



STW COMMUNICATIONS GROUP LIMITED

ABN 84 001 657 370

GENERAL PURPOSE FINANCIAL REPORT

INTERIM FINANCIAL REPORT - 30 JUNE 2012

This interim 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 2011 and any public announcements made by STW Communications Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

STW COMMUNICATIONS GROUP LIMITED

ABN 84 001 657 370

GENERAL PURPOSE FINANCIAL REPORT

INTERIM FINANCIAL REPORT - 30 JUNE 2012

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STW COMMUNICATIONS GROUP LIMITED

Directors' Report

Your Directors present their report on the consolidated entity consisting of STW Communications Group Limited ("the Company") and the entities it controlled (collectively "the consolidated entity") at the end of, or during, the half-year ended 30 June 2012. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The following persons were Directors of STW Communications Group Limited during the half-year and up to the date of this report:

Robert Mactier
Paul Richardson
Ian Tsicalas
Graham Cubbin
Michael Connaghan
Peter Cullinane
Kim Anderson

REVIEW OF OPERATIONS

The statutory profit attributable to members of STW Communications Group Limited for the period ended 30 June 2012 of \$18.0 million, up 4.7% (2011: \$17.2 million).

	Consolidated		Change
	30 June 2012 \$million	30 June 2011 \$million	
Total revenue (including share of net profits from jointly controlled entities)	165.0	158.8	3.9%
Statutory EBITDA	36.4	35.8	1.7%
Profit for the period	22.1	20.9	5.7%
Non-controlling interests	(4.1)	(3.7)	
Statutory profit	18.0	17.2	4.7%

	Cents per Share	Cents per Share	
EPS – statutory profit	5.05	4.81	5.0%

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the significant items outlined in Note 9, 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, 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.

STW COMMUNICATIONS GROUP LIMITED

Directors' Report (continued)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

The Company is an entity of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998 and in accordance with that Class Order, amounts in the Half-Year Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of Directors



Robert Mactier
Chairman
Sydney
9 August 2012



Michael Connaghan
Chief Executive Officer
Sydney
9 August 2012

The Board of Directors
STW Communications Group Limited
72 Christie Street
St Leonards, NSW 2065

9 August 2012

Dear Board Members,

STW Communications Group 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 STW Communications Group Limited.

As lead audit partner for the review of the financial statements of STW Communications Group Limited for the half-year ended 30 June 2012, 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 sincerely



DELOITTE TOUCHE TOHMATSU



JM Stanley
Partner
Chartered Accountants

STW COMMUNICATIONS GROUP LIMITED

Consolidated Income Statement

For the half-year ended 30 June 2012

	Notes	Consolidated	
		Half-year ended	
		30 June 12	30 June 11
		\$'000	\$'000
Continuing Operations			
Revenue		155,861	153,072
Other income	3(b)	4,725	2,186
Share of net profit of jointly controlled entities accounted for using the equity method	3(a)	4,412	3,512
		164,998	158,770
Employee benefits expense		(98,510)	(97,350)
Occupancy costs		(8,799)	(7,917)
Depreciation expense		(3,624)	(2,854)
Amortisation expense		(550)	(691)
Travel, training and other personal costs		(5,480)	(4,618)
Research, new business and other commercial costs		(3,689)	(2,231)
Office and administration costs		(7,847)	(6,900)
Compliance, audit and listing costs		(3,114)	(3,135)
Finance costs		(5,693)	(5,601)
Profit before income tax		27,692	27,473
Income tax expense		(5,607)	(6,533)
Profit for the period		22,085	20,940
Attributable to:			
- members of the parent entity		17,987	17,187
- non-controlling interests		4,098	3,753
		Cents	Cents
Earnings per share:			
Basic earnings per share		5.05	4.81
Diluted earnings per share		5.05	4.81

