WPP AUNZ LIMITED

ABN 84 001 657 370

HALF YEAR FINANCIAL REPORT - 30 JUNE 2020

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by WPP AUNZ Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

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ABN 84 001 657 370

HALF YEAR FINANCIAL REPORT - 30 JUNE 2020

CONTENTS	PAGE

WPP AUNZ LIMITED
Directors' Report

Your Directors present their report on the consolidated entity consisting of WPP AUNZ Limited ("the Company") and the entities it controlled (collectively "the Consolidated Entity" or "the Group") at the end of, or during, the half year ended 30 June 2020 ("the half year"). In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

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

Robert Mactier	(Independent Non-executive Chairman)
Jens Monsees	(Chief Executive Officer and Managing Director)
John Steedman	(Executive Director and Chief Operating Officer)
Paul Richardson	(Non-executive Director – resigned 7 May 2020)
Graham Cubbin	(Independent Non-executive Director)
Kim Anderson	(Independent Non-executive Director)
Ranjana Singh	(Non-executive Director)
Geoffrey Wild AM	(Non-executive Director)
Diane Holland	(Non-executive Director – appointed 2 March 2020)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period was the provision of marketing, content and communications services. The Group comprises leading companies in all of the following disciplines: Advertising; Media Investment Management; Public Relations and Public Affairs; Branding and Identity; Healthcare Communications; Digital; Production; Specialist Communications; and Large Format Production. There have been no significant changes in the nature of these activities during the period.

FINANCIAL OVERVIEW – STATUTORY RESULTS

The Group has delivered net sales (revenue less cost of sale of goods and services rendered) from continuing operations for the half year of $296.0 million, down 14.3% on June prior year (2019: $345.2 million) and net loss attributable to members of WPP AUNZ for the half year of $174.3 million, down 31.2% on June prior year (2019: net loss of $253.5 million).

A summary of the Group's statutory results for the half year ended 30 June 2020 and 30 June 2019 is below:

	2020 $ million	2019 $ million
Net sales	**296.0**	**345.2**
Other income (excluding interest income)	6.9	0.2
Share of net profit from joint venture and associates	3.0	2.5
Operating expenses	(274.0)	(302.9)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**31.9**	**45.0**
Depreciation, amortisation and impairment	(203.8)	(263.7)
Earnings before interest and tax ("EBIT")	**(171.9)**	**(218.7)**
Net finance costs	(4.8)	(7.9)
Loss before tax	**(176.7)**	**(226.6)**
Income tax benefit	3.7	21.8
Loss after tax from continuing operations	**(173.0)**	**(204.8)**
Loss after tax from discontinued operations	**-**	**(45.9)**
Loss for the period	**(173.0)**	**(250.7)**
Non-controlling interests	(1.3)	(2.8)
Net loss attributable to members of WPP AUNZ	**(174.3)**	**(253.5)**
	Cents	**Cents**
Earnings per share - continuing operations	**(20.5)**	**(24.4)**
Earnings per share - total	**(20.5)**	**(29.8)**

When significant items (after tax and non-controlling interests) are excluded from the statutory results, the Group has delivered headline profit after tax for the half year of $4.7 million from continuing operations, down 70.4% on June prior year (2019: $16.0 million).

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

	2020 $ million	2019 $ million
Net loss attributable to members of WPP AUNZ	**(174.3)**	**(253.5)**
Significant items, net of tax		
1. Impairment, amortisation of acquired intangibles and other non-cash items	178.5	269.9
2. Business close down and other one-off costs	0.5	6.2
Total significant items, net of tax	**179.0**	**276.1**
Headline profit after tax and minorities	**4.7**	**22.6**
- from continuing operations	4.7	16.0
- from discontinued operations	-	6.6

SIGNIFICANT ITEMS

As part of its statutory results the Company recognised a number of significant items which were not related to its headline performance. These items included:

1. Impairment, amortisation of acquired intangibles and other non-cash items – The net of tax balance of $178.5 million for the half year ended 30 June 2020 (30 June 2019: $269.9 million) relates to goodwill impairment of $167.0 million (30 June 2019: $184.7 million), impairment of investment in associates of $1.2 million (30 June 2019: nil), impairment of acquired intangibles such as brand names of $1.1 million (30 June 2019: $46.0 million) and customer relationships of $4.0 million (30 June 2019: $31.0 million); and $2.2 million impairment of right of use asset for leases and leasehold improvements (30 June 2019: nil). The total also includes $3.0 million amortisation of acquired intangibles (30 June 2019: $7.6 million) and immaterial loss on fair value adjustment of contingent cash settlements (“earnouts”) (30 June 2019: $0.6 million).

2. Business close down and other one-off costs – The balances for the half year ended 30 June 2020 and 2019 relate to costs associated with closing down, merging and restructuring of selected businesses. The balance in 2019 also includes write-off of $2.6 million of deferred tax assets as a result of the finalisation of the 2018 Australian tax returns and the subsequent re-assessment of timing of utilisation of accumulated tax losses.

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

FINANCIAL HIGHLIGHTS – HEADLINE RESULTS

A summary of key headline measures for continuing operations has been provided below:

Key Measures (30 June)	2020 $ million	2019 $ million	Change
Net sales	296.0	345.2	(14.3%)
Headline EBIT	13.3	34.6	(61.5%)
Headline margin	4.5%	10.0%	(5.5%)
Headline profit before tax	8.5	26.9	(68.5%)
Headline profit after tax and minorities	4.7	16.0	(70.4%)
Headline earnings per share	0.6 cents	1.9 cents	(1.3 cents)

Headline EBIT from continuing operations (inclusive of EBIT from joint venture and associates accounted for using the equity method) of $13.3 million, down 61.5% on June prior year (30 June 2019: $34.6 million). Headline EBIT from continuing operations was delivered at a margin of 4.5%, a decline against June prior year of 5.5% (30 June 2019: 10.0%).

PERFORMANCE BY SEGMENT

The headline results from continuing operations can be broken down further into the Group's business segments, which provide an insight into the core services provided to the Group's clients.

	Net sales		Headline EBIT		Headline margin %	
$ million	**June 2020**	**Change %**	**June 2020**	**Change %**	**June 2020**	**Change**
Global Integrated Agencies	202.1	(12.0%)	9.0	(61.2%)	4.4%	(5.6%)
Public Relations & Public Affairs	22.9	(20.8%)	3.0	(38.1%)	12.9%	(3.6%)
Specialist Communications	66.4	(14.6%)	5.2	(55.2%)	7.8%	(7.0%)
Large Format Production	4.5	(49.1%)	(3.8)	21.7%	(82.8%)	(28.9%)
Total	**296.0**	**(14.3%)**	**13.3**	**(61.5%)**	**4.5%**	**(5.5%)**

CASH, GROSS DEBT AND EARNOUTS

Australian core banking facility

The Company's syndicated facility agreement is split between a debt facility of $420.0 million and a guarantee facility of $29.9 million. The $420.0 million debt facility and the $29.9 million guarantee facility have been renewed on 18 August 2020 with $270.0 million of the debt facility (30 June 2020 drawdown: $157.0 million) expiring on 18 August 2023, $150.0 million of the debt facility (30 June 2020 drawdown: $40.0 million) used to support intra-month working capital movements expiring on 18 August 2021 and $29.9 million guarantee facility expiring on 18 August 2023.

The syndicated facility agreement contains guarantees and indemnities granted by WPP AUNZ Limited and certain subsidiaries.

Net debt

As at 30 June 2020, the Company's cash balance was $64.0 million (31 December 2019: $74.8 million). The Company's gross debt and earnout liabilities were $202.7 million (31 December 2019: $196.2 million). The Company's net debt position increased to $138.7 million at 30 June 2020 (31 December 2019: $121.4 million). This was driven primarily by increased drawdowns from the debt facility to fund working capital requirements during the half year.

