



STW COMMUNICATIONS GROUP LIMITED

ABN 84 001 657 370

GENERAL PURPOSE FINANCIAL REPORT

INTERIM FINANCIAL REPORT - 30 JUNE 2013

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 2012 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 2013

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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 2013. 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 (Chairman)
Michael Connaghan
Paul Richardson
Ian Tsicalas
Graham Cubbin
Peter Cullinane
Kim Anderson

REVIEW OF OPERATIONS

The profit for the period attributable to members of STW Communications Group Limited for the period ended 30 June 2013 of \$18.7 million, up 3.9% (2012: \$18.0 million).

	Consolidated		
	30 June 2013	30 June 2012	Change
	\$million	\$million	
Total revenue (including share of net profits from jointly controlled entities)	180.2	165.0	9.2%
EBITDA	38.1	36.4	4.7%
Profit for the period	23.2	22.1	5.0%
Non-controlling interests	(4.5)	(4.1)	
Profit attributable to members of the parent entity	18.7	18.0	3.9%

	Cents per Share	Cents per Share	
EPS – Profit for the period	4.68	5.05	(7.3)%

The Company has agreed to terms to dispose of its interest in Haines NZ Limited with effect from 1 January 2013, resulting in a loss on disposal of \$11.2 million. This loss has been charged against a pre-existing provision for impairment such that it has no impact on the income statement for the period ended 30 June 2013.

NEW DEBT FACILITY

The Company signed new committed debt facilities totalling \$110 million with Westpac Banking Corporation, replacing the previous tranche maturing in January 2014. The new facility includes 3 and 5 year tranches with term out options, meaning the Company now enjoys debt lines out to the second half of 2019.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the significant item outlined in Note 13 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, 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
14 August 2013



Michael Connaghan
Chief Executive Officer
Sydney
14 August 2013

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

14 August 2013

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.

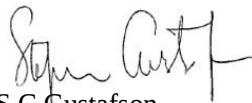
As lead audit partner for the review of the financial statements of STW Communications Group Limited for the half-year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



S C Gustafson

Partner

Chartered Accountants

STW COMMUNICATIONS GROUP LIMITED

Consolidated Income Statement

For the half-year ended 30 June 2013

	Notes	Consolidated	
		30 June 13	30 June 12
		\$'000	\$'000
Continuing Operations			
Revenue		171,316	155,861
Other income	3(b)	4,601	4,725
Share of net profit of jointly controlled entities accounted for using the equity method	3(a)	4,283	4,412
		180,200	164,998
Employee benefits expense		(111,417)	(98,510)
Occupancy costs		(10,296)	(8,799)
Depreciation and amortisation expense		(4,066)	(4,174)
Travel, training and other personal costs		(5,655)	(5,480)
Research, new business and other commercial costs		(3,467)	(3,689)
Office and administration costs		(8,121)	(7,847)
Compliance, audit and listing costs		(2,746)	(3,114)
Finance costs		(5,866)	(5,693)
Profit before income tax		28,566	27,692
Income tax expense	4	(5,316)	(5,607)
Profit for the period		23,250	22,085
Attributable to:			
- members of the parent entity		18,736	17,987
- non-controlling interests		4,514	4,098
			Cents
Earnings per share:			
Basic earnings per share		4.68	5.05
Diluted earnings per share		4.68	5.05

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 2013

	Consolidated	
	Half-year ended	
	30 June 13	30 June 12
Notes	\$'000	\$'000
Net Profit	23,250	22,085
Other comprehensive income		
<i>Items that may be reclassified subsequently to income statement</i>		
Transactions with non-controlling interest (a)	-	5,149
Exchange gain arising on translation of foreign operations	6,752	1,263
Loss on cash flow hedges taken to equity	600	(120)
Income tax benefit/(expense) relating to components of other comprehensive income	(180)	36
Other comprehensive income for the period (net of tax)	7,172	6,328
Total comprehensive income for the period	30,422	28,413
Total comprehensive income attributable to:		
- members of the parent entity	25,258	19,071
- non-controlling interests	5,164	9,342

- (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 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 2013