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

STW COMMUNICATIONS GROUP LIMITED

Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2012

	Notes	Consolidated	
		Half-year ended 30 June 12	30 June 11
		\$'000	\$'000
Net Profit		22,085	20,940
Other comprehensive income			
Transactions with non-controlling interest (a)		5,149	-
Exchange gain arising on translation of foreign operations		1,263	887
Loss on cash flow hedges taken to equity		(120)	(300)
Income tax benefit relating to components of other comprehensive income		36	90
Other comprehensive income for the period (net of tax)		6,328	677
Total comprehensive income for the period		28,413	21,617
Total comprehensive income attributable to:			
- members of the parent entity		24,220	17,460
- non-controlling interests		4,193	4,157

- (a) During the half year ended 30 June 2012, STW Media Services Pty Limited ("SMS") disposed of a 33.33% equity interest in DT Digital. The proceeds received by SMS were \$5.2 million. The gain on sale as a result of this transaction was \$3.1 million (less the associated income tax expense).

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

STW COMMUNICATIONS GROUP LIMITED

Consolidated Balance Sheet

As at 30 June 2012

	Consolidated	
	30 June 12	31 Dec 11
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	29,280	27,141
Trade and other receivables	162,395	163,087
Other current assets	5,048	3,354
Total current assets	196,723	193,582
Non-Current Assets		
Other receivables	13,404	12,556
Investments accounted for using the equity method	95,415	97,033
Other financial assets	656	395
Plant and equipment	23,535	20,826
Deferred tax assets	12,277	9,990
Intangible assets	435,025	409,912
Other non-current assets	659	441
Total non-current assets	580,971	551,153
Total assets	777,694	744,735
Current Liabilities		
Trade and other payables	182,565	180,940
Borrowings	3,001	2,740
Current tax liabilities	7,568	12,437
Provisions	7,469	6,066
Total current liabilities	200,603	202,183
Non-Current Liabilities		
Other payables	30,712	28,173
Borrowings	133,861	109,133
Deferred tax liabilities	6,498	6,498
Provisions	2,662	2,444
Total non-current liabilities	173,733	146,248
Total liabilities	374,336	348,431
Net Assets	403,358	396,304
Equity		
Issued capital	275,297	274,895
Reserves	15,616	9,269
Retained earnings	76,453	76,801
Equity attributable to members of the parent	367,366	360,965
Non-controlling interests	35,992	35,339
Total equity	403,358	396,304

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

STW COMMUNICATIONS GROUP LIMITED

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2012

Consolidated	Notes	Issued capital	Equity Settled Share-based Payment Reserve*	Transactions With Non-Controlling Interests Reserve *	Brand Name Revaluation Reserve*	Interest Rate Hedge Reserve*	Foreign Currency Translation Reserve*	Retained Earnings	Total	Non-Controlling Interests	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2012		274,895	1,272	-	16,275	(1,206)	(7,072)	76,801	360,965	35,339	396,304
Net profit		-	-	-	-	-	-	17,987	17,987	4,098	22,085
Other comprehensive income		-	-	5,149	-	(84)	1,168	-	6,233	95	6,328
Total comprehensive income		-	-	5,149	-	(84)	1,168	17,987	24,220	4,193	28,413
Non-controlling interests on acquisition of controlled entities		-	-	-	-	-	-	-	-	726	726
Cost of share based payments		-	516	-	-	-	-	-	516	-	516
Issue of executive share plan shares	5	402	(402)	-	-	-	-	-	-	-	-
Equity dividends declared or paid	4	-	-	-	-	-	-	(18,335)	(18,335)	(4,266)	(22,601)
At 30 June 2012		275,297	1,386	5,149	16,275	(1,290)	(5,904)	76,453	367,366	35,992	403,358

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

*** Nature and purpose of reserves:**

- The equity settled share-based payment reserve is used to record the amortised cost of share rights granted to executives, the value of which has not been transferred to the relevant executives.
- The transactions with non-controlling interests reserve relates to transactions with non-controlling interests that do not result in a loss of control.
- The brand name revaluation reserve is used to record the net upward revaluation of acquired brand names.
- The interest rate hedge reserve is used to record the portion of the gains or losses on a hedging instrument in a hedge that is determined to be an effective cash flow hedge.
- The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled entities.