	30 Jun 2020 $ million	**31 Dec 2019 $ million**
Cash and cash equivalents	64.0	74.8
Secured bank loans	(197.0)	(192.0)
Earnout liabilities	(5.7)	(4.2)
Net debt	**138.7**	**121.4**

Earnout liabilities

The Company structures certain acquisitions by making an up-front payment to the vendors and agreeing to make future earnout payments based on the financial performance of the acquired company. The Company sees this as an effective way to structure acquisitions as it incentivises the vendors to drive the future performance of the acquired company. As at 30 June 2020, the Company's estimated earnout liabilities are $5.7 million (31 December 2019: $4.2 million).

	$ million
31 December 2019	4.2
New earnouts in 2020	2.4
Payments made in 2020	(0.2)
Net revisions to prior earnout liability estimates	(0.7)
30 June 2020	**5.7**

Expected maturity profile (calendar year)

	$ million
2020	3.2
2021	0.3
2022+	2.2
Total	**5.7**

DIVIDEND PAYMENTS

No dividends were paid to members of the Company during the half year ended 30 June 2020.

On 24 March 2020 it was announced that due to unprecedented uncertainty as to the impact and duration of the COVID-19 pandemic, the Board cancelled the final dividend for 2019 of $24.7 million at 2.9 cents per share (final dividend for 2018: $34.1 million at 4.0 cents per share) and the special dividend of $12.8 million at 1.5 cents per share (nil special dividend for 2018) that were previously announced to the market on 24 February 2020.

It is the Company's intention to return to a consistent and sustainable dividend approach. However, given the continuing economic uncertainty caused by the COVID-19 pandemic, no dividend has been declared for the half year ended 30 June 2020 (30 June 2019: $19.6 million at 2.3 cents per share).

THE IMPACT OF COVID-19

During the half year ended 30 June 2020, the COVID-19 pandemic has spread rapidly throughout the world causing significant disruption to business and economic activity. Although the rate of infections and the severity of the disease has been significantly less in Australia and New Zealand (where the majority of the Group's operations are based) compared to the rest of the world, the economic impact in Australia and New Zealand has been substantial. Consequently, this has materially impacted the Group's advertising bookings and revenue, with cancellation and deferral of projects and productions, especially with customers in the travel & entertainment, physical retail, and fast food sectors. However, given the Group's diverse regional footprint, customer base and sector portfolio, it has been able to mitigate some of the exposure risk to COVID-19 to deliver a much-improved result for the six months to 30 June 2020 than previous guidance of a breakeven to EBIT loss forecast.

From the onset of the pandemic in the second quarter of 2020, the Group has responded swiftly to the difficult operating environment with temporary and permanent cost reductions which included voluntary reductions of salaries or reduced workdays, reduction in the use of freelance resources, restrictions on new hires and salary increments, cessation of travel and entertainment, and the minimisation of capital expenditure. Simultaneously, transformational cost initiatives were also implemented in the half year to deliver sustainable cost benefits over the remainder of the year. The significant step change in cost base in alignment with our transformation strategy is expected to deliver $70 million in cost savings in 2020. Based on current activity levels, we would expect our full year cost base in 2021 to be $80 million to $100 million lower than 2019.

In addition to cost control measures, certain companies within the Group were eligible for COVID-19 related government aid (e.g. Jobkeeper subsidy) as a result of their decline in revenues. For the half year ended 30 June 2020, the Group has recognised $6.6 million in government aid in its Consolidated Statement of Profit or Loss and continues to assess the unfolding situation in relation to government stimulus.

The Group continues to focus on financial sustainability and has maintained a strong balance sheet during this period, driven by effective working capital management through timely cash collections and the optimisation of payments. Since the end of the half year, the Group has also extended the expiry date of $270.0 million of its debt facility from 29 June 2021 to 18 August 2023, $150.0 million of its debt facility used to support intra-month working capital movements from 29 June 2021 to 18 August 2021, and the $29.9 million guarantee facility from 29 June 2021 to 18 August 2023, giving further assurance over the Group's cash flow forecasts and liquidity position to meet future net working capital and operational requirements.

GOING CONCERN

In considering going concern and liquidity risk, the Directors have reviewed the Group's future cash requirements and earnings projections for the next 18 months and have also stress tested the impact of a range of assumptions to trading performance including the potential decline in net sales and earnings. Despite the significant impact of COVID-19 on the Group's operations, in assessing the Group's cash flow and debt forecasts, the Directors do not expect there to be any issues in meeting current liabilities as and when they fall due.

The Group has also considered its bank covenant and liquidity headroom, taking into account the suspension of the payment of its final and special dividends for 2019 (which were due in April 2020), the interim dividend for 2020 and cost mitigation actions through re-prioritisation and rationalisation of operational expenditure.

Based on the results, which show that the Group would be able to operate with appropriate liquidity and within its banking covenants, the Directors have concluded it is appropriate to prepare the financial statements of the Group on a going concern basis.

OUTLOOK

The Group has seen an improvement in EBIT in the months of June and July when compared to April and May as well as the comparable period in 2019 due to the significant cost measures initiated in the second quarter of 2020. We expect the second half of the year to typically be stronger as media and advertising spend increases. However, given the regions which have experienced a second wave of COVID-19 and further government regulated shut-downs, there is still a significant level of economic uncertainty in order to provide specific earnings guidance for the 2020 financial year. The Directors believe that with strong cash collection and reduced debt levels, the Group has the stability and flexibility to continue to execute its transformation strategy and drive growth for our clients and shareholders.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 of the half year report.

ROUNDING OFF OF AMOUNTS

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

SUBSEQUENT EVENTS AFTER THE BALANCE DATE

Other than the significant items outlined in Note 16 to the financial statements, there has not arisen, in the interval between the end of the financial period and the date of signing of this Directors' Report, any item, transaction or event of a material or unusual nature which in the opinion of the Directors, has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity, in future periods.

Signed in accordance with a resolution of directors made pursuant to s306(3) of the *Corporations Act 2001*.

Robert Mactier
Chairman

Sydney
20 August 2020

Jens Monsees
Chief Executive Officer
and Managing Director
Sydney
20 August 2020

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

20 August 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 the directors of WPP AUNZ Limited.

As lead audit partner for the review of the half year financial report of WPP AUNZ Limited for the half year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

WPP AUNZ LIMITED
Consolidated Statement of Profit or Loss
For the half year ended 30 June 2020

		Consolidated	
		Half year ended	
		30 Jun 2020	30 Jun 2019*
	Notes	**$'000**	$'000
Revenue		**342,269**	409,926
Cost of sale of goods and services rendered		**(46,252)**	(64,702)
Net sales	3(b)	**296,017**	345,224
Other income	3(e)	**6,987**	813
Share of net profit of joint venture and associates accounted for using the equity method	3(e)	**2,959**	2,480
		305,963	348,517
Employee benefits expense		**(226,132)**	(242,048)
Occupancy costs		**(6,154)**	(9,396)
Depreciation expense	4(a)	**(20,459)**	(17,243)
Amortisation expense	4(a)	**(4,763)**	(9,106)
Travel, training and other employee related costs		**(6,921)**	(13,169)
Research, new business and other commercial costs		**(11,931)**	(10,844)
Office and administration costs		**(11,660)**	(12,441)
Compliance, audit and listing costs		**(5,884)**	(8,623)
Finance costs	4(b)	**(4,985)**	(8,540)
Service fees to WPP plc	14	**(5,207)**	(5,937)
Loss on fair value adjustment of earnouts		**(21)**	(470)
Impairment expense	5	**(178,553)**	(237,311)
Loss before income tax		**(176,707)**	(226,611)
Income tax benefit	6	**3,751**	21,746
Loss from continuing operations		**(172,956)**	(204,865)
Loss from discontinued operations**	15	**-**	(45,884)
Loss of the period		**(172,956)**	(250,749)
Net profit/(loss) attributable to:			
- non-controlling interests		**1,330**	2,803
- **members of the Company**		**(174,286)**	(253,552)
		Cents	Cents
Earnings per share:			
Basic earnings per share – continuing operations		**(20.5)**	(24.4)
Basic earnings per share – total		**(20.5)**	(29.8)
Diluted earnings per share – continuing operations		**(20.5)**	(24.4)
Diluted earnings per share – total		**(20.5)**	(29.8)

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

* 2019 balances have been updated on a continuing and discontinued basis for comparative purposes against 2020.
** The discontinued operations relate to Kantar's Australia and New Zealand businesses and Ogilvy New Zealand which were disposed in the second half of 2019. Other non-material disposals have not been included as discontinued operations. Refer to Note 15 for further details.