	Notes	Consolidated	
		30 June 13 \$'000	31 Dec 12 \$'000
Current Assets			
Cash and cash equivalents		30,150	43,641
Trade and other receivables		170,182	154,458
Other current assets		5,812	4,975
Asset held for sale	11	1,959	-
Total current assets		208,103	203,074
Non-Current Assets			
Other receivables		18,904	14,149
Investments accounted for using the equity method		106,434	95,373
Other financial assets		575	500
Plant and equipment		28,728	25,495
Deferred tax assets		9,129	11,207
Intangible assets	7	489,717	495,533
Other non-current assets		697	610
Total non-current assets		654,184	642,867
Total assets		862,287	845,941
Current Liabilities			
Trade and other payables		186,637	182,271
Borrowings		35,254	3,208
Current tax liabilities		2,112	9,316
Provisions		7,931	7,089
Total current liabilities		231,934	201,884
Non-Current Liabilities			
Other payables		26,936	37,782
Borrowings		127,793	133,009
Deferred tax liabilities		5,001	6,756
Provisions		3,438	3,075
Total non-current liabilities		163,168	180,622
Total liabilities		395,102	382,506
Net Assets		467,185	463,435
Equity			
Issued capital		315,699	313,829
Reserves		17,230	13,064
Retained earnings		89,194	90,649
Equity attributable to members of the parent		422,123	417,542
Non-controlling interests		45,062	45,893
Total equity		467,185	463,435

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 2013

Consolidated	Notes	Issued capital	Equity Settled Share-based Payment Reserve*	Other 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
At 1 January 2013		313,829	2,153	16,275	(1,076)	(4,288)	90,649	417,542	45,893	463,435
Net profit		-	-	-	-	-	18,736	18,736	4,514	23,250
Other comprehensive income		-	-	-	420	6,102	-	6,522	650	7,172
Total comprehensive income		-	-	-	420	6,102	18,736	25,258	5,164	30,422
Disposal of foreign currency translation reserve	9	-	-	-	-	(523)	-	(523)	-	(523)
Cost of share based payments		-	37	-	-	-	-	37	-	37
Issue of executive share plan shares	6	1,870	(1,870)	-	-	-	-	-	-	-
Equity dividends declared or paid	5	-	-	-	-	-	(20,191)	(20,191)	(5,995)	(26,186)
At 30 June 2013		315,699	320	16,275	(656)	1,291	89,194	422,123	45,062	467,185

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 other 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 2013

Consolidated	Notes	Issued capital	Equity Settled Share-based Payment Reserve*	Other 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
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		-	-	-	(84)	1,168	-	1,084	5,244	6,328
Total comprehensive income		-	-	-	(84)	1,168	17,987	19,071	9,342	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	6	402	(402)	-	-	-	-	-	-	-
Equity dividends declared or paid	5	-	-	-	-	-	(18,335)	(18,335)	(4,266)	(22,601)
At 30 June 2012		275,297	1,386	16,275	(1,290)	(5,904)	76,453	362,217	41,141	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 other 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 2013

	Notes	Consolidated	
		Half-year ended	
		30 June 13	30 June 12
		\$'000	\$'000
Cash Flows from Operating Activities			
Receipts from customers		509,038	516,641
Payments to suppliers and employees		(490,810)	(485,688)
Interest received		352	1,136
Interest and other costs of finance paid		(5,027)	(5,155)
Dividends and trust distributions received from jointly controlled entities		5,848	6,426
Income taxes paid		(12,220)	(12,662)
Net cash inflow from operating activities		7,181	20,698
Cash Flows from Investing Activities			
Payments for purchase of controlled entities, net of cash acquired		-	(12,842)
Payments for purchase of jointly controlled entities		(2,983)	(1,245)
Cash outflow on disposal of controlled entities	9	(489)	-
Proceeds on disposal of controlled entities		-	5,262
Earnout payments on controlled entities		(12,171)	(1,806)
Payments for purchase of plant and equipment		(7,564)	(3,487)
Loans from/(payments to) jointly controlled entities		1,149	(5,896)
Net cash outflow from investing activities		(22,058)	(20,014)
Cash Flows from Financing Activities			
Proceeds from borrowings		122,000	98,762
Repayment of borrowings		(95,170)	(74,800)
Dividends paid to minority interests		(5,883)	(4,266)
Equity holder dividends paid	5	(20,191)	(18,335)
Net cash inflow from financing activities		756	1,361
Net (decrease)/increase in cash and cash equivalents		(14,121)	2,045
Effects of exchange rate changes on cash and cash equivalents		630	94
Cash and cash equivalents at the beginning of the half-year		43,641	27,141
Cash and cash equivalents at the end of the half-year		30,150	29,280