STW COMMUNICATIONS GROUP LIMITED

Consolidated Statement of Changes in Equity (continued)

For the half-year ended 30 June 2012

Consolidated	Notes	Issued capital	Equity Settled Share-based Payment Reserve*	Transactions With Non-Controlling Interests Reserve	Brand Name Revaluation Reserve*	Interest Rate Hedge Reserve*	Foreign Currency Translation Reserve*	Retained Earnings	Total	Non-Controlling Interests	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2011		276,186	525	-	16,275	(186)	(7,236)	62,174	347,738	36,701	384,439
Net profit		-	-	-	-	-	-	17,187	17,187	3,753	20,940
Other comprehensive income		-	-	-	-	(210)	483	-	273	404	677
Total comprehensive income		-	-	-	-	(210)	483	17,187	17,460	4,157	21,617
Non-controlling interests on acquisition of controlled entities		-	-	-	-	-	-	-	-	(2,572)	(2,572)
Cost of share based payments		-	515	-	-	-	-	-	515	-	515
Equity dividends declared or paid	4	-	-	-	-	-	-	(15,532)	(15,532)	(6,050)	(21,582)
At 30 June 2011		276,186	1,040	-	16,275	(396)	(6,753)	63,829	350,181	32,236	382,417

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

*** Nature and purpose of reserves:**

- The equity settled share-based payment reserve is used to record the amortised cost of share rights granted to executives, the value of which has not been transferred to the relevant executives.
- The transactions with non-controlling interests reserve relates to transactions with non-controlling interests that do not result in a loss of control.
- The brand name revaluation reserve is used to record the net upward revaluation of acquired brand names.
- The interest rate hedge reserve is used to record the portion of the gains or losses on a hedging instrument in a hedge that is determined to be an effective cash flow hedge.
- The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled entities.

STW COMMUNICATIONS GROUP LIMITED

Consolidated Cash Flow Statement

For the half-year ended 30 June 2012

		Consolidated	
		Half-year ended	
		30 June 12	30 June 11
		\$'000	\$'000
Cash Flows from Operating Activities	Notes		
Receipts from customers		516,641	489,627
Payments to suppliers and employees		(485,688)	(468,332)
Interest received		1,136	839
Interest and other costs of finance paid		(5,155)	(4,830)
Dividends and trust distributions received from jointly controlled entities		6,426	3,904
Income taxes paid		(12,662)	(16,282)
Net cash inflow from operating activities		20,698	4,926
Cash Flows from Investing Activities			
Payments for purchase of controlled entities, net of cash acquired	7(c)	(12,842)	(2,462)
Payments for purchase of jointly controlled entities		(1,245)	(682)
Proceeds on disposal of controlled entities		5,262	-
Earnout payments on controlled entities		(1,806)	(32,649)
Payments for purchase of plant and equipment		(3,487)	(4,189)
(Payments to)/loans from jointly controlled entities		(5,896)	1,530
Net cash outflow from investing activities		(20,014)	(38,452)
Cash Flows from Financing Activities			
Proceeds from borrowings		98,762	136,832
Repayment of borrowings		(74,800)	(99,000)
Repayment of finance lease liability		-	(83)
Dividends paid to minority interests		(4,266)	(6,050)
Equity holder dividends paid	4	(18,335)	(15,532)
Net cash inflow from financing activities		1,361	16,167
Net increase/(decrease) in cash and cash equivalents		2,045	(17,359)
Effects of exchange rate changes on cash and cash equivalents		94	75
Cash and cash equivalents at the beginning of the half-year		27,141	43,769
Cash and cash equivalents at the end of the half-year		29,280	26,485

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

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2012

Note 1. Basis of preparation of half-year ended 30 June 2012

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 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 2011 and any public announcements made by STW Communications Group Limited during the interim reporting period.