WPP AUNZ LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 30 June 2020

	Consolidated	
	Half year ended	
	30 Jun 2020	30 Jun 2019*
	$'000	$'000
Loss for the period	**(172,956)**	(250,749)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to the Consolidated Statement of Profit or Loss		
Exchange (loss)/gain arising on translation of foreign operations	**(6,348)**	2,484
Total comprehensive loss for the period	**(179,304)**	(248,265)
Total comprehensive income/(loss) attributable to:		
- non-controlling interests	**1,202**	2,889
- **members of the Company**	**(180,506)**	(251,154)
Total comprehensive loss attributable to the members of the company from:		
- continuing operations	**(180,506)**	(202,469)
- discontinued operations**	**-**	(48,685)

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

* 2019 balances have been updated on a continuing and discontinued basis for comparative purposes against 2020.
** The discontinued operations relate to Kantar's Australia and New Zealand businesses and Ogilvy New Zealand which were disposed in the second half of 2019. Other non-material disposals have not been included as discontinued operations. Refer to Note 15 for further details.

WPP AUNZ LIMITED
Consolidated Statement of Financial Position
As at 30 June 2020

	Notes	Consolidated 30 Jun 2020 $'000	Consolidated 31 Dec 2019 $'000
Current assets			
Cash and cash equivalents		**63,961**	74,812
Trade and other receivables		**286,867**	389,690
Inventories		**9,082**	2,873
Other current assets		**65,492**	83,236
Total current assets		**425,402**	550,611
Non-current assets			
Investments accounted for using the equity method	11	**20,117**	19,877
Plant and equipment		**36,247**	41,231
Right-of-use assets		**72,071**	91,667
Deferred tax assets		**25,063**	25,905
Intangible assets	9	**544,332**	721,839
Other non-current assets		**1,144**	2,145
Total non-current assets		**698,974**	902,664
Total assets		**1,124,376**	1,453,275
Current liabilities			
Trade and other payables		**462,159**	589,330
Borrowings		**197,000**	10,000
Lease liabilities		**28,559**	28,480
Current tax liabilities		**8,063**	12,993
Provisions		**20,825**	22,628
Total current liabilities		**716,606**	663,431
Non-current liabilities			
Other payables		**4,285**	2,752
Borrowings		**-**	182,000
Lease liabilities		**61,073**	77,887
Deferred tax liabilities		**22,983**	28,744
Provisions		**5,189**	4,242
Total non-current liabilities		**93,530**	295,625
Total liabilities		**810,136**	959,056
Net assets		**314,240**	494,219
Equity			
Issued capital	8	**737,737**	737,149
Reserves		**23,532**	29,356
Retained earnings		**(459,272)**	(284,986)
Equity attributable to members of the Company		**301,997**	481,519
Non-controlling interests		**12,243**	12,700
Total equity		**314,240**	494,219

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

WPP AUNZ LIMITED

Consolidated Statement of Changes in Equity
For the half year ended 30 June 2020

Consolidated	Notes	Issued Capital $'000	Equity Settled Share-based Payment Reserve* $'000	Transactions with Non-controlling Interests Reserve* $'000	Treasury Reserve* $'000	Equity Reserve $'000	Foreign Currency Translation Reserve* $'000	Retained Earnings $'000	Total $'000	Non-Controlling Interests $'000	Total Equity $'000
At 1 January 2020		**737,149**	**2,952**	**(11,018)**	**-**	**16,275**	**21,147**	**(284,986)**	**481,519**	**12,700**	**494,219**
Net (loss)/profit		-	-	-	-	-	-	(174,286)	(174,286)	1,330	(172,956)
Other comprehensive loss		-	-	-	-	-	(6,220)	-	(6,220)	(128)	(6,348)
Total comprehensive (loss)/income		**-**	**-**	**-**	**-**	**-**	**(6,220)**	**(174,286)**	**(180,506)**	**1,202**	**(179,304)**
Acquisition and disposal of remaining non-controlling interests in controlled entities		-	-	371	-	-	-	-	371	(1,084)	(713)
Issue of executive share plan shares	8	588	(588)	-	-	-	-	-	-	-	-
Cost of share-based payments	13	-	920	-	-	-	-	-	920	-	920
Treasury share additions		-	-	-	(451)	-	-	-	(451)	-	(451)
Treasury share allocations		-	(413)	-	413	-	-	-	-	-	-
Transfers into the share-based payment reserve		-	159	-	-	-	-	-	159	-	159
Share-based payments settled in cash		-	(15)	-	-	-	-	-	(15)	-	(15)
Equity dividends provided for or paid	7	-	-	-	-	-	-	-	-	(575)	(575)
At 30 June 2020		**737,737**	**3,015**	**(10,647)**	**(38)**	**16,275**	**14,927**	**(459,272)**	**301,997**	**12,243**	**314,240**

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 employees, the value of which has not been transferred to the relevant employees.
- The transactions with non-controlling interests reserve relate to transactions with non-controlling interests that do not result in a loss of control.
- The treasury reserve is used to record previously outstanding shares that have been reacquired and held by the Company.
- The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled entities.

WPP AUNZ LIMITED
Consolidated Statement of Changes in Equity (continued)
For the half year ended 30 June 2020

Consolidated	Notes	Issued Capital $'000	Equity Settled Share-based Payment Reserve* $'000	Transactions with Non-controlling Interests Reserve* $'000	Equity Reserve $'000	Foreign Currency Translation Reserve* $'000	Retained Earnings $'000	Total $'000	Non-Controlling Interests $'000	Total Equity $'000
At 1 January 2019		**737,149**	**1,365**	**(12,528)**	**16,275**	**18,359**	**531**	**761,151**	**15,605**	**776,756**
Adoption of AASB 16 (net of tax)		-	-	-	-	-	(4,300)	(4,300)	(49)	(4,349)
Restated balance at 1 January 2019		**737,149**	**1,365**	**(12,528)**	**16,275**	**18,359**	**(3,769)**	**756,851**	**15,556**	**772,407**
Net (loss)/profit		-	-	-	-	-	(253,552)	(253,552)	2,803	(250,749)
Other comprehensive income		-	-	-	-	2,398	-	2,398	86	2,484
Total comprehensive (loss)/income		**-**	**-**	**-**	**-**	**2,398**	**(253,552)**	**(251,154)**	**2,889**	**(248,265)**
Acquisition and disposal of remaining non-controlling interests in controlled entities		-	-	(3,810)	-	-	-	(3,810)	(2,281)	(6,091)
Cost of share-based payments	13	-	781	-	-	-	-	781	-	781
Equity dividends provided for or paid	7	-	-	-	-	-	(34,062)	(34,062)	(4,157)	(38,219)
At 30 June 2019		**737,149**	**2,146**	**(16,338)**	**16,275**	**20,757**	**(291,383)**	**468,606**	**12,007**	**480,613**

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 employees, the value of which has not been transferred to the relevant employees.
- The transactions with non-controlling interests reserve relate 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.

