees Limited	14,967,001	1.76
Citicorp Nominees Pty Limited (Colonial First State INV A/C)	8,103,000	0.95
BNP Paribas Noms Pty Ltd (DRP)	4,483,104	0.53
HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,827,671	0.33
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	2,646,238	0.31
Leithner & Company Pty Ltd	1,250,000	0.15
Aust Executor Trustees Ltd (Flannery Foundation)	1,026,256	0.12
Factotum Group Pty Ltd (Factotum Holdings A/C)	1,000,000	0.12
Mr Timothy John Eakin (Estate Late VJA Flynn A/C)	920,000	0.11
Mr Andrew George Kettle	850,000	0.10
Hatim Taiy Pty Limited (VJA Flynn Settlement A/C)	840,000	0.10
NSR Investments Pty Ltd (NSR Super Fund A/C)	750,000	0.09
JE & FJ Cunningham Superannuation Pty Ltd (JE & FJ Cunningham Super A/C)	681,463	0.08
Mr Michael Lewis Connaghan (Connaghan Nominees P/L A/C)	669,683	0.08
Boathol Pty Ltd (Lord S/F A/C)	600,000	0.07
Mrs Cindy Bee Har Koo	548,185	0.06
	779,206,277	**91.45**

(D) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Quoted ordinary shares	
	Number of shares	Percentage of shares
Cavendish Square Holdings BV (i)	524,042,123	61.50

(i) Cavendish Square Holdings BV is a wholly-owned subsidiary of WPP plc.

(E) VOTING RIGHTS

At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and, on a poll, one vote for each share.

CORPORATE DIRECTORY

DIRECTORS
Robert Mactier (Chairman)
Paul Richardson
Graham Cubbin
Kim Anderson
Ranjana Singh
Geoffrey Wild AM
John Steedman
Jens Monsees (Managing Director)

CHIEF EXECUTIVE OFFICER
Jens Monsees

CHIEF FINANCIAL OFFICER
Chris Rollinson

COMPANY SECRETARY
Linda Gough

INVESTOR RELATIONS
Cannings Strategic Communications:
Phone: +61 2 8284 99 90
Email: admin@canningscomms.com.au

FINANCIAL CALENDAR
2020 Interim Result – August 2020
2020 Final Result – February 2021
2021 Annual General Meeting – May 2021

AUDITOR
Deloitte Touche Tohmatsu

REGISTERED OFFICE
1 Kent Street
Millers Point NSW 2000
Telephone: (02) 9290 7500

SHARE REGISTRY
Computershare Investor Services Pty Limited

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