Basis of Preparation

The condensed consolidated financial statements have 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 values 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 class order 98/100, dated 10 July 1998, and in accordance with that class order 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 2011 annual report for the year ended 31 December 2011. These accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to the Company and effective for the current reporting period. The adoption of these new and revised accounting Standards and Interpretations have not resulted in changes to the Group's accounting policies.

Net Working Capital

As at 30 June 2012 the consolidated balance sheet shows current liabilities in excess of current assets by \$3,880,000. The consolidated entity has secured loans available totalling \$173,500,000 (of which \$133,600,000 is drawn at 30 June 2012), with \$3,500,000 maturing in July 2013, \$85,000,000 maturing in January 2014 and \$85,000,000 maturing in January 2015. Additionally, the group generates positive operating cash flows.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2012

Note 2. Segment information

IDENTIFICATION OF REPORTABLE SEGMENTS

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

The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and other factors.

SEGMENTS

The Company has identified two reportable segments:

- Advertising, Production and Media; and
- Diversified Communications.

Advertising, Production and Media - the Advertising, Production and Media segment provides advertising services, television and print production services and media investments for Australia and New Zealand's great brands.

Diversified Communications - the Diversified Communications segment covers the full gamut of marketing communications services. The Diversified Communications segment was established in order to offer clients a total solution to their marketing needs, well beyond their traditional advertising, production and media requirements.

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

HOLDING COMPANY

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

ACCOUNTING POLICIES

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

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 Note 2 Segment Information.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2012

Note 2. Segment information

BUSINESS SEGMENTS

The following table presents revenue and profit information and certain asset and liability information regarding business segments for the half years ended 30 June 2012 and 30 June 2011 which has been restated to reflect the current business segment presentation:

	Advertising, Media and Production		Diversified Communications		Holding Company and Unallocated		Consolidated Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue from services	84,848	82,360	71,013	70,233	-	383	155,861	152,976
Share of net profit of jointly controlled entities	2,503	2,396	1,909	1,116	-	-	4,412	3,512
Other income	1,421	1,853	88	397	676	56	2,185	2,306
Segment Revenue	88,772	86,609	73,010	71,746	676	439	162,458	158,794
Segment Result (earnings before interest, tax and depreciation)	25,140	23,493	16,722	17,607	(5,440)	(5,344)	36,422	35,756
Depreciation and amortisation							(4,174)	(3,545)
Net interest							(4,556)	(4,738)
Profit before income tax							27,692	27,473
Income tax expense							(5,607)	(6,533)
Profit for the period							22,085	20,940
Net profit attributable to:								
- members of the parent entity							17,987	17,187
- non-controlling interests							4,098	3,753

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2012

Note 3. Revenue

	Consolidated	
	Half-year ended	
	2012	2011
	\$'000	\$'000
Revenue for the half-year includes the following items:		
(a) Share of net profits of jointly controlled entities		
Equity share of jointly controlled entities' net profits	4,412	3,512
(b) Other income		
Interest income	1,136	864
Gain on fair value adjustment on non-current liability (deferred cash settlement)	1,404	-
Other income	2,185	1,322
	4,725	2,186

Note 4. Dividends

	Consolidated	
	Half-year ended	
	2012	2011
	\$'000	\$'000
Ordinary shares		
Dividends declared for or paid during the half-year:		
Final franked dividend for 2011: 5.0 cents per share (2010: 4.2 cents per share)	18,140	15,253
Dividends paid pursuant to the executive share plan ("ESP")	195	279
Total dividends declared or paid during the half-year:	18,335	15,532

Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year, the Directors have recommended the payment of an interim dividend of 3.3 cents (2011: 3.0 cents) per fully paid ordinary share, fully franked at 30%. The aggregate amount of the proposed interim dividend expected to be paid on 10 September 2012 (9 September 2011), 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:

11,972	10,929
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STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2012

Note 5. Movement in ordinary shares on issue

	Consolidated Half-year ended		Consolidated Half-year ended	
	2012	2011	2012	2011
	Shares	Shares	\$'000	\$'000
At 1 January	362,798,351	364,310,964	296,144	297,435
Shares under the executive share plan	(6,652,333)	(6,652,333)	(21,249)	(21,249)
Issue of executive share plan shares (i)	467,500	-	402	-
At 30 June	356,613,518	357,658,631	275,297	276,186

- (i) On 1 March 2012, these shares were transferred from being held in trust to being held by the relevant executive. These shares had at that time met the second vesting criteria in respect of their issue and as such became fully vested on that date.