WPP AUNZ LIMITED

Consolidated Statement of Cash Flows
For the half year ended 30 June 2020

	Notes	Consolidated Half year ended 30 Jun 2020 $'000	30 Jun 2019 $'000
Cash Flows from Operating Activities			
Receipts from customers*		**1,365,212**	1,711,934
Payments to suppliers and employees*		**(1,353,557)**	(1,679,843)
Interest received		**121**	753
Interest and other finance costs paid		**(5,610)**	(8,974)
Government aid related to COVID-19		**4,096**	-
Dividends and trust distributions received from joint venture and associates		**1,522**	2,278
Income taxes paid		**(6,800)**	(20,180)
Net cash flows from operating activities		**4,984**	5,968
Cash Flows from Investing Activities			
Payment for purchase of newly controlled entities, net of cash acquired		**(1,507)**	-
Payments for acquisition of non-controlling interests		**(1,023)**	(5,226)
Earnout payment and intangible assets acquired		**(2,094)**	(8,758)
Payments for purchase of plant and equipment		**(1,853)**	(6,344)
(Payments to)/receipts from related parties		**(160)**	364
Net cash flows used in investing activities		**(6,637)**	(19,964)
Cash Flows from Financing Activities			
Proceeds from borrowings		**805,000**	855,001
Repayment of borrowings		**(800,000)**	(785,011)
Payments of lease liabilities		**(13,621)**	(12,346)
Dividends paid to non-controlling interests		**(575)**	(4,157)
Dividends paid to equity holders	7	**-**	(34,062)
Purchase of treasury shares		**(451)**	-
Net cash flows (used in)/provided by financing activities		**(9,647)**	19,425
Net (decrease)/increase in cash and cash equivalents		**(11,300)**	5,429
Effects of exchange rate changes on cash and cash equivalents		**449**	240
Cash at the beginning of the year		**74,812**	63,524
Cash at the end of the half year		**63,961**	69,193

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

***** Receipts from customers and payments to suppliers and employees include gross media billings and payments for the period.

Note 1. Significant accounting policies

(a) Statement of Compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by WPP AUNZ Limited during the interim reporting period.

(b) Net Working Capital and Going Concern

As at 30 June 2020, the consolidated statement of financial position shows current liabilities in excess of current assets by $291.2 million (31 December 2019: $112.8 million). At 30 June 2020, the Company has a secured debt facility totalling $420.0 million, of which $197.0 million was drawn. The Company had $223.0 million in undrawn facility at 30 June 2020 (31 December 2019: $228.0 million) to meet net working capital and other operational requirements (Refer to Note 12. Fair value measurement of financial instruments). Net current liabilities have significantly increased at 30 June 2020 as a result of the Group's debt facility being classified as current due to its expiry date being within twelve months from 30 June 2020.

This facility has subsequently been renewed on 18 August 2020 with $270.0 million of the debt facility (30 June 2020 drawdown: $157.0 million) expiring on 18 August 2023 and $150.0 million of the debt facility (30 June 2020 drawdown: $40.0 million) used to support intra-month working capital movements expiring on 18 August 2021. The $29.9 million guarantee facility has also been renewed on 18 August 2020 with the facility expiring on 18 August 2023. The renewal provides confidence that the Group would be able to operate with appropriate liquidity and within its banking covenants.

Despite the significant impact of COVID-19 on the Group's operations, the Group has positive net cash flows from operating activities of $5.0 million for the half year ended 30 June 2020 (30 June 2019: $6.0 million). This has largely been driven by strong cash collections, COVID-19 related government aid and reduction in tax payments during the period. Furthermore, as a consequence of the COVID-19 pandemic, in considering going concern and liquidity risk, the Directors have reviewed the Group's future cash requirements and earnings projections for the next 18 months and have also stress tested the impact of a range of assumptions to trading performance including the potential decline in net sales and earnings.

The Group has also reviewed its bank covenant and liquidity headroom taking into account the suspension of the payment of its final and special dividends for 2019 (which was due in April 2020), the interim dividend for 2020 and cost mitigation actions through re-prioritisation and rationalisation of operational expenditure.

Accordingly, based on the above, the Directors consider it appropriate that the Group continues to adopt the going concern assumption in this financial report.

(c) Expected Credit Losses ("ECL")

The COVID-19 pandemic has led to the need for additional judgements in determining the ECL for trade receivables, including the segmentation of the debtors based on size, industry and the degree of the impact of COVID-19. Probability weighted scenarios were assessed using best, mid and worst-case scenarios. Accordingly, additional impairment of trade receivables reflects a higher level of risk than in prior reporting periods, resulting in increased provisions. As the impact of the pandemic remains uncertain, additional provisioning would be performed in the future if deemed necessary.

Note 1. Significant accounting policies (continued)

(d) Basis of Preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2019 annual report for the year ended 31 December 2019. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

(e) Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The following amended standards and intepretations became effective from 1 January 2020 and do not have a material impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to AASB 3);
- Definition of Material (Amendments to AASB 101 and AASB 108); and
- Amendments to Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.

Note 2. 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 services provided. Discrete financial information about each of these operating segments is reported to the Board on a monthly basis. The Company operates predominately in Australia.

The reportable segments are the four operating segments.

(b) Operating segments

The Company is organised into four operating segments:
— Global Integrated Agencies (formerly Advertising and Media Investment Management);
— Public Relations & Public Affairs;
— Specialist Communications; and
— Large Format Production.

The Data Investment Management segment was disposed on 6 December 2019 and is shown as a discontinued operation in 2019 comparatives.

(c) Accounting policies

Segment revenues and expenses are those directly attributable to the segments. The accounting policies of the reportable segments are the same as the Group’s accounting policies.

(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.

Note 2. Segment information (continued)

(e) Business segments

The following tables present revenue and profit/(loss) information regarding reportable segments and a reconciliation between statutory and headline EBITDA including the impact of significant items for the half year ended 30 June 2020 and 30 June 2019:

				Significant items		
	Net sales (i)	**Share of net profit/(loss) of joint venture and associates**	**Headline EBITDA (ii)**	**Other non-cash items**	**Business close down costs and other one-off costs**	**Statutory EBITDA**
Half year ended 30 June 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Global Integrated Agencies	202,090	1,884	24,258	(240)	(40)	23,978
Public Relations & Public Affairs	22,949	178	4,159	53	(151)	4,061
Specialist Communications	66,443	902	5,936	155	(438)	5,653
Large Format Production	4,535	(5)	(1,177)	11	(604)	(1,770)
Total	**296,017**	**2,959**	**33,176**	**(21)**	**(1,233)**	**31,922**
Depreciation, amortisation and impairment expense (iii)						(203,775)
Net finance costs						(4,854)
Loss before income tax						**(176,707)**
Income tax benefit						3,751
Loss from continuing operations						**(172,956)**
Loss from discontinued operations						**-**
Loss for the period						**(172,956)**
Net profit/(loss) attributable to:						
- non-controlling interests						1,330
- **members of the Company**						**(174,286)**

(i) Refer to Note 3(b) for definition of net sales.
(ii) Headline EBITDA includes share of EBIT of joint venture and associates of $4.1 million.
(iii) Within the $203.8 million depreciation, amortisation and impairment expense, $174.3 million relates to the impairment of acquired intangibles and goodwill. Refer to Note 9. Intangible assets.

Note 2. Segment information (continued)

(e) Business segments (continued)

				Significant items		
	Net sales (i)	**Share of net profit of joint venture and associates**	**Headline EBITDA (ii)**	**Other non-cash items**	**Business close down costs and other one-off costs**	**Statutory EBITDA**
Half year ended 30 June 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Global Integrated Agencies	229,533	1,506	32,705	(239)	(2,563)	29,903
Public Relations & Public Affairs	28,965	210	5,642	(55)	(253)	5,334
Specialist Communications	77,822	578	14,580	(148)	(1,502)	12,930
Large Format Production	8,904	186	(2,500)	(17)	(687)	(3,204)
Total	**345,224**	**2,480**	**50,427**	**(459)**	**(5,005)**	**44,963**
Depreciation, amortisation and impairment expense (iii)						(263,660)
Net finance costs						(7,914)
Loss before income tax						**(226,611)**
Income tax benefit						21,746
Loss from continuing operations						**(204,865)**
Loss from discontinued operations**						**(45,884)**
Loss for the period						**(250,749)**
Net profit/(loss) attributable to:						
- non-controlling interests						2,803
- **members of the Company**						**(253,552)**

(i) Refer to Note 3(b) for definition of net sales.
(ii) Headline EBITDA includes share of EBIT of joint venture and associates of $4.3 million.
(iii) Within the $263.7 million depreciation, amortisation and impairment expense, $237.3 million relates to the impairment of acquired intangibles and goodwill.