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 2013

Note 1. Basis of preparation of half-year ended 30 June 2013

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 2012 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 2012 annual report for the year ended 31 December 2012. 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 2013, the consolidated balance sheet shows current liabilities in excess of current assets by \$23.8 million. The consolidated entity has secured loans totalling \$210 million (of which \$160 million is drawn at 30 June 2013). The Company signed new committed debt facilities totalling \$110 million with Westpac Banking Corporation, replacing the previous tranche maturing in January 2014. The new facility includes 3 and 5 year tranches with term out options, meaning the Company now enjoys debt lines out to the second half of 2019.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2013

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 services including advertising, media investment management and television and print production.

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.

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 2013

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 2013 and 30 June 2012:

	Advertising, Media and Production		Diversified Communications		Holding Company and Unallocated		Consolidated Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue from services	98,358	84,848	72,958	71,013	-	-	171,316	155,861
Share of net profit of jointly controlled entities	3,362	2,503	921	1,909	-	-	4,283	4,412
Other income	1,490	1,421	401	88	27	676	1,918	2,185
Segment Revenue	103,210	88,772	74,280	73,010	27	676	177,517	162,458
Segment Result (earnings before interest, tax and depreciation)	27,015	25,140	14,709	16,722	(3,578)	(5,440)	38,146	36,422
Depreciation and amortisation							(4,066)	(4,174)
Net interest							(5,514)	(4,556)
Profit before income tax							28,566	27,692
Income tax expense							(5,316)	(5,607)
Profit for the period							23,250	22,085
Net profit attributable to:								
- members of the parent entity							18,736	17,987
- non-controlling interests							4,514	4,098

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2013

Note 3. Revenue

	Consolidated	
	Half-year ended	
	2013	2012
	\$'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	4,283	4,412
(b) Other income		
Interest income	352	1,136
Gain on fair value adjustment on non-current liability (deferred cash settlement)	2,331	1,404
Other income	1,918	2,185
	4,601	4,725

Note 4. Income Tax

	Consolidated	
	Half-year ended	
	2013	2012
	\$'000	\$'000
Profit from ordinary activities before income tax expense:	28,566	27,692
Tax at the Australian tax rate of 30% (2012: 30%)	8,570	8,308
Adjustments for current tax of prior periods	(117)	114
Tax adjustments resulting from equity accounting	(1,285)	(1,264)
Other items allowable for income tax purposes	(1,852)	(1,551)
Income tax expense reported in the income statement	5,316	5,607

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2013

Note 5. Dividends

	Consolidated	
	Half-year ended	
	2013	2012
	\$'000	\$'000
Ordinary shares		
Dividends declared for or paid during the half-year:		
Final franked dividend for 2012: 5.0 cents per share (2011: 5.0 cents per share)	19,883	18,140
Dividends paid pursuant to the executive share plan ("ESP")	308	195
Total dividends declared or paid during the half-year:	20,191	18,335

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 (2012: 3.3 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 2013 (10 September 2012), 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:

13,326 11,972

Note 6. Movement in ordinary shares on issue

	Consolidated		Consolidated	
	Half-year ended		Half-year ended	
	2013	2012	2013	2012
	Shares	Shares	\$'000	\$'000
At 1 January	403,828,512	362,798,351	334,676	296,144
Shares under the executive share plan	(6,184,833)	(6,652,333)	(20,847)	(21,249)
Issue of executive share plan shares (i)	3,299,625	467,500	1,870	402
At 30 June	400,943,304	356,613,518	315,699	275,297

- (i) On 1 March 2013, 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.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2013