Note 6. Intangible assets - goodwill

	Consolidated Half-year ended	
	2012	2011
	\$'000	\$'000
At 1 January		
Cost	414,662	386,940
Accumulated amortisation and impairment	(4,750)	(4,093)
Net book amount	409,912	382,847
Half-year ended 30 June		
Opening net book amount – At 1 January	409,912	382,847
Acquisition of controlled entities (Note 7)	15,179	14,076
Additions of intangibles through controlled entities (Note 7)	11,013	-
Additions of intangibles	471	500
Acquisition purchase price adjustment	(2,368)	5,463
Net exchange differences on translation of financial reports	1,368	958
Accumulated amortisation	(550)	(692)
Closing net book amount – At 30 June	435,025	403,152
At 30 June		
Cost	440,325	407,937
Accumulated amortisation and impairment	(5,300)	(4,785)
Net book amount	435,025	403,152

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements For the half-year ended 30 June 2012

Note 7. Business combinations

(a) Summary of acquisitions

During the half-year ended 30 June 2012:

On 1 April 2012, STW Media Services ("SMS") acquired 100% of Buchanan Group Pty Limited ("Buchanan"). Buchanan is a full service advertising agency which operates in Canada, the United Kingdom, Malaysia, Singapore and Australia.

On 1 March 2012, SMS acquired 80% of Yellow Edge Pty Limited ("Yellow Edge"). Yellow Edge is a training and facilitation agency which operates out of the ACT, New South Wales, Queensland, Victoria and New Zealand.

On 1 January 2012, SMS acquired 100% of Edge Pty Limited ("Edge"). Edge is a full service advertising agency which operates out of Thailand, Vietnam, Singapore and Hong Kong.

On 1 January 2012, SMS acquired an additional 25% of Catalyst Advertising Pty Limited ("Catalyst") thereby increasing SMS's ownership to 75%. Catalyst is a full service advertising agency which operates out of Melbourne.

On 30 June 2012, SMS acquired 70% of Picnic Software Pty Limited ("Picnic"). Picnic is a production software company which operates out of Melbourne.

During the half-year ended 30 June 2011:

On 31 January 2011, The Brand Agency Unit Trust ("The Brand Agency") acquired 100% of Rolfe Limited ("Rolfe"). At this time, STW Media Services ("SMS") holds an 80% share in The Brand Agency. Rolfe is a full service advertising agency which operates out of New Zealand.

On 1 January 2011, SMS acquired an additional 51% of Tongue Pty Limited ("Tongue") (formerly New Dialogue Pty Limited), thereby increasing SMS's ownership to 100%. Tongue is a full service advertising agency which operates out of Sydney.

On 1 January 2011, Singleton, Ogilvy and Mather (Holdings) Pty Ltd ("SOM Holdings") acquired a 75% interest in Barton Deakin Pty Limited ("Barton Deakin"). STW Communications Group Limited holds a 66.67% share in SOM Holdings. Barton Deakin is a PR and Government relations agency which operates out of Sydney and Melbourne.