** The discontinued operations relate to Kantar's Australia and New Zealand businesses and Ogilvy New Zealand which were disposed in the second half of 2019. Other non-material disposals have not been included as discontinued operations. Refer to Note 15 for further details.

Note 3. Revenue

AASB 15 Revenue from Contracts with Customers – Accounting Policies

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. 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 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.

Note 3. Revenue (continued)

AASB 15 Revenue from Contracts with Customers – Accounting Policies (continued)

(a) Nature of goods and services

The following is a description of the principal activities, disaggregated by reportable segments, from which the Group generates its revenue. For more information about the reportable segments, see Note 2. Segment information.

(i) Global Integrated Agencies

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

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

(ii) Data Investment Management (disposed on 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) Public Relations & Public Affairs and Specialist Communications

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

(iv) 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.

(b) Net sales

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

Note 3. Revenue (continued)

AASB 15 Revenue from Contracts with Customers – Accounting Policies (continued)

(c) Disaggregation of revenue

The Group has disaggregated revenue into four reportable segments as disclosed in Note 2. 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.

(d) Contract balances

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

	Consolidated	
	30 Jun 2020	31 Dec 2019
	$'000	$'000
Receivables, which are included in 'Trade and other receivables'	**274,604**	372,503
Accrued revenue, which is included in 'Other current assets'	**56,105**	72,393
Deferred revenue, which is included in 'Trade and other payables'	**89,121**	85,658

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 revenue on the balance sheet. These balances are typically related to prepayments for third party expenses that are incurred shortly after billing.

(e) Revenue breakdown

	Consolidated	
	Half year ended	
	30 Jun 2020	30 Jun 2019
	$'000	$'000
Revenue for the half year from continuing operations includes the following items:		
Share of net profit of joint venture and associates		
Equity share of joint venture and associates' net profit	**2,959**	2,480
Other income		
Interest income	**131**	626
Government aid related to COVID-19	**6,574**	-
Other income	**282**	187
Total other income	**6,987**	813

Note 4. Expenses

	Consolidated	
	Half year ended	
	30 Jun 2020	30 Jun 2019
	$'000	$'000
Loss before income tax from continuing operations includes the following specific expenses:		
(a) Depreciation and amortisation expense		
Depreciation of non-currents assets:		
Plant and equipment	**6,741**	7,069
Right-of-use assets	**13,718**	10,174
Total depreciation expense	**20,459**	17,243
Amortisation of non-current assets:		
Intangible assets	**4,763**	9,106
Total depreciation and amortisation expense	**25,222**	26,349
(b) Finance costs		
Interest expense – earnouts	**26**	179
Interest expense – lease liabilities	**1,586**	1,564
Interest expense – other parties	**3,373**	6,797
Total finance costs	**4,985**	8,540

Note 5. Significant Items

	Consolidated	
	Half year ended	
	30 Jun 2020	30 Jun 2019
	$'000	$'000

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

1. Impairment, amortisation of acquired intangibles and other non-cash items		
Amortisation expense	**4,247**	10,815
Impairment expense	**178,553**	294,734
Loss on fair value adjustment of earnouts	**47**	619
Significant items before income tax	**182,847**	306,168
Income tax benefit	**(4,379)**	(36,262)
Significant items net of income tax	**178,468**	269,906
Non-controlling interest	**-**	-
Net amount attributable to members of the Company	**178,468**	269,906
2. Business close down and other one-off costs		
Business restructuring costs	**574**	1,606
Loss on closed and merged businesses	**569**	768
Other one-off costs	**90**	2,631
Significant items before income tax	**1,233**	5,005
Income tax (benefit)/expense	**(646)**	1,145
Significant items net of income tax	**587**	6,150
Non-controlling interest	**-**	-
Net amount attributable to members of the Company	**587**	6,150

1. Impairment, amortisation of acquired intangibles and other non-cash items – The net of tax balance of $178.5 million for the half year ended 30 June 2020 (30 June 2019: $269.9 million) relates to goodwill impairment of $167.0 million (30 June 2019: $184.7 million), impairment of investment in associates of $1.2 million (30 June 2019: nil), impairment of acquired intangibles such as brand names of $1.1 million (30 June 2019: $46.0 million) and customer relationships of $4.0 million (30 June 2019: $31.0 million); and $2.2 million impairment of right of use asset for leases and leasehold improvements (30 June 2019: nil). The total also includes $3.0 million amortisation of acquired intangibles (30 June 2019: $7.6 million) and immaterial loss on fair value adjustment of earnouts (30 June 2019: $0.6 million).

2. Business close down and other one-off costs – The balances for the half year ended 30 June 2020 and 2019 relates to costs associated with closing down, merging and restructuring of selected businesses. The balance in 2019 also includes write-off of $2.6 million of deferred tax assets as a result of the finalisation of the 2018 Australian tax returns and the subsequent re-assessment of timing of utilisation of accumulated tax losses.

Note 6. Income Tax

	Consolidated	
	Half year ended	
	30 Jun 2020	30 Jun 2019
	$'000	$'000
Loss from ordinary activities from continuing operations before income tax expense:	**(176,707)**	(226,611)
Tax at the Australian tax rate of 30% (2019: 30%)	**53,012**	67,983
Adjustments for current tax of prior periods	**158**	233
Tax adjustments resulting from equity accounting	**888**	744
Tax rate adjustment	**675**	520
Other items non-deductible for income tax purposes	**118**	(370)
Fair value adjustment of non-current liabilities	**(14)**	(188)
Tax adjustments from impairment of non-current assets	**(50,461)**	(44,309)
Deferred taxation write-off	**(606)**	(2,867)
Other gains not assessable for income tax purposes	**(19)**	-
Income tax benefit in the consolidated statement of profit or loss	**3,751**	21,746

Note 7. Dividends

	Consolidated	
	Half year ended	
	30 Jun 2020	30 Jun 2019
	$'000	$'000
Dividends declared and paid during the half year:		
No final franked dividend for 2019 paid in 2020 (2018: 4.0 cents per share, paid in 2019)	**-**	34,062
	-	**34,062**
Dividends not recognised at the end of the half year No interim dividend has been declared in addition to the above dividends, since the end of the half year. During the comparative period in 2019 the Directors declared a payment of an interim dividend of 2.3 cents per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed interim dividend expected to be paid out of retained profits at the end of the half year, but not recognised as a liability at the end of the half year, is:	-	19,586

Note 8. Issued capital

	Consolidated		Consolidated	
	Half year ended		Year ended	
	30 Jun 2020	30 Jun 2020	31 Dec 2019	31 Dec 2019
	Shares*	$'000	Shares	$'000
At 1 January	**851,548,729**	**737,149**	851,548,729	737,149
Issue of executive share plan shares	**603,141**	**588**	-	-
At period end	**852,151,870**	**737,737**	851,548,729	737,149

*The total share capital at period end is inclusive of 158,948 treasury shares that have been reacquired and held by the Company.

Note 9. Intangible assets

	Intangible asset by asset class - Consolidated				
	Goodwill	Brand names	Intellectual property	Customer relationships	Total
At 1 January 2019	$'000	$'000	$'000	$'000	$'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 carrying amount	**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**
Half year ended 30 June 2020					
Balance at the beginning of the year	**632,262**	**47,258**	**11,021**	**31,298**	**721,839**
Additions	2,141	-	1,882	2,055	6,078
Net exchange differences	(4,040)	-	(4)	-	(4,044)
Amortisation expense	-	(2,098)	(515)	(2,150)	(4,763)
Transfer to plant and equipment	-	-	(517)	-	(517)
Impairment expense	(167,031)	(1,570)	-	(5,660)	(174,261)
Balance at the end of the half year	**463,332**	**43,590**	**11,867**	**25,543**	**544,332**
At 30 June 2020					
At cost	866,889	139,193	28,714	132,837	1,167,633
Accumulated impairment and amortisation	(403,557)	(95,603)	(16,847)	(107,294)	(623,301)
Net carrying amount	**463,332**	**43,590**	**11,867**	**25,543**	**544,332**

Note 9. Intangible assets (continued)

	Intangible asset by CGU - Consolidated				
	Global Integrated Agencies $'000	**Public Relations & Public Affairs $'000**	**Specialist Communications $'000**	**Large Format Production $'000**	**Total $'000**
Balance at the beginning of the year	**452,226**	**95,026**	**172,831**	**1,756**	**721,839**
Additions	424	-	4,196	1,458	6,078
Net exchange differences	(2,992)	(13)	(1,039)	-	(4,044)
Amortisation expense	(3,635)	(618)	(431)	(79)	(4,763)
Transfer to plant and equipment	153	-	-	(670)	(517)
Impairment expense	(112,892)	(26,553)	(34,816)	-	(174,261)
Balance at the end of the half year	**333,284**	**67,842**	**140,741**	**2,465**	**544,332**

(a) Amortisation charge

The amortisation charge of $4.8 million (30 June 2019: $9.1 million from continuing operations) is recognised in the amortisation expense in the profit or loss. The decrease in amortisation was largely driven by reduction in the cost of brand names and customer relationships due to the impairment of $114.0 million recognised in full year 2019.