Note 7. Intangible assets - goodwill

	Goodwill \$'000	Brand names \$'000	Intellectual Property \$'000	Total \$'000
At January 2012				
Gross carrying amount – at cost	350,967	57,027	6,668	414,662
Accumulated impairment and amortisation	(3,267)	-	(1,483)	(4,750)
Net carrying amount	347,700	57,027	5,185	409,912
Year ended 31 December 2012				
Balance at the beginning of the year	347,700	57,027	5,185	409,912
Additions	-	-	-	-
Acquisition of subsidiary (refer to Note 8)	79,653	-	5,781	85,434
Disposals	-	-	-	-
Net exchange differences on translation	1,665	-	-	1,665
Impairment and amortisation expense	-	-	(1,478)	(1,478)
Balance at the end of the year	429,018	57,027	9,488	495,533
At 31 December 2012				
Gross carrying amount – at cost	432,285	57,027	12,449	501,761
Accumulated impairment and amortisation	(3,267)	-	(2,961)	(6,228)
Net carrying amount	429,018	57,027	9,488	495,533
Half year ended 30 June 2013				
Balance at the beginning of the year	429,018	57,027	9,488	495,533
Additions	10,784	-	399	11,183
Movement in the estimate of deferred cash settlements	(12,497)	-	-	(12,497)
Acquisition of subsidiary (refer to Note 8)	-	-	-	-
Disposals	(8,445)	-	(417)	(8,862)
Net exchange differences on translation	4,704	-	-	4,704
Impairment and amortisation expense	-	-	(344)	(344)
Balance at the end of the half year	423,564	57,027	9,126	489,717
At 30 June 2013				
Gross carrying amount – at cost	426,831	57,027	12,431	496,289
Accumulated impairment and amortisation	(3,267)	-	(3,305)	(6,572)
Net book value	423,564	57,027	9,126	489,717

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2013

Note 8. Business combinations

Summary of acquisitions

During the half-year ended 30 June 2013:

No acquisitions of controlling interests were made during the half year ended 30 June 2013.

During the half-year ended 30 June 2012:

On 1 January 2012, STW Media Services (“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 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 April 2012, 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 30 June 2012, SMS acquired 70% of Picnic Software Pty Limited (“Picnic”). Picnic is a production software company which operates out of Melbourne.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2013

Note 9. Disposal of subsidiary

During the period, the Company has agreed to terms to dispose of its interest in Haines NZ Limited. The effective date of the transaction is 1 January 2013.

	Consolidated	
	Half-year ended	
	2013	2012
	\$'000	\$'000
(a) Consideration received		
Consideration received in cash and cash equivalents	-	-
Deferred proceeds	381	-
Total consideration	381	-
(b) Analysis of assets and liabilities over which control was lost		
Current assets		
Cash and cash equivalents	489	-
Trade receivables	912	-
Other receivables	405	-
Non-current assets		
Prepayments	86	-
Shares in associated entities	15	-
Plant & equipment	904	-
Deferred tax asset	23	-
Intangible assets	417	-
Goodwill	8,445	-
Current liabilities		
Trade creditors	(562)	-
Other current payables	(2)	-
Provision for annual leave	(43)	-
Net assets disposed of	11,089	-
(c) Loss on disposal of subsidiary		
Deferred proceeds	381	-
Investment in Haines	(11,090)	-
Foreign currency translation reserve	(523)	-
Charged to impairment provision	11,232	-
Loss on disposal	-	-
(d) Net cash outflow on disposal of subsidiary		
Consideration received in cash or cash equivalents	-	-
Cash and cash equivalent balances disposed of	(489)	-
Net cash outflow on disposal	(489)	-

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2013

Note 10. Investments in Associates

Name	Ownership Interest	
	June 2013	Dec 2012
Amblique Pty Limited	40%	40%
Bohemia Group Pty Limited	37.5%	37.5%
Beyond Analysis Australia Pty Limited	49% (i)	-
Bullseye Group Pty Limited	40% (i)	-
Campaigns and Communications Group Pty Limited	20%	20%
CPR Vision Pte Limited	40% (i)	-
Cru Holdings Pty Limited (STW's effective ownership interest is 39.2%)	49% (i)	-
Enigma Communication Pty Limited	20%	20%
Evocatif Pty Limited	49%	49%
Ewa Heidelberg Pty Limited (formerly i2i Communications Pty Limited)	49%	49%
Feedback ASAP Pty Ltd	20.4%	20.4%
Fusion Enterprises Pty Limited	49% (i)	-
Houston Group Pty Limited	40%	40%
Ikon3 LLC	20%	20%
Ikon Perth Pty Limited	-	45%
J. Walter Thompson International Limited (New Zealand)	49%	49%
Jamshop Pty Limited	40%	40%
Marketing Communications Holdings Australia Pty Limited and its subsidiaries	49%	49%
Massive Media Pty Limited and its subsidiaries	49%	49%
M Media Group Pty Limited and its subsidiaries	47.5%	47.5%
Ogilvy Public Relations Worldwide Pty Limited and its subsidiaries	49%	49%
Paragon Design Group Pty Limited	49%	49%
Purple Communications Australia Pty Ltd	44%	44%
Spinach Advertising Pty Limited	20%	20%
TaguchiMarketing Pty Limited	20%	20%
TCO Pty Limited	40%	40%
The Origin Agency Pty Limited	49%	49%