On 1 January 2011, STW Smollan Field Marketing Pty Limited ("Smollan") acquired 80% of Quality National Team Pty Limited ("QNT"). SMS holds a 51% share in Smollan. QNT is a field marketing agency which operates out of Brisbane.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2012

Note 7. Business combinations (continued)

(a) Summary of acquisitions (continued)

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

	Note	Consolidated Half-year ended 2012 \$'000	2011 \$'000
		Total	Total
Purchase consideration:			
Fair value – equity accounted interest		2,224	8,765
Acquisition cost in prior periods and/or deferred cash settlement		9,969	2,897
Cash paid in the current period	7(c)	17,040	3,350
Total purchase consideration		29,233	15,012
Fair value of net identifiable assets acquired	7(b)	14,054	936
Goodwill acquired and recognised		15,179	14,076

(b) Assets and liabilities acquired

The assets and liabilities arising from the acquisitions are as follows:

	Consolidated Half-year ended 2012 \$'000	2011 \$'000
	Fair Value	Fair Value
Cash	4,198	888
Trade receivables	5,240	977
Prepayments	199	9
Other current assets	2,286	2,127
Plant & equipment	1,498	710
Deferred tax asset	158	90
Intangible assets	11,013	-
Trade payables	(4,443)	(586)
Payables and other current liabilities	(4,217)	(2,343)
Provision for income tax	(409)	-
Provision for employee benefits	(22)	(80)
Borrowings	(1,027)	(941)
Net assets	14,474	851
Non-controlling interests	420	85
Net identifiable assets acquired	14,054	936

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2012

Note 7. Business combinations (continued)

(c) Purchase consideration

	Consolidated	
	Half-year ended	
	2012	2011
	\$'000	\$'000
Outflow of cash to acquire subsidiary, net of cash acquired:		
Cash consideration	17,040	3,350
Less: cash balances acquired	(4,198)	(888)
Outflow of cash	12,842	2,462

As at 30 June 2012, the amounts recognised in the financial statements for the business combination of Buchanan Group and Edge has been determined on a provisional basis due to the final valuation of the Group still being undertaken.

The Group's equity interest in Catalyst before the business combination amounted to \$2,224,000. The Group recognised a gain of \$631,000 as a result of measuring at fair value its 50% equity interest in Catalyst held before the business combination. The gain is included in other income in the Group's income statement for the year ended 30 June 2012.

Capital acquisition costs incurred in relation to business combinations for the half year ended 30 June 2012 was \$450,000.

Note 8. Investments in Associates

On 1 April 2012, SMS acquired 49% of Purple Communications Pty Limited ("Purple"). Purple is a public relations agency which operates out of Perth.

Note 9. Subsequent Events

In July 2012, the Company entered into an agreed to increase its banking facilities by an additional \$50 million, maturing in July 2015, with an option to extend the maturity to July 2016 for half of the additional facilities. The Company now has access to debt facilities totalling \$223.5 million (of which \$136.9 million is drawn).

Effective 1 July 2012, STW Media Services "SMS" acquired an additional 51% of White Digital Pty Limited ("The White Agency") thereby increasing SMS's ownership to 100%. The White Agency is a full service digital advertising agency which operates out of Sydney.

Effective 1 July 2012, STW Media Services "SMS" acquired 40% of Amblique Pty Limited ("Amblique"). Amblique is an e-commerce & web development/design agency which operates out of Sydney.

Apart from the items disclosed above, there has not arisen, in the interval between the end of the 6 months ended 30 June 2012 and the date of the signing of this financial report, any item, transaction or event of 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.

STW COMMUNICATIONS GROUP LIMITED

Directors' Declaration

The Directors declare that:

- (a) in the directors' opinion, the financial statements and notes for the half-year ended 30 June 2012 as set out on pages 4 to 17 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 s 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Robert Mactier
Chairman
Sydney
9 August 2012



Michael Connaghan
Chief Executive Officer
Sydney
9 August 2012

Independent Auditor's Review Report to the members of STW Communications Group Limited

We have reviewed the accompanying half-year financial report of STW Communications Group Limited, which comprises the condensed statement of financial position as at 30 June 2012, and the condensed income statement, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 18.

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 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 STW Communications Group Limited's financial position as at 30 June 2012 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 STW Communications Group 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 STW Communications Group 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 STW Communications Group 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 2012 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



JM Stanley
Partner
Chartered Accountants
Sydney, 9 August 2012