(b) Impairment of goodwill and other intangible assets

During the half year ended 30 June 2020, the Group has experienced challenging market conditions when compared with the prior periods across all parts of the business. This has been primarily driven by the significant deterioration of trading conditions due to the impacts of the COVID-19 pandemic. The degree of the impact of COVID-19 on the Group's performance will depend on a range of factors including the extent and severity of the current and future outbreaks, future restrictions and responsive measures enacted by the government, the financial effects on customers, vendors and other related parties, and other temporary and persistent economic conditions resulting from COVID-19 which cannot be predicted at this time.

Given the above adverse factors, which are considered to be indicators of impairment, an impairment test was conducted in quarter two of 2020 using latest management forecasts. 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.

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 as noted above 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, which is subject to estimation uncertainty due to unpredictable macroeconomic conditions, 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.

Note 9. Intangible assets (continued)

(b) Impairment of goodwill and other intangible assets (continued)

Discount rate

The discount rate is an estimate of the post-tax rate that reflects the 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 increased to 11.5% (2019: 10.5%). This increase has been driven primarily by the increased inherent risk, future uncertainty and volatility within the market as a result of COVID-19.

Base year cash flows

The base year cash flows are based upon the latest 12 month management forecasts approved by the Directors that were available when the impairment test was performed and are derived from a combination of historical trading performance and expectations of the assets' future performance based on market and life cycle factors. The cash flows have been sensitised to account for the historical accuracy of forecasting and the significant negative impact of COVID-19. Given the discount rate has been risk-adjusted, no further risks were reflected in the cash flows.

(c) Impairment of finite life intangible assets including brand names and customer relationships

Due to impairment indicators identified in the half year ended 30 June 2020, the Group first performed impairment tests on its brand name and customer relationship intangible assets. Following this, these intangible assets were included, at their adjusted carrying amounts, into the cash generating units (CGUs) to which goodwill is allocated for impairment testing. Refer to Note 9(d). Impairment of goodwill below.

(i) Brand names

The recoverable amount of brand names is determined using a fair value approach 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 $1.6 million during the period ended 30 June 2020 (30 June 2019: $49.3 million in relation to continuing operations).

Details of the key assumptions used in the relief from royalty calculations during the period ended 30 June 2020 are included below.

Cash flows

The 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 future periods and recent industry forecasts/outlook. The changes in the growth rates from the prior period is due to the impact of COVID-19 which has significantly reduced the Year 1 cash flows, and as a result, management expects higher growth rates for years 2, 3 and 4, which reflects management's best estimate of stronger post COVID-19 recovery. The following revenue growth rates are applied to the brands within the following segments:

Note 9. Intangible assets (continued)

(c) Impairment of finite life intangible assets including brand names and customer relationships (continued)

- **Year 1:** Latest Board approved 12 month management forecasts available at the time of impairment assessment adjusted for historical forecast accuracy.
- **Year 2:** Global Integrated Agencies: 8.0% (2019: 0.5%); Public Relations & Public Affairs: 10.0% (2019: 2.5%) and Specialist Communications: 12.0% (2019: 4.0%);
- **Year 3:** Global Integrated Agencies: 5.0% (2019: 0.5%); Public Relations & Public Affairs: 6.0% (2019: 2.5%) and Specialist Communications: 10.0% (2019: 4.0%);
- **Year 4:** Global Integrated Agencies: 1.5% (2019: 0.5%); Public Relations & Public Affairs: 3.0% (2019: 2.5%) and Specialist Communications: 8.0% (2019: 4.0%);
- **Year 5:** Global Integrated Agencies: 0.5% (2019: 0.5%); Public Relations & Public Affairs: 2.5% (2019: 2.5%) and Specialist Communications: 4.0% (2019: 4.0%);
- **Remaining useful life:** Global Integrated Agencies: 0.5% (2019: 0.5%); Public Relations & Public Affairs: 2.5% (2019: 2.5%) and Specialist Communications: 4.0% (2019: 4.0%).

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 license agreements conducted in the marketplace. The following royalty rates are applied to the brands within the following segments: Global Integrated Agencies: 3% to 4% (2019: 2% to 4%); Public Relations & Public Affairs: 1% to 4% (2019: 1% to 4%) and Specialist Communications: 1% to 3% (2019: 1% to 3%.).

(ii) Customer relationships

The customer relationships were valued at fair value 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 $5.7 million during the period ended 30 June 2020 (30 June 2019: $40.3 million in relation to continuing operations).

Details of the key assumptions used in the multi-period excess earnings valuation during the period ended 30 June 2020 are included below.

Margin

The margin reflects the profit generated from the services provided to clients. 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 the customers leaving. It has been estimated that the attrition rate for customer relationships range between 9% and 43% (2019: 5% and 45%).

(d) Impairment of goodwill

To assess the impairment of goodwill across the CGUs, the Group used a value in use assessment which is detailed below. The following table reconciles the movement in goodwill by CGU, which is the lowest level at which goodwill is monitored:

Note 9. Intangible assets (continued)

(d) Impairment of goodwill (continued)

Reconciliation of goodwill movement within CGUs

	Consolidated				
Year ended 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**
Half year ended 30 June 2020					
Balance at the beginning of the year	**381,397**	**-**	**83,434**	**167,431**	**632,262**
Additions	-	-	-	2,141	2,141
Net exchange differences	(2,989)	-	(12)	(1,039)	(4,040)
Impairment expense	(106,659)	-	(26,099)	(34,273)	(167,031)
Balance at the end of the half year	**271,749**	**-**	**57,323**	**134,260**	**463,332**

For the Global Integrated Agencies, Public Relations & Public Affairs and Specialist Communications CGUs, a value in use assessment has been performed. 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 CGU and of cash flows associated with disposal of any of these assets. The cash flows are estimated for the assets of the CGU in their current condition and discounted to their present value using a post-tax discount rate of 11.5% (2019: 10.5%) that reflects the current market assessment of the risks specific to the CGU. The Group uses a five-year discounted cash flow model based on Board approved forecasts with a terminal growth rate for years beyond the five-year forecast period.

Impairment charges of $167.0 million have been recognised during the period ended 30 June 2020 (30 June 2019: $147.7 million in relation to continuing operations). Of this, $106.7 million (30 June 2019: $147.7 million) relates to the Global Integrated Agencies CGU, $26.1 million (30 June 2019: nil) relates to the Public Relations & Public Affairs CGU and $34.3 million (30 June 2019: nil) relates to the Specialist Communications CGU.

Details of the key assumptions used in the value in use calculations at 30 June 2020 are included below.