(i) The Company purchased shares in this entity during the first half of the 2013 financial year.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2013

Note 11. Asset held for sale

During the half year ended 30 June 2013, the Company reassessed the carrying value of an investment in one of its equity accounted associates. This entity is being held for sale

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 holds the following financial instruments:

	Consolidated	
	Half-year ended	
	2013	2012
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	30,150	43,641
Trade and other receivables	189,086	168,607
Other financial assets	575	500
	219,811	212,748
Financial liabilities		
Trade and other payables (excluding deferred cash settlement and derivatives)	180,965	172,620
Deferred cash settlement	31,669	45,896
Secured bank loans	163,047	136,217
Derivative financial instruments	937	1,537
	376,618	356,270

(a) Fair value hierarchy

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

The Group's financial assets and liabilities measured and recognised at fair value at 30 June 2013 were based on the following fair value measurements:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (iii) Inputs for the asset or liability that are not based on observable market data. (unobservable inputs) (level 3).

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2013

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2012 and 30 June 2013:

At 30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Shares in listed entities	432	-	-	432
Shares in unlisted entities	-	-	143	143
Total Assets	432	-	143	575
Liabilities				
Deferred cash settlement	-	-	31,669	31,669
Derivatives used for hedging	-	937	-	937
Total Liabilities	-	937	31,669	32,606

At 31 December 2012	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Shares in listed entities	358	-	-	358
Shares in unlisted entities	-	-	142	142
Total Assets	358	-	142	500
Liabilities				
Deferred cash settlement	-	-	45,896	45,896
Derivatives used for hedging	-	1,537	-	1,537
Total Liabilities	-	1,537	45,896	47,433

(b) Valuation techniques used to derive level 2 and level 3 fair values

If one or more of the significant inputs required to fair value an instrument is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar investments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of the deferred cash settlements is calculated as the present value of estimated future payments based on a discount rate which approximates the Group's cost of borrowing.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2013

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

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

The following table presents the changes in level 3 instruments for the half year ended 30 June 2013:

	Unlisted equity securities \$'000	Deferred cash settlement \$'000	Total \$'000
Opening balance 1 January 2013	142	45,896	46,038
Deferred cash settlement payments made during the period	-	(10,665)	(10,665)
Gain on fair value adjustment on non-current liability recognised in other income	-	(2,331)	(2,331)
Fair value adjustment on non-current liability recognised in the balance sheet	-	(1,414)	(1,414)
Other	1	183	184
Closing balance 30 June 2013	143	31,669	31,812

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to evaluate fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. These instruments are included in level 2 and comprise debt investments and derivative financial instruments. In circumstances where a valuation technique is based on unobservable inputs, such instruments are included in level 3.

STW COMMUNICATIONS GROUP LIMITED

Notes to the Financial Statements

For the half-year ended 30 June 2013

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

(d) Fair values of other financial instruments

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 2013. These are presented in the table below:

Due to their short-term nature, the carrying amount of the receivables, current payables, current borrowings and the interest rate swap is assumed to approximate their fair value.

	Carrying amount	Fair value
	\$'000	\$'000
Non-current assets		
Amounts receivable from jointly controlled entities	18,904	18,904
Other financial assets	575	575
Total	19,479	19,479
Non-current liabilities		
Deferred cash settlement	16,711	16,711
Sundry and other payables	243	243
Amounts payable to jointly controlled entities	9,982	9,982
Bank loans	127,793	127,793
Total	154,729	154,729

Note 13. Subsequent Events

Subsequent to the half year end, the Company signed new committed debt facilities totalling \$110 million with Westpac Banking Corporation, replacing the previous tranche maturing in January 2014. The new facility includes 3 and 5 year tranches with term out options, meaning the Company now enjoys debt lines out to the second half of 2019.

Apart from the item disclosed above, there has not arisen, in the interval between the end of the interim period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial 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 2013 as set out on pages 4 to 22 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
14 August 2013



Michael Connaghan
Chief Executive Officer
Sydney
14 August 2013

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 2013, 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 23.

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 2013 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 2013 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



S C Gustafson

Partner

Chartered Accountants

Sydney, 14 August 2013