Cash flows

The 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 changes in the growth rates from the prior period is due to the impact of COVID-19 which has significantly reduced the Year 1 cash flows, and as a result, management expects higher growth rates for years 2, 3 and 4, which reflects management's best estimate of the stronger post COVID-19 recovery. The following revenue growth rates are applied to the CGUs:

Note 9. Intangible assets (continued)

(d) Impairment of goodwill (continued)

- **Year 1:** Latest Board approved 12 month management forecasts available at the time of impairment assessment adjusted for historical forecast accuracy.
- **Year 2:** Global Integrated Agencies: 8.0% (2019: 0.5%); Public Relations & Public Affairs: 10.0% (2019: 2.5%) and Specialist Communications: 12.0% (2019: 4.0%);
- **Year 3:** Global Integrated Agencies: 5.0% (2019: 0.5%); Public Relations & Public Affairs: 6.0% (2019: 2.5%) and Specialist Communications: 10.0% (2019: 4.0%);
- **Year 4:** Global Integrated Agencies: 1.5% (2019: 0.5%); Public Relations & Public Affairs: 3.0% (2019: 2.5%) and Specialist Communications: 8.0% (2019: 4.0%).
- **Year 5:** Global Integrated Agencies: 0.5% (2019: 0.5%); Public Relations & Public Affairs: 2.5% (2019: 2.5%) and Specialist Communications: 4.0% (2019: 4.0%).

Terminal growth factor

A terminal growth factor that estimates the long-term average growth for that CGU is applied to the year 5 cash flows into perpetuity. 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 rates are applied to the CGUs: Global Integrated Agencies: 0.5% (2019: 0.5%); Public Relations & Public Affairs: 2.0% (2019: 2.0%) and Specialist Communications: 2.5% (2019: 2.5%). Given the terminal value projects into perpetuity and is not a short-term measure, the rates continue to be consistent with the prior period.

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**	**Large Format Production***
Year 1-5 revenue growth rates	-1.0	19,890	2,089	4,003	-
Discount rate	+1.0	22,904	7,052	17,473	-
Terminal growth factor	-1.0	16,030	5,172	13,095	-

* All intangible assets in the Large Format Production CGU were impaired in 2018.

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.

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.

Note 10. Business combinations

(a) Summary of acquisitions

During the half year ended 30 June 2020:
On 3 January 2020, AKQA Limited in New Zealand executed an agreement to purchase 100% of Dominion Software Developers Limited ("Dominion") for a cash consideration of $1.5 million (net of cash acquired) and an additional contingent consideration which is estimated to be $2.2 million at the reporting date. Intangibles relating to goodwill of $2.1 million and customer relationships of $2.1 million were recognised. Dominion is a digital consulting agency which operates out of Auckland.

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

During the half year ended 30 June 2019:
There were no business acquisitions during the half year ended 30 June 2019.

(b) Goodwill

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

	Note	Dominion $'000
Purchase consideration:		
Deferred consideration		2,177
Cash paid in the current period	10(d)	1,561
Less: Fair value of net identifiable assets acquired	10(c)	(1,597)
Goodwill acquired		**2,141**

Note 10. Business combinations (continued)

(c) Assets and liabilities acquired

Details of the provisional fair value of the assets and liabilities arising from the acquisition for the half year ended 30 June 2020 are as follows:

	Dominion $'000
Current Assets	
Cash and cash equivalents	54
Trade and other receivables	300
Other current assets	4
Non-current assets	
Intangible assets	2,055
Plant and equipment	6
Current Liabilities	
Trade and other payables	(119)
Current tax liabilities	(86)
Non-current liabilities	
Deferred tax liabilities	(617)
Net assets	**1,597**
Non-controlling interests in net assets acquired	-
Net identified assets acquired	**1,597**

(d) Purchase consideration

	Dominion $'000
Outflow of cash from acquisition of controlled entities:	
Cash consideration paid	1,561
Cash balances acquired	(54)
Outflow of cash	**1,507**

Note 11. Investments accounted for using the equity method

	Consolidated	
	Half year ended 30 Jun 2020 $'000	Year ended 31 Dec 2019 $'000
Investments in joint venture and associates*	**20,117**	19,877

	Ownership Interest	
Name	**30 Jun 2020**	**31 Dec 2019**
AFI Branding Solutions Pty Limited	50%	50%
Astus APAC Australia Pty Limited	50%	50%
Beyond Analysis Australia Pty Limited	49%	49%
CPR Vision Pte Limited	40%	40%
Fusion Enterprises Pty Limited	49%	49%
Ikon Perth Pty Limited	45%	45%
Lakewood Holdings Pty Limited	50%	50%
Purple Communications Australia Pty Limited	49%	49%
Rapid Media Services Pty Ltd	30%	30%
Spinach Advertising Pty Limited	20%	20%
TaguchiMarketing Pty Limited	20%	20%

* The balance is net of impairment charges of $1.2 million recognised during the half year (30 June 2019: nil).

Note 12. Fair value measurement of financial instruments

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. There has been no significant change in the Group's risk profile from that of the prior year.

The Group also has a number of financial instruments where the carrying amount approximates the fair value in the balance sheet as at 30 June 2020 and 31 December 2019. These are presented in the table below.

	30 Jun 2020 Carrying Amount $'000	31 Dec 2019 Carrying Amount $'000	**30 Jun 2020 Fair Value $'000**	31 Dec 2019 Fair Value $'000
Financial assets				
Cash and cash equivalents	**63,961**	74,812	**63,961**	74,812
Trade and other receivables	**286,867**	389,690	**286,867**	389,690
	350,828	464,502	**350,828**	464,502
Financial liabilities				
Trade and other payables (excluding earnouts)	**371,584**	502,228	**371,584**	502,228
Earnouts	**5,739**	4,196	**5,739**	4,196
Lease liabilities	**89,632**	106,367	**89,632**	106,367
Secured bank loans	**197,000**	192,000	**197,000**	192,000
	663,955	804,791	**663,955**	804,791

Note 12. Fair value measurement of financial instruments (continued)

Australian core banking facility

The Company's syndicated facility agreement is split between a debt facility of $420.0 million and a guarantee facility of $29.9 million. The $420.0 million debt facility and the $29.9 million guarantee facility have been renewed on 18 August 2020 with $270.0 million of the debt facility (30 June 2020 drawdown: $157.0 million) expiring on 18 August 2023, $150.0 million of the debt facility (30 June 2020 drawdown: $40.0 million) used to support intra-month working capital movements expiring on 18 August 2021 and $29.9 million guarantee facility expiring on 18 August 2023.

The syndicated facility agreement contains guarantees and indemnities granted by WPP AUNZ Limited and certain subsidiaries.

(a) Fair value hierarchy and valuation techniques

The Group's financial assets and liabilities are measured and recognised at fair value at 30 June 2020 and 31 December 2019 based on the following fair value measurement hierarchy:

(i) Level 1 – not applicable
There were no level 1 financial assets or liabilities as at 30 June 2020 and 31 December 2019;

(ii) Level 2 – not applicable
There were no level 2 financial assets or liabilities as at 30 June 2020 and 31 December 2019;

(iii) 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.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2020 and 31 December 2019:

At 30 June 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Liabilities				
Earnouts	-	-	(5,739)	(5,739)
Total liabilities	**-**	**-**	**(5,739)**	**(5,739)**

At 31 December 2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Liabilities				
Earnouts	-	-	(4,196)	(4,196)
Total liabilities	**-**	**-**	**(4,196)**	**(4,196)**

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

Note 12. Fair value measurement of financial instruments (continued)

The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2020.

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments as at 30 June 2020 and 31 December 2019:

	Earnouts $'000
Opening balance 1 January 2020	**(4,196)**
Earnout payments made during the period	211
Fair value adjustment of earnouts recognised in intangible assets	(2,177)
Loss on fair value adjustment of earnouts recognised in expenses	(21)
Fair value adjustment of earnouts recognised in other reserves	(254)
Interest expense – earnouts	(26)
Other	724
Closing balance 30 June 2020	**(5,739)**

	Earnouts $'000
Opening balance 1 January 2019	**(17,120)**
Earnout payments made during the period	13,198
Gain on fair value adjustment of earnouts recognised in expenses	995
Fair value adjustment of earnouts recognised in other reserves	(889)
Interest expense – earnouts	(278)
Other	(102)
Closing balance 31 December 2019	**(4,196)**

Note 12. Fair value measurement of financial instruments (continued)

(b) Fair value measurements using significant unobservable inputs (level 3) (continued)

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 30 Jun 2020 $'000	Unobservable inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Earnouts	5,739	Risk-adjusted discount rate	Discount rate which reflects the weighted average interest rate of secured bank loans	An increase in the discount rate by 100bps would decrease the fair value by $49,215 (2019: $15,957). A decrease in the discount rate by 100bps would increase the fair value by $50,650 (2019: $16,298).
		Expected cash inflows	Profit before tax	If expected cash flows were 5% higher, the fair value would increase by $153,699 (2019: $1,237,010). If expected cash flows were 5% lower, the fair value would decrease by $20,963 (2019: $237,410).

Note 13. Share-based payments

The following share scheme has been adopted by the Company during the half year ended 30 June 2020:

LTIP - performance rights and options

In May 2020, the Board approved a new Long-Term Incentive Plan which provides eligible participants an opportunity to receive fully paid ordinary shares of the Company on vesting/exercise. The plan consists of LTIP Options (75% - financial measures.) and Performance Rights (25% - strategic measures). LTIP Options include the grant of Base Options and an opportunity to receive an additional Transformation Award.

Base Options and Performance Rights will be allocated to all eligible LTIP participants on a face value basis and granted to them at no cost as part of their long-term remuneration. The participants will also have the opportunity to participate in an additional grant of options (“Transformation Award”), equal in quantum to their original grant of Base Options and with the same exercise price and expiry date, considering the transformation hurdle achieved and on the basis they must remain continuously employed over another two years after the vesting of Base Options.

According to the approved terms, the Base Options and Performance Rights will be granted within twelve months of the 2020 Annual General Meeting. No LTIP Options or Performance Rights were granted by the Company to the eligible participants during the half year ended 30 June 2020.

The key terms of the grants under 2020 LTIP are summarised below:

	Base Options	***Transformation Award***	***Performance Rights***
Performance Period	1 January 2020 – 31 December 2022		
Vesting Date	February 2023	February 2025	February 2023
Fair Value	To be determined at the grant date		
Vesting Conditions	- Company’s share price is at least equal or exceeds the exercise price - Continued service until vesting Date	- Transformation hurdle achieved – Company’s share price is equal to or exceeds $1.00 - Continued service until vesting Date	- Strategic objectives delivered on time, on budget, and with the contribution to Company margin improvement - Continued service until vesting date
Performance Test	The Company share price performance will be tested based on the volume weighted average market price of the Company’s shares for the 90 days leading up to 31 December 2022.		To be conducted by the Board at the end of the Performance Period.
Exercise price	$0.61		Not applicable
Expiry date	Five years after the close of the trading window following the Base Options’ vesting date.		
Dividends	No dividends prior to vesting and exercise of the options		No dividends prior to vesting

For the half year ended 30 June 2020, the Company has recognised $0.9 million share-based payment expense in the consolidated statement of profit or loss (2019: $0.8 million). This includes an estimated expense during the performance/service period for the LTIP as well as an expense for unvested grants under prior period plans.

Note 14. Related Party Disclosures

Service fees

The Management Fee Framework Agreement sets an aggregate fee that will be paid by the Company for services provided by WPP plc to members of the Group during each financial year ("service fee"). The service fee payable for the half year 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.

For the half year ended 30 June 2020, the Company has recognised service fees of $5.2 million (2019: $5.9 million relating to continuing operations).

Other transactions between the Group and WPP plc related parties, joint venture and associates during the half year ended 30 June 2020 consisted of:
— Sale of goods and services to related parties;
— Purchase of goods and services from related parties;
— Dividends received from joint venture and associates;
— Trade receivables/payables from/to related parties;
— Loans owing from/to related parties;
— Service fee to WPP plc;
— IBM recharges; and
— IT, finance and administration services provided to Kantar entities (WPP plc associates) per the Transitional Services Agreement.

Note 15. Discontinued Operations

During the half year ended 30 June 2020:
There were no discontinued operations during the half year ended 30 June 2020.

During the half year ended 30 June 2019:
There were no discontinued operations during the half year ended 30 June 2019.

However, there were discontinued operations in relation to Kantar Australia and New Zealand businesses and Ogilvy New Zealand subsequent to the interim reporting period. Therefore, the 30 June 2019 comparative information on the Consolidated Statement of Profit or Loss and Other Comprehensive Income has been presented on a continuing and discontinued basis for comparison purposes. Accordingly, details of these disposals have been disclosed below:

Kantar Australia 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.

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.

Note 15. Discontinued Operations (continued)

The Kantar results, which have been included in the loss from discontinued operations for the half year ended 30 June 2019, were as follows:

	Half year ended 30 Jun 2019 $'000
Revenue	82,409
Cost of sale of goods and services rendered	(31,409)
Net sales	**51,000**
Other income	158
	51,158
Employee benefits expense	(29,406)
Occupancy costs	(2,122)
Depreciation expense	(1,292)
Amortisation expense	(2,559)
Travel, training and other employee related costs	(1,346)
Research, new business and other commercial costs	(310)
Office and administration costs	(3,038)
Compliance, audit and listing costs	(511)
Finance costs	(522)
Service fees to WPP plc	(4,158)
Impairment expense	(44,298)
Loss before income tax	**(38,404)**
Income tax benefit	1,268
Kantar loss from discontinued operations	**(37,136)**

Net cash flows attributable to Kantar's operating, investing and financing activities are outlined below:

	Half year ended 30 Jun 2019 $'000
Net cash flows from operating activities	1,210
Net cash flows used in investing activities	(1,654)
Net cash flows used in financing activities	(4,813)
Net outflow in cash and cash equivalents in relation to Kantar	**(5,257)**

Ogilvy New Zealand (Ogilvy NZ)

On 9 August 2019, WPP AUNZ disposed of its 85% interest in Ogilvy NZ for $7.9 million.

For the half year ended 30 June 2019, the Ogilvy NZ business derived approximately $9.3 million in net sales. Net loss for the period from discontinued operations in relation to Ogilvy NZ is $8.7 million.

Note 15. Discontinued Operations (continued)

Reconciliation of net loss from discontinued operations

	Half year ended 30 June 2019 $'000
Kantar loss from discontinued operations	(37,136)
Ogilvy NZ loss from discontinued operations	(8,748)
Total loss from discontinued operations	**(45,884)**

Note 16. Subsequent events

On 31 July 2020, Wunderman Thompson Pty Limited executed an agreement to purchase the business and the business assets of Meerkats The Brand Leadership Company Pty Limited ("Meerkats") for a cash consideration of $0.4 million and an additional contingent consideration which is estimated to be $2.1 million at the reporting date. Meerkats is a branding communications agency which operates out of Perth.

The COVID-19 pandemic continues to be a challenge and a disruption to the Australian and New Zealand economies as well as the operations and affairs of the Group, and the short and long-term impacts remain uncertain.

Accordingly, since the end of the half year, the Directors determined not to pay a 2020 interim dividend.

Since the end of the half year, the Group has also renewed the expiry date of $270.0 million of its debt facility and the $29.9 million guarantee facility from 29 June 2021 to 18 August 2023 and $150.0 million of its debt facility used to support intra-month working capital movements from 29 June 2021 to 18 August 2021, giving further assurance over the Group's cash flow forecasts and liquidity position to meet future net working capital and operational requirements.

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

Directors' Declaration

The Directors declare that:

(a) in the directors' opinion, the financial statements and notes for the half year ended 30 June 2020 as set out on pages 7 to 39 are in accordance with the *Corporations Act 2001,* including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and

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

Signed in accordance with a resolution of directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Robert Mactier
Chairman

Sydney
20 August 2020

Jens Monsees
Chief Executive Officer
and Managing Director
Sydney
20 August 2020

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Independent Auditor's Review Report to the members of WPP AUNZ Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of WPP AUNZ Limited ('the Company") and its subsidiaries ("the Consolidated Entity" or "the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half year ended on that date, selected explanatory notes, and the directors' declaration comprising the Company and the entities it controls as at the end of the half year or from time to time during the half year as set out in pages 7 to 40.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of WPP AUNZ Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of WPP AUNZ Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of WPP AUNZ Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 20 August 2020